



Saskatchewan should pick its friends carefully

The company you keep says a lot about you. Take Saskatchewan, for example.

In the run-up to the latest federal budget, Saskatchewan joined forces with Newfoundland and Labrador and Nova Scotia. The three supposed “have-not” provinces created a united front in an attempt to stare down Stephen Harper and any changes to the equalization program that altered the inclusion of natural resource revenues in the formula.

After the budget was released, of course, the premiers of these three provinces put on a collective show of righteous indignation.

“If we can’t accept at face value the promise of our prime minister, then who can?” asked Newfoundland premier Danny Williams in a series of ads that ran after the budget. “A promise made should be a promise kept. And as Mr. Harper pointed out, there is no greater fraud than a promise not kept.”

Williams, Nova Scotia Premier Rodney MacDonald and Saskatchewan Premier Lorne Calvert argued that Harper broke a promise to fully exclude resource revenues from the calculations for equalization payments. Harper did provide himself some wiggle room with the provisions for a province to either include or exclude resources — whichever works better for it — but then imposed a cap on total equalization transfers to any recipient province.

To be fair, Saskatchewan’s Calvert has a good case to make that his province has been treated unfairly. As one of the former “have-not” provinces with plenty of natural resources, Saskatchewan is now losing transfers of cash from Ottawa. It was not given the same deal that the other two received under the Atlantic Accord. And the province will quite quickly hit the new cap on transfers.

But the danger of Saskatchewan joining as brothers-in-arms with Newfoundland and Nova Scotia is that it conveys the message that Saskatchewan’s economy is in trouble. Nothing could be farther from the truth.

The unemployment rate in Newfoundland is above 14 percent. In Saskatchewan, it is under 4 percent — behind only Alberta’s as the lowest unemployment rate in the country. Saskatchewan’s economy has grown consistently at or above the national rate of real growth, and is likely to be the second- or third-fastest-growing province in 2007. Strong energy prices, rising real estate values, a burgeoning mining sector and a world-class high-tech research sector are restoring business confidence. Even agriculture is doing reasonably well this spring.

But what are Bay Street types expected to think when they pick up the morning paper and read about poor old Newfoundland and Saskatchewan, together lobbying the federal government for more money? What perceptions are job-seekers from other parts of the country going to form about Saskatchewan when the headlines give the impression it is a poor region? Why would anyone want to move there?

Sure, the extra hundreds of millions of dollars in transfers to Saskatchewan will be missed, especially when the entire revenue of the province is only about \$7.9 billion (roughly equal to Alberta’s surplus last year). Total transfers from the federal budget — including the loss of equalization payments — still account for 16 percent of total revenues. The dried-up equalization payment is indeed a fiscal loss.

The gain, however, is “have” province status. Going into a provincial election this year, Premier Calvert should be

playing this ace card for all it is worth. What better fodder for wooing the electorate than having brought the province into the club of rich provinces?

In April, the government of Saskatchewan announced a very aggressive \$8.5-million program to increase immigration and settlement initiatives in the province. It has an ambitious goal to attract 5,000 international newcomers by 2008 through the provincial nominee program.

But the question remains: If I am an international immigrant looking to settle in Canada, why would I choose a province that acts like it’s poor?

Rather than chumming too closely with East Coast provinces whose economies in no way resemble its own, Saskatchewan should find cohorts that will improve — rather than diminish — its economic image.

A much better headline for Premier Calvert would be: “Saskatchewan joins Ontario and Alberta in Rich Province Club: residents rejoice as equalization payments and have-not status end.”

Or, even better: “Saskatchewan joins Alberta-BC Trade Pact” — a reference to the chance Saskatchewan has to enter the Trade, Investment and Labour Mobility Agreement (TILMA) between Alberta and British Columbia that took effect April 1. If Saskatchewan were to join — and the agreement is designed to encourage other provinces to sign up — it would create a free trade zone within Canada of 9 million people and a GDP of over \$450 billion.

The company you keep does indeed say a lot about you. It is something that Premier Calvert should learn as Saskatchewan tries to attract investment, businesses and people.

Todd Hirsch is the former chief economist of the Canada West Foundation. His column appears monthly.