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Chief Editor Niels Veldhuis
Managing Editor Emma Tarswell
Editorial Advisor Kristin McCahon
Contributing Editors Jason Clemens, Nadeem Esmail, Fred McMahon, Milagros Palacios
Art Direction and Cover Design Bill C. Ray
Cover Illustration Teresa Healy
Production and Layout Emma Tarswell
Media Relations Dean Pelkey
Advertising Sales Advertising In Print
Tel: (604) 681-1811
E-mail: info@advertisinginprint.com

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From the editor

When Attawapiskat Chief Theresa Spence went on a hunger strike to bring attention to the grievances of Canadian Aboriginals, media sources throughout the country took note. The Idle No More movement continued to make headlines over the past few months with road blockades and other protests.

In this issue of *Fraser Forum*, we look at the reasons behind Aboriginal dissatisfaction in Canada and how life on reservations could be a huge contributing factor (p.15). We remind readers that this issue has been haunting Canada for some years by including an excerpt from Gordon Gibson's book, *A New Look at Canadian Indian Policy: Respect the Collective—Promote the Individual*, which discusses the state of Canadian Aboriginal policy (p.20). Both pieces look at the issues that face Canada's Aboriginal peoples and how government policies have been a hindrance, rather than a help.

Budget season is nearly upon us, so the March/April issue also delves into some provincially specific issues facing different regions of Canada. Ontario recently appointed a new premier to take the reins from Dalton McGuinty. In "New leadership presents new opportunity to fix Ontario's fiscal problems,"(p.11) Charles Lammam and Hugh MacIntyre discuss the challenges that Premier Wynne will face upon entering office and the possible solutions for these problems. On the west coast, British Columbia faces disparities between public and private sector compensation. A recent study has shown that those working in the public sector receive more total compensation (ie., combined wages and benefits) than those in the private sphere (p.13). Finally, Mark Milke questions Alberta's unbalanced budget in "Why Alberta is broke: $22 billion lost opportunity" (p.5).

This issue also provides results and analysis from the Waiting Your Turn survey (p.22), the recently-released *2012/2013 Annual Survey of Mining Companies* (p.28), and the Generosity Index (p.34), as well as articles on Canada-US relations (p.26) and tax policy (p.9).

I hope you enjoy this issue!

— Emma Tarswell

Fraser Forum

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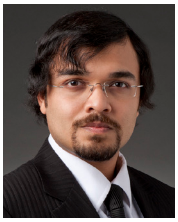


Bacchus Barua (bacchus.barua@fraser-institute.org) is a senior economist in the Centre for Health Policy Studies. He completed his B.A. degree in economics at the University of Delhi, and received an M.A. in economics from Simon Fraser University.

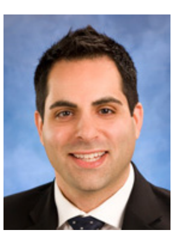
Jason Clemens (jason.clemens@fraserinstitute.org) is the Fraser Institute's executive vice-president. He holds an Honours Bachelors Degree of Commerce and a Masters' in Business Administration. Clemens also has a post Baccalaureate Degree in economics from Simon Fraser University.

Nachum Gabler (nachum.gabler@fraserinstitute.org) has worked as a research assistant in the Centre for Canadian-American Relations at the Fraser Institute. He has an M.A. in economics from Boston University.

Gordon Gibson is a senior fellow at the Fraser Institute. He has a B.A. (Honours) in mathematics & physics from the University of British Columbia and an M.B.A. from Harvard Business School followed by research work at the London School of Economics. He is currently Chair of the Audit Committee of the Westshore Terminals Income Fund.

Kenneth Green (ken.green@fraserinstitute.org) is the senior director, Centre for Energy and Natural Resources at the Fraser Institute. He has studied energy-related environmental policy for nearly 20 years, with recent studies in the efficacy of green-jobs programs, drivers of oil and gas prices, the Deepwater Horizon oil spill, and resilient policies to address the risks of climate change.

Amela Karabegović (amela.karabegovic@fraserinstitute.org) is a senior economist in the fiscal studies department at the Fraser Institute. She has an M.A. in economics from Simon Fraser University.



Charles Lammam (charles.lammam@fraserinstitute.org) is the Associate Director of the Centre for Tax and Budget Policy and the Centre for Studies in Economic Prosperity at the Fraser Institute. He holds an M.A. in public policy from Simon Fraser University.

Hugh MacIntyre (Hugh.MacIntyre@fraserinstitute.org) holds an M.Sc. in Multi-level and Regional Politics from the University of Edinburgh. His opinions have been published by a range of media outlets including *National Post Full Comment*, *Western Standard*, and *The Volunteer*.

Mark Milke (mark.milke@fraserinstitute.org) is director of the Fraser Institute's Alberta office and of the Alberta Prosperity Project. He has a Ph.D. in international relations and political philosophy from the University of Calgary.

Milagros Palacios (milagros.palacios@fraserinstitute.org) is a senior economist with the Fraser Institute's fiscal studies department. She holds an M.Sc. in economics from the University of Concepcion in Chile.

Niels Veldhuis (niels.veldhuis@fraserinstitute.org) is president of the Fraser Institute. He has an M.A. in economics from Simon Fraser University.

Alana Wilson (alana.wilson@fraserinstitute.org) is a senior research analyst with the Fraser Institute's Global Centre for Mining Studies. She has an M.Sc. in local economic development from the London School of Economics and B.Sc. Agroecology in food and resource economics from the University of British Columbia.

Joel Wood (joel.wood@fraserinstitute.org) is the Fraser Institute's senior research economist in the Centre for Environmental Studies and the Centre for Risk and Regulation. He has a Ph.D. in Economics from the University of Guelph.

Why Alberta is broke:

Alberta's $22 billion lost opportunity

Bigstock

Mark Milke

If Albertans and others across Canada wonder how Alberta went from massive surpluses to massive deficits, there's a simple reason: It's not just because oil and gas prices are not at their all-time peak; it is because for years, Alberta budgeted and spent as if those oil and gas prices (and thus provincial revenues derived from the same) would stay at those all-time highs.

We're not in boom-time any more, Toto

To place the revenues and spending in Alberta in context, consider first Alberta's most recent budget "boom" years (all figures adjusted for inflation).

- If resource revenues are used as a guide, the fiscal year 2005/06 was one measure of a peak year (Figure 1), with $17.2 billion in revenues (Alberta, 2012a; Alberta, 2012b).
- If total own-source revenues (i.e., excluding federal transfers) are used as the "measuring stick," 2006/07 was the peak year of the last boom with $40.1 billion collected by the provincial treasury (Alberta, 2012a; Alberta, 2012b).

A primer on why controlling program spending matters

To grasp how Alberta erred in recent years—and by "betting the farm" such revenues would continue at such elevated levels—consider spending, and, consider the biggest expense for Alberta's government: program spending.

Program spending is difficult to "rein in," given that a substantial portion of it is tied closely to wages, salaries, benefits, and pensions in the broad public sector which are often negotiated on a multi-year basis.

In Alberta, the province has not estimated the cost of compensation (wages, salaries, benefits, and pensions) in the entire (broader) public sector as a percentage of program spending. However, we can gain some insight into the possible weight that public sector compensation imposes on overall spending by looking at Ontario.

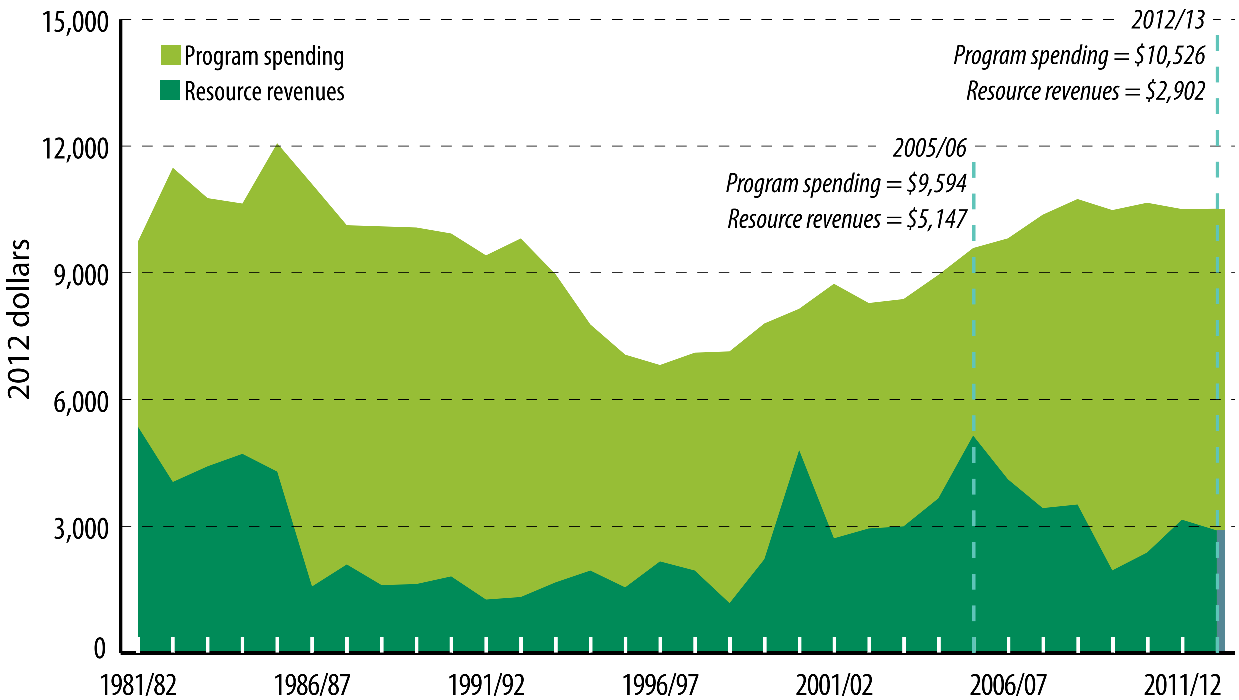
The Commission on the Reform of Ontario's Public Services recently noted that "labour costs account for about half of all Ontario government program spending" across the broader public sector (Ontario, 2012). Therefore, assuming some comparability between provinces with respect to the portion of spending consumed by compensation, roughly half of Alberta's program spending could be composed of public sector worker pay and benefits.

Regardless of the exact proportion in Alberta, an obvious and direct link exists between increases in compensation costs across the broader public sector and the provincial bottom line, including and especially, annual program spending.

Why the Alberta cupboard is bare: Inflation + population growth + $22.1 billion

From 2005 to 2012 Alberta's record was mixed on keeping spending constant per person after inflation. Inflation-adjusted per capita spending jumped to $10,754 per person by 2008/09 (estimated). That was up from $9,594 in 2005/06. After 2008/09, per capita program spending has ranged between $10,492 and $10,666 per capita depending on the year. . That is still substantially higher than most years in the past three decades; it is at least some evidence, though, that the province began to hold per capita program spending to inflation and population growth in the last few years.

Figure 1: Alberta—Program spending and resource revenues per capita, 1981/82- 2012/13



Notes: [1] Amounts adjusted for inflation to dollars; inflation calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b. [2] Estimate for 2012/13 from 2012/12 provincial budget.

Sources: Canada, Dep't of Finance, 2000, 2012; Alberta, 1997: 50; Alberta, 2012c: 130; 2012d: 20; calculations by author.

Now consider this scenario: had the province kept program spending increases within the bounds of population growth and inflation since 2005/06, the province would have spent $37 billion annually on programs in 2012/13 and not, as forecast, $40.6 billion. That is a $3.6 billion difference in 2012/13 alone.

In total, between 2005/06 and 2012/13 (est.), the cumulative difference between increases in spending required to match inflation plus population growth compared to what the province actually did spend was $22.1 billion (Alberta, 2012a and 2012b).

