## Contents

<table>
<thead>
<tr>
<th>Executive Summary</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1: Overview of the spending problem</td>
<td>5</td>
</tr>
<tr>
<td>Section 2: Balancing the budget</td>
<td>11</td>
</tr>
<tr>
<td>Section 3: Specific spending reductions</td>
<td>15</td>
</tr>
<tr>
<td>1. Member of Parliament pay</td>
<td>16</td>
</tr>
<tr>
<td>2. Governor general</td>
<td>18</td>
</tr>
<tr>
<td>3. Senators</td>
<td>19</td>
</tr>
<tr>
<td>4. Bureaucracy</td>
<td>20</td>
</tr>
<tr>
<td>5. Growing the economy: lower taxes and no corporate welfare</td>
<td>24</td>
</tr>
<tr>
<td>6. Crown corporations</td>
<td>33</td>
</tr>
<tr>
<td>7. Defund the CBC and end media subsidies</td>
<td>36</td>
</tr>
<tr>
<td>8. Phase out equalization</td>
<td>39</td>
</tr>
<tr>
<td>9. Limit growth of health and social transfers</td>
<td>48</td>
</tr>
<tr>
<td>10. End the gun ban and buy back</td>
<td>51</td>
</tr>
<tr>
<td>11. End the government daycare scheme</td>
<td>53</td>
</tr>
<tr>
<td>12. No more politician welfare</td>
<td>55</td>
</tr>
<tr>
<td>13. Scrap the Mission Cultural Fund</td>
<td>57</td>
</tr>
<tr>
<td>14. Pandemic spending rule</td>
<td>58</td>
</tr>
<tr>
<td>15. Comprehensive spending review</td>
<td>61</td>
</tr>
</tbody>
</table>
About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizen’s group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has 235,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF’s mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally receive the CTF’s flagship publication The Taxpayer magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2019-20, the CTF raised $4.8 million on the strength of 31,655 donations. Donations to the CTF are not deductible as a charitable contribution.
Executive Summary

The objective of the Canadian Taxpayers Federation’s 2022-23 federal pre-budget submission is to show that the federal government could balance its budget in 2023-24 by returning its program spending to pre-pandemic levels, adjusted upward for inflation and population growth. This is achievable as the federal government was spending all-time highs, after adjusting for inflation and population growth, in the last full budget year before the pandemic. That means that the federal government spent more in 2018-19 than it did during any single year during World War II.

The table below shows the fiscal summary using the CTF’s proposed spending plan. The CTF recommends bringing program spending to pre-pandemic levels, adjusted upward for inflation and population growth, to balance the budget in 2023-24.

<table>
<thead>
<tr>
<th>CTF’s proposed fiscal summary (BILLIONS $)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>CTF program spending (pre-pandemic adjusted)</td>
</tr>
<tr>
<td>Debt charges</td>
</tr>
<tr>
<td>Total spending</td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Budgetary balance</td>
</tr>
</tbody>
</table>

The rest of the pre-budget submission is broken into three sections.

Section 1 provides an overview of the federal government’s spending problem, how the federal government put itself into its debt mess and where the federal government’s budget situation is heading under the trajectory laid out in the last budget.

Section 2 is the CTF’s budget analysis that highlights how the federal government can balance its budget by bringing spending to pre-pandemic and all-time high levels, adjusted upward for inflation and population growth.

Section 3 identifies specific savings that CTF is recommending the government find. The CTF identifies more than $30 billion in annual savings in addition to $23 billion in potential one-time savings.
Summary of recommendations:

Balancing the budget:

**Recommendation:** Balance the budget in 2023-24 by reducing program spending to match pre-pandemic and all-time high levels of spending in 2018-19, adjusted upward for inflation and population growth.

Members of Parliament:

**Recommendation:** Reverse the pandemic pay raises for politicians and reduce the size of cabinet to its 2015 size under Prime Minister Justin Trudeau.

Governor General:

**Recommendation:** Reverse the pandemic pay raise and reduce the salary of the governor general to the pre-pandemic salary of cabinet ministers, which is $264,400.

**Recommendation:** Rein in governor general perks by turning the annual lifetime pensions to an RRSP-style pension payment for years served, and scrap the expense account once a governor general retires.

Senate:

**Recommendation:** Scrap the proposed increase in the Senate’s budget and return spending to the inflation-adjusted spending levels of 2015-16.

Bureaucracy:

**Recommendation:** Reverse all pay raises since the beginning of the pandemic.

**Recommendation:** Implement a sunshine list to disclose the salary of all federal employees who receive an annual salary that’s more than $100,000.

**Recommendation:** Rein in labour costs through a mix of attrition, job reductions and wage cuts.

Growing the economy without corporate welfare:

**Recommendation:** Reverse all pandemic tax hikes, including alcohol taxes, payroll taxes, and scrap the carbon tax and second carbon tax.
Recommendation: Reject future tax hikes, such as (but not limited to) a home equity tax, annual surtax on homes, wealth tax, excess profits tax, luxury taxes, fat, sugar and meat taxes and taxes on the unvaccinated.

Recommendation: Remove the requirement to report the sale of your home with the Canada Revenue Agency.

Recommendation: Scrap all corporate welfare, including direct cash subsidies, niche tax credits, loans and loan guarantees.

Recommendation: End the federal subsidies to businesses through Crown Corporations and regional development agencies and return any remaining federal funds within those corporations to taxpayers.

Recommendation: Include minimum transparency requirements around corporate welfare such as the amounts disbursed or guaranteed, repayment schedule, amounts paid back, interest rates on loans, and frequent reporting on repayment. Parliament must also be required to vote on the subsidies before a business can receive any taxpayer funds.

Get out of the business of business:

Recommendation: Immediately reduce the aggregate government funding to federal Crown corporations by 25 per cent.

Recommendation: Set a plan to remove all government funding to CBC, Via Rail, Marine Atlantic, the National Capital Commission and Telefilm Canada.

Defund the CBC and end media subsidies:

Recommendation: Set a plan to end all taxpayer funding to the CBC.

Recommendation: End the media subsidies announced in Budget 2019.

Phase out equalization:

Recommendation: Reduce the size of equalization with the goal of eventually ending the program through the CTF’s 20-year equalization phase out proposal.

Recommendation: Respect Alberta voters and consult with the provinces on equalization. In addition, the federal government should pass a bill that requires the federal government to publish all documents from provincial negotiations on the Department of Finance's website. This would help guard against what happened in 2018, when the federal government extended the existing equalization program until 2024 without consulting with the province.
Health and social transfers:

**Recommendation:** Freeze the CHT and CST in 2022 at the current $58.6 billion, then set a maximum transfer cap to the annual rate of inflation for future years.

Gun ban and buyback:

**Recommendation:** End the gun ban and buyback program.

Government daycare:

**Recommendation:** End the government’s national daycare program introduced in Budget 2021.

Politician welfare:

**Recommendation:** Require all political parties to pay back the federal wage subsidy.

**Recommendation:** Scrap the political contributions tax credit.

**Recommendation:** End the campaign reimbursements for political parties and candidates, which includes not reimbursing campaigns for the 2021 election.

Mission cultural fund:

**Recommendation:** Scrap the Mission Cultural Fund.

Pandemic spending rule:

**Recommendation:** Implement a new pandemic spending rule where any increase in pandemic federal government spending must go hand-in-hand with proportional savings somewhere else in the budget so the overall level of federal spending remains unchanged.

**Recommendation:** Set a concrete end date to all COVID-19 spending.

Comprehensive spending review:

**Recommendation:** Implement a comprehensive spending review similar to the Chrétien government’s review in the 1990s.
SECTION 1:
Overview of spending problem

Decisions made during COVID-19 have significantly impacted the federal government's finances. The federal government is on track to increase its pre-pandemic debt by nearly 90 per cent by 2027.¹ Last year’s deficit totaled roughly $328 billion, while this year’s deficit is expected to reach $145 billion.²

The pandemic certainly played a role in deteriorating the government’s finances. Between 2019 and 2020, the federal government’s revenue declined by five per cent. Spending, however, increased by a whopping 73 per cent. In 2020 alone, the federal government spent an estimated $271 billion on pandemic subsidies.³ For context, that COVID-19 spending would account for 74 per cent of the government’s entire budget in a normal, non-pandemic year.⁴

While it appears that COVID-19 is driving the government’s deteriorating financial position, the pandemic should not obscure the reality that other major factors are driving spending.

First, even during 2020, COVID-19 subsidies did not make up the bulk of the federal government’s spending. In 2020, the federal government spent $17,121 per person, by far the highest level of inflation-adjusted per person spending in Canadian history. Of that total spending, $11,165 or 65 per cent was unrelated to COVID-19.⁵ The table below illustrates the breakdown of COVID-19 and non-COVID-19 related federal program spending in 2020.

Second, the federal government plans to spend significantly more money for years to come. In its 2021 budget, the federal government anticipates spending $103.1 billion more by 2026 than it did in 2019, despite it being years after the depth of the pandemic.

### Federal per-person spending 2020

<table>
<thead>
<tr>
<th></th>
<th>$17,121</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total program spending</td>
<td></td>
</tr>
<tr>
<td>COVID-19 spending</td>
<td>$5,956</td>
</tr>
<tr>
<td>Non-COVID-19 spending</td>
<td>$11,165</td>
</tr>
<tr>
<td>Percentage of budget not spent on COVID-19</td>
<td>65%</td>
</tr>
</tbody>
</table>

---

³ Parliamentary Budget Officer, Pre-Budget Outlook, https://pbo-dpb.s3.ca-central-1.amazonaws.com/artefacts/923ac2646e5e3f74e4fe5ed6d7ff6f7923f4d072232daced0d5078ab3823779b44a3
Third, the federal government had already brought its spending to all-time highs before the pandemic. By 2018, the federal government’s inflation-adjusted per-person spending reached $9,061, which was higher than spending in any one year during the recessions of the 1980s, 1990s, the 2008-09 recession and both world wars.⁶

The figure below compares the federal government’s 2018 (pre-pandemic) spending with previous spending during wars and recessions.

![Per-person spending (2021$)](image)

Without course correction, Canadian taxpayers are set to lose out on trillions of dollars just in debt servicing costs over the next five decades. In fact, under the pre-election trajectory, the federal government wouldn’t balance its budget until 2070, according to supplementary data released by the Parliamentary Budget Officer in its 2021 Fiscal Sustainability Report.⁷ The figure below shows the accumulation of federal debt under this scenario.

---


If that were to happen, the federal government’s debt would balloon to nearly $3.8 trillion. That would represent a 422 per cent increase above the pre-pandemic debt (Table below).

<table>
<thead>
<tr>
<th>Pre-pandemic debt vs. debt in 2070 (PBO PROJECTIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
</tr>
<tr>
<td>2070</td>
</tr>
<tr>
<td>Growth from pre-pandemic</td>
</tr>
</tbody>
</table>

A $3.8 trillion debt tab would also put significant financial burdens on future generations. Currently, the federal debt per-person is just over $30,000. However, the debt burden by 2070, under PBO projections, would reach about $67,000 for each man, woman and child.

In addition to paying down a huge debt tab, Canadian taxpayers would also lose out on $3.8-trillion worth of interest charges. That money couldn’t go to health care or lower taxes because it would be going to the bond fund managers to service the government’s debt. In fact, even when the budget is balanced in 2070, interest charges would remain above $100 billion per year. The figure below highlights the annual interest charges on the federal government’s debt between now and 2070.
This is already alarming news, but here’s the scariest part: the PBO assumes the effective interest rate will eventually settle in at 2.84 per cent, which would be lower than it was at any time between 1991 and 2014. The PBO also estimates that Canada’s economy will embark on a steady upward climb. What happens if reality isn’t as rosy? What happens if interest rates tick up or Canada stumbles into another downturn?

While this should give cause for concern, each of the main federal parties promised to spend more than PBO’s baseline in the 2021 election. The figure below shows the additional spending promises made by the Liberal Party, Conservative Party and the New Democratic Party.
The federal government has significantly increased its spending in recent years, and the government’s inflation-adjusted revenues have also increased.\(^8\) Since 1983, the first year reported by the federal government’s fiscal reference tables that is comparable with recent years’ accounting methods, the government’s inflation-adjusted total revenue has increased by $212 billion or 133 per cent. Over the last 10 years, the government’s inflation-adjusted total revenue has increased by $68 billion or 23 per cent.\(^9\)

\(^8\) Bank of Canada, Inflation calculator, [https://www.bankofcanada.ca/rates/related/inflation-calculator/](https://www.bankofcanada.ca/rates/related/inflation-calculator/)

Between 1983 and 2019 (year before pandemic spending surged), total inflation-adjusted spending increased by $157 billion or 66 per cent. During the 10 years leading up to the pandemic (2010-2019), spending increased by $58 billion or 17 per cent (Figure below).
SECTION 2:
Balancing the budget by returning to pre-pandemic spending

As will be outlined throughout this section, the CTF recommends the federal government balance the budget by returning program spending to pre-pandemic and all-time high levels, adjusted upward for inflation and population growth.

The table below shows the government’s current forecasted fiscal summary for 2022-23 through 2026-27.10

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program spending</td>
<td>$416.3</td>
<td>$420.4</td>
<td>$427.0</td>
<td>$442.5</td>
<td>$455.2</td>
</tr>
<tr>
<td>Debt charges</td>
<td>$26.0</td>
<td>$31.4</td>
<td>$35.6</td>
<td>$38.6</td>
<td>$40.9</td>
</tr>
<tr>
<td>Total spending</td>
<td>$442.2</td>
<td>$451.9</td>
<td>$462.5</td>
<td>$481.1</td>
<td>$496.1</td>
</tr>
<tr>
<td>Revenue</td>
<td>$391.7</td>
<td>$413.9</td>
<td>$435.7</td>
<td>$458.9</td>
<td>$481.0</td>
</tr>
<tr>
<td>Deficit</td>
<td>-$58.4</td>
<td>-$43.9</td>
<td>-$29.1</td>
<td>-$22.7</td>
<td>-$13.1</td>
</tr>
</tbody>
</table>

The government has no plans to balance the budget. The Parliamentary Budget Officer’s data presented in Section 1 of this submission shows that under the trajectory of Budget 2021, the government won’t balance its budget until 2070. Furthermore, the Liberal Party failed to present any plan to balance the budget in its 2021 election platform.11

In the last full year before the pandemic, 2018-19,12 the federal government’s inflation-adjusted per-person program spending (total spending less debt interest charges) reached all-time highs.13 The table below compares the federal government’s inflation-adjusted per person spending in 2018-19 with spending highs during previous recessions and world wars.

