

# Corporate Welfare at Industry Canada since John Diefenbaker

by Mark Milke



## QUICK SUMMARY

■ Between April 1, 1961 and March 31, 2012, and adjusted for inflation to 2012 dollars, Industry Canada disbursed \$34.3 billion through to other governments, foundations, and businesses. \$22.1 billion of that money was disbursed to business, \$8.8 billion given in grants, and \$13.3 billion provided in loans.

■ Pratt & Whitney Canada Corp. received the most money over the decades: almost \$3.3 billion via 75 disbursements.

■ Bombardier and De Havilland were the second and third largest recipients, each receiving disbursements worth \$1.1 billion over the years.

■ Most of Canada's largest companies (ranked by the number of employees), do not take financial assistance from Industry Canada. The top three employers—Onex Corp. (246,000 employees), George Weston Ltd. (155,000 employees), and Loblaw Companies (135,000 employees)—received no Industry Canada handouts in the 51 years surveyed.

■ Peer-reviewed research does not support many claims advanced by federal politicians and other proponents of such subsidies: that corporate welfare is responsible for economic growth or job creation. In fact, the companies with the highest employee counts—most of which do not take subsidies—are real-world examples of companies that have not needed taxpayer assistance to create jobs.

## The focus of this study

The practice of using taxpayer dollars to subsidize individual businesses is also known more colloquially as “corporate welfare” or “crony capitalism.” Whatever the name, it is a multi-billion dollar practice. Since 2007, the Fraser Institute has published five reports on corporate welfare (see Milke, 2007, 2008, 2009, 2011, and 2012). They include a look at repayment records by recipient businesses at the federal department of industry and a more targeted analysis for the province of Ontario specifically.

This study reviews payments made by the federal department of industry (or its predecessors) to business between 1961 and 2012.<sup>1</sup> For context, in 1961 John Diefenbaker was Prime Minister and would be for another two years; the population of Canada was 18.2 million (Statistics Canada, undated); and the Beatles, still unknown in Canada, had formed in the previous year, in Liverpool.

When compared with past reports, the numbers in this report will look “smaller”—\$22 billion to business since 1961 compared to my 2009 cross-country report which found over \$202 billion disbursed by federal, provincial, and local governments. This year’s number is lower because this report concentrates only on Industry Canada. It excludes all other federal departments and provincial and municipal subsidies to business.

The data result from an Access to Information request to Industry Canada, the main federal dispensary for such taxpayer-financed subsidies

---

1 This study is a specific look at one federal department (Industry) where disbursements to business have been made. It does not attempt to quantify the entire practice at the federal level, nor at all at the provincial and municipal levels.

over the decades. (Note that unless otherwise cited all figures are derived from that access request: Industry Canada, 2012). Figures have been adjusted for inflation to 2012 dollars, this to ensure an apples-to-apples comparison over the decades.

This report briefly surveys justifications for the practice of subsidizing business and it also details which recipients have received the largest amounts over the decades. Thus, the report aims to answer the following questions:

- First, based on the available data that runs from 1961 and to 2012, what amounts were disbursed to business from Industry Canada?
- Second, which businesses were chronic recipients of aid from government, and for how much?

## How this report differs from past studies

This report will not address the empirically proven superior approaches to economic development: an end to business subsidies, lower corporate tax rates, and neutrality between businesses and business sectors. Those remedies were covered in previous reports. However, this detailed look at five decades worth of corporate welfare at just one federal department will help Canadian families, whose tax dollars are used to subsidize business, gain a glimpse into the practice.

Four of the five previous reports gave an overarching, bird’s-eye view of the cost of corporate welfare. This report catalogues which companies regularly received taxpayer dollars from Industry Canada (and its predecessor departments) between April 1, 1961, and March 31, 2012, and in what amounts.