Examples of past choices

In the past, from "small" budgetary choices to much more fiscally dramatic ones, the provincial government has spent money on a number of items that contributed to the deterioration of its fiscal balance. Here is a sampling:

- In the 2008 budget, an addition $100 million was directed to the Alberta Enterprise Corporation (i.e., increased funding for corporate welfare) (Alberta, 2008: 6);
- In 2007, the province signed a five-year contract with Alberta's teachers. The 2007-2012 deal meant that teachers' salaries, as described by the province itself, would grow at "nearly double the rate of inflation over this period" (Alberta, 2011c: 31).
- As another example of how collective agreements can outpace inflation, consider nurses in Alberta. In 2005, a "Year 1" registered nurse was paid $27.12 per hour. By 2012, that pay had risen to $34.31 an hour. Had the 2005 rate been raised only to account for inflation, by 2012, the hourly rate would have been $32.32. That pattern repeated itself in all nurses' categories. In all cases, the raises outpaced inflation by 6.1% (United Nurses of Alberta, undated; Alberta-specific inflation statistics from Statistics Canada, 2012a and 2012c; inflation calculations by author).

Spending control would have meant 19 straight surplus years

To glance back at the total budget numbers, had the province kept spending in line with inflation and population growth

Table 1: Alberta—Program spending, 2005-06 to 2012-13

Fiscal year	Actual program spending (nominal $ millions)	Actual program spending, inflation-adjusted (2012 $ millions)	Program spending if kept to inflation and population growth since 2005/06 (2012 $millions)	Annual difference between actual spending and inflation-adjusted and population-controlled spendin(2012 $millions)
2005-06	26,743	31,875	31,875	0
2006-07	29,292	33,607	32,825	782
2007-08	33,374	36,471	33,702	2,769
2008-09	36,455	38,626	34,461	4,165
2009-10	36,327	38,522	35,228	3,295
2010-11	37,797	39,689	35,700	3,989
2011-12	38,773	39,742	36,261	3,482
2012-13*	40,618	40,618	37,025	3,593
Total for all years				**22,075**

Notes: [1] Adjusted for inflation, in 2012 dollars. [2] Estimate for 2012/13 from 2012/13 provincial budget. [3] Inflation calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b.

Sources: Alberta, 2012a: 130; 2012c: 20; calculations by author.

since 2005/06, even with the chronicled revenue decline, Alberta would have run a surplus budget every single year.

Even in the midst of the 2008/09 recession, Alberta would have produced a surplus of almost $3.3 billion instead of the (inflation-adjusted) $903 million deficit it did record. Thus, by the present budget year, the province would have recorded 19 consecutive straight surplus budgets and thus no deficit budgets over the last five years[1] (Alberta, 2012a, 130 and 2012b, 20; Statistics Canada, 2012a and 2012b).

A healthy economy—accompanied by much red ink

As additional proof that past budgeting to the "highest income" year—and beyond inflation and population pressures—was the primary cause for the ongoing deficits, consider that the province itself, in its August 2012 update, boasted about how the following economic indicators signal a vibrant Alberta economy:

- Real GDP growth at 3.8 percent—the highest among all provinces; manufacturing shipments up 10.6 percent in the first half of the year and behind only Newfoundland and Saskatchewan;
- Farm cash receipts up by a "record" 28.3 percent in the first quarter over the previous year;
- Employment up 3.2 percent in the first seven months of 2012 compared to the same period last year, "leading all provinces";
- The "lowest unemployment rate in the country at 4.6 percent";
- Housing starts up by 46 percent compared with the first seven months over of 2011 last year, "the highest increase in the country";
- And retail sales were up by 8.8 percent in the first half of 2012 over last year, "the fastest growth among all provinces" (Alberta, 2012e).

Despite relatively strong economic conditions, the province has still not balanced the provincial books. Thus, even a rapid recovery in Alberta, and the best economic performance in the country, has not counteracted the effects of past spending choices upon the budget.

Note

1 Figures for the province's surplus or deficit are taken from the *Historical Fiscal Summary* (Alberta, 2012a and 2012b).

Table 2: Alberta—Surpluses (deficits), 2005/06 to 2012/13

Fiscal year	Surplus (deficit) (nominal $ millions)	Surplus (deficit) inflation-adjusted (2012 $ millions)	Additional program spending beyond growth in population and inflation since 2005/06 (2012 $ millions)	Surplus (deficit) if population growth plus inflation applied since 2005/06 (2012 $ millions)
2005-06	8,551	**10,192**	_	**10,192**
2006-07	8,510	**9,764**	782	**10,545**
2007-08	4,581	**5,006**	2,769	**7,775**
2008-09	-852	**-903**	4,165	**3,262**
2009-10	-1,032	**-1,094**	3,295	**2,200**
2010-11	-3,410	**-3,581**	3,989	**408**
2011-12	-23	**-24**	3,482	**3,458**
2012-13*	-886	**-886**	3,593	**2,707**

Notes: [1] Adjusted for inflation, in 2012 dollars. [2] Estimate for 2012/13 from 2012/13 provincial budget. [3] Surpluses and deficits calculated using Alberta-specific inflation statistics from Statistics Canada 2012a, 2012b.

Sources: Alberta, 2012a: 130; 2012c: 20; calculations by author.

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Tax hikes on upper-income Canadians come with a cost

Charles Lammam and Jason Clemens

A policy issue that permeated political debates around the world in 2012 was the idea of raising taxes on high-income earners. In the US, this issue featured prominently in President Obama's re-election campaign (Erb, 2012). Several governments in Europe went beyond debate and introduced higher tax rates (Flynn and Thomas, 2012). Here at home, higher taxes on upper-income earners have been proposed at the federal and many provincial levels; Ontario's government recently instituted a new tax on those earning more than $500,000 (Golombek, 2012).

Unfortunately, the debates have centred almost exclusively on the need to raise new revenues to reduce deficits, rather than the broader issue of whether such taxes make good economic sense. The reality is that raising taxes on upper-income earners comes at a high economic cost.

It's true that polls consistently show wide support for increasing taxes on the wealthy. But populism is hardly a sufficient yardstick for good policy.

And consider what these polls measure. They essentially ask respondents if they want someone else to pay for their public services. So it's actually surprising that a recent poll found that only 57 percent of British Columbians support higher taxes on those making $100,000 or more (CCPA, 2012).

Think of it this way: If people in a store were asked whether they'd like to be given products at no charge because the store will charge only high-income shoppers, how many people would you expect to say yes? Wouldn't all but high earners favour such a plan?

The surprise in such polls is that support for the tax-the-rich scheme is not closer to 80 percent. Why 80 percent? Because only the top 20 percent of earners pay more in taxes proportionately than they earn in income. Specifically, the top 20 percent pay 54 percent of all taxes (federal, provincial, and local) while earning 47 percent of income (Palacios, Veldhuis, Lammam, 2012). The remaining 80 per cent pay less in taxes than they earn in income.

A more vexing problem for those advocating higher income taxes is the economic costs of such taxes.

Once we discard the populism of polls, we can better discern the real costs and benefits from imposing higher taxes on upper-income Canadians. A key policy objective of such taxes is to collect more revenue. In reality, however, the amount of revenue flowing to the government is almost always less than expected. Part of the reason is that high-income earners can afford lawyers, accountants, and other tax specialists to arrange their affairs in a way that minimizes their tax burden (Canada, Department of Finance, 2010: 45-66).

A more vexing problem for those advocating higher income taxes is the economic costs of such taxes. Although economists disagree on many issues, there's a general consensus about the economic costs of various taxes. Research shows that income taxes generally impose higher costs than consumption taxes do because higher income taxes dampen people's decisions to work, save, invest, and be entrepreneurial (Clemens, Palacios, and Veldhuis, 2007). Because income taxes tend to discourage these growth-enhancing activities, relying on consumption taxes to raise the same amount of revenues would lead to a more productive and thriving economy.

Another cost to consider is competitiveness. Canada's personal income tax rates are simply not competitive when it comes to personal income taxes. Our tax rates are high compared with other G-7 countries, particularly the United States, with whom we compete most in trying to attract and retain skilled workers and entrepreneurs. Consider that the average highest combined federal-provincial income tax rate in Canada is roughly 45 percent (PwC, 2012). In 2012, that combined average federal-provincial top rate was higher than the comparable rate in all but three US states (Tax Foundation, 2012). Indeed, the top federal-provincial income tax rates in most provinces exceeded those in competing US states.

In addition to high tax rates, Canada has relatively low income thresholds at which the rates apply. In other words, our personal income tax rates are high and kick in at low levels of income compared to those of our competitors. For example, in 2012, our top federal rate kicked in at $C132,406 while the top federal rate in the US started at $US388,350.

While raising taxes on high earners might generate popular support, doing so will have a modest impact on government revenues and will only make Canada less competitive and less attractive for investment, entrepreneurship, and business development. Canada has done much right in the past decade to get tax policy correct. Backsliding now will undo some of those gains.

A popular policy isn't necessarily the right policy. In this case, it's the wrong one.

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New leadership presents new opportunity to fix Ontario's fiscal problems

Charles Lammam and Hugh MacIntyre

Now that she has won the Ontario Liberal Party's leadership, Premier Kathleen Wynne has a golden opportunity to chart a new course and undo Dalton McGuinty's legacy of fiscal mismanagement. As Wynne contemplates priorities for her leadership, she should seriously consider putting Ontario's deficit and debt problem on the top of her to-do list.

First off, Wynne should take little comfort in the government's recent announcement that the provincial deficit will be lower than expected this year ($11.9 billion instead of the $14.8 billion originally planned) (Ontario, 2013). This news is not as positive as it seems; the reduced deficit this year is largely the result of one-time revenue boosts and expenditure savings—not a deliberate plan to restore fiscal sanity to provincial finances (Ontario, 2012a).

While it's good to see the government coming under its deficit target this quarter, a deeper problem remains: the province is struggling with persistently large deficits without an end in sight.

Consider the context. Ontario has been in deficit since 2008/09 and currently has the second largest debt-to-GDP ratio in the country (TD, 2013). Provincial debt will grow to $255.1 billion this year from $156.6 billion in 2007/08 (Ontario, 2012a) and on-going deficits until 2017/18 mean the debt is on track to double in the span of just a decade (Ontario, 2012b).

The reality is that the Ontario government does not have a concrete plan to eliminate the deficit and rein in debt. This was thoroughly highlighted in last year's high-profile report led by noted economist Don Drummond—a report commissioned by the McGuinty government. The report explicitly said that to realistically balance the budget by 2017/18, the government had to implement no fewer than a total of 362 reforms (Ontario, 2012c).

Nothing of the sort happened. When Ontario's 2012 budget arrived, and the McGuinty government did not enact anywhere close to the number or level of reforms proposed in the Drummond report. In fact, many major reforms were removed outright (Veldhuis, Lammam, and Palacios, 2012).

After essentially ignoring the Drummond report's recommendations, outgoing Finance Minister Dwight Duncan in a recent speech acknowledged that the road ahead for his successor will require tough decisions. He even warned that interest payments on the debt are "a ticking time bomb" (Stinson, 2013).

Interest on Ontario's debt will reach $10.5 billion this year and consume 9.2 percent of government revenues (Ontario, 2012a). If the trend of growing interest payments continues, proportionally less of what the government takes in will go to funding important public programs and tax relief while more will go to servicing the debt.

The McGuinty government's legacy of overspending, persistent deficits, and growing debt will not be easy for Wynne to overcome (Lammam and Palacios, 2013). However, Canada's own history with slaying deficits in the 1990s suggests that it is certainly achievable and that same record also shows that governments of various political stripes have successfully done so (Veldhuis, Palacios, and Lammam, 2012).

Both history and academic research indicate the key ingredient for balancing the budget is to do so swiftly and rely more heavily on spending reductions than tax increases (Alesina and Ardagna, 2009). Fortunately, Wynne has many options to reduce spending, but doing so will require fundamental reforms in many areas.

One reform that would permit meaningful reductions in spending is aligning overly generous public sector pay with wages and benefits paid in the private sector. Roughly half of Ontario's government spending is on public sector wages and benefits (Ontario, 2012d). In a 2012 publication entitled *Avoiding a Crisis: Fixing Ontario's Deficit*, Fraser Institute researchers calculated that matching wages with the private sector alone would save $3.8 billion annually (this figure excludes the potential savings from matching benefits).

Another option is to eliminate business subsidies; they cost Ontario taxpayers and successful businesses approximately $2.7 billion per year. Cutting costly electricity subsidies would save an extra $1.1 billion per year.