---

12. The government’s 2019-20 ends on March 31, meaning the 2019-20 year overlapped with the beginning of the pandemic in 2020. Therefore, this budget report uses 2018-19 as the last fiscal year before the pandemic.
The CTF recommends balancing the budget in 2023-24 by bringing program spending back to the pre-pandemic and all-time high levels of 2018-19.

The table below highlights the fiscal summary, using 2018-19 levels of program spending adjusted for inflation and population growth of future years. As illustrated, the budget would be balanced in 2023-24. While forecasted program spending estimates may vary with actual population and inflation figures, the deficit figures illustrated below are conservative as they use the current projected debt interest charges under the current higher levels of spending and borrowing. Furthermore, if actual population and inflation figures are higher, then more government revenue should be expected. If actual population and inflation figures are lower, then the program spending should be reduced to maintain the inflation and population-adjusted 2018-19 level of spending.

<table>
<thead>
<tr>
<th>CTF recommended fiscal summary (US BILLIONS)</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTF program spending</td>
<td>$367.3</td>
<td>$379.7</td>
<td>$391.7</td>
<td>$404.0</td>
<td>$416.2</td>
</tr>
<tr>
<td>Debt charges</td>
<td>$26.0</td>
<td>$31.4</td>
<td>$35.6</td>
<td>$38.6</td>
<td>$40.9</td>
</tr>
<tr>
<td>Total spending</td>
<td>$393.3</td>
<td>$411.1</td>
<td>$427.3</td>
<td>$442.6</td>
<td>$457.1</td>
</tr>
<tr>
<td>Revenue</td>
<td>$389.9</td>
<td>$411.5</td>
<td>$432.9</td>
<td>$455.5</td>
<td>$476.8</td>
</tr>
<tr>
<td>Budgetary balance</td>
<td>-$3.4</td>
<td>$0.4</td>
<td>$5.6</td>
<td>$12.9</td>
<td>$19.7</td>
</tr>
</tbody>
</table>

Per-person federal government spending ($2021)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>$9,061</td>
</tr>
<tr>
<td>2008 &amp; 2009 recession</td>
<td>$8,993</td>
</tr>
<tr>
<td>1980s</td>
<td>$7,883</td>
</tr>
<tr>
<td>World War II</td>
<td>$7,909</td>
</tr>
<tr>
<td>World War I</td>
<td>$1,401</td>
</tr>
</tbody>
</table>

Population forecasts from 2021 to future years uses: Statistics Canada, Projected Population, Medium Growth (M1), https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710005701&pickMembers%5B0%5D=1.1&pickMembers%5B1%5D=3.1&pickMembers%5B2%5D=4.1&cubeTimeFrame.startYear=2021&cubeTimeFrame.endYear=2023&referencePeriods=20210101%2C20230101
16 Uses same revenue as forecasted in recent economic statement minus the CTF tax relief proposals: https://www.budget.gc.ca/efu-meb/2021/report-rapport/EFU-MEB-2021-EN.pdf
Canadians deserve a balanced budget: Canadian Taxpayers Federation’s 2022-23 federal pre-budget submission

Given that the federal government was spending all-time highs in 2018-19, returning to pre-pandemic levels of spending, adjusted upwards for inflation and population growth, is achievable. Furthermore, the CTF’s proposed program spending is slightly higher than the PBO’s 2019 election baseline, which “incorporates Budget 2019 measures” – the last federal budget before the pandemic.\textsuperscript{17} The table below illustrates how similar the CTF’s proposed spending plan is with the PBO’s 2019 baseline projections.

<table>
<thead>
<tr>
<th>Proposed CTF program spending vs PBO baseline projections ($ BILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>PBO baseline spending</td>
</tr>
<tr>
<td>CTF program spending</td>
</tr>
<tr>
<td>Difference from PBO baseline ($)</td>
</tr>
<tr>
<td>Difference from PBO baseline (%)</td>
</tr>
</tbody>
</table>

Under the CTF proposal, the federal government would significantly reduce its debt accumulation. Rather than adding another $167 billion to the debt for future taxpayers to pay back, the CTF’s proposal would reduce the debt by more than $35 billion by 2027. The table below shows the difference between the government’s current trajectory and the CTF’s proposal.

<table>
<thead>
<tr>
<th>Federal government trajectory vs. CTF proposal ($ BILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>CTF budgetary balance</td>
</tr>
<tr>
<td>Government projected budgetary balance</td>
</tr>
<tr>
<td>Difference</td>
</tr>
</tbody>
</table>

The CTF’s fiscal summary is conservative as it uses the government’s forecasted debt servicing costs, which would be higher than under the CTF’s proposed spending that significantly reduces government borrowing. Using the PBO’s projected average effective interest rate over the time period,\textsuperscript{18} the CTF’s proposal would save taxpayers $4.1 billion by 2027 through lower federal debt interest charges. Those savings could build four new hospitals based on the cost of constructing the Grande Prairie Regional Hospital.\textsuperscript{19}

\textsuperscript{19} CTV News, “First patients served at new Grande Prairie Regional Hospital,” https://edmonton.ctvnews.ca/first-patients-served-at-new-grande-prairie-regional-hospital-1.5694022
The goal of each federal ministry should be to bring its spending in line with its 2018-19 adjusted levels of spending. If the government wishes to keep some ministry spending higher, then it should reduce other areas to bring the total ministry spending back to adjusted 2018-19 levels of spending.

In addition to across-the-board spending reductions, the following section will outline specific spending reductions that should be achieved. The specific spending reductions in Section 3 can help achieve the across-the-board savings or can be used to offset a smaller reduction in the ministry budgets. As discussed in the following section, if the federal government believes it’s essential to bring in greater pandemic health spending, then it must reduce spending elsewhere in the budget as per the CTF’s recommended pandemic spending rule.

**Recommendation:** Balance the budget in 2023-24 by reducing program spending to match pre-pandemic and all-time high levels of spending in 2018-19, adjusted upward for inflation and population growth.
SECTION 3: Specific spending cuts

The CTF has identified more than $30 billion in annual savings in addition to $23 billion in potential one-time savings. The savings are illustrated in the table and elaborated on throughout the remainder of this section. In addition to these specific reductions, the CTF is also calling on the government to find additional savings through a comprehensive spending review similar to the Chrétien government’s review in the 1990s.

The CTF recognizes that total saving through areas such as corporate welfare may be smaller as some of the funds may have already been spent. The table should be considered a best estimate based on publicly available data. The CTF also recommends the government establish an across-the-board spending review to find additional savings, similar to what was successfully achieved in the 1990s.

<table>
<thead>
<tr>
<th>Savings</th>
<th>Annual</th>
<th>One-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>MP</td>
<td>$3,144,700</td>
<td>-</td>
</tr>
<tr>
<td>Senate</td>
<td>$37,907,037</td>
<td>-</td>
</tr>
<tr>
<td>Labour</td>
<td>$9,962,926,999</td>
<td>-</td>
</tr>
<tr>
<td>Corporate welfare</td>
<td>-</td>
<td>$18,074,716,827</td>
</tr>
<tr>
<td>Business tax credit</td>
<td>$2,511,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Party wage subsidy</td>
<td>-</td>
<td>$3,700,000</td>
</tr>
<tr>
<td>Political party tax credit</td>
<td>$25,000,000</td>
<td>-</td>
</tr>
<tr>
<td>political reimbursements</td>
<td>-</td>
<td>$63,830,000</td>
</tr>
<tr>
<td>Gun buyback</td>
<td>-</td>
<td>$4,701,500,000</td>
</tr>
<tr>
<td>Equalization</td>
<td>$3,080,100,000.0</td>
<td>-</td>
</tr>
<tr>
<td>CHT + CST</td>
<td>$2,546,000,000</td>
<td>-</td>
</tr>
<tr>
<td>RDAs</td>
<td>$1,339,129,000</td>
<td>-</td>
</tr>
<tr>
<td>Daycare</td>
<td>$6,683,500,000.00</td>
<td>-</td>
</tr>
<tr>
<td>MCF</td>
<td>$3,779,080</td>
<td>-</td>
</tr>
<tr>
<td>Immediate 25% reduction crown corporations</td>
<td>$2,447,900,750</td>
<td>-</td>
</tr>
<tr>
<td>CBC</td>
<td>$1,394,346,000</td>
<td>-</td>
</tr>
<tr>
<td>Via Rail</td>
<td>$376,864,000</td>
<td>-</td>
</tr>
<tr>
<td>Marine Atlantic</td>
<td>$125,668,000</td>
<td>-</td>
</tr>
<tr>
<td>National Capital Commission</td>
<td>$119,930,000</td>
<td>-</td>
</tr>
<tr>
<td>Telefilm Canada</td>
<td>$102,410,000</td>
<td>-</td>
</tr>
<tr>
<td>Media subsidies</td>
<td>-</td>
<td>$300,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$30,759,605,566</td>
<td>$23,143,746,827</td>
</tr>
</tbody>
</table>

Potential federal government savings
1. Leadership at the top – Members of Parliament

For MPs to effectively sell savings to government departments, they will need to earn moral authority by tightening their own belts.

The bills for MPs salaries have increased even during the pandemic. MPs have received two pay raises while millions of Canadians struggled through the pandemic. The MP pay raises range between $6,900 for backbench MPs to $13,800 for the prime minister. The salaries of MPs and their pandemic pay hikes are highlighted in the table below.

<table>
<thead>
<tr>
<th>COVID-19 politician pay raises</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Position</strong></td>
</tr>
<tr>
<td>Senator</td>
</tr>
<tr>
<td>MP</td>
</tr>
<tr>
<td>Minister</td>
</tr>
<tr>
<td>Prime Minister</td>
</tr>
</tbody>
</table>

MPs get pay raises each year on April 1, based on the average annual increase in private-sector union contracts with corporations that have 500 or more employees. The federal government stopped the automatic pay raises between 2010 and 2013 in response to the 2008-09 recession.20

While Canada’s MPs pocketed two pay raises during the pandemic, politicians in other countries showed solidarity with their taxpayers and took a pay cut.

“We acknowledge New Zealanders who are reliant on wage subsidies, taking pay cuts, and losing their jobs as a result of the COVID-19 global pandemic,” said New Zealand Prime Minister Jacinda Ardern. “I can confirm that myself and government ministers and public service chief executives will take a 20 per cent pay cut for the next six months.”21

The CTF has identified 30 jurisdictions where politicians took pay cuts at some point during COVID-19.22

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22 To see the list of jurisdictions where politicians took pay cuts during the pandemic see: http://www.taxpayer.com/media/Labour-Day-Reality-Check-2021.pdf
In addition to bigger salaries, Prime Minister Justin Trudeau has also increased the number of cabinet ministers. In fact, the salary cost of this cabinet is $10.8 million per year, which is about $3 million more than the cabinet Trudeau appointed in 2015. The annual salary cost of Trudeau’s cabinets is illustrated in the table below.23

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of ministers (not including prime minister)</th>
<th>Minister’s salary</th>
<th>Prime minister’s salary</th>
<th>Salary cost of cabinet</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>30</td>
<td>$247,500</td>
<td>$334,800</td>
<td>$7,759,800</td>
</tr>
<tr>
<td>2019</td>
<td>36</td>
<td>$264,400</td>
<td>$357,800</td>
<td>$9,876,200</td>
</tr>
<tr>
<td>2021</td>
<td>38</td>
<td>$274,500</td>
<td>$371,600</td>
<td>$10,802,600</td>
</tr>
</tbody>
</table>

Given the struggles of the pandemic, the job losses and pay cuts in the private sector, and the business closures, the CTF is recommending the reversal of the pandemic politician pay hikes and a reduction of Trudeau's cabinet size back to 2015. This would save taxpayers $3.1 million every year.

**Recommendation:** Reverse the pandemic pay raises for politicians and reduce the size of cabinet to 2015 levels under Trudeau, saving taxpayers $3.1 million annually.

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2. Leadership at the top – Governor General

Salary and perks for governors general should have been reined in long ago.

Similar to MPs, the governor general has also received a salary increase. During the pandemic in 2020, former governor general Julie Payette saw her pay increase from $302,114 to $308,972. Not only did this pay raise come at a time when many Canadians were taking pay cuts, losing their jobs or business, but it’s important to remember that Payette resigned early after reports of overseeing a toxic workplace. In fact, the governor general’s pay has increased every single year since 2013 (when new pay structure was introduced which taxed their salary) and has increased by $38,370 between 2013 and 2020. This taxpayer-funded salary puts the governor general comfortably in the top one per cent of all Canadian income earners.

In addition to the high salary, governors general also receive post-retirement benefits that are unheard of for average Canadians. Former governors general are eligible for the full pension regardless of how long they serve in the role. Even though Julie Payette only served for a little more than three years, she will still receive an estimated $4.8 million if she continues to collect the governor general pension to age 90. The table below shows how much money each living former governor general will receive through their taxpayer funded pension if they continue to collect payments until age 90.

On top of the annual pension, former governors general can expense taxpayers for $206,040 per year for the rest of their lives and up to six months after their death. With the five former governors general, the expense account could cost taxpayers up to $1.03 million every year.

Recommendation: Reverse the pandemic pay raise and reduce the salary of the governor general to the pre-pandemic salary of cabinet ministers, which is $264,400.

Recommendation: Rein in governor general perks by turning the annual lifetime pensions to an RRSP-style pension payment for years served, and scrap the expense account once a governor general retires.

Pension payments to former governors general

<table>
<thead>
<tr>
<th>Governor General</th>
<th>Pension to age 90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward Schreyer (2000 to age 90)</td>
<td>$3.4 million</td>
</tr>
<tr>
<td>Adrienne Clarkson</td>
<td>$3.2 million</td>
</tr>
<tr>
<td>Michaëlle Jean</td>
<td>$5.4 million</td>
</tr>
<tr>
<td>David Johnston</td>
<td>$1.9 million</td>
</tr>
<tr>
<td>Julie Payette</td>
<td>$4.8 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18.7 million</strong></td>
</tr>
</tbody>
</table>

25 Statistics Canada, “High income tax filers in Canada,” https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110005501&pickMembers%5B0%5D=115&pickMembers%5B1%5D=59&cube=TimeFrame.startYear=2015&cube=TimeFrame.endYear=2019&ReferencePeriods=20150101%2C20190101
3. Leadership at the top – Senators

In addition to politician pay raises, senators also received two pay raises during the pandemic. Prior to the pandemic, senators received a salary of $153,900. Senators currently receive $160,800 annually, which means the pandemic pay raises for senators worked out to $6,900. All senators are set to receive their third pandemic pay raise on April 1, 2022.

