

Business Subsidies. Economic Performer or Simply a Waste of Money? **New School of Public Policy Report**

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Calgary – Governments provide support to business through a number of channels, including spending programs, the tax system, direct investment and the activities of government business enterprises. These are known as business subsidies. And they don't come cheap. Between the federal government and the four largest provinces, they cost taxpayers about \$29 billion a year.

Today, The School of Public Policy with author John Lester released the first comprehensive report estimating business subsidies for the federal government and the four largest provinces: British Columbia, Alberta, Ontario and Quebec. The report provides a snapshot of overall business subsidies in 2014–15 and assessments of some key programs with solid recommendations for improving the way business subsidies are reported by governments.

According to Lester, "Business subsidies have two broad objectives: to improve economic performance and to achieve a social objective by supporting specific firms, industries or regions. On average in the five jurisdictions, the split between the two categories is about 70-30 in favour of economic development measures. Federal government business subsidies amounted to **\$14 billion in 2014–15**. Business subsidies amounted to **\$14.6 billion** in the four provinces. Per capita subsidies were largest in Alberta at \$640 and lowest in B.C. and the federal government, with both at \$390. The tax system is by far the preferred delivery vehicle in all jurisdictions except Quebec, accounting for almost half to two-thirds of overall subsidies. Subsidies are highly concentrated in all jurisdictions except Quebec. Budgets tabled since 2014–15 suggest that the level of business subsidies will remain relatively stable in the near term in B.C. and Quebec. Increases are likely in Ontario and at the federal level. Announced increases in Alberta are more substantial, particularly when measured on an accrual basis."

With so much money at play, business subsidies should be reported more transparently and managed more effectively. For greater transparency, governments should prepare a comprehensive annual report on business subsidies delivered through program spending, the tax system and through the activities of government business enterprises. The report would describe the programs, state their objectives and report funding levels. When discussing program objectives, the report should set out in general terms the expected benefits and costs of government intervention and discuss who benefits from the measure and who is expected to pay for it. Making a commitment to set out the expected benefits and costs of all new business subsidies as they are introduced might prevent the worst offenders from being implemented in the first place

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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