Ontario could also improve the quality of public health care while reducing costs by implementing policies that are common in other nations with universal access and portable health care.[1] Solving Ontario's fiscal problems will not be easy, but history shows it is achievable. Wynne has an opportunity to correct past mistakes and plot a new course for Ontario. Let's hope she's up to the challenge and puts forth a realistic plan to balance the books and halt the growth in government debt in the next provincial budget.

Note

1 Two key policies that would reduce health care costs and improve quality are: consumer cost sharing and competition in the delivery of publicly funded care (see Esmail, 2012).

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Comparing public and private sector compensation in BC

Dave Olson

Jason Clemens and Amela Karabegović

It is more than three years after the end of the recession and British Columbia's provincial government continues to struggle with deficits, which as of the last quarterly update will likely exceed $1.5 billion (Government of British Columbia, 2012). Relying on revenues to rebound enough to catch up with spending just doesn't work as BC's own history aptly demonstrates. The problem doesn't stop with the provincial government, though. Municipalities across the province also continue to struggle to find sufficient resources for infrastructure needs while balancing their books.

If the provincial and various municipal governments in BC are serious about tackling deficits and prioritizing resources, they must review and reform their spending. A central part of any such initiative must include a review of public sector wages and benefits to ensure they are comparable with private sector equivalents.

There are both economic and fairness issues to consider in ensuring that compensation in the public and private sectors are roughly equivalent for comparable positions. Principal among these many considerations is the fairness of having those in the public sector receive a premium paid for by those in the private sector who receive less overall compensation for similar positions.

The traditional trade-off was that the public sector received lower wages than the private sector but that this was offset by more generous benefits. As our analysis of Statistics Canada data reveals, that bargain has been undone such that the public sector now enjoys a wage premium and, more than likely, more generous benefits as well (Karabegović and Clemens, 2013).

When we compare the average wage in the public sector in BC (including federal, provincial, and local workers), it is 37.5 percent higher than the private sector. However, this figure doesn't account for differences like education, the nature of the position, the experience of the workers, etc. Once we control for these factors, the average wage premium enjoyed by the public sector is 13.6 percent compared to their private sector equivalents.

Of course compensation includes much more than just wages. Part of employee compensation is based on benefits, including health, dental, retirement savings, job security, etc.

Unfortunately, Statistics Canada does not collect comprehensive data on benefits (as their counterpart in the US does) so it's difficult to make a definitive statement about whether or not workers in the public sector enjoy better or more generous benefits than those in the private sector.

Public sector workers in BC clearly enjoy higher wages and, more than likely, more generous benefits than comparable private sector workers.

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However, the data that are available for comparable benefits between the two sectors indicate a fairly generous benefits package for the public sector compared to the private sector.

For example, one of the costliest worker benefits in both sectors is retirement pensions. In 2011, the latest year for which comprehensive data are available, 89.8 percent of public sector workers in BC were covered by a registered pension plan compared to 19.4 percent of private sector workers.

More revealing of the premium enjoyed by the public sector versus the private sector is the type of pension available. For those covered by a registered pension in 2011, 95.6 percent in the public sector enjoyed a defined-benefit pension (i.e., a plan guaranteeing a certain level of benefits in retirement) compared to 49.3 percent of those in the private sector.

Another benefit for which comparable data are available and in which public sector workers enjoy a premium is the age of retirement. Regardless of whether the average or median age of retirement is used, public sector workers retire earlier in BC (as they do across the entire country) than do their private sector counterparts. Specifically, on average, public sector workers in BC retire almost 3 years earlier than private sector workers. (The gap jumps to 4.2 years if the median rather than the average is used.)

A final metric by which to understand the non-wage benefits enjoyed in the public sector compared to the private sector is job losses. This measure is a good proxy for job security, which has always been seen as an advantage for the public sector over the private market. In 2011, 4.3 percent of those employed in the private sector in BC lost their jobs. This is more than seven times higher than the 0.6 percent of public sector workers who lost their jobs.

Public sector workers in BC clearly enjoy higher wages and, more than likely, more generous benefits than comparable private sector workers. As British Columbians struggle with provincial deficits and spending, it is imperative that comparable compensation for the public sector become part of the solution rather than part of the problem.

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Is Canada shortchanging Aboriginals?

Bob from Caledon

Mark Milke

In the wake of the late 2012/early 2013 Idle No More protests that blocked railway lines and roads and hinted at more mischief (Clark, 2012 and Calgary Herald, 2013), multiple grievances were advanced in place of clear-headed analyses. But none of the slogans get to the bottom of why some Aboriginals, especially on reserves, are in a sorry state: in many cases, that reason is the reserves themselves.

But before analyzing reserves, it is important to address the claim that taxpayers have not done enough for Canada's Aboriginals. For example, in a recent letter to Prime Minister Stephen Harper, the Assembly of First Nations Chief Shawn Atleo brought up the issue of "fairness" and also demanded more funding, especially "revenue sharing" (Atleo, 2013).

That assumes Canada's taxpayers (non-Aboriginal and Aboriginal alike) have not already done plenty for Aboriginal peoples.

Extra spending on Aboriginals

Some facts: In the federal department of Aboriginal and Northern Affairs, the main ministry for Aboriginal spending, $115 billion will have been spent on services and programs for Aboriginals between 1994/95 and 2012/13, according to that department (and whose comprehensive records date back to that earlier fiscal year). That figure excludes other federal departments and provincial government spending.

In 2012/13 alone, with an estimated $8.5 billion to be spent, 84 percent of that department's money will go directly to Aboriginals, band governments, or programs for Aboriginals. The remaining 16 percent is used for departmental operating costs (Above statistics from personal e-mail communication from Aboriginal Affairs, January 3, 2013).

In addition, consider some other benefits First Nations and Inuit peoples receive that other Canadians do not.

To use one example, every Canadian has access to universal and taxpayer-funded health care through their provincial ministry of health. However, Health Canada runs the Non-Insured Health Benefits Program which gives additional health care benefits to First Nations and Inuit peoples (Health Canada, undated).

Health Canada notes that 846,024 First Nation and Inuit peoples have access to "medically necessary drugs, dental care, vision care, medical supplies and equipment, short-term crisis intervention mental health counselling, and medical transportation." The cost of dental treatment, eyeglasses, ambulatory services, and everything else on that list is not cheap: in 2010/11, the bill to taxpayers was just over $1 billion (Health Canada, undated).

That amounts to a $1,200 health care benefit per eligible enrollee, this while the other 34.2 million Canadians, must buy insurance for such services and goods or pay out of pocket (Statistics Canada, 2013). Some other Canadians may have such benefits covered by their employer, but the relevant point is that a taxpayer-funded program exists, specifically for Aboriginals, that is not available to non-Aboriginal Canadians, and which is not required by treaty or by the Constitution.

Whether the Aboriginal Affairs spending, or Health Canada spending, both are significant amounts of money spent on Aboriginals in Canada—and beyond all the programs and benefits Aboriginal Canadians are eligible for along with other, non-aboriginal Canadians.

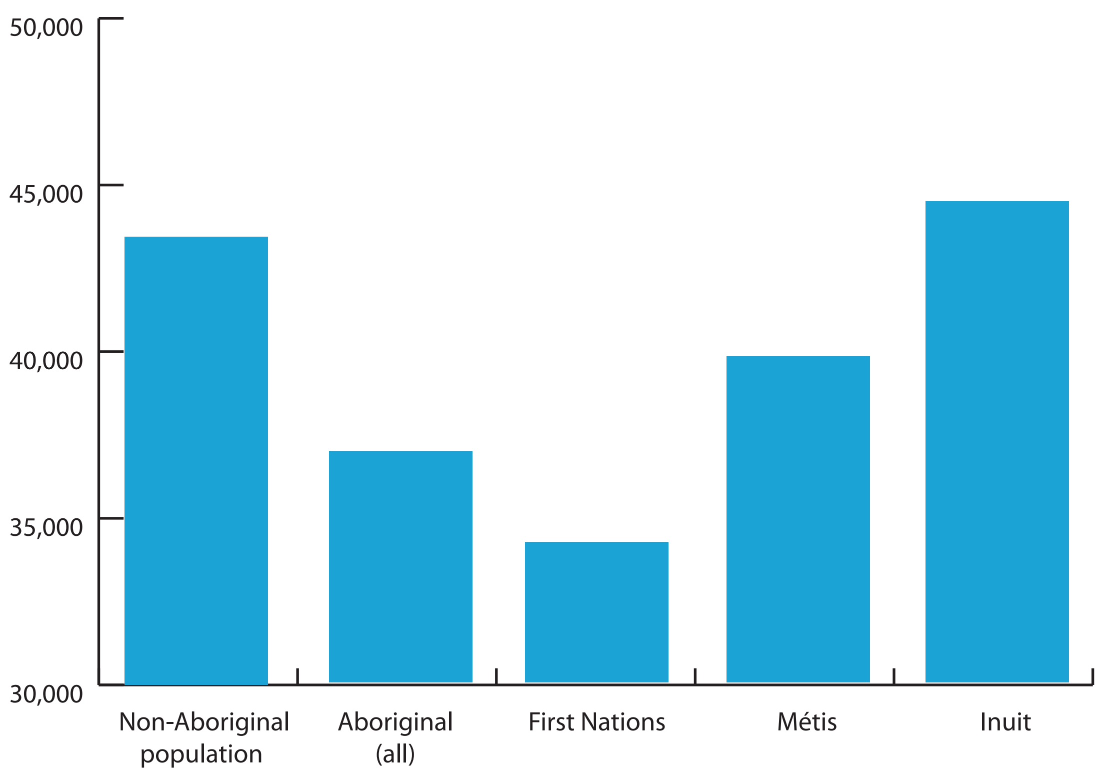
In addition, for Aboriginals on reserve, all income (whether through employment or government transfers), is tax-free. That status is courtesy of Section 87 of the *Indian Act*, (Canada, 1985) an Act that is routinely (and quite properly) derided for interfering in the lives of Canada's "Indian" and Inuit peoples.

The problem of reserves

Double-standards aside—between those Aboriginals covered by the *Indian Act* and other Canadians who are not, and Aboriginal and non-aboriginals alike who must pay for their additional health care and taxes—some people omit a critical reason why so many reserves are in poor shape: they are in the middle of nowhere and cannot be sustained by the local economy because there isn't one.

Simply put, it is impossible to bring the opportunities available in urban Canada to rural Canada. Even for non-Aboriginals in non-reserve villages, educa-

Figure 1: Median earnings comparisons: Full-year, full-time, aged 25-54, 2005



Source: 2006 Census (Statistics Canada 2006a and 2006b).

Teresa Healy

Idle No More protestors gather outside of the Parliament buildings in Ottawa.

tional, health, and career options are severely limited. That's why the only people who live in such remote areas are those who already have money, or have the skills to work in nearby mines, mills, or in other industries (where they exist). Otherwise, poverty is very likely guaranteed. This is why people have moved from rural areas to urban centres (and created them) since the 1800s and the Industrial Revolution, which played out in various countries at different periods (Davis, 2011). Urban centres provide opportunities that rural areas lack.

Additionally problematic for reserves is the lack of proper governance on them. In non-native towns and cities, most money flows up from local taxpayers via property taxes. That creates a natural taxpayer-politician link and accountability.

On reserves, taxpayer money mostly flows down from the federal government into reserve coffers. That creates a demand for more cash from far-away taxpayers, or from the nearby resource company, rather than answers from reserve politicians about existing money flows.

For an example of how money is disbursed, consider what the Canadian Taxpayers Federation found in 2010: 634 on-reserve politicians garnered incomes (after the calculations were made for the tax-free status) of more than $100,000 in 2008/09. Such salaries were paid to politicians even though the average reserve has just 1,142 residents. Such salaries are far in excess of what politicians in other small hamlets across Canada would provide for local politicians. In fact, according to the same CTF data, 50 of the politicians had salaries greater than that of the Prime Minister and 160 had salaries greater than the premier in their respective provinces (Canadian Taxpayers Federation, 2010).