At the time of writing, the Senate is proposing to increase its budget by 5.4 per cent. This increase underscores the years of previous budget increases. Between 2015 and 2020, the Senate’s annual inflation-adjusted spending has increased by about $37.9 million, or 46 per cent. The table below highlights the Senate’s annual spending based on year-end financial statements posted on the Senate’s website.

Labour costs are a huge driver of the Senate’s spending, making up nearly 75 per cent of the Senate’s spending in 2020. Labour costs have also been increasing significantly since 2015, rising by $20.9 million, or about 30.5 per cent. The rise in inflation-adjusted Senate labour costs is illustrated in the table below.

**Recommendation:** Scrap the proposed increase in the Senate’s budget and return spending to the inflation-adjusted spending levels of 2015-16, saving $37.9 million annually.

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4. Reining in the federal bureaucracy

Canadians have endured a tale of two downturns during the pandemic. There's the very real downturn full of private-sector pain. Then there's the experience of government employees who have largely been financially shielded from the downturn and have even benefited.

Through access to information requests, the Canadian Taxpayers Federation obtained government documents showing that 312,825 federal government employees received a pay raise during the pandemic. The federal government has no records of any employee receiving a pay cut during the pandemic. In fact, the federal government has no records of its employees ever receiving a pay cut.

The federal government negotiated pay raises in the middle of the pandemic and as its debt ballooned toward the $1-trillion mark.

On July 22, 2020, Postmedia reported that “the Treasury Board has signed a tentative agreement with the Public Service Alliance of Canada to boost the wages of [10,000] unionized workers by 6.64 per cent over three years.” Postmedia also noted that this agreement followed “an earlier agreement, announced July 10, that hiked wages for 84,000 ‘administrative services’ bureaucrats, who also saw a 6.64 per cent increase over three years.”

The federal government agreed to substantial pay increases for the Royal Canadian Mounted Police during the pandemic.

“This summer, the federal government and the union representing RCMP members ratified an agreement to deliver a sizeable pay increase to nearly 20,000 members,” reported the CBC on Oct. 20, 2021. "Constables — who account for more than half of all RCMP officers — will see their maximum salary jump from $86,110 as of April 2016 to $106,576 next year.”

In addition to bigger bureaucrat salaries, taxpayers are also paying for more government employees across the country. Since the beginning of the pandemic, there are now 312,700 more government jobs across Canada, according to Statistics Canada data. Of those new government jobs, 114,500 are "public administration" employees. In stark contrast, there has been 80,100 net job losses outside of government between February 2020 and December 2021, according to Statistics Canada.

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33 Statistics Canada, "Employment by class of worker, monthly, seasonally adjusted (x 1,000)," https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028802&pickMembers%5B0%5D=1&pickMembers%5B1%5D=3&cubeTimeFrame.startMonth=12&cubeTimeFrame.startYear=2021&referencePeriods=20211201%2C20221201
34 Statistics Canada, "Employment by industry, monthly, seasonally adjusted (x 1,000)," https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410029502&pickMembers%5B0%5D=1&cubeTimeFrame.startMonth=12&cubeTimeFrame.startYear=2021&referencePeriods=20211201%2C20221201
The increase in the number of government employees has been occurring at the federal level for years. In fact, federal bureaucracy has increased by 56,905 employees over the last five years, which means the federal government has added more than 14,000 employees per year since 2017 (see table below).^{35}

Total labour costs for the federal government have also increased over the decade. Between 2011 and 2020, the federal government’s inflation-adjusted labour costs increased by nearly $10 billion or more than 19 per cent, according to the public accounts of Canada.^{36}

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In addition to higher labour costs and more bureaucrats, there's also a greater number of higher paid federal government employees. Unlike the vast majority of provinces, the federal government does not have a sunshine list to disclose the salaries of its highest paid employees. Through access to information requests, the CTF received data on the number of federal employees that would be included on a federal sunshine list if it disclosed the salaries of employees receiving more than $100,000 per year, which is presented in the table below. The sunshine list would have expanded by 5,918 employees in 2020, and 31,501 employees since 2015.

Government labour costs were unfair for taxpayers before the pandemic. After controlling for numerous factors such as age, education, occupation, province and city, the Fraser Institute found that government employees at all levels receive a 9.4 per cent wage premium compared to their counterparts working outside of government in 2018. In addition, the Fraser Institute found that government employees are more likely to receive a workplace pension, a defined benefit pension, retire earlier, have more job security and take more personal days then workers outside of government. The government of Quebec found that federal government employees in Quebec enjoy a 20.9 per cent compensation premium compared to similar workers who are employed by large businesses in Quebec. The table below highlights the Fraser Institute's key findings on the compensation gap between government employees and their counterparts outside of government.

### Number of federal employees receiving more than $100,000-salary

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>74,925</td>
</tr>
<tr>
<td>2019</td>
<td>69,007</td>
</tr>
<tr>
<td>2018</td>
<td>71,534</td>
</tr>
<tr>
<td>2017</td>
<td>61,165</td>
</tr>
<tr>
<td>2016</td>
<td>42,518</td>
</tr>
<tr>
<td>2015</td>
<td>43,424</td>
</tr>
</tbody>
</table>

### Government vs private sector on pay and benefits

<table>
<thead>
<tr>
<th>Category</th>
<th>Business</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary differential</td>
<td>-</td>
<td>+9.4%</td>
</tr>
<tr>
<td>Workers with workplace pension</td>
<td>22.5%</td>
<td>87.7%</td>
</tr>
<tr>
<td>Workers with defined benefit pension</td>
<td>9.2%</td>
<td>79.6%</td>
</tr>
<tr>
<td>Lost work for personal reasons</td>
<td>8.6 days</td>
<td>14.6 days</td>
</tr>
<tr>
<td>Retirement</td>
<td>-</td>
<td>2.4 years earlier</td>
</tr>
</tbody>
</table>

---


**Recommendation:** Reverse all pay raises negotiated since the beginning of the pandemic.

**Recommendation:** Implement a sunshine list to disclose the salary of all federal employees who receive an annual salary that's more than $100,000.

**Recommendation:** Bring government inflation-adjusted labour costs down to the level it was a decade ago through a mix of attrition, job reductions and wage cuts, saving nearly $10 billion annually. It's important to note that the number of government employees has ballooned by 56,905 additional employees over five years, or more than 14,000 new bureaucrats per year.
5. Growing the economy: lower taxes and no corporate welfare

Growing Canada’s economy out of the pandemic downturn must be a key priority for all politicians. There are two fundamentally different approaches the government can take. The first is the top-down approach where politicians and bureaucrats use money collected from taxpayers and hand out those funds to certain handpicked businesses and sectors. This corporate welfare has helped balloon the federal debt beyond the $1-trillion mark. The second is the bottom-up approach, where politicians leave more money in families’ and businesses’ budgets so they can lead the way on recovery.

Canada has a successful history with the bottom-up approach delivered through tax relief. Between 2001 and 2012, Liberal and Conservative governments nearly halved the business tax rate from 28 per cent to 15 per cent. Despite an initial drop in 2001, business tax revenues stayed fairly consistent between three and four per cent of the national economy.

The business tax cuts helped stimulate investment, which picked up after 2000, following a miserable performance in the 1990s. As a share of GDP, private investment rose from about 10.5 per cent to 13 per cent of GDP by 2012. On top of that, between 2001 and 2012, workers’ wages grew faster than they had in the previous decade and faster than wage growth in other industrialized countries during the same time.39

Unfortunately, Canada’s tax competitiveness is declining, according to the Tax Foundation’s 2021 International Tax Competitiveness Index that compares tax systems for 37 countries that belong to the Organisation for Economic Co-operation and Development.40 The international comparison shows that Canada is ranked 20th (out of 37 OECD countries) on tax competitiveness, which is two spots below Canada’s 2020 rank and means Canada is in the bottom half of the pack on tax competitiveness. Key findings from the report include:

- Canada ranked 20th (out of 37) on tax competitiveness, which is two spots worse than our 2020 rank;
- Canada ranked 23rd on business tax competitiveness;
- Canada ranked 27th on individual tax competitiveness;
- Canada ranked 24th on property tax competitiveness; and,
- Canada ranked 8th on consumption tax competitiveness.

The report notes “some strengths of the Canadian tax system” include the fact that “Canada does not levy wealth, estate, or inheritance taxes.”

Taxes will also be increasing in 2022. Despite saving $89 thanks to the increase in the personal basic amount, Canadians earning $40,000 or more will see their federal income-based tax bill increase because of rising payroll taxes. The table below shows the total change in taxes Canadians will pay in 2022 when considering changes to the basic personal amount, Canada Pension Plan and Employment Insurance taxes.41

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Contributions to the CPP are increasing for the fourth year in a row in 2022. The tax rate and maximum pensionable earnings covered by the tax rate are both increasing. Employers and employees will each be required to pay $3,500 in 2022. This represents a $333 tax increase in 2022 for both employees and employers (earning above the maximum pensionable earnings).

The CPP tax has been increasing steadily over the past several years. Since 2018, the employee and employer taxes for CPP have increased from $2,594 in 2018 to $3,500 in 2022. This represents a CPP tax increase of $906 on both employees and employers since 2018.

While the EI tax rate will remain the same, the maximum insurable earnings will increase. That will require employees to pay $953 and employers to pay $1,334 into EI in 2022. This represents a $63 EI tax increase for employees and an $89 EI tax increase for employers (earning above the maximum insurable earnings).

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**Changes to federal income-based taxes in 2022**

<table>
<thead>
<tr>
<th>Income</th>
<th>Total income-based tax change</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30,000</td>
<td>- $22</td>
</tr>
<tr>
<td>$40,000</td>
<td>+$3</td>
</tr>
<tr>
<td>$50,000</td>
<td>+$28</td>
</tr>
<tr>
<td>$60,000</td>
<td>+$111</td>
</tr>
<tr>
<td>$80,000</td>
<td>+$308</td>
</tr>
<tr>
<td>$100,000</td>
<td>+$308</td>
</tr>
<tr>
<td>$150,000</td>
<td>+$308</td>
</tr>
<tr>
<td>$200,000</td>
<td>+$322</td>
</tr>
</tbody>
</table>

---

**CPP Tax**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax rate</th>
<th>Maximum pensionable earnings</th>
<th>Employee tax</th>
<th>Employer tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>5.45%</td>
<td>$61,600</td>
<td>$3,166</td>
<td>$3,166</td>
</tr>
<tr>
<td>2022</td>
<td>5.70%</td>
<td>$64,900</td>
<td>$3,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>2022 increase</td>
<td></td>
<td>$333$42</td>
<td>$333 $</td>
<td></td>
</tr>
</tbody>
</table>

---

**EI Tax**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax rate</th>
<th>Maximum insurable earnings</th>
<th>Employee tax</th>
<th>Employer tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1.58%</td>
<td>$56,300</td>
<td>$890</td>
<td>$1,245</td>
</tr>
<tr>
<td>2022</td>
<td>1.58%</td>
<td>$60,300</td>
<td>$953</td>
<td>$1,334</td>
</tr>
<tr>
<td>2022 increase</td>
<td></td>
<td>$63</td>
<td>$89</td>
<td></td>
</tr>
</tbody>
</table>

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$42 Totals may be off due to rounding.
The EI tax has gone up in recent years, increasing employee and employer tax bills of $858 and $1,202 in 2018, respectively, to $953 and $1,334 in 2022. This represents an overall EI tax increase of $95 for employees and $132 for employers since 2018.

The federal carbon tax is also set to increase for the third time during the pandemic, to 11 cents per litre of gasoline in April 2022. At that rate, the carbon tax will cost a family about $8.40 every time they fuel up their minivan. The federal carbon tax directly applies to taxpayers in Ontario, Manitoba, Saskatchewan and Alberta.

Here’s how the carbon tax hike will impact a couple in Ontario that owns a Dodge Caravan and Ford F-150. The carbon tax will cost nearly $9 to fuel up the minivan and more than $11 to fuel up the pick-up truck by the time it reaches $50 per tonne. Filling up their minivan once a week and truck once every two weeks will cost the family $716 in 2022 just to pay the carbon tax.

The average home in Canada uses about 2,442 cubic metres of natural gas per year. The total annual carbon tax bill on natural gas, including the first three months of the year at $40 per tonne, would be $227. This family’s total carbon tax bill will be about $943 in 2022.

The carbon tax rebate for an Ontario family of four in 2022 is $718, according to the government of Canada. In that case, the total net cost of the carbon tax to this Ontario family would be about $225 in 2022.

Because the carbon tax is all economic pain, without the environmental gain, the CTF recommends the government scrap its carbon tax.

The federal government has also announced its intentions to impose a second carbon tax through fuel regulations that will come into effect Dec. 1, 2022. If fuel producers can’t meet new requirements, they’ll have to pay the second carbon tax. The federal government estimates the second carbon tax will increase the cost of gasoline by up to 11 cents per litre in 2030.

The alcohol escalator tax will increase the excise taxes on beer, wine and spirits by the rate of inflation on April 1, 2022. Similar to carbon tax hikes, this would be the third time that federal alcohol taxes have increased during the pandemic. Taxes already account for about half of the price of beer, 65 per cent of the price of wine and more than three quarters of the price of spirits.

In addition to these scheduled tax increases, Prime Minister Justin Trudeau’s mandate letter to Finance Minister Chrystia Freeland signals further tax increases such as a home-flipping tax, luxury taxes, a tax on foreigners owning a vacant or “underused” home, income tax hikes on top-earners and higher taxes on banks and insurance companies.

There have also been calls for new taxes on homes, along with a wealth tax, so-called excess profits tax, along with higher business and capital gains taxes.
A home equity tax would be particularly painful for many Canadians who rely on the sale of their home to fund their retirement years and for younger Canadians looking to upgrade their starter home to a family home. The Canadian Taxpayers Federation estimates that a home equity tax would cost a family that bought their home in 1980 for $250,000 and are looking to sell it today for $1.2 million between $51,750 and $190,000, depending on the home equity tax proposal. While both the Conservatives and Liberals told Canadians they would not be imposing a home equity tax during the last election, taxpayers expect concrete action, not just words. If politicians truly want to reassure taxpayers that there is no home equity tax coming, they'll remove the requirement for Canadians to report the sale of their home with the Canada Revenue Agency.

