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December 9 2004

By fax and hand delivery

Premier Dalton McGuinty
Office of the Premier
Legislative Building
Queen's Park
Toronto ON M7A 1A5

Re: No corporate welfare for Bombardier Inc.

Premier Dalton McGuinty,

The Canadian Taxpayers Federation strongly urges you not to award preferential financial treatment, through subsidies, loan guarantees or otherwise, to Bombardier Inc.

With today's news that the Quebec government is boosting assistance to Bombardier, in an effort to have the company build its new C Series of jets in the province, we realize the temptation may be there for you to match this offer. We realize you are also under considerable political pressure to try and bring this project to Toronto. Ontario's job growth has been weak in the last quarter and the prospect of 2,500 jobs may seem tempting. There are many who would argue that Ontario needs these kinds of incentives to compete with other jurisdictions who offer them.

These arguments are wrong. Study after study in the United States and Canada have shown the negative impact of corporate welfare on the overall economy. Awarding selective incentives to a handful of businesses means other taxpaying companies subsidize their competitors. This spawns a never-ending demand for more public assistance. And the record shows, the government assists losers – not winners – resulting in unrepaid loans, job projections that aren't met, and poor-to-zero return on taxpayers' so-called "investment."

This is the case with Bombardier. The company has been on the receiving end of subsidies, export development loans, and preferential bidding decisions, courtesy of the

Canadian taxpayer, for over three decades. The results of all this largesse are not the success story the company would like to claim: recently the company's bonds were downgraded to junk status and it is cutting 6,000 jobs. I have enclosed a signed copy of journalist Peter Hadekel's recent book, *Silent Partners*, which chronicles the sad history of public subsidization of Bombardier, as a Christmas gift from the CTF. Hopefully reading it will help you conclude that Ontario taxpayers deserve better than to have their hard-earned money wasted on this company.

In Canada, none of the leading provincial economies have governments playing the corporate welfare game. Alberta has legislation banning these types of handouts, while British Columbia Premier Gordon Campbell has effectively shut down all corporate welfare programs and related funds. In the United States, taxpayers have even taken governments to court over tax credits to industry – and won.

To increase competitiveness and attract investment, may we suggest a fairer route: lowering the corporate tax burden equally for all companies, as Alberta and B.C. have done. Instead of selectively picking winners and losers, this would level the playing field and make Ontario an attractive place to invest.

With best wishes for a happy and corporate-welfare-free holiday,

A handwritten signature in black ink, appearing to read 'Tasha Kheiriddin'.

Tasha Kheiriddin
CTF Ontario Director

cc. Mr. David Miller, Mayor of the City of Toronto
Mr. John Tory, Leader of the Progressive Conservative Party
Mr. Howard Hampton MPP, Leader of the NDP