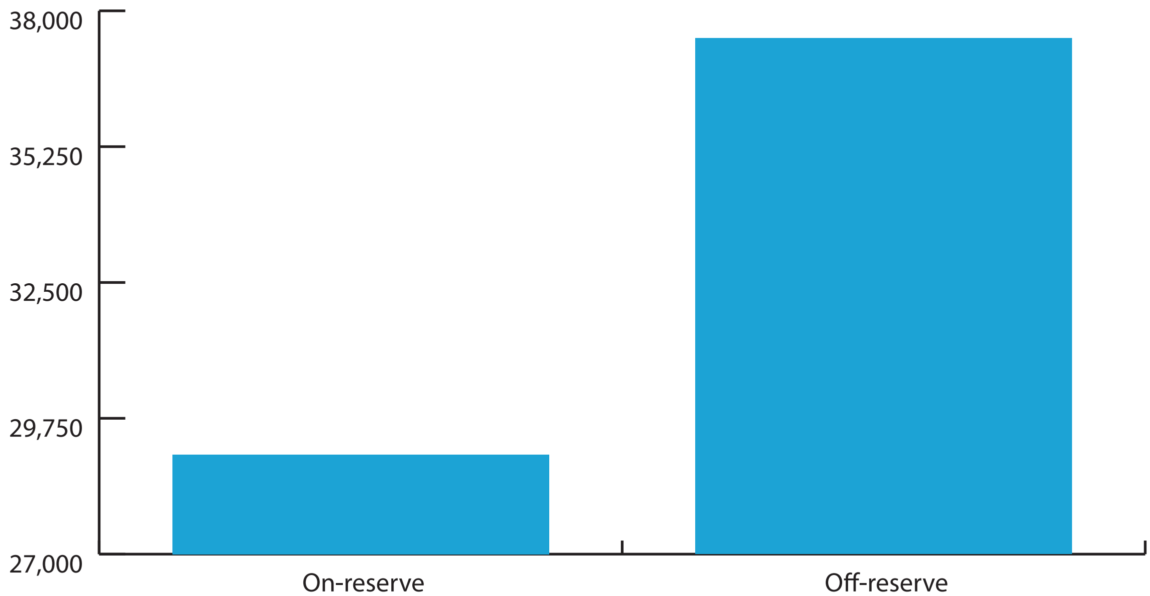
Such fundamental problems with how reserves are run and the unsustainable nature of some of those rural collectives are barriers to Aboriginal prosperity. (For more on the problems of reserves, collectivism and the governance problems that result from such structures and associated *Indian Act* provisions which foment additional problems on reserves, see Gibson 2009).

Fact: Most Aboriginals do not live on reserve

The problem with life on reserves leads to another fact when discussing Aboriginal life: Most Aboriginals do not live on reserve and seem to be better for it.

The general plight of Aboriginals is already well-known: When compared to other Canadians, Statis-

Figure 2: Median earnings: North American Indian, full-year, full-time comparison of on-reserve versus off-reserve



Source: 2006 Census (Statistics Canada 2006a and 2006b).

tics Canada data shows that proportionately fewer Aboriginal Canadians finish high school and of those that do, a smaller proportion will obtain post-secondary education. Also, Aboriginals are less likely to be in the labour force, they will face higher unemployment rates, and their median earnings are less. To use just one example, the unemployment rate among Aboriginals according to the 2006 census was 15% compared to 7% for all Canadians (with Aboriginals included in that larger cohort). Aboriginals are thus more dependent on government transfers when compared with non-Aboriginal Canadians (Statistics Canada, 2008a and 2008b).

However, what is less often articulated in much detail is how off-reserve Aboriginals fare better than those on-reserve.

To put this claim in context, some background is necessary.

According to Statistics Canada, for Census purposes, "Aboriginal identity" refers to people who self-identify as belonging to one or more of the following Aboriginal groups: North American Indian (First Nations), Métis, or Inuit. According to the 2006 Census (the most recent year available) 1,172,790 Canadians placed themselves in one of those three groups or some combination thereof (Statistics Canada, 2007 & 2006a).

Of those almost 1.2 million Aboriginals, just 308,490 live on-reserve, or barely over 26 percent. Thus, 74 percent of Canadians who self-identify as Aboriginal do not live on-reserve (Statistics Canada, 2006b).

Yes, the population on reserves has increased, partly because the population of self-identified "North American Indians" is growing. But as the statistics show, a greater proportion of that category of Canadians lived off-reserve in 2006 when compared to 2001. Put simply, the off-reserve population is growing faster than the population on-reserve (Statistics Canada, 2001).

Looking more closely, the Aboriginals most likely to live on-reserve are "North American Indians," or First Nations. Of that group, 300,755 out of 698,025 live on-reserve, or 43 percent (again, as of the 2006 census) (Statistics Canada, 2006b).

In other words, 57 percent of First Nations people do not live on-reserve. And that's up from 55 percent who lived off-reserve as of the 2001 census (Statistics Canada 2006b and 2001).

Aboriginals: Better incomes off the reserve

So why does all this matter? Additional data from Statistics Canada reveal that those most likely to live on reserves (the "North American Indian" category) have lower median incomes than other Aboriginals.

For example, according to the 2006 census, for all Aboriginals (whether on- or off-reserve) the median earnings figure for someone between the ages of 25 and 64 who worked full-time, for the full year was $36,944.

But what is revealing is how that Aboriginal category breaks down. Inuit people had the highest median income at $44,440 with Metis were next at $39,784. First Nations people (combining those on-reserve and off-reserve) had a median income of $34,209.

Now, break the First Nations category down even further between those on-reserve and those off-reserve. On-reserve Indians had a median income of $29,014. In contrast, off- Indians had a median income of $37,477.

In other words, First Nations people/Indians who live off-reserve have a median income that is almost $8,500 higher than their counterparts on-reserve.[1]

As native and non-native politicians alike ponder what to do about aboriginal policy, they should keep in mind this simple fact: For most of Canada's Aboriginal population, life is better away from the reserve. That might explain why a majority of Aboriginal Canadians, including a majority of First Nations, choose not to live on reserves.

Notes

1 All of the foregoing statistics are only for those between the ages of 25 and 64 who worked full-time for the full year (all median income data cited are from Statistics Canada, personal e-mail correspondence, July 30, 2008). Given what we know about the level of labour force participation and unemployment rates on reserves across Canada (Statistics Canada 2008a & 2008b), the gap between the median earnings of on-reserve and off-reserve Indians would be even greater if all earnings and all peoples on-reserve and off-reserve and in all age cohorts were included.

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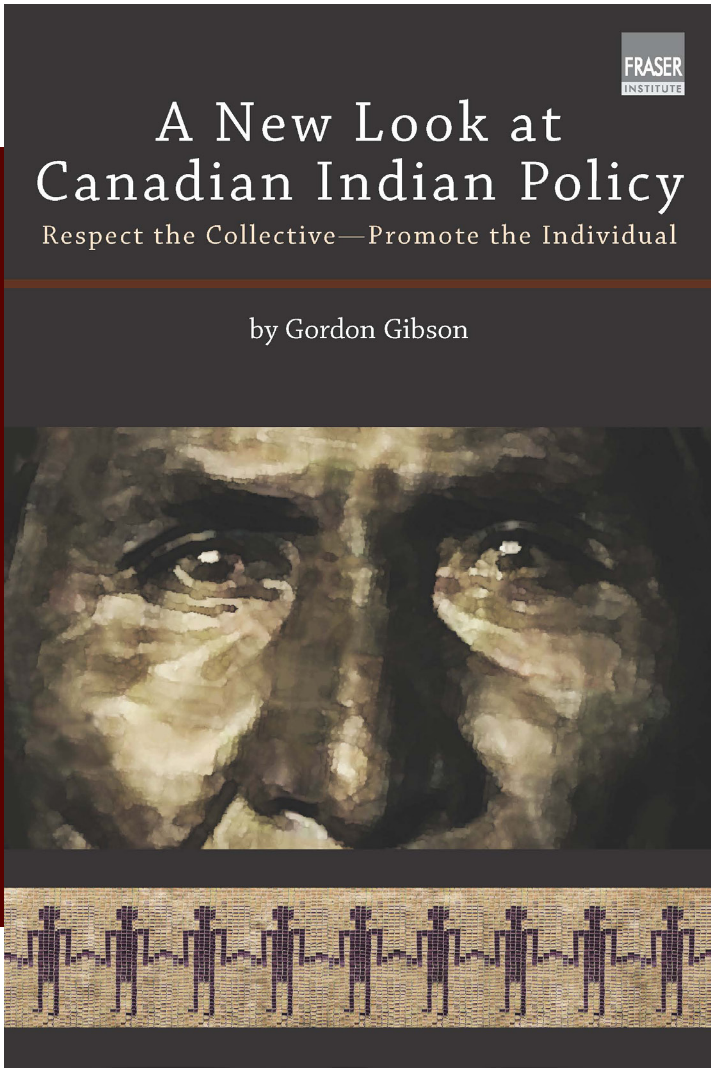

A remedy to Indian under-achievement: Respect the collective; promote the individual

Gordon Gibson

The existing, broken model

The standard model for thinking about Indian[1] policy is fundamentally wrong, giving too much weight to the collective and too little to the individual. But opposition to basic change is immense, the resistance fuelled by habit, thoughtlessness, guilt, the implied loss of intellectual capital that always follows a major re-thinking, and threats to the cash flow and status of workers in the largest failed area of government responsibility in the country. For that reason alone, proposals for change will face criticism, in which honest debate will be difficult in the short term. Some commentators will say—with reason—that this [article] challenges some of the most basic assumptions of established Indian policy. This challenge would not be necessary if established Indian policy was working well, for Aboriginals or anyone else.

First, why do I say the standard model is fundamentally wrong? In brief, because it presumes and enforces a relationship between the Indian individual and relevant collectives (both Indian and state), the relationship is biased against individual freedom and choice. This relationship, I say, has produced the adverse social outcomes—in health, education, life span, incomes, housing, substance abuse, violence, imprisonment, and so on—universally criticized by all.

The sorry state of Canadian Indians: some facts

As proof, consider some statistics: Life expectancy at birth for Status Indians is estimated at 70 years, compared to the Canadian average of 77 years. Infant mortality among Status Indians on reserves stands at 7.2 per 1,000 live births, compared to a rate of 5.2 for Canada (Gour, 2005). The suicide rate in the Indian population is over double the national rate and at least five times greater amongst young people. The prevalence of lone-parent families among Status Indians is twice that of the national population. Less than half of all Aboriginal children under 15 live in a married-couple family, compared to three-quarters of other children (Hull, 2001).

The pregnancy rate for girls younger than 15 who live on reserves is about 18 times higher than for the same age group in the national population (Health Canada, 2000). At least six times as many on-reserve, Status Indian children are in the care of the state as is the case in the national population. About 70% of all Canadians, but only about 55% of Indians living off reserve and only about 40% of Indians on reserve, have attained a high-school certificate. Only 30% of reserve students enrolled in Grade 12 are graduating high school (Gour, 2005). Less than 10% actually graduate from Grade 12 in 12 years (Breaker and Kawaguchi, 2002).

The problem: collectivist thinking

The relationship between the individual and the collective has been the major force in human life from time immemorial but the character of that relationship has evolved over time. Through most of recorded human history, the collective (whether religious or temporal or both) has been in the ascendency in the affairs of ordinary people. Individual liberty was reserved for the leadership. Then came the idea of western liberalism, growing gradually for around two-hundred years now, that to empower all individuals with sufficient information and options is to allow everyone to make the most of their individual lives.

From the beginning it has been clear that the individual by himself is virtually nothing while together we can make progress. Experience has led to the establishment of social institutions that can add guidance and assistance to the individual lot while at the same time upholding the social system itself. Ideas of trust and the predictability of the rule of law are the most basic.

This is not the place for an essay on social development but it can be said with confidence that this field is subject to constant debate. In our time, different ideas of the relationship between the individual and the collective underlie the tensions between the secular west and Islam. In western societies, some now worry that too much freedom or, more precisely, the irresponsible exercise of freedom can lead to trivial licentiousness.

