

June 5, 2013

Premier Kathleen Wynne
Queen's Park
Toronto, ON

Madame Premier:

The \$16 billion-a-year federal Equalization program is up for renegotiation and renewal in 2014. While receiving-provinces have been arming themselves and rallying for the fight to keep their federal transfers, donor provinces have mostly been missing in action.

As the largest province and historic “sugar daddy of Confederation” (to quote Martin Regg Cohn), Ontario must show leadership in ensuring Equalization is equitable and fair to all Canadians. As the formula stands, it is not fair to the citizens of Ontario.

Ontario recently became a “have-not” province for the first time in Canada’s history. As our economy slumped and government spending increased, Ontario lost the fiscal capacity to provide services at the Canadian standard, and therefore joined the cluster of provinces on the federal dole.

This is not good for Canada.

Ontario has joined Manitoba, Quebec, PEI, Nova Scotia, and New Brunswick, and this year will receive [\\$3.2 billion](#) in Equalization transfers.

This does not, however, paint the entire picture of federal transfers. Despite its status as an official “have-not” province and the second largest Equalization recipient (nominally), Ontario is still a net contributor to the federal government. The formula is so complicated, Ontario taxpayers are both *sending* and *receiving* money from the feds through Equalization. Consequently, each year on net Ontarians transfers approximately \$11 billion – 1.9 per cent of our GDP – to the rest of Canada.

It is true that for the first time in Canada’s history Ontario is collecting money from the feds. But, Ontario isn’t a habitual collector of Equalization. If your government balances Ontario’s budget and the economy recovers, Ontario will once again be a donor province in the Equalization scheme.

The Equalization formula is broken. The formula hurts both recipient and donor provinces. It especially hurts Ontario, which is a province that both receives from and donates to the program. Let’s let the numbers speak for themselves:

Ontario holds 38.7 per cent of Canada's population. Our share of revenue sent to the feds make up 39 per cent of their annual budget. And yet, Ontario receives only 34 per cent [back in federal spending](#).

Ontario taxpayers are getting the short end of the stick.

It is fundamentally unfair to force taxpayers in Ontario to pay for better services in other provinces than they themselves receive here at home.

Ontario's silence on Equalization is deafening.

We know that [Saskatchewan Premier Brad Wall](#) has publicly taken a tough stance on Equalization, and we urge you to follow his lead.

Equalization should not be a federal welfare program. It should be a temporary fiscal recovery program. Rather than incentivise wasteful government, Equalization should provide bridge funding to poorer provinces on the condition that they bring their fiscal house in order.

Quebec is the perfect example. Rather than hand Quebec \$8 billion a year in Equalization payments, the federal government should count that province's 'fiscal capacity' as if it had already developed its natural resources the way Alberta and Saskatchewan have. Taxpayers outside Quebec are literally paying Quebec not to develop its resources. This is not how our government should work.

We need to reform Equalization to encourage development, growth, and efficient government. Taxpayers across Canada would be better off and we would be able to withstand economic turmoil south of the border and across the Atlantic.

Quite simply, without your leadership, the federal Equalization program will be renewed in its current form, and Ontario will continue to fall behind.

On behalf of the Canadian Taxpayers Federation, I earnestly urge you to stand up for Ontario and demand a better deal on Equalization.

Truly,



Candice L. Malcolm
Ontario Director
Canadian Taxpayers Federation