Also unlike past reports, this study does not delve into individual corporations' repayment records. The reason for the change is straightforward: My previous Access to Information requests to the department of industry requested repayment data by company. Requests returned from the department contained only partial repayments listings. In addition, at least one company filed objections in the Federal Court of Canada to prevent full disclosure of their repayment records. The Montreal-based aerospace manufacturer, Bombardier, a recipient of federal assistance since 1966, filed an objection to release of its repayment information in February 2012 (Federal Court of Canada, 2012). The result of that objection has not yet been decided in court.

## Corporate welfare: What is it?

A government subsidy to business occurs when a government transfers tax dollars to business for reasons other than the receipt of goods or services. In academic jargon, such a subsidy is often referred to as “targeting” because government support is “targeted” at a particular business or industry. In common parlance, such a subsidy is often referred to as “corporate welfare” or “crony capitalism.” These terms are largely interchangeable.

This definition of corporate welfare does not include tax reductions, deductions, credits, or exemptions. Money that individuals or businesses earn belongs first to those who earned or created it. Thus, in most cases, it is incorrect to label a tax reduction, deduction, credit, or exemption as a subsidy, though in the case where preferential tax treatment is given to one business or sector, such special treatment mimics subsidies.

A clear subsidy arises when a transfer of resources occurs, for example, when tax dollars are transferred from the public treasury to one specific business or group of businesses. Governments can and do pick winners and losers in the business world through other means as well: trade protection, the granting of domestic monopolies (such as supply management boards), and preferential “Canada first” bidding for government contracts. These are all examples of how governments create an uneven playing field between companies, but they are beyond the scope of this analysis.

## Justifications for corporate welfare

The practice of corporate welfare assumes market failure. In general terms, two market failures are often noted that may justify subsidies. The first occurs when the market underprovides or cannot provide some public good or “positive externality” (an example is basic research and development with no commercially viable component). The second is a capital market imperfection, such as when certain firms cannot access finance. The following assertions are made along such lines. (The reader should not interpret the following academic citations as endorsements of subsidies to business (the positions taken vary), but as descriptions of the justifications.) The assertions are that subsidies:

- Improve certain local economies by concentrating limited resources (Bartik, 1994);
- Create jobs that might be needed in a labour market “right now” (Finkle, 1999);
- Redirect or stimulate economic growth and development not otherwise likely to occur (Buss, 1999);

■ Help “fledgling businesses to obtain financing that private lenders do not provide—the idea being that many lenders are insufficiently knowledgeable about profitable opportunities for investment or are unwilling to take on the risks” (Mintz and Smart, 2003).

## A summary of peer-reviewed analyses of business subsidies

In general, peer-reviewed research on business subsidies does not support claims that corporate welfare is responsible for economic growth or job creation. As for the assertion that assistance to business stimulates economic growth otherwise unlikely to occur, at best, a generous interpretation of the literature suggests that subsidies may, in specific locations, produce some effect on local economic behaviour.

On the need for capital for established businesses, it is rare that large firms cannot access financing. Problems with access to financing can exist for small firms, but as this report will shortly show, it is hard to see evidence of market failure and thus a need for taxpayer financing for ice creams shops, gas bars, and the like, when such financing is provided to small business in urban centers where such establishments already exist. Furthermore, all such public financing of private interests must also be considered in light of the substitution effect: where one firm is helped or rescued at the expense of another. For instance, when there is massive surplus capacity in automobile production—as there was in the 2008/09 recession—the rescue of General Motors and Chrysler came at the expense of manufacturing and sales

**Table 1: Industry Canada disbursements (April 1, 1961, to March 31, 2012)**

	Disbursed (in 2012 \$millions)	Disbursed (in nominal \$millions)
Corporations	22,117.5	13,963.0
Non-corporations	12,224.0	9,806.3
Totals	34,341.5	23,769.3

Source: Industry Canada 2012; inflation calculations by the Fraser Institute.

employment at their competitors: Ford, Toyota, Hyundai, Honda and others (see Milke, 2009, for more on this).

