

LEADER-POST

From the Regina Leader-Post – Wednesday, May 4, 2005 – Page B8

Province has received millions from Ottawa

I write in connection with an article in your April 21st edition, "Revenue sharing system stinks". It reported the views of Brian Lee Crowley, the president of the Atlantic Institute for Market Studies, a right-wing think-tank based in Halifax.

In expressing his opinions about Canada's Equalization system, Crowley advanced a number of erroneous notions that deserve correction.

First, and most seriously, he makes the patently false suggestions that ". . . the federal government will try to keep Saskatchewan on equalization" as a means of political domination. With all due respect, nothing could be more ludicrous, or more insulting to Saskatchewanians.

Generations of determined citizens in this province have struggled mightily over the years to cast off the constraints of history and geography, distance and climate, politics and defeatism to move beyond old dependencies and limitations.

One fine ambition has been to outgrow our traditional need for equalization. And the Government of Canada supports that goal.

To that end, we have invested \$500 million in better Saskatchewan infrastructure; another \$575 million in world-class science and technology; and millions more in rural value-added and diversification; renewable fuels and alternative energy; the film, video, new-media and cultural sectors; sophisticated new vaccine developments; the growth of tourism, the promotion of trade . . . and the list goes on!

The Government of Canada celebrates Saskatchewan's recent "graduation" from its reliance upon equalization, and we look forward to investing further in the innovation, productivity, competitiveness and growth that will secure Saskatchewan as a successful "have" province for the long-term.

Secondly, Crowley failed to acknowledge that major changes have been made to equalization recently, benefiting Saskatchewan:

- Like the compensation for errors in the previous workings of the formula, resulting in a \$120 million gain for Saskatchewan this past year; and



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Janice Bockham
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Dear Editor:

Federal Minister of Finance Ralph Goodale's recent letter about my talk in Regina on equalization is, in sports terms, an "own goal".

I said Ottawa benefits from having a number of provinces dependent on money from Ottawa, which he hotly denies. And how does he deny it? By listing all the ways in which Ottawa throws money at less-developed provinces like Saskatchewan. If federal spending of this type were the road to prosperity, then of course my region, Atlantic Canada, would be the nation's economic powerhouse. Need I say more?

He suggests further that the efforts of generations of Saskatchewanians to escape dependence on equalization are somehow discounted by me. Poppycock. What I did was lay out for Saskatchewanians all the ways that the federal government works to subvert their efforts, efforts which I applaud, and think should be rewarded. Unfortunately, the federal government punishes those efforts, chiefly through the equalization clawback.

Yes, the unbelievable state of affairs under which Saskatchewan suffered the loss of \$1.20 or so in equalization payment for every dollar in revenue it received for some natural resource revenues, has forced Mr. Goodale to make a \$120-million special payment to the province in compensation, but this leaves the underlying formula unchanged. He only made this correction to years of abuse after having been embarrassed into doing so by the Government of Saskatchewan bolstered by a study by Queen's University professor Tom Courchene a little over a year ago. And by the way, all the special payment does is to reduce the federal government's clawback of these provincial revenues from around 120 percent to roughly 100 percent. If the minister thinks this level of "taxation" encourages Saskatchewan to develop its own economy and escape dependence on equalization, I wonder what he thinks a disincentive would look like.

Mr. Goodale's suggestion that the clawback has been "eliminated" makes me wonder if the Minister understands how his own formula works. Some of the worst features of the clawback may have been slightly improved, but Saskatchewan still suffers the same sort of clawback that other provinces do under equalization, which on most kinds of revenue is in the range of 90 to 100 percent. I made the case in my talk that non-renewable natural resource revenues should be completely excluded from the equalization formula, in exactly the way that the recent offshore accord excludes oil and gas revenues from equalization in the Atlantic region. If Ottawa were now offering this deal to Saskatchewan, the province's finance minister, Harry van Mulligen, would be delighted, but Mr. Goodale is not and therefore to suggest that the clawback has been "eliminated" is nonsense.

I welcome the work of the expert panel on equalization, but I would be willing to bet Mr. Goodale one percent of my revenues versus one percent of his that the panel will leave the essential features of equalization I have described pretty much as they are. If they do, it will be a tragedy for those of us in all parts of the country trying to escape dependence on Ottawa and stand on our own two feet.

Sincerely,

A handwritten signature in black ink that reads "Brian Lee Crowley". The signature is written in a cursive style and is positioned to the left of a vertical red line.

Brian Lee Crowley, President
Atlantic Institute for Market Studies

- The elimination of the clawback in the program since February of last year, resulting in a further \$590 million gain for Saskatchewan.

Thirdly, he fails to mention that the amount of federal money now available for distribution among the less prosperous ("have-not") provinces stands at \$10.9 billion this year -- an all-time high -- and it will increase at the rate of 3.5 per cent per year thereafter, providing more support and more certainty than ever before.

And fourth, Crowley fails to note that an independent expert panel of eminent Canadians is now examining the whole equalization formula to find ways in which it can be made to work more fairly and effectively, for Saskatchewan and the whole country. Indeed, Crowley will no doubt have the opportunity to appear before that panel to offer advice, and so will the government of Saskatchewan.

Ralph Goodale

Goodale is MP for Regina Wascana and federal minister of Finance

Ottawa