In one dark corner of this long and wide-world drama, a special case of the relationship between individual and collective has been playing out in Canada, especially for the past 150 years, in the lives of native Indians. In this particular corner, the collective assumes an importance unthinkable in the mainstream. Indian policy, imposed by the mainstream on some Canadians—"Indians"—has built for them a world that is both a fortress and a prison. The effects on the individuals within that system have been profound. I believe that there is a growing concern about this. If so, there is an opening to a better future—indeed it has slowly been unfolding for years through individual actions.

Good intentions are not enough

But in spite of good will, pernicious and counterproductive incentives remain to burden an entire people, not just as trailing legacies of the past (like residential schools) but as current active goals of governments and other entities in the system... In the longer term, things will sort themselves out for the better as long as we remain a free and liberal society. The only question is how many lives will be wasted in the waiting period, and that is important. The best way to shorten that time frame for betterment is to honestly discuss the issues. What we are doing now is profoundly immoral. The fatal defects in outcomes are not redeemed by the fact that the intentions are in general of the best. The problems in this area are similar to those discussed in the more recent literature on foreign aid (e.g., Easterly, 2006; Calderisi, 2006), which discusses in essence the problems of trying to set other people's priorities. In our own little Canadian Third World we are guilty of the same mistakes

Note

1 "Status Indians" or "Registered Indians" (the terms are synonymous) are those persons who are registered with Ottawa. This is a legal rather than an ethnic or identity concept.

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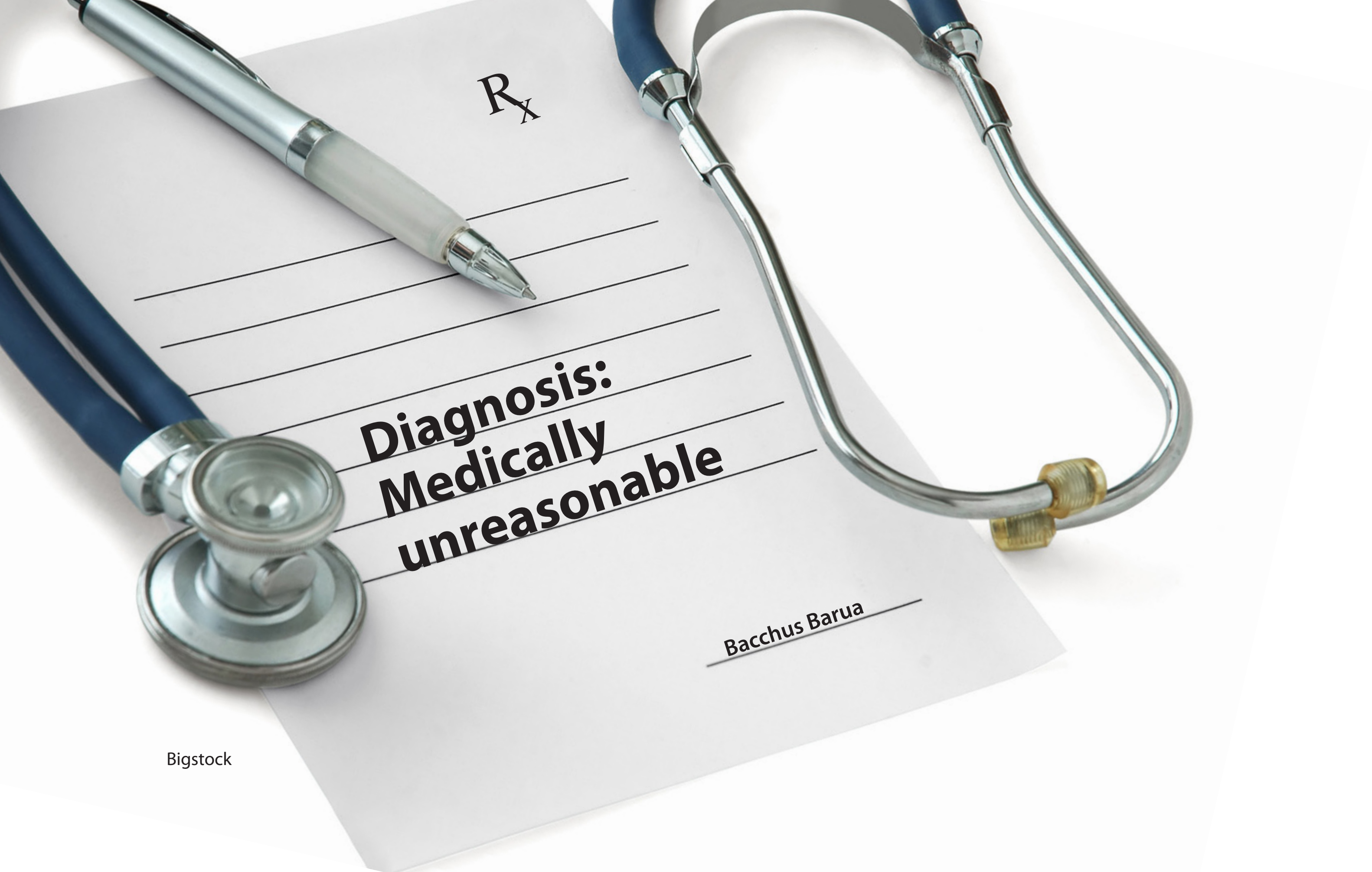
The above contains excerpts from the Fraser Institute book, *A New Look at Canadian Indian Policy: Respect the Collective—Promote the Individual*, by Fraser Institute Senior Fellow Gordon Gibson. Copies of the book can be ordered by calling Book Orders 1-800-665-3558 ext. 529, or e-mailing sales@fraserinstitute.org. Purchase by April 15th, 2013 and get a 25% discount. ■



Diagnosis: Medically unreasonable

Bacchus Barua

Bigstock

Let's be clear from the beginning—being asked to wait 124 days (17.7 weeks) in order to receive medically necessary treatment is unacceptable. This, however, is the reality that Canadian patients face today (Barua and Esmail, 2012).

While this wait is shorter than the unprecedented 19.0 week wait (Barua et al., 2011) between referral from a general practitioner and delivery of medically necessary elective treatment in 2011—it is certainly no reason to gloat.

Wait times for such services are undesirable because of the adverse medical consequences that may result (Esmail, 2009), and because of "... fears and concerns that come with waiting for diagnosis and treatment" (Murray and Frenk, 2000: 720). Indeed, in Canada "18% of individuals who visited a specialist indicated that waiting for the visit affected their life compared with 11% and 12% for non-emergency surgery and diagnostic tests respectively" (Statistics Canada, 2006: 10, 11). Further, from an economic standpoint, it is estimated that the cost of waiting per patient in Canada was approximately $1,144 in 2011 if only hours during the normal working week were considered "lost," and as much as $3,490 if all hours of the week (excluding 8 hours of sleep per night) were considered "lost" (Esmail, 2012).

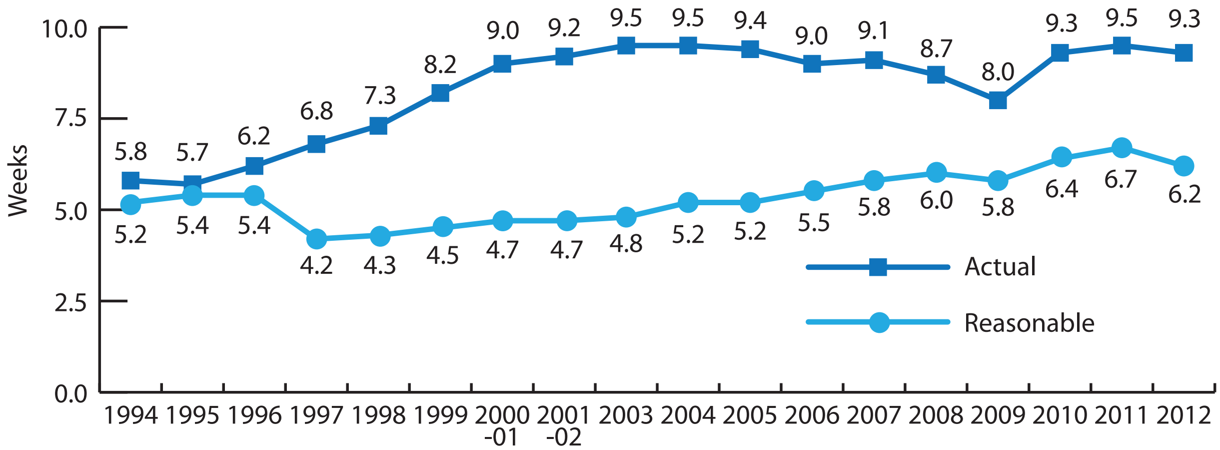
In fact, physicians themselves indicate that their patients are facing medically unreasonable wait times. Specifically, while they deemed a 6.2 week wait "reasonable" for elective treatment after an appointment with a specialist, patients actually had to wait for 9.3 weeks in 2012 (Figure 1). This does not include the 8.5 week wait that patients had to endure in order to get an appointment with the specialist (after referral from general practitioner) in the first place.

Another obstacle patients may face is the wait for access to diagnostic medical technology, the information from which may be used to determine the urgency of a patient's case or to determine the appropriate treatment or approach. In 2012, patients in Canada had to wait an estimated 3.7 weeks for a CT scan, 8.4 weeks for an MRI, and 3.7 weeks for an Ultrasound.

The wait that patients face is not, however, uniform across provinces. For example, figure 2 shows that residents of Ontario (14.9 weeks), Quebec (16.6 weeks), and British Columbia (17.0 weeks) face relatively shorter waits than residents of New Brunswick (35.1 weeks), Prince Edward Island (29.3 weeks), and Nova Scotia (28.1 weeks).

Further differences appear when the total wait time is examined as two separate segments: British Columbians

Figure 1: Canada – Actual versus reasonable waits between appointment with a specialist and Treatment, 1994 through 2012



Source: Barua and Esmail, 2012.

face the shortest wait (7.2 weeks) between a referral by GP and consultation with a specialist, but wait longer to receive treatment thereafter (9.8 weeks) than Ontarians (7.0 weeks). On the other hand, patients in New Brunswick wait longest for a specialist consultation (22.6 weeks), but experience timelier access to treatment after this point (12.5 weeks) than Nova Scotians (17.6 weeks).

It is important to recognize that the chronically long wait times measured in Canada over the past decade are exceptional from both a historical and international perspective. In fact, Canadians waited 9.3 weeks for access to the same set of 12 specialties in 1993 (Miyake and Walker, 1993). While that is not necessarily a short wait from the patient's perspective, it is nevertheless much shorter than the necessary delay imposed on patients today.

Further, when compared to Australia, France, Germany, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States—Canada's poor performance on measures of timely access stands in even sharper contrast (Thomson et al., 2012). Indeed, amongst the countries compared, Canada reported the largest percentage of patients waiting more than two months for a specialist appointment (41%), and more than four months for elective surgery (25%) (see figure 3). This, while spending the fifth largest amount on health care as a percentage of GDP[1] (second, after adjusting for age) in the group (OECD, 2012)—a clear indication that the answer is not simply "more money."

It is important to note that all of the above mentioned countries (excluding the United States) manage this superior performance while still ensuring universal health insurance coverage for their citizens.

Further, while it is true that Canada has a relative shortage of human resources (physicians and nurses), hospital beds, and diagnostic imaging technologies (Rovere and Skinner, 2012), studies indicate that these resources are not being deployed to their full potential. For example, inefficiencies related to systematically underused operating rooms (Frappier and Laberge, 2007) and inappropriate occupation of acute care beds by Alternative Levels of Care (ALC)[2] patients are being increasingly identified. On the other side, with the aging demographic shift expected in the coming years, any hope that demand for medical services will ease off would be misguided.