The World Trade Organization notes that even when considering the most celebrated examples of assistance to business (such as industrial policy in East Asia), at best the results indicate that industrial policy made “a minor contribution to growth in Asia” (WTO, 2006). At worst, as the literature overwhelmingly concludes, there may not be a demonstrable positive impact upon the economy, employment, and tax revenues, because of the substitution effect. In other words, a positive impact in a town, city, province, or country is typically offset by losses in elsewhere in the economy, including tax rates that are greater than would be the case without business subsidies. In summary, the literature suggests that subsidies to business are not the best means by which to encourage economic and employment growth. (For a full review of the literature on business subsidies, see Milke, 2007: 27-36).

**Table 2: Type of Assistance to Business  
Industry Canada, April 1, 1961 to March 31, 2012**

	2012 (\$millions)	Nominal (\$millions)
<b>Subsidies not expected to be repaid: "Grants"</b>		
Grant	337.9	263.6
Conditional Grant	131.0	120.0
Contribution	7,923.7	4,839.6
Interest Contribution	80.7	64.1
Other assistance	375.4	214.1
<b>SUB-TOTAL</b>	<b>8,848.7</b>	<b>5,501.4</b>
<b>Subsidies expected to be repaid: "Loans" or loan guarantees</b>		
Repayable contributions	1,901.5	1,258.0
Conditionally repayable contributions	10,646.8	6,760.4
Conditional/Unconditional repayable contributions	202.0	170.9
Participation loans	44.9	12.1
Loan guarantees	473.6	260.3
<b>SUB-TOTAL</b>	<b>13,268.7</b>	<b>8,461.6</b>
<b>TOTALS</b>	<b>22,117.5</b>	<b>13,963.0</b>

Source: Industry Canada 2012; inflation calculations by the Fraser Institute.

## Findings: \$22.1 billion in subsidies to business since 1961 from just Industry Canada

Based on Access to Information data, between April 1, 1961, and March 31, 2012, and adjusted for inflation to 2012 dollars, Industry Canada disbursed \$34.3 billion to other governments, foundations, and businesses (Industry Canada, 2012a). After removing non-corporate entities such as governments, educational institutions, health care authorities, and foundations from the mix, the resulting data shows that between 1961 and 2012, \$22.1 billion was spent on busi-

ness subsidies,<sup>2</sup> with the remainder (\$12.2 billion) disbursed to non-business entities (see table 1). As even a cursory look at the data shows, businesses large and small, from aerospace and

<sup>2</sup> The list of business subsidies includes entries for some agencies and corporations that are, in effect, middlemen between the department of industry and business, or are industry associations. Examples of the first are "community future" organizations (where the listings show subsequent intent to provide assistance to business at a local level), and Western Economic Diversification, which disbursed significant money to forestry companies in 2004. An example of the second is the Canadian Apparel Association.

automotive manufacturers to ice cream parlours and pizza shops, received taxpayer cash from Industry Canada.

## Type of disbursement

The \$22.1 billion transferred to business was distributed through \$8.8 billion in grants and \$13.3 billion in loans. (No estimate of repayments on loans is available as Industry Canada did not provide a number that could be broken down into business/non-business categories.) The money was disbursed through ten types of expenditures which are categorized under two headings (Treasury Board, 2001) (see table 2).

### 1. Subsidies not expected to be repaid: “grants” (\$8.8 billion)

*Grants, conditional grants, contributions, interest contributions, and other assistance.* These entries are all akin to grants, even if under a different moniker. When disbursing funds in this broad category, the government “does not expect to receive any goods or services directly in return, to be repaid, or to receive a financial return” (Treasury Board, undated). However, as per the government’s conditions for grants *et al.*, some repayments occasionally occur as a result of an audit, overpayment, or initial conditions later found not to have been satisfied.

### 2. Subsidies expected to be repaid: “loans” or loan guarantees (\$13.3 billion)

*Repayable contributions, conditionally repayable contributions, and conditional/unconditional repayable contributions,<sup>3</sup> participation loans and*

*loan guarantees.* Items in this broad category are all subsidies to business that are expected to be repaid in whole or in part (Treasury Board, undated) and are thus “loans” in common parlance. In the case of loan guarantees, subsidies in this category result from the promise that the government will repay a lender the amount guaranteed if the borrower defaults (Treasury Board, 2009). Some repayments occur in this category where the government later recoups some initially written-off capital.

