

June 3, 2013

Premier Alison Redford
Room 307-Legislature Building
10800-97 Avenue
Edmonton, AB, T5K 2B6

Madame Premier:

The \$16 billion a year federal Equalization program is up for renegotiation and renewal in 2014. While Quebec, New Brunswick 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.

As the province with the most to lose, westerners look to Alberta for leadership in resisting federal pickpocket schemes like Equalization. But if Alberta is willing to take it on the chin and accept a renewal of the current Equalization program in 2014, we can hardly expect British Columbia and Saskatchewan to put up a fight on our behalf.

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.

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

In 2011, [Alberta’s finance department calculated](#) that Alberta taxpayers provided \$18.9 billion – or \$5,012 per capita – more in annual revenue to the federal government than we received in services and transfers. This contribution is more than the entire cost of the Equalization program.

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, Alberta 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 Alberta 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 by recipient governments is Paul Martin's 2005 'Atlantic Accord.' [This deal](#) for Newfoundland and Labrador and Nova Scotia stated that these provinces would 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.

Quebec actively retards resource development, as doing so would increase its 'fiscal capacity,' and therefore decrease the cash it gets from Equalization. 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)

Meanwhile, Alberta doesn't receive a cent from Equalization because we have developed our resources. Moreover, most Albertans are pleased that our oil sands are an economic driver for *all* Canadians. This includes the many Quebec companies who benefit from oil sands companies providing much of the hardware: Prevest builds the buses, Groupe Canam provides the steel, Ezeflow sells the valves, and SNC Lavalin provides billions in engineering support.

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. This would have a two-fold effect of shrinking the cash payout, and removing the disincentive to build its economy.

Taxpayers in both Alberta and Quebec would be better for it.



Yet, there is no chance of even moderate reform unless Alberta'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 so-called 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 Alberta and demand a new deal on Equalization.

Truly,

A handwritten signature in blue ink, appearing to read "Derek Fildebrandt".

Derek Fildebrandt
Alberta Director,
Canadian Taxpayers Federation