

WHERE DO WE GO FROM HERE?  
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**Title: It's Time for a New Relationship with the Federal Government**

Western Canada's relationship with central Canada dates back to those days when the Prairie region was split into three provinces so that it would not be a future challenge to central Canada through its size or natural resources. Today, the West is a true economic powerhouse. It has the capacity to cooperate and it is time for a new federal relationship with the region. Hopefully a new Prime Minister can also provide a basis for an enduring new relationship.

While the federal government seems to pay token service to the concept of economic development and a competitive market economy, too many of its actions effectively either deny or actively work against this concept. Let me use a few examples.

- The very structure of the federal equalization formula dictates against increasing the economy through the development of natural resources. Yet the Western Canadian economy is a natural resource economy.
- The federal approach towards environmental regulation has weakened some of Western Canada's strongest industries. The environmental regulatory framework has become a nightmare, increased the cost of business, often does little to protect the environment and reduced our competitive position. Protecting minority environmental interests may be very Canadian, but at some point common sense and economic consequences must be taken into account.
- The taxes and fees at Canadian airports have mushroomed in recent years with no improvements in service. The added federal cost on movement within the region now amounts to 72% of the base one way air fare between Regina and Calgary. Does this inhibit business travel? Of course it does. Does this inhibit the movement of Canadians within our country? Of course it does. Does it weaken the confederation and the economy? You bet.
- Federal lease arrangements at many smaller western airports are not sustainable, yet Transport Canada still seems to consider them as cash cows.
- Part II of the Canadian Wheat Board Act still requires control over Grain Elevators and Railways allowing for direct federal intervention in a market economy reducing efficiency of movement and overriding commercial agreements. Is this attractive to investment? Probably not.
- The Canada Transportation Act talks of a market environment and yet regulates as though the industry remains an administered market still owned by the federal government. This not the case. Railways, airlines, truck, ships, ports and airports are all now mostly privately owned and financed. It is time for federal policy to catch up with reality. We look for a competitive federal regulatory framework for transportation and yes let's open the western skies to U.S. carriers.
- Federal fuel taxes collected from the hugely under funded road system are systematically removed from the West and never returned to the sector. Little wonder there is such a

huge infrastructure investment gap in Western Canada. Canada is the only G-7 country with no National Transportation Plan. This is an important omission out West where the distance of our geography can only be overcome by effective transportation planning.

- The GST on small business is simply an additional income tax in which the administration charges for small business in many cases actually exceed the revenues collected by the federal government. It is federal administration gone wild with a growing army of accountants and absolutely no thought to the economic costs on the most entrepreneurial of Canadians.

Too many federal actions support the old, now largely abandoned ideas on administered markets that are nearly always inefficient. Too few consider alternative methods of competitive public regulation, industry self regulation and public service delivery that can allow markets to operate freely with the minimum of intervention. Not all federal programs need to be delivered through the state. In fact other models of public sector delivery have much higher benefits for the economy.

I sincerely hope that the new Prime Minister can create an environment that will allow the federal government to again become a more effective and therefore a more welcome presence in Western Canada.

***Dr. Graham Parsons***

*Excerpted from a speech Dr. Parsons recently delivered to the Western Economic Opportunities Conference in Calgary. An economist, Dr Parsons is President of the Organization for Western Economic Cooperation and sits on the Prairie Centre's Board of Academic Advisors. "Where do we Go From Here?" is a feature service of the Prairie Centre Policy Institute.*