## Subsidy seekers by total amounts: The top 25 received half of all the money

In order to catalogue who received substantial government subsidies, the companies were sorted by total dollar amounts received over the decades (see table 3). The data shows:

- Of the \$22.1 billion in business disbursements, the top 25 recipients (excluding business associations or “flow-through” entities that would themselves disburse money to business) received almost \$11 billion, nearly half of all the money disbursed to business.
- Pratt and Whitney Canada Corp. received the most money. The first entry is in April 1967, for approval of a conditionally repayable contribution. However, the records indicate that no money was disbursed that year. The first payout was in April 1970 for \$37.0 million, a conditionally repayable contribution (a loan that may or may not be repaid depending on the commercial success or failure of the project for which money was lent). Pratt & Whitney’s most recent subsidy was in December 2012 for \$80.3 million dollars (also a conditionally repayable contribution). In total, the Montreal aerospace manufacturer received just under \$3.3 billion

3 Conditional/unconditional repayable contributions is an additional Industry Canada category which reports some separate and additional contributions.

**Table 3: Industry Canada Financial Assistance Programs  
(April 1, 1961 to March 31, 2012)  
Top 25 recipients (\$2012)\***

Rank by total disbursements	Applicant legal name	Total disbursements (2012 \$millions)	Total disbursements (nominal \$millions)	Number of disbursements	Date of first disbursement	Date of most recent disbursement*
1	Pratt & Whitney Canada Corp.	3,276.2	2,038.0	75	April 1, 1970	Dec. 10, 2010
2	Bombardier Inc. [1]	1,135.1	710.9	48	March 15, 1966	March 23, 2009
3	De Havilland Inc.	1,080.1	450.4	35	Oct. 16, 1972	Dec. 20, 1996
4	CAE Inc.	646.0	524.0	44	June 12, 1974	March 30, 2009
5	Canarie Inc.	592.5	472.5	11	May 31, 1993	March 29, 2007
6	General Motors of Canada Limited [2]	531.4	362.5	7	March 31, 1982	Dec. 5, 2005
7	Bell Helicopter Textron Canada Limited	406.4	236.6	9	January 5, 1984	June 1, 2005
8	Groupe Mil Inc. (Le)	390.9	221.7	10	Feb. 27, 1986	March 28, 1989
9	Honeywell ASCa Inc. [3]	317.7	210.0	74	March 25, 1975	March 29, 2005
10	CMC Electronics Inc.	306.0	187.9	83	March 2, 1972	Jan. 13, 2009
11	Litton Systems Canada [4]	304.2	145.1	34	January 19, 1973	August 20, 1991
12	Messier-Dowty Inc.	205.0	142.5	37	July 17, 1974	Dec. 19, 2006
13	Mitel Corporation [7]	172.3	103.5	12	January 5, 1978	Oct. 10, 2002
14	Ford Motor Company of Canada Limited	162.8	145.9	3	Dec. 1, 2005	March 31, 2009
15	PETROMONT INC.	154.6	80.8	3	March 31, 1983	August 20, 1986
16	Boeing Company (The) [5]	197.8	106.1	11	Feb. 7, 1979	March 31, 1994
17	Spar Aerospace Limited [6]	222.9	112.9	64	July 15, 1974	Dec. 6, 1994

*continued ...*

**Table 3: Industry Canada Financial Assistance Programs  
(April 1, 1961 to March 31, 2012)  
Top 25 recipients (\$2012)\***