The CTF is calling on the federal government to reverse its pandemic tax increases and reject future tax hikes.

While failing to offer broad-based tax relief, the federal government’s recent economic strategy has been centred around corporate welfare. The table highlights corporate welfare announcements identified by the CTF over the last five years. Taken in total, these announcements put taxpayers on the hook for $18 billion.

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49 Government of Canada, "Reporting the sale of your principal residence for individuals (other than trusts)," https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2016-growing-middle-class/reporting-sale-your-principal-residence-individuals.html?fbclid=IwAR3UpEbnoafX448QO6zFPYcsWytMl2ejQnT4tjzpkzFzKZexu8g
The CTF calls on the federal government to cancel these corporate welfare subsidies and return as much money as possible to taxpayers.

Even this list of one-time corporate welfare spending is likely understating the true cost to taxpayers. A 2018 report from the University of Calgary estimated the federal government’s business subsidies totaled $14 billion in 2014 alone.50 The report also estimates that special taxpayer treatment for businesses at the federal level increased by six per cent between the 2015 and 2018 fiscal years.

Businesses can also receive special taxpayer treatment through the tax system because of the convoluted privileges and boutique tax credits. The government’s 2021 Report on Federal Tax Expenditures identifies “212 different income tax and GST measures.”51 Using this report, the CTF identified taxpayer costs totalling more than $2.5 billion for 2022 from eight tax credits that privilege certain businesses or industries. The table below highlights the business tax credits and their projected costs.

<table>
<thead>
<tr>
<th>Federal tax credits for businesses in 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax expenditures</td>
</tr>
<tr>
<td>Corporate mineral exploration &amp; development tax credit</td>
</tr>
<tr>
<td>Mineral exploration tax credit</td>
</tr>
<tr>
<td>Scientific research &amp; experimental development investment tax credit</td>
</tr>
<tr>
<td>Exemption from branch tax for transportation, communications, and iron ore mining corporations</td>
</tr>
<tr>
<td>Atlantic investment tax credit</td>
</tr>
<tr>
<td>Apprenticeship job creation tax credit</td>
</tr>
<tr>
<td>Labour-sponsored venture capital corporations credit</td>
</tr>
<tr>
<td>Canadian film or video production tax credit</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

There are also a number of federal crown corporations and government regional development agencies that provide subsidies to businesses, such as:

**The Business Development Bank of Canada:** The BDC is a crown corporation whose sole shareholder is the government of Canada. The BDC assists Canadian businesses through financing and advisory services. “To finance its objectives, BDC borrows funds from Her Majesty the Queen in Right of Canada acting through the Minister of Finance,” according to its 2021 annual report. According to the 2018 University of Calgary report noted above, the BDC provided an implicit subsidy to businesses of $1.1 billion in 2014-15.

**Export Development Canada:** The EDC is a crown corporation that provides equity, insurance and advisory services for Canadian exporters. In 2020, the EDC received “two capital injections” from the government of Canada totalling nearly $11 billion. According to EDC’s 2020 annual report, “all obligations under debt instruments we issue are obligations of Canada.”

**Atlantic Canada Opportunities Agency:** The ACOA is a regional development agency that funds business ventures in Atlantic Canada through loans, equity financing, training, expert advice, interest-free loans, along with spending on “community projects” that “do not have to be repaid.” The table below shows government funding to the ACOA between 2018 and 2020. Given the anomaly of 2020, the CTF assumes that ending the ACOA would save taxpayers $354.5 million annually.

<table>
<thead>
<tr>
<th>Annual government funding to ACOA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government funding</strong></td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>$368,944,000</td>
</tr>
<tr>
<td>2019</td>
</tr>
<tr>
<td>$354,519,000</td>
</tr>
<tr>
<td>2020</td>
</tr>
<tr>
<td>$590,655,220</td>
</tr>
</tbody>
</table>

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Canada Economic Development for Quebec regions: The regional economic development agency gives tax dollars to projects that target "entrepreneurial growth, innovation, diversification and local economic development." Funding is available for Quebec's aerospace industry, fish and seafood processors, regional air transportation, tourism among others. Funding can include interest free loans, and non-repayable financial assistance. The table below shows government funding to the CED Quebec between 2018 and 2020. Given the anomaly of 2020, the CTF assumes that ending the CED would save taxpayers $331.7 million annually.

| Annual government funding for CED Quebec |
|-------------------------------|-------|-------|-------|
| Government funding            | 2018  | 2019  | 2020  |
| $296,679,000                  | $331,745,000 | $614,324,414 |

Canadian Northern Economic Development Agency: CanNor is the federal government’s regional development agency in the territories and supports the mining industry, tourism, fishing, energy and advisory services. The table below shows the government funding to CanNor. Given the anomaly of 2020, the CTF assumes that ending CanNor would save taxpayers $68.5 million annually.

| Annual government funding for CanNor |
|-------------------------------|-------|-------|-------|
| Government funding            | 2018  | 2019  | 2020  |
| $50,815,000                   | $68,522,000 | $123,051,655 |

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Canadians deserve a balanced budget: Canadian Taxpayers Federation's 2022-23 federal pre-budget submission

**Federal Economic Development Agency for Southern Ontario:** FedDev Ontario provides subsidies to Ontario businesses through interest-free loans,67 funding for aerospace companies68 and "major Canadian events and festivals,"69 among other subsidies. The table below shows the government funding to FedDev Ontario. Given the anomaly of 2020, the CTF assumes that ending FedDev Ontario would save taxpayers $267.8 million annually.

<table>
<thead>
<tr>
<th>Annual government funding for FedDev Ontario70</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government funding</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Federal Economic Development Agency for Northern Ontario:** FedNor provides consulting services,71 internship support,72 and export support for businesses.73 With FedNor being a newly created regional development agency, its financials are not reported in the most recent public accounts.

**Western Economic Diversification:** Prairies Economic Development Canada and Pacific Economic Development Canada are two federal regional development agencies proposed in Budget 2021. Previously, the department of Western Economic Diversification carried out similar functions as described in the other RDAs. The table below shows the government funding to Western Economic Diversification. Given the anomaly of 2020, the CTF assumes that ending the two new western RDAs would save taxpayers $316.5 million, based on funding for Western Economic Diversification.

<table>
<thead>
<tr>
<th>Annual government funding for Western Economic Diversification74</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government funding</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Based on data provided in the 2019 public accounts,75 the CTF estimates that ending Canada’s seven RDAs would save taxpayers more than $1.3 billion annually.

---

**Recommendation:** Reverse all pandemic tax hikes, including the alcohol tax, payroll taxes, second carbon tax and scrap the carbon tax.

**Recommendation:** Reject future tax hikes, such as (but not limited to) a home equity tax, an annual surtax on homes, wealth tax, excess profits tax, luxury taxes, fat, sugar and meat taxes and taxes on the unvaccinated.

**Recommendation:** Remove the requirement to report the sale of your home with the Canada Revenue Agency.

**Recommendation:** Scrap all corporate welfare, including direct cash subsidies, niche tax credits, loans and loan guarantees.

**Recommendation:** End the federal subsidies to businesses through Crown Corporations and regional development agencies and return any remaining federal funds within those corporations to taxpayers.

**Recommendation:** Include minimum transparency requirements around corporate welfare such as the amounts disbursed or guaranteed, repayment schedule, amounts paid back, interest rates on loans, and frequent reporting on repayment. Parliament must also be required to vote on the subsidies before a business can receive any taxpayer funds.
6. Get out of the business of business

In addition to ending corporate welfare, the government should not be in the business of business. First, the CTF recommends cutting the aggregate appropriations, or government funding, to each Crown corporation by 25 per cent. As the table below highlights, this would save taxpayers $2.5 billion. While there may be arguments against reducing each Crown corporation's budget by the same amount, the CTF is advocating for this overall level of savings to be found in annual aggregate appropriations to the government's Crown corporations.

### Appropriations for Crown corporation and potential savings

<table>
<thead>
<tr>
<th>Crown corporation</th>
<th>Annual government funding</th>
<th>Savings from CTF proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atomic Energy of Canada Limited</td>
<td>$829,233,000</td>
<td>$207,308,250</td>
</tr>
<tr>
<td>Bank of Canada</td>
<td>$1,968,308,000</td>
<td>$492,077,000</td>
</tr>
<tr>
<td>Canada Council for the Arts</td>
<td>$294,091,000</td>
<td>$73,522,750</td>
</tr>
<tr>
<td>Canada Deposit Insurance Corporation</td>
<td>$49,831,000</td>
<td>$12,457,750</td>
</tr>
<tr>
<td>Canada Development Investment Corporation</td>
<td>$1,528,000</td>
<td>$382,000</td>
</tr>
<tr>
<td>Canada Mortgage and Housing Corporation</td>
<td>$2,158,156,000</td>
<td>$539,539,000</td>
</tr>
<tr>
<td>Canada Post Corporation</td>
<td>$247,514,000</td>
<td>$61,878,500</td>
</tr>
<tr>
<td>Canadian Air Transport Security Authority</td>
<td>$813,926,000</td>
<td>$203,481,500</td>
</tr>
<tr>
<td>Canadian Broadcasting Corporation</td>
<td>$1,394,346,000</td>
<td>$348,586,500</td>
</tr>
<tr>
<td>Canadian Commercial Corporation</td>
<td>$2,169,000</td>
<td>$542,250</td>
</tr>
<tr>
<td>Canadian Dairy Commission</td>
<td>$3,973,000</td>
<td>$993,250</td>
</tr>
<tr>
<td>Canadian Museum for Human Rights</td>
<td>$30,282,000</td>
<td>$7,570,500</td>
</tr>
<tr>
<td>Canadian Museum of History</td>
<td>$81,029,000</td>
<td>$20,257,250</td>
</tr>
<tr>
<td>Canadian Museum of Immigration at Pier 21</td>
<td>$10,108,000</td>
<td>$2,527,000</td>
</tr>
<tr>
<td>Canadian Museum of Nature</td>
<td>$34,839,000</td>
<td>$8,709,750</td>
</tr>
<tr>
<td>Canadian Race Relations Foundation</td>
<td>$203,000</td>
<td>$50,750</td>
</tr>
<tr>
<td>Destination Canada</td>
<td>$100,199,000</td>
<td>$25,049,750</td>
</tr>
<tr>
<td>Defence Construction (1951) Limited</td>
<td>$114,220,000</td>
<td>$28,555,000</td>
</tr>
<tr>
<td>The Federal Bridge Corporation Limited</td>
<td>$3,395,000</td>
<td>$848,750</td>
</tr>
<tr>
<td>International Development Research Centre</td>
<td>$159,258,000</td>
<td>$39,814,500</td>
</tr>
</tbody>
</table>

---

After immediately reducing the overall funding to Crown corporations by 25 per cent, the second step is for the government to outline a concrete plan to liquidate, defund or sell the following crown corporations that can and should be done by businesses:

**CBC:** Despite an extra $150 million in annual funding since 2016, the CBC's viewership continues to fall, with one internal ratings report showing that in April, 2020, the CBC's share of Canada's TV audience was as low as 3.8 per cent while local CBC TV newscast viewership dropped 27 per cent between 2017 and 2019. Removing funding to the CBC would save taxpayers $1.4 billion per year.

**Via Rail:** Via Rail set a ridership record in 2019 and still lost more than $400 million before taxpayer subsidies. This Crown corporation already acts as a business by requiring customers to purchase tickets. The government should pull its funding to Via Rail and require all customers to pay the full price of the fare rather than push some of the cost on to taxpayers that do not use this service. Removing funding to Via Rail would save taxpayers $377 million annually.

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80 Aaron Wudrick, “It's Unfair That Taxpayers Are Keeping This Ferry Afloat,” Huffington Post, [https://www.huffpost.com/archive/ca/entry/its-unfair-that-taxpayers-are-keeping-this-ferry-afloat_e_22227982](https://www.huffpost.com/archive/ca/entry/its-unfair-that-taxpayers-are-keeping-this-ferry-afloat_e_22227982)
**Marine Atlantic:** Marine Atlantic continues to lose money while subsidizing freight rates to undercut private sector competition. Marine Atlantic should charge its passenger and cargo ferry customers the full fare for its services rather than rely on subsidies from taxpayers in the rest of Canada who have likely never heard of the corporation. Removing funding to Marine Atlantic would save taxpayers $126 million annually.

**National Capital Commission:** The duties performed by the NCC duplicate work that could be performed by Canadian Heritage and provincial and municipal bodies. Abolishing the National Capital Commission would save taxpayers $120 million annually.

**Telefilm Canada:** Private sector investment in Canada’s TV and film production are at record levels. There is no need to spend $100 million of taxpayer money on cultural content Canadians are not willing to pay for directly when they are spending far more voluntarily through subscription streaming services. Abolishing Telefilm Canada would save taxpayers $102 million annually.

Defunding these five crown corporations would save taxpayers $2.1 billion per year.

**Recommendation:** Immediately reduce the aggregate government funding to federal crown corporations by 25 per cent.

**Recommendation:** Set a plan to remove all government funding to CBC, Via Rail, Marine Atlantic, the NCC and Telefilm Canada.

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80 There may be constitutional issues that arise from removing all funding to Marine Atlantic (see previous source). As such the CTF recognizes that entire funds saved in this proposal may be ambitious. That said, the CTF recommends the federal government to set out a plan to remove as much funding as possible to the Marine Atlantic with the goal of ending all funding to the Crown corporation.

7. **Defund the CBC and end media subsidies**

An independent and free press is a crucial pillar of democracy. To be independent – in practice and perception – the government must end all media subsidies and defund the CBC.

All media organizations should be funded voluntarily, whether through fee for service from their viewers, advertisers, voluntary contributions or a combination of each. Media organizations also shouldn't be forced to compete with a government-funded organization such as the CBC.

In 2020, the CBC received nearly $1.4 billion from government funding, according to its most recent annual report. Using CBC annual reports from previous years, the figure below shows the CBC's taxpayer funding over the last 10 years. Over the decade, the CBC has received $11.6 billion from taxpayers. Annual funding has increased by $232 million or 20 per cent.