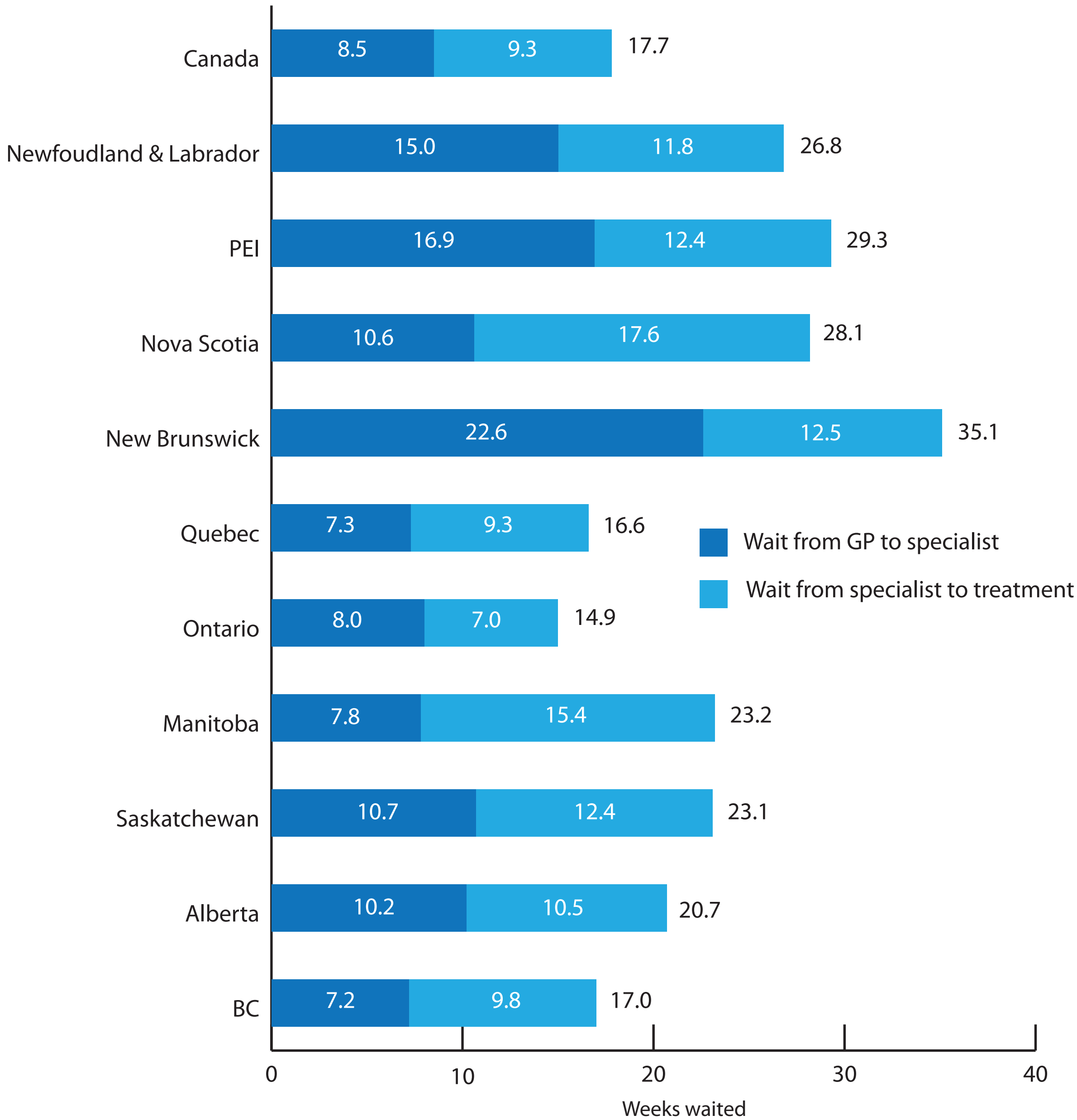
Clearly, Canada may have some lessons to learn from abroad, but in the meantime, patients in need of medically necessary care must continue to wait 17.7 weeks for their turn.

Notes

1 Data is for 2010 (or nearest year)

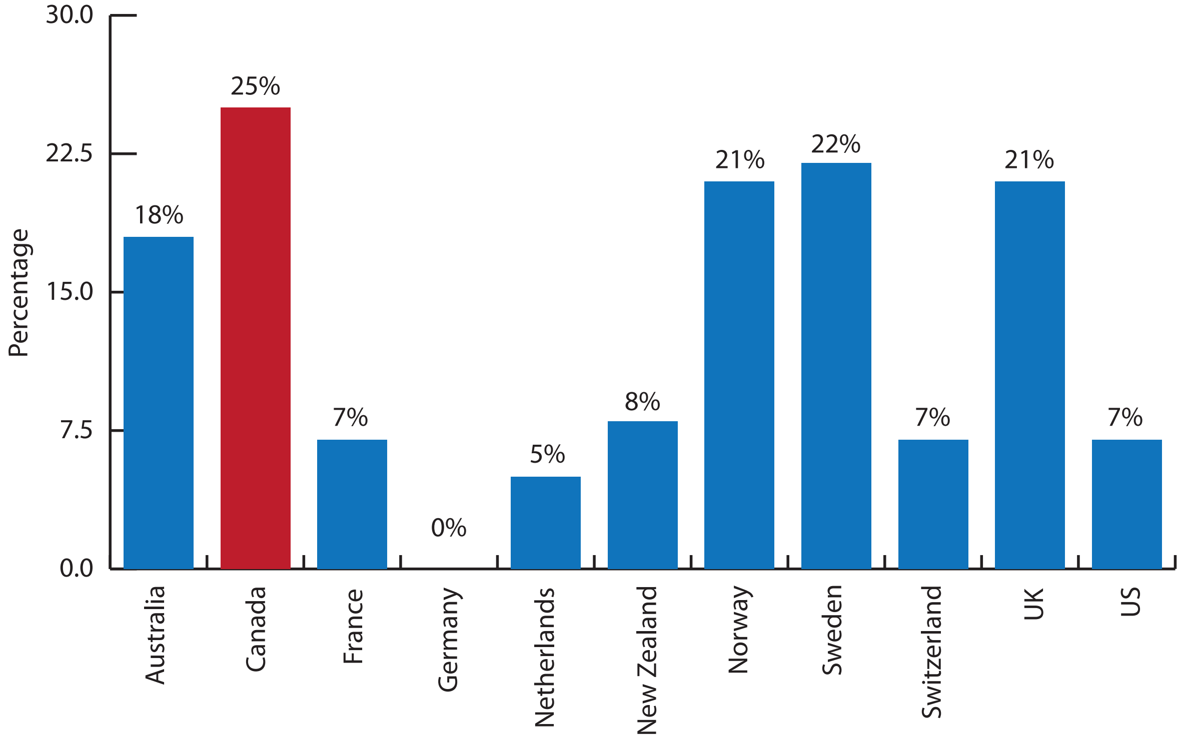
2 ALC patients are those who continue to occupy an acute care hospital bed after the acute phase of their inpatient stay is complete (Wait Time Alliance, 2011:10) and are simply "awaiting an alternative level of care in a more appropriate setting" (Walker et al., 2009: 1). It is estimated that, in Ontario, almost "one in six beds is filled with patients who should be cared for somewhere else" (Wait Time Alliance, 2011: 10).

Figure 2 : Median wait by province in 2012: Weeks waited from referral by GP to treatment



Source: Barua and Esmail, 2012

Figure 3: Waited four months or more for elective surgery



Source: Thomson et al., 2012

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Opportunities for Canada from the "new" American government

Jason Clemens and Niels Veldhuis

The uncertainty that continues to impede the US recovery coupled with political gridlock in Washington pose significant economic threats to the United States and to countries like Canada that trade with the US. However, imbedded within the many layers of risks lies a significant, long-term opportunity for Canada.[1]

There is little doubt that the US economy is suffering from uncertainty. In a recent essay series published by the Fraser Institute, *The US Election 2012: Implications for Canada*, internationally recognized Stanford economist Nicholas Bloom described how the level of policy uncertainty in the US economy from 2006 to 2011 led to a decline of about 2.5 percent in GDP and an employment reduction of about a 2.4 million people. This uncertainty encourages entrepreneurs, investors, and businesses to delay making decisions about starting a business, expanding an existing one, and/or investing. Critically, Bloom noted that Canada is suffering from uncertainty "contagion" from the US.

Part of the uncertainty and fear felt by workers and businesses alike in the US comes from the slew of new and higher taxes coupled with the possibility of even more tax hikes in the future. The combination of the fiscal cliff, the enactment of Obamacare, and the expiry of temporary tax relief has meant that a raft of taxes including income taxes, capital gains, dividends, the estate tax, and payroll taxes have all been increased.

Even the proponents of higher taxes admit that the expected revenues—which are almost certainly going to be lower than anticipated—will not make a dent in the roughly $10 trillion in deficits expected over the next decade. The combination of deficits for as far as the eye can see, coupled with a trend towards higher taxes in the US, presents Canada with a real opportunity.

The Canadian federal government and many of the provinces could feasibly achieve balanced budgets within the next four years with the notable exception of Ontario, which is facing much more serious structural deficits. For the purposes of our argument, let us assume that the federal government and many provinces find the fortitude to balance their budgets in the short term and do so mostly through spending reductions rather than tax increases.

The key to achieving a competitive advantage over the US once budgets are balanced is through materially reducing personal income taxes.

But why focus on income taxes?

First, economists generally agree that income taxes impose greater costs on the economy than some other taxes, like sales taxes. The reason is that income taxes discourage to a greater degree beneficial activity such as entrepreneurship, investment, work effort, and savings.

Second, most of Canada's tax rates are already competitive with the US. We already have a clear advantage, for example, on business taxes, capital gains, and dividend taxes. The one area where we remain painfully uncompetitive is personal income tax rates.

Lowering personal income taxes can be accomplished through two concurrent initiatives. One, governments need to continue to restrain spending once budgets are balanced so that as the economy grows, surpluses are created that allow for tax rate reductions.

And two, governments can reduce or eliminate special privileges within the tax code. Reducing these privileged carve-outs means more revenues, which would allow for lower personal income tax rates. For example, the federal government spends $3.2 billion exempting employer-provided health and dental benefits, $115 million on the Child Fitness Tax Credit, and $150 million on the public transit tax credit, to name just a few.

Our preference for tax relief is that the federal and provincial governments focus on eliminating middle income tax rates, leaving one low, flat rate for the vast majority of Canadian workers and a second, higher-income tax rate.

The combination of deficits for as far as the eye can see, coupled with a trend towards higher taxes in the US, presents Canada with a real opportunity.

In addition, the threshold at which this high-income rate kicks in should be increased, allowing Canada to better compete with the US for entrepreneurs, investors, and skilled workers like doctors and engineers. (Currently, our top federal rate kicks in at a little over CA$135,000 while the new top rate in the US applies at US$400,000 for singles.)

Lower and more competitive personal income taxes would be one of the final pieces required to create a tax advantage for Canada. That advantage would give this country a marked, sustainable tax advantage over the US and many other countries. That advantage, coupled with numerous other strengths such as rule of law, stable government, reasonable infrastructure, and access to markets, would make Canada an enviable destination for entrepreneurs, businesses, and investors.