Rank by total disbursements	Applicant legal name	Total disbursements (2012 \$millions)	Total disbursements (nominal \$millions)	Number of disbursements	Date of first disbursement	Date of most recent disbursement*
18	Repap New Brunswick Inc.	136.7	74.5	2	May 21, 1985	May 5, 1988
19	TRENTONWORKS LTD.	116.1	66.1	4	Nov. 22, 1974	March 28, 1988
20	CURRAGH RESOURCES INC.	109.8	70.7	2	July 6, 1990	July 6, 1990
21	AMERICAN MOTORS (CDA) INC.	109.3	54.4	1	May 8, 1987	May 8, 1987
22	Rolls-Royce Canada Limited	106.7	84.1	6	Feb. 14, 1984	March 28, 2003
23	DOMTAR INC. [7]	99.8	52.1	3	June 6, 1985	June 3, 1993
24	PRECARN ASSOCIATES	96.9	74.1	8	January 6, 1995	March 29, 2005
25	MDA Systems Ltd.	93.9	58.2	16	Sept. 14, 1979	Dec. 28, 2006
<b>Totals</b>		<b>10,970.9</b>	<b>6,785.5</b>	<b>602</b>		

Source: Industry Canada 2012; inflation calculations by the Fraser Institute.

\*This list concerns Industry Canada disbursements only. All other federal departments, and provincial and municipal subsidies to the above companies, would not be accounted for in Industry Canada lists. The Industry Canada corporate data base only maintains complete records on program activity since Apr. 1, 1982, when the forerunners of the current systems went into production. At that time existing programs/projects were only converted to the new system on as need basis, with not all fields populated or available. Also some of these earlier projects predate computerization and as a result may never have had records available in an electronic format.

Note 1: Includes Bombardier Inc., Bombardier Canadair, Bombardier Inc. Div. Sea-Doo/Ski-Doo, and Bombardier Inc. Canadiar RJ Division.

Note 2: Includes GENERAL MOTORS OF CANADA LTD.

Note 3: Includes Honeywell Aerospatiale

Note 4: Includes LITTON SYSTEMS CANADA LIMITED

Note 5: Includes BOEING OF CANADA LTD. And Boeing Canada Technology Ltd.

Note 6: Includes SPAR AEROSPACE LIMITED and Spar Aerospace Ltd.

Note 7: Includes Domtar Inc.

spread over 75 disbursements between 1970 and 2012 (all amounts adjusted for inflation to 2012 dollars).

■ Bombardier Inc. was the second-highest recipient, having accepted just over \$1.1 billion in 48 separate disbursements since 1966. Bombardier was the earliest recipient on the “top 25” list, having obtained its first disbursement in March 1966 (when it was then known as Bombardier Canadair), a conditionally repayable contribution for \$36.5 million. The most recent amounts received by Bombardier were in March 2009: two conditionally repayable contributions worth \$130.9 million and \$102.5 million (again, adjusted for inflation to 2012 dollars).

■ De Havilland was third on the list, having received just under \$1.1 billion in 35 separate disbursements between 1972 and 1996. Originally a British-owned company started in 1928, de Havilland was acquired by the Canadian government in the Second World War, then sold to Boeing in 1986, and then to Bombardier in 1992. The figures given here for de Havilland are separate from the subsidies noted for Bombardier and Boeing.

■ The earliest disbursement made to business looks to have occurred in 1962, to Leigh Instruments for a conditionally repayable contribution of \$3.4 million in 2012 dollars (\$450,000 in 1962 dollars).

Readers should keep in mind that the amounts shown in table 3 do not necessarily represent the total amount of tax dollars disbursed to these companies. Neither taxpayer subsidies provided by other federal departments, nor provincial and municipal subsidies, form part of the data. That means, for example, that even the high-profile 2009 federal and Ontario bailout to General Motors and Chrysler, which

amounted to \$13.7 billion (Author e-mail correspondence with department of finance, Canada, May 15, 2013), will not show up in this study’s tables because that financial assistance was provided through the federal department of Finance and the Ontario government, not the department of Industry.

### Claims about employment: The second “Top 25” list

One claim in support of business subsidies is that corporate welfare creates jobs (Finkle, 1999). To examine this assertion, consider the top 25 list of subsidy recipients and contrast it with the list of Canada’s 25 largest companies by employee count (table 4). In 2011, the 25 largest companies collectively employed 1.6 million people (the data are calculated from Industry Canada, 2012, and Globe and Mail, 2012).

