

**June 5, 2013**

The Honourable Christy Clark  
Premier of British Columbia  
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**Madam Premier:**

The \$16 billion a year federal Equalization program is up for renegotiation and renewal in 2014. While Quebec and other provinces on the federal dole have been arming themselves and rallying for the fight for several years, donor or “have” provinces have mostly been missing in action.

Western provinces need to stand up, work together and resist federal pickpocket schemes like Equalization.

To our knowledge, only [Saskatchewan Premier Brad Wall](#) has publicly taken a tough stand on Equalization, and his province – representing just 3 per cent of Canada’s population – has little chance fighting Ottawa and the recipient provinces without allies. Saskatchewan needs British Columbia.

Quite simply, without your leadership, the federal Equalization program will be renewed in its current form, and British Columbians will have no one to blame but themselves.

In 2011, [Alberta’s finance department calculated](#) that Ottawa spends \$6,106 per British Columbian in our province - \$850 less per capita than the national average, and less than half of what is spent in the Atlantic provinces. We are not getting our fair share in federal services.

While Germany and several small northern European countries bail-out large swathes of the debt-ridden eurozone on an ad-hoc basis, Alberta, British Columbia and Saskatchewan bail out a majority of provinces on a legislated, regular basis. While eurozone donor countries have the option to withhold their bailout dollars if recipient countries fail to get their act together, B.C. has no choice.

While Greece was forced to raise its retirement age and rein in spending in order to obtain bail-out dollars, Quebec and Nova Scotia continue to rack up debt and pursue economically destructive policies without consequence, thanks to Equalization dollars.

But it's not just B.C. and the small band of Equalization losers that are failed by the program. Provinces receiving Equalization dollars are forced into a dependency trap that provides them fewer economic opportunities than the rest of the country.

The most incredible example of the Equalization program incentivising destructive behavior are changes made in 2005 that allow Nova Scotia and Newfoundland and Labrador to get an Equalization bonus payment if their respective debt loads were in the highest four in the country.

Not surprisingly, Nova Scotia's former NDP Finance Minister Graham Steele [bragged](#) about the province's high-debt status paying dividends for Equalization.

To keep the flow of our money going, Quebec resists developing its resources and growing its economy, as to not increase its 'fiscal capacity,' and therefore cut its Equalization take. In fact, their separatist premier, Pauline Marois, recently [posted a video](#) to the Parti Québécois website where she states "If one day, we produce oil and gas in Quebec, why would we let half of this wealth go down the road to Ottawa?" (translated)

Equalization should be transitioned from a federal welfare program to a federal 'Fiscal Recovery Program.' Rather than incentivise substandard government, this new program should provide bridge funding to poorer provinces on the condition that they make necessary economic and fiscal reforms.

For example: rather than incentivise Nova Scotia's government to run up its debt, a reformed 'Federal Fiscal Recovery Program' could use the cash at its disposal to match provincial debt repayments, dollar-for-dollar.

Rather than hand Quebec \$7.8 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, and B.C. is moving toward. This would have a two-fold effect of shrinking the cash payout, and removing the disincentive to build its economy.

Taxpayers in both B.C. and Quebec would be better for it.

Yet, there is no chance of even moderate reform unless B.C.'s leaders – beginning with you and our federal MPs – stand up and be counted.

Politically, it may be easier for your government should Prime Minister Harper simply decree a decision on Equalization without any haggling at a First Ministers' meeting. Equalization summit or not, the prime minister will react within the realm of the political demands being made. If the only demands he hears are from MPs and premiers from recipient provinces, the status quo will be sure to prevail.



But if the prime minister doesn't face serious demands from the West's federal and provincial leaders, he will not be to blame. Your government and our federal MPs will be.

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

Sincerely,

[Original Signed]

Jordan Bateman  
British Columbia Director  
Canadian Taxpayers Federation