![Taxpayer funding to the CBC](image)

While taxpayer funding has increased, the CBC's annual non-government revenue has declined by $185 million, or 27 per cent over the last 10 years. Despite more money from taxpayers, the CBC's viewership continues to fall, with one internal ratings report showing that in April, 2020, the CBC's share of Canada's TV audience was as low as 3.8 per cent while local CBC TV newscast viewership dropped 27 per cent between 2017 and 2019. This begs the question: why should taxpayers be forced to subsidize a media organization people aren't watching? The figure below shows this decline in the CBC's non-government revenue.

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Many of the CBC’s operations are in direct competition with its competitors. Conservative Party Leader Erin O’Toole explained this issue in his party leadership platform.86

"Taxpayer dollars should not pay for things like a Canadian version of Family Feud. Nor should they fund CBC News Network, a channel no different from its private sector competitors. CBC digital may be the worst offender. It competes with, and threatens the future of, local newspapers. Why are taxpayers paying for a CBC online comment section? CBC uses that section to drive clicks to get more ad revenue, which they are funnelling away from local newspapers on your dime."

It’s important to note that removing government funding to the CBC does not mean abolishing the CBC. Over the last decade, the CBC has raised an average of $586 million per year from non-government sources. Despite falling revenue, the CBC still raised nearly $504 million in 2020 through advertising, subscriber fees and “financing, investment and other income.”87

In addition to setting out a plan to defund the CBC, the CTF is calling on the federal government to end its subsidies to media organizations.

After the government announced its media subsidies in its 2019 budget, columnist Andrew Coyne outlined the many issues with giving taxpayers’ money to news organizations:

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“Taking money from the people we cover will place us in a permanent and inescapable conflict of interest; that it will produce newspapers concerned less with appealing to readers than to grantsmen; that it will not only leave us dependent on government, but without standing to oppose such dependence in others; that it will solve none of our problems, but only encourage us to put off dealing with them; that it is all so bloody unnecessary.

“But the most potent objection is that, as the government cannot possibly bail out everybody — for in the internet age what was formerly a tidy little constellation of newspapers and other outlets has exploded into a vast universe of what could plausibly be called news organizations — it must inevitably get into choosing who should receive its blessing and who should not.”

The media subsidies announced in the 2019 budget provides $595 million to news organizations between 2019-20 and 2023-24. These subsidies included a subsidy for news organizations’ labour costs, a tax credit for digital news subscribers and charitable tax status for news organizations that register as non-profits. Scrapping the budgeted media subsidies over the next two years will save taxpayers $300 million, as outlined in the table below.

<table>
<thead>
<tr>
<th>Media Subsidy</th>
<th>2022</th>
<th>2023</th>
<th>Cost over two years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified Donee Status</td>
<td>$22</td>
<td>$11</td>
<td>$33</td>
</tr>
<tr>
<td>Refundable Labour Tax Credit</td>
<td>$95</td>
<td>$95</td>
<td>$190</td>
</tr>
<tr>
<td>Tax Credit for Digital Subscriptions</td>
<td>$36</td>
<td>$41</td>
<td>$77</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$153</strong></td>
<td><strong>$147</strong></td>
<td><strong>$300</strong></td>
</tr>
</tbody>
</table>

**Recommendation:** Set out a plan to end all taxpayer funding to CBC. Removing government funding to the CBC would save taxpayers nearly $1.4 billion annually.

**Recommendation:** End the media subsidies announced in budget 2019 saving taxpayers $300 million.

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8. Phase out equalization

There's a number of reasons why a fundamental re-think of the equalization status quo in Canada is needed. It's unfair for taxpayers who pay into equalization, but don't receive any funds back. It encourages poor governance in the recipient provinces. It places more stress on the ailing federal finances. And it's fundamentally unfit to reach its stated policy objective.

I. Unfair for taxpayers in the “have” provinces

About 62 per cent of Alberta voters just voted to end the equalization status quo. Much of the animosity stems from the amount of money Albertans have contributed to the federal government – and by extension the rest of Canada – while still receiving economic hostility from members of Parliament and politicians in other provinces.

This year, the equalization program will cost each Albertan $650 on average, or $2,600 for an Albertan family of four. Equalization has cost Alberta taxpayers $67 billion since its inception in 1957.90

Equalization isn’t the only federal program that has redistributed money away from Alberta taxpayers. Since the 1960s, Albertans have paid more than $600 billion more to Ottawa than received back in federal transfers or spending.91

Despite this oversized contribution, governments in other provinces continue to throw up roadblocks to Alberta's economic development.

Through its No More Pipelines Law, discriminatory West Coast tanker ban, rejection of the Northern Gateway pipeline and moving the regulatory goal posts on the Energy East pipeline, the federal government has dealt blow after blow to Alberta's energy industry and workers. Despite Albertans continuing to reject carbon taxes, the carbon tax will cost a family $30 every time a family fuels up their minivan in 2030. The federal government’s $170 per tonne carbon tax is expected to result in 30,000 fewer jobs in Alberta.92 Late last year, Ottawa also announced a second carbon tax through fuel regulations that could cost more than 6,800 Alberta jobs.93

Politicians in other provinces have also kicked Alberta while its down. In British Columbia, politicians pledged to “employ every tool available” to block Alberta pipelines.94 In Quebec, Premier François Legault called Alberta’s oil “dirty energy” and said there’s “no social acceptability” for another oil pipeline.95 In 2021-22, Legault will be cashing in on $13 billion from equalization, which is about $1,500 per Quebecer that he gets to spend however he fancies.

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92. Fraser Institute, “Carbon Tax Impacts,” https://carbontaximpacts.ca
Alberta isn’t the only province that suffers from the unfair equalization scheme. As Dr. Bill Bewick, the executive-director of Fairness Alberta explains, “Regardless of the level of social services in British Columbia, Alberta, Saskatchewan, Ontario, and Newfoundland, the average family of four in those provinces are sending $2,400 to Ottawa to benefit only 30 per cent of the country.”

Newfoundland and Labrador hasn’t received a penny from equalization since 2008. According to this program, Newfoundland and Labrador is a “have” province. Yet in 2021, the federal government announced a $5.2-billion bailout to the province. In March 2020, the premier of Newfoundland and Labrador told the prime minister that “our recent attempts to finalize our borrowing program … have been unsuccessful … our Province has run out of time.” At the same time, a senior provincial government employee warned that “there is a point coming soon when this province will not be able to pay its public service.” In 2019, the federal government also announced it would be giving the province $2.5 billion. Think of how absurd a program is where taxpayers in Newfoundland and Labrador continue to lose money through equalization because it lives in a so-called have province under one federal scheme, yet its own provincial government is worried about going belly up and the federal government announced $7.4 billion payments back to the province since 2019. In what world does it make sense for a province to be considered a have province when its own government is worried about staying afloat and the feds continue to send bailouts?

II. Equalization encourages poor governance in recipient provinces

Not only does equalization harm taxpayers who pay into the program without receiving any money back, it also harms taxpayers in the provinces that receive equalization dollars. That’s because it allows their politicians to rely more on tax dollars coming from other provinces and less on good policies that would grow their economies.

Equalization changes the political calculation around resource development and can even punish politicians for allowing the development of their province’s resources.

“Equalization itself creates strong disincentives for natural resource development in have-not provinces,” explains Ben Eisen of the Fraser Institute. “If a have-not province sees an increase in natural resource revenues, the extra money is largely offset by a reduction in equalization payments.

“In other words, if the government of Quebec encourages natural resource development it bears the full burden of any resulting costs — including, in some instances, environmental or political risks — but receives less than one-third of the fiscal benefits.”

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In 2018, the Quebec government announced a series of new measures that would ban fracking for shale gas province-wide and tighten oil and gas drilling.\textsuperscript{103} These limits were imposed despite the existence of up to 36 trillion cubic feet of recoverable natural gas in the St. Lawrence that is estimated to be worth between $68 billion and $186 billion.\textsuperscript{104} Nova Scotia also placed a ban that limits development of most of the province’s onshore natural gas resources pegged to be worth between $20 billion and $60 billion.\textsuperscript{105}

Without the negative incentive to oppose resource development that occurs through equalization, politicians in other provinces would be more likely to develop their own natural resources and stop opposing projects crucial to the development of paying provinces.

The negative impacts of equalization go beyond discouraging resource development. As former Alberta finance and energy minister Ted Morton explains:

“For these self-inflicted economic wounds, Quebec was rewarded with increased Equalization payments, which soared from $240 million/year in 1970 to over $3 billion by the early 1980s … The election of high tax/high benefits/high regulation governments seems to coincide with poorer economic outcomes, which in turn qualifies the province for equalization payments.”\textsuperscript{106}

Equalization also creates a greater incentive for higher taxes, which punishes the workers and businesses trying to grow the economy. That’s because higher taxes can reduce the tax base and therefore increase equalization payments.\textsuperscript{107}

Taking on equalization may never be easy in Canada, but there are some provinces on the receiving end that are now receptive to change. Both New Brunswick Premier Blaine Higgs\textsuperscript{108} and Quebec Premier François Legault\textsuperscript{109} have acknowledged the issues with relying on equalization and that the right path forward for “have-not” provinces is to focus less on equalization and more on growing the economy.

### III. Added stress on federal finances

The federal government is now more than $1 trillion in debt and equalization continues to pour more red ink on the country’s finances. Equalization is projected to cost nearly $22 billion in 2022, which is a $5.8 billion or 36 per cent increase over 10 years.\textsuperscript{110} Equalization is expected to increase by another $5 billion (22 per cent) over the next five years.\textsuperscript{111} The table below shows the projected size of equalization until 2027.

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\textsuperscript{104} Ben Eisen, Steve Lafleur and Jake Fuss, “The real problems with equalization,” Fraser Institute, https://www.fraserinstitute.org/blogs/the-real-problems-with-equalization


\textsuperscript{107} Ben Eisen, Steve Lafleur and Jake Fuss, “The real problems with equalization,” Fraser Institute, https://www.fraserinstitute.org/blogs/the-real-problems-with-equalization


Equalization costs have increased significantly since its inception. When it was first established in 1957, the program dished out $1.3 billion ($2021).¹¹² Today, the annual cost of equalization is almost $21 billion. That’s an inflation-adjusted increase of nearly 1,500 per cent. The Figure below shows its massive increase in cost.

As the figure below shows, the increase in equalization has outpaced the increased in total federal spending between 1959 and 2019.

The earliest federal spending data we could find was from 1959 through 1968, which is the oldest budget in the government’s online archives. Spending in 2019 is used because 2020 and 2021 spending should be considered outlier years due to pandemic spending.

Between 1959 and 2019, equalization has grown more than 2,000 percentage points more than total federal government spending.

### Growth in equalization vs. growth in total federal spending since 1959

<table>
<thead>
<tr>
<th>Equalization</th>
<th>Federal Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>8958%</td>
<td>6665%</td>
</tr>
</tbody>
</table>

**IV. Unable to meet policy objective**

Not only does equalization cause harm for taxpayers in both recipient and receiving provinces, along with federal finances, but it’s not even clear if equalization can achieve its stated policy objective, which is the equalization of provincial services across Canada.

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For starters, the federal government will always struggle to equalize provincial programs because these programs inherently fall outside the scope and jurisdiction of the federal government. This point is made abundantly clear by Morton:

“There is the problem of policy jurisdiction. Virtually all of these social services fall under the exclusive jurisdiction of the provinces and cannot be dictated or ‘equalized’ by Ottawa. That’s why the Equalization program currently gives each ‘have-not’ province a blank cheque with the intent (i.e. the hope) that the funds will be used for topping up ‘under-funded’ benefit programs. But there is no guarantee, because there cannot be. These are all provincial matters.”

Second, equalization is an attempt to equalize services across provinces, but that can’t be done by throwing more tax dollars at a problem. As the Alberta government has demonstrated, spending more tax dollars doesn’t result in better outcomes.

The Alberta government is a high spending provincial government, but in many important instances, Albertans do not receive the best quality of services from their government.

“Alberta’s spending per capita is the highest in Canada and has consistently been higher than the average of the 10 provinces over the last 25 years,” reads the Blue Ribbon Panel Report on Alberta’s finances. “In some key areas, in spite of the higher levels of funding, the results achieved are no better and, in some cases, worse than in other provinces.”

Take health care for example. Alberta is the youngest province, it spends more per person on health care than every other province except Newfoundland and Labrador, and outspends the Ontario government by about $1,000 every year (per person basis), but Albertans don’t get the best health care results.

“Outcomes are no better and are often worse than comparable provinces ... Albertans wait an average of 26 weeks [from referral by a general practitioner until they receive treatment], more than 10 weeks longer than in Ontario which has the shortest wait times,” noted the Blue Ribbon Panel.

As Alberta clearly demonstrates, the equalization program will always struggle to reach its objective because more tax dollars thrown at a problem doesn’t mean better results.

In a similar vein, differences in a government’s ability to raise revenue can also be partially explained by different prices in different regions. Economic analyst Ken Boessenkool notes that this is often cited as the reason why the United States has no equivalent of Canada’s equalization program despite differences in fiscal capacities across the states.

“The predominant U.S. view is that differences in fiscal capacities across states are reflected (or capitalized) in differences in wages and other prices such as property values, and therefore equalization is unnecessary,” explains Boessenkool.
Next steps on equalization:

First, the federal government should immediately respect the wishes of 62 per cent of Alberta voters and consult with the provinces on equalization. In addition, the federal government should pass a bill that requires the federal government to publish all documents from provincial negotiations on the Department of Finance’s website. This would guard against what happened in 2018, when the federal government extended the existing equalization program until 2024 without consulting with the province.

Second, the federal government should develop a plan to wean the provinces off equalization. There should come a time when provinces can be largely self-sustaining. And after six and half decades of equalization payments, now is as good of a time as ever to push provincial governments to focus more on growing their own economies and rely less on tax dollars from other provinces. The goal of equalization shouldn’t be to keep provinces reliant on federal tax dollars forever. As such, equalization funding should be phased out.

Given the flood of red ink across the country and the negative incentives created by the current equalization scheme, the CTF proposes changing the nature of the equalization program to encourage debt reduction, efficient delivery of government services and economic growth (the table below shows forecasted provincial debt by the end of 2021-22 based on the last provincial budget).