Of the 25 companies that received the most money from Industry Canada, just one, Bombardier, is also among the largest 25 when ranked by employee count. Bombardier, with 65,400 employees, received slightly more than \$1.1 billion over the decades. When the country’s largest corporations ranked by employee count are matched up against all those to whom Industry Canada gave some of the \$22.1 billion in business disbursements between 1961 and 2012, an additional four companies are shown to have received tax dollars from Industry Canada over five decades:

- Magna International (108,275 employees) received \$29.7 million;
- Royal Bank of Canada (74,000 employees) received \$572,496;
- Sears Canada (31,000 employees) received \$179,400;

# Corporate Welfare at Industry Canada since John Diefenbaker

**Table 4: Canada's 25 largest companies, by employee count, 2011**

Ranked by number of employees	Company	Head office	Number of employees	Among TOP 25 recipients of Industry Canada disbursements?	Received any Industry Canada disbursement?	Total amount received (2012 \$)
1	Onex Corp.	Toronto, Ont.	246,000	NO	NO	0
2	George Weston Ltd.	Toronto, Ont.	155,000	NO	NO	0
3	Loblaw Companies	Brampton, Ont.	135,000	NO	NO	0
4	Magna International	Aurora, Ont.	108,275	NO	YES	29,685,571
5	Toronto-Dominion Bank	Toronto, Ont.	75,631	NO	NO	0
6	Bank of Nova Scotia	Toronto, Ont.	75,362	NO	NO	0
7	Royal Bank of Canada)	Toronto, Ont.	74,000	NO	YES	572,496
8	Bombardier Inc.	Montreal, Que.	65,400	YES	YES	1,135,097,161
9	Metro Inc.	Montreal, Que.	65,000	NO	NO	0
10	Thomson Reuters Corp.	New York, NY	60,000	NO	NO	0
11	BCE Inc.	Verdun, Que.	55,250	NO	NO	0
12	Alimentation Couche-Tard	Laval, Que.	53,000	NO	NO	0
13	Empire Company	Stellarton, N.S.	49,000	NO	NO	0
14	Bank of Montreal	Toronto, Ont.	47,180	NO	NO	0
15	CIBC	Toronto, Ont.	42,239	NO	NO	0
16	Extendicare REIT	Markham, Ont.	38,000	NO	NO	0
17	Power Corp. of Canada	Montreal, Que.	32,616	NO	NO	0
18	Celestica Inc.	Toronto, Ont.	31,000	NO	NO	0
19	Sears Canada	Toronto, Ont.	31,000	NO	YES	179,400
20	Gildan Activewear	Montreal, Que.	29,500	NO	YES	21,732
21	Rogers Communications	Toronto, Ont.	28,745	NO	NO	0
22	Rona Inc.	Boucherville, Que.	28,000	NO	NO	0
23	Garda World Security	Montreal, Que.	27,500	NO	NO	0
24	Manulife Financial	Toronto, Ont.	26,000	NO	NO	0
25	Canadian Tire Corp.	Toronto, Ont.	25,486	NO	NO	0

Sources: Globe and Mail, 2012; and Industry Canada, 2012.

■ Gildan Activewear (29,500 employees) received \$21,732.

The top three companies in Canada as ranked by employee count received no corporate welfare from Industry Canada over the five decades for which data were available. Those three companies are:

- Onex Corp. (246,000 employees);
- George Weston Ltd. (155,000 employees);
- Loblaw Companies (135,000 employees).

Two conclusions can be drawn from the data. First, while it may be argued that subsidies to specific businesses may help those corporations expand their employee counts (Bombardier, for example), the subsidy itself is not proof of the claim, given that we have no evidence that the rise in the number of employees at those companies was actually a result of the subsidy.

Second, companies with no Industry Canada subsidies (20) or that received only relatively small subsidies (4) are on the list of top 25 companies anyway, as measured by employee counts. The vast majority of the companies ranked by employee count were able to generate significant employment without assistance from Industry Canada.