Note

1 Unless otherwise noted, all information refers to *The US election 2012: Implications for Canada*.

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Global Mining Survey Results for 2012/2013 reveals shift in Canada's top-ranked jurisdictions

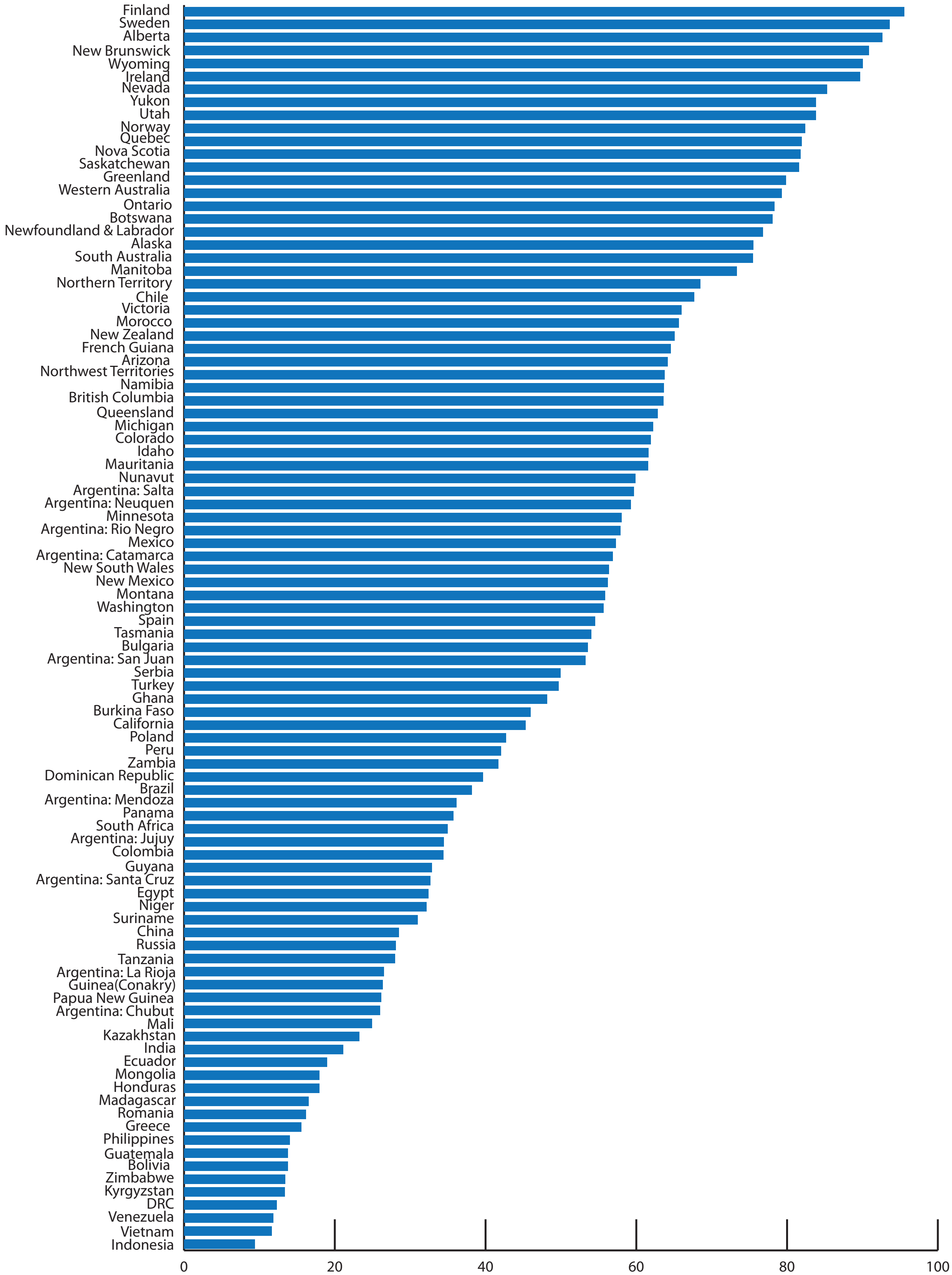
Alana Wilson

The mining industry is an important contributor to the economy in Canada providing not only materials essential for all sectors of the economy, but also employment and government revenues. Mining contributes to economic growth worldwide and Canadian mining companies operate in jurisdictions around the world. While mineral potential is obviously very important, the impact of government policies can be more significant in encouraging or dissuading mining investment.

Since 1997, the Fraser Institute has conducted a survey of mining and exploration senior managers to identify the effects of public policies on mining investment. Respondents are also asked about their investment patterns and commodity price expectations. The *Survey of Mining Companies 2012/2013* was recently released and provides a comprehensive assessment of the public policies that are encouraging or dissuading mining investment in 96 jurisdictions around the world.

The Policy Potential Index (PPI) is a composite index, measuring the overall policy attractiveness of the jurisdictions in the survey (see figure 1). The index is comprised of survey responses to 15 policy factors that affect investment decisions (see table 1). Those factors are normalized to a maximum score of 100 and the policy questions are kept consistent, year-to-year, enabling the performance of jurisdictions to be compared over time. The mining survey is an informal survey, intended to capture the general and specific knowledge of respondents that might affect mining investment, and is therefore not precise. However, the survey receives broad circulation, press coverage, and positive feedback leading us to believe that it captures, in broad strokes, the perceptions of those involved in mining in the jurisdictions included in the survey.

Figure 1: Policy Potential Index



Source: Wilson, McMahon, and Cervantes, 2013

Table 1: 15 policy factors that influence company decisions to invest in various jurisdictions

1	Uncertainty concerning the administration, interpretation, or enforcement of existing regulations
2	Uncertainty concerning environmental regulations (stability of regulations, consistency and timeliness of regulatory process, regulations not based on science)
3	Regulatory duplication and inconsistencies (includes federal/provincial, federal/state, inter-departmental overlap, etc.)
4	Legal system (legal processes that are fair, transparent, non-corrupt, timely, efficiently administered, etc.)
5	Taxation regime (includes personal, corporate, payroll, capital, and other taxes, and complexity of tax compliance)
6	Uncertainty concerning disputed land claims
7	Uncertainty concerning what areas will be protected as wilderness, parks, or archeological sites, etc.
8	Infrastructure (includes access to roads, power availability, etc.)
9	Socioeconomic agreements/community development conditions(includes local purchasing, processing requirements or supplying social infrastructure such as schools or hospitals, etc.)
10	Trade barriers (tariff and non-tariff barriers, restrictions on profit repatriation, currency restrictions, etc.)
11	Political stability
12	Labour regulations/ employment agreements and labour militancy/work disruptions
13	Quality of the geological database (includes quality and scale of maps, ease of access to information, etc.)
14	Level of security (includes physical security due to the threat of attack by terrorists, criminals, guerrilla groups, etc.)
15	Availability of labour/skills

Source: Wilson, McMahon, and Cervantes, 2013

Canada

For the first time since 2006/2007, a Canadian jurisdiction did not rank first in the survey.[1] Alberta was Canada's highest ranked jurisdiction at third, with New Brunswick—last year's top-ranked jurisdiction—at fourth. The Yukon also ranked in the top 10 for the second year in a row, after being the first Canadian territory to enter the top 10 in last year's survey. The other two Canadian territories–Nunavut and the Northwest Territories—both improved their PPI scores this year and have improved steadily over the last four years. The Northwest Territories jumped from 48th in the 2011/2012 rankings to 29th in the current survey, showing improvements in all policy factors; most significantly in respondents' ratings for the legal system (i.e., legal process that are fair, transparent, non-corrupt, timely, and efficiently administered); availability of labour and skills; and uncertainty concerning the administration, interpretation, and enforcement of existing regulations. Nunavut improved its PPI score slightly, although its ranking slipped to 37th from 36th in 2011/2012.

While Canada's territories have improved, both Quebec and Saskatchewan—previously in the top 10 ranked jurisdictions—dropped in this year's rankings. Saskatchewan, which had been in the top 10 since 2008/2009, dropped from 6th in 2011/2012 to 13th in 2012/2013 due to worsening perceptions amongst respondents for uncertainty over which areas will be protected as wilderness, parks, or archaeological sites; the taxation regime; and labour and skills availability. Quebec had been in the top 10 since 2001/2002 and dropped to 11th in 2012/2013 from 5th in 2011/2012 due to worsening perceptions amongst respondents for political stability and uncertainty concerning the administration, interpretation, and enforcement of existing regulations. Quebec appears to be losing the confidence of the mining community after previously being considered the best jurisdiction in the survey for mining and holding the top spot from

2007/2008 to 2009/2010. Manitoba, which has also held the number one spot in the 2006/2007 survey and was consistently in the top 10 from 2001/2002 to 2010/2011, dropped to 21st in this years' survey from 20th in 2011/2012. The remaining provinces and territories generally fared well, with Nova Scotia placing 12th, Ontario 16th, Newfoundland & Labrador 18th, and British Columbia 31st out of 96 jurisdictions.

For the first time since 2006/2007, a Canadian jurisdiction did not rank first in the survey.

Global

Other top ranked jurisdictions in this year's survey include Finland, which ranked first, followed by Sweden, Alberta, New Brunswick, Wyoming, Ireland, Nevada, Yukon, Utah, and Norway. All were in the top 10 last year except for Utah and Norway. Norway rose to 10th in the rankings from 24th in 2011/2012 due to improved ratings for its taxation regime, political stability, and infrastructure. Sweden and Finland have now been in the top 10 for the last three and four years, respectively. The rise of Nordic countries in global rankings shows the importance of policy certainty and transparency, rather than lax environmental protections, in encouraging mining investment.

The least attractive jurisdictions for mining investment based on the survey rankings were Indonesia, Vietnam, Venezuela, Democratic Republic of Congo (DRC), Kyrgyzstan, Zimbabwe, Bolivia, Guatemala, Philippines, and Greece. All of these jurisdictions were in the bottom 10 last year with the exception of the DRC, Greece, and Zimbabwe. Greece was a new addition to the survey in 2012/2013. Both the DRC and Zimbabwe dropped significantly in the rankings this year, with DRC falling from 76th to 93rd, and Zimbabwe from 74th to 91st.

Investment considerations

Public policies are not the only considerations for mining investment however, as mineral potential and market considerations also factor into investment decisions. Each year, the survey asks respondents about such investment considerations. A survey question asks respondents to rate the importance of mineral potential versus policy factors when considering a new exploration project. Over the life of the survey, respondents have consistently rated the importance of mineral potential around 60%, and weighed policy around 40%.

Miners appear pessimistic about commodity prices going forward with most respondents expecting reduced prices or small (less than 10%) increases in the price of nearly all commodities in the survey. Only gold was expected to increase in value by more than 20% over the next two years by a majority of respondents. Miners were somewhat more optimistic about prices over the long term, with most respondents expecting stable or moderate (up to 15%) increases in the inflation adjusted commodity prices over the next 10 years. Finally, respondents were asked about difficulties raising funds compared to two years ago. Over 90% of respondents somewhat or fully agreed that it was more difficult to raise funds, with a majority of respondents believing that the reason for this difficulty was investor worries about the state of the world economy or being risk adverse and seeing mining as risky.

Note

1 All mentions of the survey are to the Fraser Institute *Annual Survey of Mining Companies* (various years)

Reference

Various authors (various years). *Annual Survey of Mining Companies*. Fraser Institute.

Proposed emission regulations on new cars are not costless

Bigstock

Kenneth P. Green and Joel Wood

The federal government recently announced that Canada would harmonize its vehicle fuel economy standards with the aggressive standards recently enacted in the United States (Environment Canada, 2012). The proposed amendments to the *Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations* require auto manufacturers to increase fuel economy standards for their fleets between 2017 and 2025. Basically, a car company's fleet of new vehicles as a whole must meet a certain overall level of average fuel economy; so any gas guzzling models must be offset by relatively fuel efficient models. The proposed amendments expand on existing regulations implemented over the 2011 to 2016 period. Minister of the Environment Peter Kent claims the proposed regulations on cars and trucks will save Canadians money while reducing greenhouse gas emissions, leaving them better off (Environment Canada, 2012). Unfortunately, when something sounds too good to be true, it often is. The claim that the regulations will save Canadians money is based on partial cost accounting, and the dubious assumption that the government knows best.

The government's analysis recently published in the *Canada Gazette* suggests the proposed regulations will produce $41.9 billion in total benefits and $11.2 billion in total costs (Government of Canada, 2012). However, a closer look suggests these numbers may be flawed. The government's analysis estimates that over 79% ($33.2 billion) of the benefits from the regulations are from fuel savings to consumers[1] (Government of Canada, 2012; authors' calculations), i.e., vehicles on average become more fuel efficient, so drivers spend less on gasoline. Ironically, considering the name of the regulations, the government estimates that only 9% ($3.9 billion) of the benefits are from reduced greenhouse gas emissions (Government of Canada, 2012; authors' calculations).

Including consumer fuel savings in the analysis is problematic. It implicitly assumes that consumers are making an irrational decision when purchasing vehicles, i.e., that they would be better off buying more fuel efficient cars than the ones they actually choose to purchase. Simply put, it assumes that the government better understands which cars consumers prefer than consumers understand themselves. However, as argued in a recent paper by economists Ted Gayer of the Brookings Institution and Kip Viscusi of Vanderbilt University, there is evidence to suggest that consumers make rational decisions when choosing the energy efficiency (e.g., fuel economy) of products (Gayer and Viscusi, 2012). They note that the decisions may appear to be irrational when only one product characteristic, such as fuel economy, is considered, but are rational when all product characteristics are included in the analysis (Gayer and Viscusi, 2012). In the context of vehicle emission regulations, consumers may indeed save money, but they may be sacrificing something else they value, such as trunk space, all-terrain performance, safety, passenger capacity, and more. To meet the regulations, car companies will reduce these other characteristics throughout their vehicle fleet. The government analysis ignores this loss of value to consumers.