<table>
<thead>
<tr>
<th>Province</th>
<th>Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>$102.9 billion</td>
</tr>
<tr>
<td>Alberta</td>
<td>$115.8 billion</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>$17.9 billion</td>
</tr>
<tr>
<td>Manitoba</td>
<td>$30 billion</td>
</tr>
<tr>
<td>Ontario</td>
<td>$439.8 billion</td>
</tr>
<tr>
<td>Quebec</td>
<td>$213 billion</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>$14.1 billion</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>$18 billion</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>$2.6 billion</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>$17.2 billion</td>
</tr>
<tr>
<td><strong>Total provincial government debt</strong></td>
<td><strong>$971.3 billion</strong></td>
</tr>
</tbody>
</table>

*Especially during a pandemic year, provincial governments’ debt levels change during the course of the fiscal year. For example, the government of New Brunswick is now projecting to run a $38 million budget surplus. The point of the table is not show precisely the debt of each government by the end of the year, but to illustrate the level of subnational government debt in Canada. For sources for each government debt projection see: Canadian Taxpayers Federation, Canada Day Debt Report 2021, [http://www.taxpayer.com/media/Canada-Day-Debt-Report-2021.pdf](http://www.taxpayer.com/media/Canada-Day-Debt-Report-2021.pdf).*
To promote debt reduction, more efficient governments and economic growth, the new federal funding scheme should follow the following five principles:

I. Fully phase out equalization over a twenty-year period (last year of program being 2041), with the annual size of the funding program declining by 10 per cent per year.

II. To receive federal tax dollars, the provincial government must show a reduction in its deficit or debt.

III. To receive federal tax dollars, the provincial government must show it has reduced its inflation-adjusted per-person spending.

IV. To receive federal tax dollars, the provincial government must agree to not impose any tax rate increase or new tax unless approved in a province-wide referendum.

V. To receive federal tax dollars, the provincial government must provide the federal government with an annual report of the measures implemented to encourage economic growth, such as the approval of development projects, red tape reduction and tax relief.

This new transfer funding arrangement would only deal with the current equalization funding and would not alter the Canada Health or Canada Social transfers. This would also mean the provinces would receive a cumulative $18.8 billion through the new transfer arrangement in 2022 and $186 billion by the end of the program in 2041 (this does not include funding through the CHT and CST). The figure below shows the funding model over the twenty years of the transfer arrangement.

![Phasing out equalization over 20 years](image-url)
This new arrangement would mean taxpayers would spend $2 billion less on equalization in 2022 than in 2021. The table below shows how much taxpayers would save over the next five years when comparing the projected future increases under the feds’ current arrangement compared to this new transfer program proposed by the CTF. Taxpayers would save nearly $46 billion over the next five years with the CTF’s proposal.

<table>
<thead>
<tr>
<th>Year</th>
<th>Current equalization scheme</th>
<th>CTF transfer proposal</th>
<th>Yearly taxpayer savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$21,900,000,000</td>
<td>$18,819,900,000</td>
<td>$3,080,100,000</td>
</tr>
<tr>
<td>2023</td>
<td>$23,600,000,000</td>
<td>$16,937,910,000</td>
<td>$6,662,090,000</td>
</tr>
<tr>
<td>2024</td>
<td>$24,800,000,000</td>
<td>$15,244,119,000</td>
<td>$9,555,881,000</td>
</tr>
<tr>
<td>2025</td>
<td>$25,800,000,000</td>
<td>$13,719,707,100</td>
<td>$12,080,292,900</td>
</tr>
<tr>
<td>2026</td>
<td>$26,800,000,000</td>
<td>$12,347,736,390</td>
<td>$14,452,263,610</td>
</tr>
<tr>
<td><strong>Total five-year savings</strong></td>
<td></td>
<td></td>
<td><strong>$45,830,627,510</strong></td>
</tr>
</tbody>
</table>

There is nothing technically stopping the federal government from making changes to its equalization scheme and saving taxpayers money. As Morton explains throughout his C2C Journal article, “Referendum Time?”, the federal government has made changes to the program many times over the decades largely due to political and budget considerations.120

**Recommendation:** Reduce the size of equalization with the goal of eventually ending the program through the CTF’s 20-year equalization phase out proposal.

**Recommendation:** Respect Alberta voters and consult with the provinces on equalization. In addition, the federal government should pass a bill that requires the federal government to publish all documents from provincial negotiations on the Department of Finance’s website. This would help guard against what happened in 2018, when the federal government extended the existing equalization program until 2024 without consulting with the province.

9. Limiting the growth of health and social transfers

While equalization tends to be the most contentious federal transfer scheme, the combined costs of the Canada Health Transfer and Canada Social Transfer are larger than the cost of equalization. For example, the CHT and CST are projected to cost more than $61 billion in 2022, compared to equalization’s $22-billion price tag.\(^{121}\)

The CHT and CST have increased by $18.6 billion or 44 per cent over the decade. Assuming an inflation rate of 3.3 per cent in 2021 and 3.1 per cent in 2022 (2021 fiscal update), the growth in these transfers has outpaced inflation and population growth between 2013 and 2022, which was about 31 per cent. Had the CHT and CST followed inflation plus population growth, spending in 2022 would be about $56 billion, or $5.5 billion less. Total savings over these 10 years would have been $35.5 billion (see figure below).

This follows years of increases. The inflation-adjusted annual cost of the CST has increased by $4.2 billion between 2004-05 and 2021-22, or 37 per cent as illustrated in the figure below.¹²²

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**Inflation-adjusted cost of CST**

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>CST</td>
<td>$11,312,333,966</td>
<td>$15,473,939,000</td>
</tr>
</tbody>
</table>

The inflation-adjusted annual cost of the CHT has increased by $22.3 billion between 2004-05 and 2021-22, or 107 per cent, as illustrated in the figure below.

---

**Inflation-adjusted cost of CHT**

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHT</td>
<td>$20,862,239,089</td>
<td>$43,125,784,000</td>
</tr>
</tbody>
</table>

Despite the large increase in the cost of the CHT and CST, the government plans to increase these transfers by another $12 billion or nearly 20 per cent over the next five years, as illustrated in the figure below.\(^{123}\)

![Increase in CHT and CST between 2022-23 and 2026-27](image.png)

Rather than increases, the CTF proposes the following changes to the CHT and CST projections:

First, freeze the current 2021 level of CHT and CST transfers at $58.6 billion for 2022. This is still higher than what the 2022 transfers would be had they increased by inflation plus population growth over the decade. In addition, this would save taxpayers $2.5 billion next year. Second, set a maximum cap of CHT and CST transfers to the annual rate of inflation.

**Recommendation:** Freeze the CHT and CST in 2022 at the current $58.6 billion, then set a maximum transfer cap to the annual rate of inflation for future years. This will save taxpayers $2.5 billion in 2022.

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10. End the gun ban and buyback

The federal government's gun ban and buyback has all the makings of another ineffective gun policy that becomes a taxpayer boondoggle.

The gun registry introduced in the 1990s was supposed to cost $2 million, but, by the time it was abolished in 2012, the tally was over $2 billion. Despite the heavy price tag, the gun registry was ineffective.

The Liberal Party originally told voters the gun ban and buyback would cost $200 million.\(^{124}\) Then in early 2021, former public safety minister Bill Blair said the costs would land "somewhere between $300 and $400 million dollars."\(^{125}\)

On June 29, 2021, the Parliamentary Budget Officer released analysis showing that the cost to reimburse gunowners could reach up to $756 million.\(^ {126}\)

But that's not the full costs. The PBO couldn't provide an estimate of the staffing and administration costs because of "the current lack of details regarding program design and administration."

"Focusing on reimbursement costs is misleading because it ignores the biggest expense — staffing costs," wrote Gary Mauser, a Professor Emeritus at Simon Fraser University, in his analysis of the policy.\(^ {127}\)

Mauser estimates that when you consider the other costs to administer the program, the gun buyback would cost taxpayers between $2.6 billion and $6.8 billion.\(^ {128}\) Given that the federal government has already spent more than $8 million on the program without buying a single gun, taxpayers have every right to be worried about the potential of another taxpayer boondoggle.\(^ {129}\)

Here's the kicker: despite a massive bill, the gun buyback will be ineffective.

Criminals are not going to start walking into government offices to hand over their firearms.

This gun policy only targets legally owned firearms. This is a point stressed by the National Police Federation, which is Canada's largest police union. The NPF said Trudeau's gun grab won't address "current and emerging themes or urgent threats to public safety," such as criminal activity, gang violence or the flow of illegal guns across the border.

Not only will the buyback be ineffective, it could make things worse.

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\(^ {126}\) Parliamentary Budget Officer, "Cost Estimate of the firearm buy-back program," [https://distribution-a617274656661637473.pbo-dpb.ca/41967f1c3a99ebea8798f5f6f2535b2aaf938191712fearf87a464d71baa7](https://distribution-a617274656661637473.pbo-dpb.ca/41967f1c3a99ebea8798f5f6f2535b2aaf938191712fearf87a464d71baa7)


“It diverts extremely important personnel, resources, and funding away from addressing the more immediate and growing threat of criminal use of illegal firearms,” said the NPF.130

Instead of spending $756 million on reimbursing legal gun owners, the government could do more for public safety by hiring 1,200 new officers for five years.131

**Recommendation:** End the gun ban and buyback program, saving taxpayers an estimated $4.7 billion using the midpoint of Mauser’s estimates.

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11. **End the government’s daycare scheme**

The federal 2021 budget allocated $30 billion over five years for a national daycare program. This will be added on top of the $27 billion in direct annual payments parents already receive every year through the Canada Child Benefit. The figure below highlights the federal government’s projected annual daycare costs until 2026.132

### Annual federal daycare costs, 2021-22 to 2025-26

<table>
<thead>
<tr>
<th>BILLIONS $</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3.07</td>
<td>$4.91</td>
<td>$6.21</td>
<td>$7.24</td>
<td>$8.38</td>
<td></td>
</tr>
</tbody>
</table>

Ending the proposed national daycare scheme would save Canadian taxpayers an average of $6.7 billion annually between 2022 and 2026. However, taxpayers should expect that the government’s projected costs are understated.

The 2021 budget says, “it is time for the rest of Canada to learn from Quebec’s example.” Taxpayers should indeed learn from Canada’s experience with government-run daycare.

The first lesson is that these program costs tend to balloon quickly. Since Quebec introduced its government child-care scheme, costs have increased from $300 million in 1997133 to over $2.7 billion.134 Even after accounting for inflation, that’s a six-fold increase. Newfoundland and Labrador shows a similar picture. Its government child-care costs have gone up three-fold in the five years before it boosted its per-child subsidy.135

The federal debt will reach $1.2 trillion by the end of 2021-22. If we couldn’t afford a federal government daycare program before COVID-19 when the deficit was around $20 billion, how can we afford a costly, and likely to balloon, program after just posting a $328-billion deficit in 2020 and $145-billion deficit in 2021?

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This costly program shouldn't be mistaken as a free lunch. It may save some parents some money today, but those savings will mean a bigger debt bill for their children and grandchildren to pay.

About 55,000 children were unable to access a child-care spot in 2019, according to Quebec’s Auditor General.\footnote{Quebec Auditor General, "Accessibilité aux services de garde éducatifs à l’enfance: Audit de performance et observations du commissaire au développement durable," \url{https://www.vgq.qc.ca/Fichiers/Publications/rapport-annuel/165/vqg_ch02_cpe_web.pdf}} This is despite every government since the scheme was introduced adding thousands of new spaces every year. As it stands, there are about five kids for every four taxpayer-funded spaces. Because of this scarcity, people have had to get creative to get their children in one of those spots. That’s why, every year, roughly 30,000 Quebec children by-pass the government’s centralized space-allocation system, according to Quebec’s Auditor General.\footnote{Charles Lecavalier, “CPE et garderies subventionnées : 30 000 places données en dehors de la liste d’attente obligatoire,” Journal de Quebec, \url{https://www.journaldaquebec.com/2020/10/08/cpe-et-garderies-subventionnees-30000-places-donnees-en-dehors-de-la-liste-dattente-obligatoire}} They have been able to do so because their parents know the right people. Meanwhile, thousands more are on waiting lists because of a lack of social capital. At the very least, this problem highlights why taxpayers shouldn’t be subsidizing daycare for wealthy families.

The government can play a role in making daycare affordable, but a large, overly bureaucratic program is the wrong way to go about it. Affordability is determined by two things: how much something costs, and how much money people have in their pockets. And it’s on the latter where the government should act. After all, income taxes, sales taxes, carbon taxes and all other kinds of taxes cost a family more than the basic needs such as food, housing and clothing combined. In fact, taxes take up about 36 per cent of a family’s budget, according to the Fraser Institute.\footnote{Jake Fuss and Leo Plumer, “Taxes versus the Necessities of Life: The Canadian Consumer Tax Index 2021 edition,” Fraser Institute, \url{https://www.fraserinstitute.org/sites/default/files/canadian-consumer-tax-index-2021.pdf}}

**Recommendation:** End the government’s national daycare program introduced in Budget 2021.
12. **End politician welfare**

The exploitation of the federal wage subsidy by political parties has put a spotlight on the unfair taxpayer-treatment that political parties receive.

The Canada Emergency Wage Subsidy was a federal pandemic subsidy meant to help organizations cover a portion of their employees’ wages. The CTF estimates that federal political parties collected $3.2 million through the wage subsidy, based on 2020 financial statements published by Election Canada. The table below shows how much each federal party received. The Bloc Québécois was the only party in the House of Commons that did not take the wage subsidy.

<table>
<thead>
<tr>
<th>Party</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberal Party of Canada</td>
<td>$1,253,831</td>
</tr>
<tr>
<td>Conservative Party of Canada</td>
<td>$1,083,246</td>
</tr>
<tr>
<td>Green Party of Canada</td>
<td>$576,001</td>
</tr>
<tr>
<td>New Democratic Party of Canada</td>
<td>$325,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,238,078</strong></td>
</tr>
</tbody>
</table>

Conservative Party Leader Erin O’Toole committed to repaying the money his party took.

“O’Toole believes the wage subsidy was designed to help businesses survive the economic side-effects of the COVID-19 pandemic lock-down, not to subsidize political parties,” said Conservative MP Peter Kent.141

But as of mid-March 2021, the Conservatives still hadn’t paid back the subsidy.142

In September 2020, the Liberals said they would stop taking the wage subsidy, but had no plans to pay it back. The NDP hasn’t mentioned whether its paid back the subsidy.

In addition to the federal political parties that helped themselves to the wage subsidy, provincial political parties also took more than $500,000 through the CEWS. The federal government should require all political parties to pay back the full amount of the wage subsidy that they took, which would return more than $3.7 million to taxpayers.