Moreover, as the literature on corporate welfare has found, even when local benefits occur—government could spend billions “creating” jobs in one locale—such claims ignore the wider national and international picture, where local subsidies come at the cost of employment creation elsewhere. (For a full review of the literature on business subsidies, see Milke, 2007: 27–36.)

It is possible that some of the biggest 25 corporations (ranked by employee count) might have received taxpayer subsidies from some other

federal department, province, or municipality, but Industry Canada has been the main distributor of federal subsidies for decades. At a minimum, such companies did not receive subsidies from that main federal conduit for corporate welfare—Industry Canada.

## Taxpayer contributions to small business: Ice cream, pizza, and hot dogs

Smaller enterprises have also received infusions of taxpayer cash from the department of industry.<sup>4</sup> The data here illustrates the hollowness of two other oft-heard justifications for corporate welfare: first, market failure necessitates taxpayer aid to business because “many lenders are insufficiently knowledgeable about profitable opportunities for investment or are unwilling to take on the risks” (Mintz and Smart, 2003); and second, such aid redirects or stimulates economic growth and development not otherwise likely to occur (Buss, 1999).

The data for smaller disbursements from Industry Canada was further delineated into some well-known types of businesses, businesses for which consumer demand has been obvious over the decades, and, at least in urban areas where such businesses already exist, where subsidizing such small businesses would use tax dollars to help those businesses to compete with existing entities that are not subsidized. The delineation revealed the following:

---

4 The businesses listed in this study include entities that are not corporations themselves, but act as “flow-through” entities, which disburse the tax dollars they receive to business in the form of community development corporations, for example, or to business associations or lobby groups, or to an Indian reserve government, which sets up a capital corporation, which in turn grants or loans tax dollars to business.

## Hot dogs

Four contributions worth \$66,194 were made to Canada's hot dog enterprises: three recipients proposed new hot dog stands, and one, Ferrari Ornamental Ltd. of Toronto, proposed to "design a barbeque hot dog roller for home use."

## Ice cream shops

Twenty-four separate contributions worth \$856,570 were provided to ice cream shops.

## Pizza

Forty-three separate contributions, worth \$1.3 million were made to those in the pizza business. Some of those businesses were located in small centres such as Le Pas, Manitoba; Indian Brook, Nova Scotia; and Meadowlake, Saskatchewan. Other recipient businesses came from larger centres, such as Kamloops, B.C.; London, Ontario; and Edmonton, Alberta.

## Gas bars and convenience stores

Between 1982 and 2006, 379 separate contributions for a total of \$15 million were made to those already in or wishing to set up gas stations or convenience stores.

The justification for disbursements to smaller businesses is often the same offered for large corporations: market failure. However, money has been disbursed to at least some areas and cities where there is no self-evident market failure in Canada for ice cream shops, convenience stores, hot dog stands, pizza emporiums, and gas bars: Sudbury, Kamloops, London, Ottawa, and Toronto. These smaller disbursements are additionally revealing as they signal how successive governments spent tax dollars not only on the smallest of businesses, but on the civil servants necessary to parse through such requests to then deny or approve them.

The cost of such staffing over the decades is not calculated in this study.