Since consumers act rationally when purchasing cars, the fuel savings from the stricter regulations must be less than the value lost from reductions in other vehicle characteristics. If we exclude fuel savings from the government's analysis since they do not provide an accompanying estimate of the value lost from reductions in other vehicle characteristics, the total benefits of the regulations plummet from $41.9 billion to $8.7 billion (Government of Canada, 2012; authors' calculations). When fuel savings are excluded, the costs of the regulations ($11.2 billion) outweigh the benefits, producing a net cost of $2.5 billion (Government of Canada, 2012; authors' calculations). And this assumes that government estimates of the cost of new vehicles rings true. The Canadian government estimates that meeting the standards will add $2,095 to the cost of a new vehicle (Government of Canada, 2012), but others believe this to be an understatement. The US Environmental Protection Agency estimates that meeting the very similar US standards will add $3,200 to the cost of a new vehicle in the US (NADA, 2012). Furthermore, the US National Automobile Dealers Association estimates that the new standards will add more than $5,000 to the cost of a new vehicle (NADA, 2012). Furthermore, Green (2012) provides evidence that fuel-sipping cars, such as electric and gas-electric hybrids, are more expensive to insure and maintain.

It is true that the North American auto market is highly integrated, so some may argue that there may be some benefit from harmonized regulations between the two jurisdictions. But does this policy offer a net benefit to motorists? It seems unlikely. At the very least Canadians deserve a comprehensive analysis that presumes they are rational, excludes fuel savings, includes higher vehicle costs, insurance costs, and repair costs, and shows the real consequences that will attend harmonizing the standards. As well, less intrusive approaches, such as more effective and accurate fuel economy labelling on new cars, could be tried first before heavy handed regulations are imposed.

Anytime a politician touts a policy as a "win-win," citizens should be skeptical; especially if the policy assumes that the government knows what is better for consumers than consumers know themselves. Peter Kent's comments and the government's analysis of the new vehicle emissions regulations overestimate the benefits and hinge on the assumption that government knows best.

Notes

1 Drivers also drive more when required to purchase more fuel efficient cars, but this is in addition to fuel savings. In the government analysis, the benefit to consumers of additional kms driven is $3.3 billion (Government of Canada, 2012).

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How generous are Canadians?

iStock

Nachum Gabler, Milagros Palacios, and Charles Lammam

The non-profit charitable sector is a vital part of Canadian society. This sector is actively engaged in providing social services such as counselling, crisis prevention, basic necessities, and education, all of which help vulnerable Canadians in need. Given that charities depend on the private donations of Canadians to sustain their valued services, it is important to track the level of private generosity this sector receives.

The Fraser Institute's annual Generosity Index report does just that by measuring and comparing private monetary generosity in Canada and the United States. As in previous years, the 2012 index shows that stark differences in charitable giving exist within Canada and also between Canada and the US (Gabler et al., 2012).[1]

The Generosity Index measures private monetary generosity using two key indicators:[2] the percentage of tax filers who donate to charity, which indicates the extent of generosity; and the percentage of aggregate personal income donated to charity, which indicates the depth of charitable giving.[3] The jurisdictions included in the index are the 13 Canadian provinces and territories, 50 American states, and the District of Columbia. The data used is from the 2010 tax year, the most recent year for which comparable data is available for both Canada and the US.

Charitable giving in Canada

Manitoba has the highest percentage of tax filers who donate to charity in Canada (26.2%), followed by Saskatchewan and Prince Edward Island (25.2% each), Ontario (24.5%), and Alberta (24.2%). The provinces with the lowest percentage of tax filers donating to charity are New Brunswick (21.3%) and Newfoundland & Labrador (21.1%).

Manitoba leads the provinces and territories in terms of donating the highest percentage of aggregate personal income to charity. Citizens of Manitoba gave 0.92% of

Table 1: Generosity Index scores (out of 10) and rankings (out of 64) for Canadian provinces and territories

Province/ Territory	Generosity index		Indicator 1: Percentage of tax filers donating to charity			Indicator 2: Percentage of aggregate income donated to charity		
	Score (out of 100)	Rank (out of 64)	%	Score (out of 100)	Rank (out of 64)	%	Score (out of 100)	Rank (out of 64)
Manitoba	3.8	39	26.2	5.3	24	0.92	2.3	47
Prince Edward Island	3.5	43	25.2	5.0	31	0.83	2.0	52
Saskatchewan	3.4	46	25.2	5.0	31	0.73	1.7	57
Alberta	3.3	48	24.2	4.7	37	0.81	2.0	53
Ontario	3.3	48	24.5	4.8	33	0.75	1.8	56
British Columbia	3.0	51	22.0	4.0	44	0.80	1.9	54
Nova Scotia	2.6	56	22.6	4.2	42	0.55	1.1	59
New Brunswick	2.5	57	21.3	3.7	48	0.59	1.2	58
Newfoundland & Labrador	2.3	58	21.1	3.7	49	0.49	0.9	60
Quebec	2.1	59	21.9	3.9	45	0.31	0.3	62
Yukon	1.9	61	20.6	3.5	50	0.33	0.3	61
Northwest Territories	1.2	63	16.8	2.3	60	0.27	0.1	63
Nunavut	0.0	64	9.7	0.0	64	0.23	0.0	64

Source: Gabler et al. 2012

aggregate income to charity, followed by Prince Edward Island (0.83%), and then the two western-most provinces, Alberta and British Columbia (0.81% and 0.80%, respectively). Quebec ranks last among the provinces, donating 0.31% of aggregate income to charity.

Comparing Canada and the United States

The most pronounced differences in private monetary generosity exist between Canada and the US. In the US, the extent of generosity is almost three percentage points higher: 26.7% of US tax filers donate to charity compared to 23.3% of Canadians.

The gap between the two countries widens significantly when the depth of generosity is compared. In 2010, Americans gave 1.38% of their aggregate income to charity, resulting in a total of US$170.2 billion in donations.[4] This rate of giving is more than double that of Canadians, who gave 0.66% of aggregate income (CA$8.5 billion in total) to charity in 2010.[5] If Canadians had given, in aggregate, the same percentage of their incomes to charity as did Americans, the Canadian charitable sector would have received an additional CA$9.2 billion in privately donated revenue (a potential total of CA$17.7 billion).

The depth of the generosity gap varies significantly among subnational jurisdictions. Maryland had the high-

The only Canadian province to make it into the top 25 on this measure was Manitoba, where 26.2% of tax filers donated to charity.

est percentage of tax filers donating to charity (40.7%), followed by Connecticut and New Jersey (36.6% each), and Utah (34.0%). The only Canadian province to make it into the top 25 on this measure was Manitoba, where 26.2% of tax filers donated to charity.

Canadian provinces and territories perform far worse in terms of the depth of charitable giving, falling behind almost every American state. All of the states, with the exceptions of Vermont (0.90%), New Hampshire (0.89%), Maine (0.89%), North Dakota (0.84%), and West Virginia (0.79%), gave a higher percentage of aggregate income to charity than did any Canadian province. In Utah, 3.17% of aggregate income was donated to charity—the highest amongst all jurisdictions. By contrast, in Canada's top-ranked province, Manitoba, 0.92% was donated.

Table 1 presents the results of the 2012 Generosity Index for the Canadian provinces and territories. Manitoba, Canada's top province, ranked 39th overall (out of 64), and scored 3.8 out of 10 on the 2012 Generosity Index. Quebec ranked last among Canadian provinces, placing 59th overall with a score of 2.1. The three territories ranked at the bottom of the list: 61st (Yukon), 63rd (Northwest Territories), and 64th (Nunavut).

Although not shown in Table 1, the top-ranked jurisdiction overall on the 2012 Generosity Index was Utah, with an overall score of 8.9. Maryland (scoring 7.5) and Connecticut (scoring 6.5) ranked 2nd and 3rd, respectively.

Conclusion

The 2012 Generosity Index measures private monetary generosity in Canada and the United States. By measuring both the percentage of tax filers who donate to charity and the percentage of aggregate income donated to charity in each jurisdiction, the Generosity Index recognizes the magnitude of charitable donations eligible for income tax deduction. Most notably, the index shows that private monetary generosity in Canada is considerably lower than in the US. The existence of this gap has great importance since it limits the power and potential of Canadian charities to enhance the quality of life in their communities and beyond.

Notes

1 All the data cited in this article are sourced from Gabler et al., 2012.

2 The complete study also provides figures on the average dollar value of charitable donations in each jurisdiction. However, this measure is not used to calculate the overall Generosity Index because it is a poor estimate of individual generosity, by favouring relatively wealthy provinces over relatively poor provinces.

3 The Generosity Index only measures donations to registered charities that are tax deductible and have been claimed as deductions against income with the Canada Revenue Agency. As such, the Generosity Index does not account for noon reported charitable giving where the beneficiary is not a registered charity. For example, the Generosity Index does not take into account for cash given to panhandlers or church alms. Furthermore, though volunteering is an important form of charitable giving, volunteer activity is not measured by the Generosity Index.

4 Americans donations in 2010 totaled CA$175.2 billion using the 2010 exchange rate of CA$1 to US$0.971 (Statistics Canada, 2013).

5 These numbers likely understate American charitable donations due to differences in the Canadian and US tax systems. In the US, tax filers may file either itemized or non-itemized returns, although only those filing itemized tax returns can claim charitable donations. Thus, a large group of US tax filers may donate to registered charities, but are unable to claim those donations.

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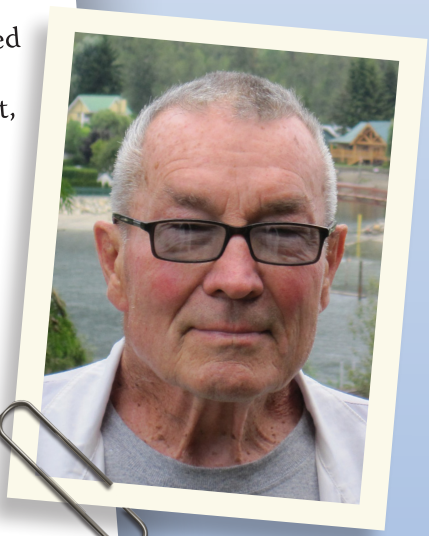
Dave Williamson

A shrewd businessman, generous community supporter, visionary, and Fraser Institute donor, Dave Willliamson passed away in November 2010. He was born in Vancouver in 1926. Always hard working, Dave had many odd jobs as a boy. After he served in the army during World War II, Dave worked for Exide Battery in Manitoba and Ontario. In search of opportunity, he returned to British Columbia in 1964 and settled in the North Okanagan at Sicamous. He bought property on Mara Lake, developed an RV resort, and sold it in 1968 with a bigger project in mind. Dave saw potential in the undeveloped side of the lake, bought 12 acres of land, and soon built it into a thriving resort called Shandy Cove. It became so popular that in order to secure a spot for the following summer, families had to book a year in advance. Shandy Cove is now a community of owners where four generations and counting have passed many happy, busy summers.



Dave was a leader, and his skills and dedication created lasting change in many areas. In 2007 he received the William Van Horne Visionary Award in recognition of his pivotal role in establishing the Tourism Industry Association of British Columbia.

As Dave prospered, he brought his generosity and skill to various charitable causes. He often acted anonymously, funding services that enhanced the everyday lives of community members. Just a few months before he died, Dave provided seed money for the Eagle Valley Communities Fund, a part of the Shuswap Community Foundation. Causes that he was especially proud to support include the BC Cancer Society, Salvation Army, and the Fraser Institute, where he felt a strong attachment to the Institute's practical and conservative ideology. Dave's generous bequest of $100,000 to the Institute will help ensure our work continues on well into the future.

Dave was a wonderful human being who gave much but asked for little. He left his family and huge circle of friends an example to emulate with his passion, tenacity, and determination to make the best of both opportunities and challenges.

Linda Ashton, Gift Planner
Tel: **604.688.0221** ext. **571**
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