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139 For links to each party’s financial statements see: Canadian Taxpayers Federation, “Political parties took more than $3.7 million through federal wage subsidy,” https://www.taxpayer.com/newsroom/political-parties-took-more-than-3.7-million-through-federal-wage-subsidy

140 The NDP’s annual financial statement does not include the total amount received through the Canada Emergency Wage Subsidy. This is a CTF estimate based on an NDP spokesperson saying the party received between $60,000 to $70,000 per claim period and intended to apply for five claim periods ($65,000 x 5 = $325,000).


142 Stephanie Levitz, “Conservatives say finances are solid, but have yet to pay back federal wage subsidy,” CTV News, https://www.ctvnews.ca/politics/conservatives-say-finances-are-solid-but-have-yet-to-pay-back-federal-wage-subsidy-1.6352966
Even before the pandemic, federal political parties benefited from special taxpayer treatment, such as the political contributions tax credit. A $100 donation to a political party provides a $75 tax credit, while a $100 donation to a charity provides a $15 federal tax credit. The federal government estimates the political contributions tax credit has cost taxpayers $225 million between 2015 and 2021 and will cost another $25 million in 2022.\

In addition, parties and candidates received more than $191 million in expense reimbursements for the 2019, 2015 and 2011 federal elections, according to Elections Canada. The federal government should end this practice of reimbursing parties and candidates for their campaign expenses, starting with the 2021 election. Based on the averages of the last three federal elections, ending the reimbursements beginning with the 2021 election would save taxpayers $63.8 million.

**Recommendation:** Require all political parties to pay back the federal wage subsidy, returning $3.7 million back to taxpayers.

**Recommendation:** Scrap the political contributions tax credit saving taxpayers $25 million annually.

**Recommendation:** End the campaign reimbursements for political parties and candidates, which includes not reimbursing campaigns for the 2021 election. This would save taxpayers an estimated $68 million based on the average of the previous three elections.

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13. Mission Cultural Fund

The Mission Cultural Fund was created in 2016, as a $1.75-million-a-year fund “designed to promote our artists abroad while advancing foreign policy priorities.” However, the fund has been consistently overbudget. The table below shows actual spending versus budgeted spending.

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Actual</th>
<th>Overbudget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$1,750,000</td>
<td>$2,088,577</td>
<td>$338,577</td>
</tr>
<tr>
<td>2017</td>
<td>$1,750,000</td>
<td>$5,240,646</td>
<td>$3,490,646</td>
</tr>
<tr>
<td>2018</td>
<td>$1,750,000</td>
<td>$4,008,018</td>
<td>$2,258,018</td>
</tr>
</tbody>
</table>

While the fund was given a budget of $1.75 million annually, its actual average annual spending has been nearly $3.8 million.

In addition to cost overruns, the MCF has continued to waste taxpayers’ money on non-essential spending, such as:

- $8,813.70 on a sex toy art show in Germany
- $51,145.59 on a red-carpet photography exhibition for Canadian rock star Bryan Adams
- Nearly $10,000 on a premier party for the TV show Mary Kills People
- $15,799 to promote famous cartoonist Lynn Johnston’s work in Washington
- Nearly $10,000 to help author Margaret Atwood promote a new book in Australia
- $17,915 for the jazz band Shuffle Demons’ international performances

**Recommendation:** Scrap the Mission Cultural Fund, saving taxpayers an estimated $3.8 million annually.

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146 Senate of Canada, The standing senate committee on foreign affairs and international trade evidence, https://www.sencanada.ca/en/Content/Serv/Committee/421/AEFA/53701.e
147 Canadian Taxpayers Federation, “Global Affairs defensive as cultural fund confirmed to be overbudget, burning through millions,” https://www.taxpayer.com/newsroom/global-affairs-defensive-as-cultural-fund-confirmed-to-be-overbudget-burning-through-millions
150 Canadian Taxpayers Federation, “For Better or For Worse: Canadian cartoonist exhibit cost taxpayers $15,799,” https://www.taxpayer.com/newsroom/for-better-or-for-worse-canadian-cartoonist-exhibit-cost-taxpayers-15,799?id=15799
151 Canadian Taxpayers Federation, “Margaret Atwood’s Australian tour cost taxpayers almost $10,000,” https://www.taxpayer.com/newsroom/margaret-atwood’s-australian-tour-cost-taxpayers-almost-10,000?id=18673
152 Canadian Taxpayers Federation, “Global Affairs spends nearly $18,000 on South American jazz tours,” https://www.taxpayer.com/newsroom/global-affairs-spends-nearly-18,000-on-south-american-jazz-tours
14. Pandemic spending rule

The federal government is now more than $1 trillion in debt, while its borrowing is increasing by nearly half a billion dollars every day. By 2027, the last year forecasted in the recent fiscal update, the federal government’s pre-pandemic debt is projected to increase by nearly 90 per cent. By 2027, interest charges on the federal debt will have cost taxpayers $197 billion.

It’s important to understand why the debt is soaring. Between the end of 2019 and 2020, federal government revenues declined by about five per cent. Spending, on the other hand, grew by more than 73 per cent. The figure below shows this stark contrast.

While the majority of federal spending in 2020 was unrelated to COVID-19, pandemic spending was still significant. The government’s recent fiscal update notes that the federal government has spent $511 billion on the pandemic through direct subsidies, tax deferrals and low-interest loans. More than 80 per cent of pandemic government subsidies has come from Ottawa.

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Government justifiably increased spending on some necessities, such as vaccines, but there’s a lack of savings in other areas of the budget. The federal government’s spending was already at all-time highs before the pandemic. That’s even after accounting for inflation and population growth. Given that level of pre-pandemic spending, savings in other areas of the budget should have been achievable. Not only were savings not found, but the feds also intend to increase permanent government spending for years to come. The figure compares pre-pandemic permanent government spending in 2019 with spending plans from 2022 through 2026. The 2020 and 2021 years are left out of the figure as they should be considered COVID-19 outliers.

Permanent federal government spending is forecasted to be $133 billion more than it was pre-pandemic. However, the federal government only projects its pandemic spending in “future years” (post 2021) to be $11 billion.\textsuperscript{157} So even future pandemic spending is not the reason for this massive increase in federal spending, which is occurring on top of all-time high levels of spending before the pandemic.

It’s clear the federal government intends to use COVID-19 to massively increase its spending. Taxpayers should also be concerned of additional pandemic spending if new variants or pandemic concerns emerge. In fact, this has already happened. On Oct. 21, 2021, Finance Minister Chrystia Freeland announced the government would be transitioning to more targeted and less costly COVID-19 subsidies. While the CTF recognized this transition as a good first step,\textsuperscript{158} these targeted subsidies were still expected to cost $7.4 billion until early May 2022.\textsuperscript{159} Only two months later, on Dec. 22, 2021, the federal government announced it would be expanding these subsidies, costing an extra $4 billion.\textsuperscript{160}

What’s clear from the pandemic is that taxpayers can’t afford a repeat of 2020 and 2021. To prevent the accumulation of even more federal debt, the CTF proposes a new pandemic spending rule: every additional dollar spent on the pandemic must go hand-in-hand with a dollar reduction in another area of the budget. This is achievable given the massive amount of spending in non-COVID-19 areas of the budget. Adopting this rule would also signal to Canadians and the international community that Canadian politicians are taking the debt seriously and that they do not intent to continue to spend more money on everything for ever.

In addition to the pandemic spending rule, it’s time that the federal government sets a concrete end date to all its COVID-19 subsidies.

Despite the soaring debt, Finance Minister Chrystia Freeland has made it clear there is no concrete end date to the spending. “Our government is prepared to extend support measures, as long as the fight against this virus requires,” she said in her budget speech.161

At best, the government has made a vague commitment to wrap up the COVID-19 subsidies eventually. But before the 2015 election, candidate Justin Trudeau told taxpayers he would run a few “modest” deficits and that the “budget will balance itself.” And at their party’s last policy convention, the federal Liberals voted in favour of a guaranteed annual income that would turn the temporary and costly COVID-19 subsidies into permanent red ink.

The federal government must set a firm end date. If new COVID issues arise, Ottawa can develop new responses. Or better yet, individual provinces can react to their own unique circumstances. That way provincial politicians could weigh both the pros and cons of every decision they make and would be forced to finds savings in other areas of their budgets.

A firm commitment to ending all the COVID-19 subsidies would also give our economy and small businesses more certainty.

**Recommendation:** Implement a new pandemic spending rule where any increase in pandemic federal government spending must go hand-in-hand with proportional savings somewhere else in the budget so the overall level of federal spending remains unchanged.

**Recommendation:** Set a specific end date to all COVID-19 spending.

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15. **Comprehensive spending review similar to the 1990s**

In its efforts to balance the budget in the 1990s, former prime minister Jean Chrétien’s government set forth the best practices for program reviews.\(^{162}\) Cabinet ministers in every department were instructed to put their departmental spending under a microscope. The review was comprehensive and applied six tests to every expense:

1. Does it serve the public interest?
2. Is government involvement necessary?
3. Is this an appropriate role for this level of government?
4. Are public-private partnerships possible / desirable?
5. Are there ways to make it more efficient?
6. Can taxpayers afford this expense?

As analyst Sean Speer noted in his paper for the Macdonald-Laurier Institute:

> “The program review led to significant reforms that not only reduced spending and lowered the budgetary deficit, but also modernized and reformed the role of the federal government. The result was smaller and better government and sustainable public finances.”

As a result of the review, programs became more efficient, the government cut 60 per cent of its corporate welfare and divested from major Crown corporations, such as airports and the air navigation system. The spending review identified $9.8 billion in savings, equivalent to 18.9 per cent of federal departmental spending at the time.

All departments participated. The largest reductions were in transportation, where spending was to decline by more than 50 per cent, and in industrial, regional and scientific support programs, which fell by 40 per cent. Transfer payments to the provinces for health and education were also targeted. The overall amount of federal transfer payments fell from $25.8 billion in 1994 to $22.2 billion in 1996. The cuts to transfers were larger than the cuts to direct federal spending.

This program review allowed the federal government to balance the budget in 1997-98 and pay down more than $90 billion in federal debt before the financial crisis hit in 2008. This reduced the proportion of tax dollars going towards debt interest payments from 30 per cent in 1996 down to 13 per cent in 2008.

The savings also allowed for significant tax relief, such as sales tax, business and personal income tax relief, and the establishment of TFSAs to boost household savings.

\(^{162}\) Sean Speer, “Getting Out of a Fiscal Hole: Canada’s experience with fiscal reform,” Macdonald-Laurier Institute, [https://macdonaldlaurier.ca/files/pdf/MLIIAnglosphere-CanadaPaper_web.pdf?fbclid=IwAR22yRgWrsR0lGCyZbkIegsYM9sPVIU8x1YHISOz20QsmMyMcr6P2a1ta](https://macdonaldlaurier.ca/files/pdf/MLIIAnglosphere-CanadaPaper_web.pdf?fbclid=IwAR22yRgWrsR0lGCyZbkIegsYM9sPVIU8x1YHISOz20QsmMyMcr6P2a1ta)
Since the budget was first balanced in 1997-98, federal government spending has again taken off. Between 1997\textsuperscript{163} and 2018\textsuperscript{164} (the last full year before COVID-19), the federal government’s inflation-adjusted total annual spending has increased by $117 billion, or 53 per cent. In fact, in 2018, the federal government’s inflation-adjusted per-person spending reached all-time highs.\textsuperscript{165} That means that even before the pandemic, the federal government was spending more money than it spent during any single year of World War Two.

Learning from the success of the review and subsequent spending reductions, Speer provides a final recommendation for future politicians looking to rein in government borrowing:

“Fiscal reform should not just focus on reducing the budgetary deficit. Instead, it should encompass reforms and modernizations of all that government does and how it does it. Across-the-board cuts or arbitrary targets may achieve short-term spending reductions, but they often create future pressures. Eliminating programs, divesting assets, or reforming operations is the surest way to not only cut the deficit in the short term, but limit the size and scope of government in the long-term.”

Given the massive level of federal government spending, even before the pandemic, all areas of the federal budget should be put under the microscope. However, the government should begin by identifying clear examples of waste, such as the following spending over the last 10 years.

**A decade of federal government waste:**

**2012**

- The National Capital Commission built seven brand new ice chalets for skaters on the Rideau Canal at an average cost of $750,000 each. That was more than double the average cost of a home in the Ottawa area, $360,000.
  - Cost: $5.24 million.\textsuperscript{166}

- The Royal Canadian Mint produced about $486-million worth of pennies in a year. It cost $11 million to manufacture and distribute $6.9-million worth of pennies. That means each 1-cent penny cost about 1.6 cents to make.
  - Cost: $11 million.\textsuperscript{167}

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\textsuperscript{163} Government of Canada, Budget 2000, \url{https://www.budget.gc.ca/pdfarch/budget00/pdf/bpe.pdf}


\textsuperscript{166} CTV News, “New chalets unveiled on Rideau Canal Skateway,” \url{https://ottawa.ctvnews.ca/new-chalets-unveiled-on-rideau-canal-skateway-1.754328}

2013

• The federal government gave $3.2 million in taxpayer dollars to PurGenesis, a company owned by Ottawa Senators owner Eugene Melnyk. Ostensibly it was to create “some 100 jobs,” but the company ended up creating three before quickly going under.
  
  ° Cost: $3.2 million.168

• Agriculture and Agri-Food Canada spent taxpayer money subsidizing a food truck in Mexico City.

  ° Cost: $50,000.169

• The Senate of Canada decided to hire a motivational speakers in the midst of an expense scandal.170

• The Department of Defence had researchers poll Canadians on their thoughts about superheroes, including whether they can leap over skyscrapers.

  ° Cost: $14,000.171

• Federal government kept a Poet Laureate on hand for two years for an annual stipend of $20,000 plus travel expenses, and only had him write one poem that he described as “mediocre.”

  ° Cost: $40,000.172

2014

• The Canadian Forces kept highly paid dentists on hand who did very little actual dentistry as most work was contracted out privately. In the data examined by CBC News, some specialists worked on no patients.

  ° Cost: $56 million for government dentists.173

• Employment and Social Development Canada spent millions of dollars promoting a skills training program that didn’t exist.

  ° Cost: $2.5 million.174

174 Sophia Harris, "Canada Job Grant ads cost $2.5M for non-existent program” CBC News, https://www.cbc.ca/news/politics/canada-job-grant-ads-cost-2-5m-for-non-existent-program-1.2495196
• The federal government spent $9 million on wireless competition ads that left consumers wondering what the Conservatives intended to do about the issue. A focus group found that the ads made people angry about how much they were paying but were unclear about what the government was going to do about it.
  ◦ Cost: $9 million.175

• Parks Canada misrepresented the success of a $1.6-million promotion. The agency claimed 400,000 Grade Eight students participated in My Park Pass, despite there only being 347,694 kids in grade eight in Canada.
  ◦ Cost: $1.6 million.176

• Parks Canada spent $191,300 on phone interviews with 3,764 Canadians. The results were that Canadians do not know what the agency is or what it does, while six per cent nationwide appeared to confuse the agency with an NBC sitcom.
  ◦ Cost: $191,300.177

• The Federal Government spent taxpayer money as part of a $14.8 million Action Plan campaign on a series of ads that 62 per cent of Canadians said they could not remember at all.
  ◦ Cost: $14.8 million.178

• The Department of Defence spent over $100 million on a hangar for nine Cyclone helicopters that it did not have.
  ◦ Cost: $104 million.179

• The acting Head of the Canadian Human Rights Commission lived in Winnipeg and worked in Ottawa. The federal government spent nearly $760,000 paying to shuttle him back and forth from 2006 to 2014, amongst other expenses.
  ◦ Cost: $760,000.180

• Employment Canada spent tens of thousands on pep talks from a motivational speaker. Employment Canada offered no explanation on why the speaker was hired, or who they were expected to motivate.
  ◦ Cost: $33,037.181

177 Blacklock’s Reporter, “$191,300 For Parks Polling” https://www.blacklocks.ca/191300-for-parks-polling/
2015

- The Canadian Museum of Human Rights spent nearly $2 million on their opening ceremonies, which they expected to be covered mainly by sponsors. They ended up finding very little outside support and had to shoulder the cost themselves with taxpayers’ money.
  - Cost: $1.89 million.182

- FedDev Ontario put up $8.1 million for Fanshawe College to build a lab that will compete with private labs. There were already 30 test facilities in southern Ontario. The City of London also gave the college the land to build it on.
  - Cost: $8.1 million.183

- Canada sent one of the largest delegations to the Paris climate change conference, with more than 300 politicians and bureaucrats in attendance, all travelling at taxpayers’ expense.
  - Cost: $650,000.184

- Taxpayers were on the hook for a lavish ceremony to reopen Canada House in England, with luxury food items shipped overseas and commemorative items made of precious metals.
  - Cost: $209,000.185

- Canadian Heritage spent roughly $15,000 on a survey asking tourists on Parliament Hill if they liked the Christmas lights.
  - Cost: $15,000.186

- Global Affairs Canada was caught spending thousands of taxpayer dollars to furnish embassies worldwide with luxury items such as high-end seat cushions, and crystal-stemmed wine glasses that cost more than double what Tiffany's in New York City sells them for.187

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187 Aaron Wudrick, "Canada's diplomats shell out big time for cushions, wine glasses and more," Toronto Sun, https://torontosun.com/opinion/columnists/opinion-canadas-diplomats-shell-out-big-time-for-cushions-wine-glasses-and-more
2016

- The Canada Revenue Agency spent millions of dollars trying and failing to stop their employees from improperly spying on the records of people they know.
  - Cost: $10.5 million.188

- Infrastructure Minister Amarjeet Sohi spent nearly one million dollars renovating offices and buying paintings.
  - Cost: $835,000.189

- The federal government subsidized a Maple Leaf Food’s Winnipeg facility to increase its bacon production, costing taxpayers hundreds of thousands.190

2017

- The federal government spent over $200,000 on artwork for the 2017 budget cover.
  - Cost: $212,234.191

- An outdoor skating rink was built on Parliament Hill for Canada 150’s closing celebrations, costing taxpayers $5.6 million, but Canadians only had a little over three weeks to skate on it. It was later extended, but the rules about no cell phones and no hockey sticks stayed. You also had to book a time slot online.
  - Cost: $5.6 million.192

- The government used the $1.75 million-a-year Mission Cultural Fund to fly chefs via business class tickets to overseas missions from Singapore to Jerusalem. Expenses included $15,000 to fly an unnamed chef to the Dominican Republic for a 2017 Canada Day banquet to promote “Canada’s global image.” Another unnamed chef was flown to Miami to prepare “signature Canadian dishes” at a July 1, 2017, party at a cost of $4,643.193

- The government spent $51,145.59 through the Mission Cultural Fund on a Bryan Adams photography exhibit.
  - Cost: $51,145.59.194


2018

• The government spent nearly $1,900 on life-size cut-outs of Prime Minister Justin Trudeau to put on display at some Canadian missions abroad.
  ◦ Cost: $1,900.195

• The Canadian Forces bought kits that let its leaders experience what it’s like to be stoned on marijuana. The "marijuana simulation kits" included "marijuana impairment goggles," among other items.
  ◦ Cost: $170,000.196

• Prime Minister Justin Trudeau took a controversial trip to India, spending taxpayers’ money on everything he could. From flying a celebrity chef all the way around the world, to an airplane food and drinks tab above $100,000, to a $835 hockey stick, the bill should never be repeated.
  ◦ Cost: $1.66 million.197

• Shared Services Canada employees were evacuated from office space for two straight days for fumigation because someone thought they saw a poisonous spider. Experts later said that the spider in question was harmless.
  ◦ Cost: $18,000.198

• Library and Archives Canada paid a 50 percent premium for a Hitler book without verifying it was authentic, according to Access to Information records. The same volume was withdrawn from sale at a U.S. auction in 2011.
  ◦ $4,522 (USD).199

• Statistics Canada decided to hire a public relations firm to rebuild its reputation after it was reported that they had asked banks for financial records.
  ◦ Cost: $14,012.200

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196 David Pugliese, “Military to spend $170,000 so leaders can see what it's like to be stoned on marijuana,” National Post, https://nationalpost.com/news/canada/military-to-spend-170000-so-leaders-can-see-what-its-like-to-be-stoned-on-marijuana


2019

- Independent Senator Donna Dasko spent $15,000 on a Nanos Research poll to ask Canadians on their opinions of the Senate. Many respondents said the senate was a waste of money.
  - Cost: $15,000.201

- The government spent $8,813.70 through the Mission Cultural Fund on a sex toy show in Germany.
  - Cost: $8,813.70.202

- Taxpayers paid nearly $800,000 in subsidies to a private radio station to serve Edmonton’s French-speaking community with a population 27,000. The city already has a French-language CBC Radio service funded by taxpayers.
  - Cost: $641,483 (federal).203

- Elections Canada paid roughly $325,000 directly to 13 social media “influencers” who were supposed to star in a campaign to boost voter registration. But the agency won’t be asking for any of that money back after the video campaign featuring the influencers was abruptly scrapped over concerns that some had previously been involved in activities that could be deemed partisan.
  - Cost: $325,000.204

- Parks Canada tore down a fence that had only been put up 48 hours prior because it blocked a beautiful view on Signal Hill in St. John’s and was described as ugly.
  - Cost: $65,000.205

- Federal executives billed taxpayers more than $136,000 during the year for airline tickets that were never used.
  - Cost: $136,496.206

- The Department of Fisheries and Oceans spent millions of dollars a year on new computers while it sold or scrapped near-new equipment at the same time. Auditors at the Department of Fisheries also cited management for pointlessly storing thousands of old hard drives for years, even decades. “The department does not have an effective IT asset management system,” staff wrote in an internal Audit of Information Technology Asset Management: “Inventory errors were found to be significant.”
  - Cost: $5 million per year.207

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• A Hollywood-style awards night for federal communications staff left taxpayers with a $12,450 bill. The cost of the 2019 Communications Awards of Excellence included $2,880 for a cocktail party where staff billed for Nova Scotia smoked salmon, Serrano ham, parmesan risotto balls, and Alberta Angus beef meatballs with bourbon barbecue glaze.
  ▪ Cost: $12,450.208

• A new Liberal appointee to the Senate billed taxpayers $3,250 for a single day’s coaching on how to speak to media. Senator Margaret Anderson (Independent-NWT) did not take media questions about the expense.
  ▪ Cost: $3,250.209

• The federal government gave the Loblaw’s supermarket chain $12 million to buy new energy efficient freezers and fridges.
  ▪ Cost: $12 million.210

• Canadian taxpayers have paid $41,545 to study an abandoned, unheated storage barn at the prime minister’s cottage in Harrington Lake.
  ▪ Cost: $41,545.211

• A Canadian cartoonist responsible for the For Better or For Worse cartoon, with a career spanning several decades, received more than $15,000 from the MCF.
  ▪ Cost: $15,799.212

2020

• A federal agency approved a $100,000 subsidy to open a private marijuana store two hundred metres from an elementary school. Bankrolling of a cannabis outlet in the remote village of Carmacks, Yukon, was to create one job.
  ▪ Cost: $100,000.213

• Taxpayers paid $73,220 to jet Health Minister Patricia Hajdu home for weekends in Thunder Bay even though her department was telling people to stay home in the height of the first wave of the pandemic.
  ▪ Cost: $73,220.214

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211 Canadian Taxpayers Federation, “Over $40,000 spent to study abandoned, mouldy Harrington Lake barn,” https://www.taxpayer.com/newsroom/over-40,000-spent-to-study-abandoned,-mouldy,-harrington-lake-barn
212 Canadian Taxpayers Federation, “For Better or For Worse: Canadian cartoonist exhibit cost taxpayers $15,799,” https://www.taxpayer.com/newsroom/for-better-or-for-worse-canadian-cartoonist-exhibit-cost-taxpayers-15,799
• Federal and provincial political parties, including the federal Liberals, Conservatives, NDP and Greens, all decided to dip into the wage subsidy programs set up to help sustain businesses during the height of the pandemic downturn.
  ◦ Cost: $3.7 million.215

• The Department of Agriculture tried to ask a group of 725 companies their opinions on their favourite “Canada Brand” symbol. In the end only 62 replies came back, meaning each answer cost roughly $1,000.
  ◦ Cost: $61,611.216

• More than $9 million in pandemic relief aid for the disabled was paid to dead people – the money was deposited into the accounts after they passed away.
  ◦ Cost: $9,208,500.217

• Despite repeated denials last summer, Canada Mortgage and Housing Corporation paid $250,000 for a study that would include an examination of “tax policy that privileges home ownership,” including a home equity tax, according to documents exclusively obtained by the Canadian Taxpayers Federation.
  ◦ Cost: $250,000.218

• Documents show the CMHC spent over $900,000 on a plan to change its name, even though former CEO Evan Siddall told a parliamentary committee that no tax dollars had been spent on the project.
  ◦ Cost: $924,614.219

• Canadian taxpayers paid close to $10,000 to help author Margaret Atwood promote a new book in Australia.220
  ◦ Cost: $10,000

• The Public Health Agency of Canada, the same agency responsible for throwing away millions of dollars of pandemic protective gear, spent almost $19,000 on an executive washroom for exclusive use by its president.
  ◦ Cost: $18,902

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215 Canadian Taxpayers Federation, “Political parties took more than $3.7 million through federal wage subsidy,” https://www.taxpayer.com/newsroom/political-parties-took-more-than-3.7-million-through-federal-wage-subsidy


217 Dave Naylor, “Feds pay $9 million in COVID cash to dead people,” https://westernstandardonline.com/2021/06/feds-pay-9-million-in-covid-cash-to-dead-people/?fbclid=IwAR0DBKMkVMlSWEmt3M60El7N9fnVaoOZ54hXdWRao9UNIRNHQJyoQtaRe2s

218 Canadian Taxpayers Federation, “CMHC spent $250,000 on home tax study, despite denials,” https://www.taxpayer.com/newsroom/cmhc-spent-250,000-on-home-tax-study,-despite-denials

219 Canadian Taxpayers Federation, “CMHC spent over $900,000 on stalled name change,” https://www.taxpayer.com/newsroom/cmhc-spent-over-900,000-on-stalled-name-change

220 Canadian Taxpayers Federation, “Margaret Atwood’s Australian tour cost taxpayers almost $10,000,” https://www.taxpayer.com/newsroom/margaret-atwoods-australian-tour-cost-taxpayers-almost-10,000
2021

• Former Governor General Julie Payette had a litany of dubious expenses throughout her troubled tenure in the already wasteful position. The list starts with $502,395 in Rideau Hall renovations, $649,000 in swearing-in costs, $110,000 in legal fees from the inquiry, $393,367 in consult costs, and ends with a lifetime pension and $200,000-expense account that can last until six months after her death.221

• The Senate decided to spend roughly $150,000 on desks for their employees to work when they were working at home.
  ◦ Cost: $150,000.222

• A federal “cost savings” program to electrify transit will see vehicles purchased at double the cost of conventional buses.223

• Infrastructure Minister Catherine McKenna and nine staffers spent nearly $42,000 and tens of thousands of litres of aviation fuel on a farewell “climate change” tour of Canada.
  ◦ Cost: $41,917.224

• Cabinet invited taxpayers in 2021 to vote for their favourite design of a multi-million dollar monument to the Department of Foreign Affairs. The monument will commemorate the “daily sacrifices” of diplomats.
  ◦ Cost: $2.95 million.225

• The Department of Northern Affairs spent more than $1.4 million installing solar panels in the most sunless region of Canada.
  ◦ Cost: $1,436,726.226

• A deputy minister billed nearly $11,000 in first-class airfare to attend the COP26 climate change conference.
  ◦ Cost: $10,843.227

• The federal government is increasing spending on its gun ban and buyback policy to $8.8 million, according to the Department of Public Safety’s latest quarterly financial report. Currently, the buyback program has not “bought back” a single gun.
  ◦ Cost: $8.8 million.228

228 Canadian Taxpayers Federation, “Federal gun ban and buyback spending now up to $8.8 million,” https://www.taxpayer.com/newsroom/federal-gun-ban-and-buyback-spending-now-up-to-8.8-million
• The federal government spent more than $10 million on its failed campaign for a seat on the United Nations Security Council.
  ° Cost: $10,371,712.229

• Canada sent the most delegates to COP26 out of G7 nations. Canada sent 276 delegates to COP26, while host the host United Kingdom delegation sent the second most, 227.230

**Recommendation:** Implement a comprehensive spending review similar to the Chrétien government's review in the 1990s.