## Business disbursements by decade

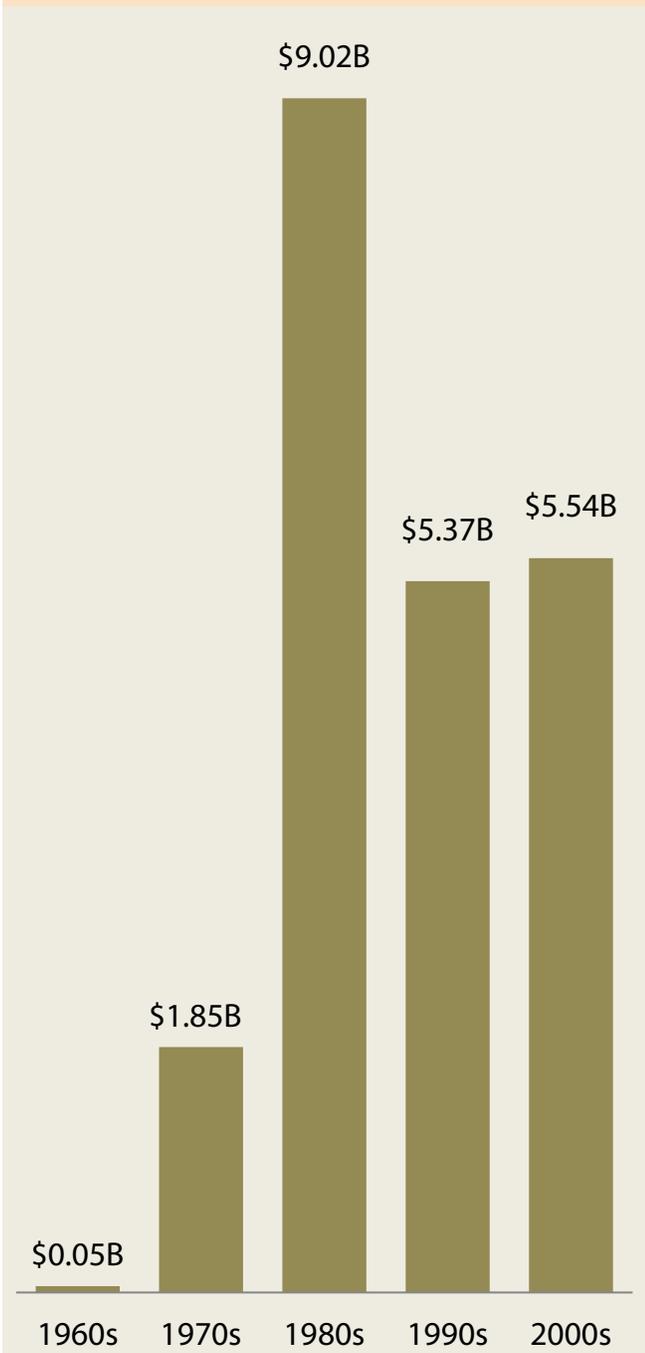
Broken down by decade, it appears that the highest value decade for disbursements occurred in the 1980s, with a total of \$9 billion distributed, compared to \$1.8 billion in the 1970s, \$5.4 billion in 1990s, \$5.5 billion in the 2000s, and just \$49.5 million in the 1960s. (The latest decade is obviously not yet complete and thus is excluded here.) (See figure 1.)

Readers should be aware that the amounts obtained through the Access to Information request are likely not comprehensive before 1982. As the Department of Industry notes in its response to the request:

The Industry Canada corporate database only maintains complete records on program activity since Apr. 1, 1982, when the forerunners of the current systems went into production. At that time existing programs/projects were only converted to the new system on as need basis, with not all fields populated or available. Also some of these earlier projects predate computerization and as a result may never have had records available in an electronic format. (Industry Canada, 2012)

Thus, given that in 1982, existing programs "were only converted to the new system on as need basis," there is older, paper-based data that may include additional information about expenditures made by the department of industry and its predecessors in the 1960s and up until 1982, in addition to what is now available electronically. Nonetheless, the available information is still useful as it does allow Canadians an idea of how some tax dollars were granted and loaned over the decades and to which recipients.

**Figure 1: Industry Canada Business Disbursements by Decade (excluding 2010-2012) (in 2012 \$ billions)**



Source: Industry Canada, 2012; totals and inflation adjustments by the Fraser Institute.

## Conclusion: Corporate welfare has become chronic for some corporations

The data show that long-standing recipients of corporate welfare continued to receive taxpayer money since the Conservative government was first elected in early 2006, and/or that some of Canada's most well-known companies have begun to receive significant amounts of taxpayer assistance. Consider what the data show:

- Toyota Canada Inc. received one disbursement, a \$60 million conditional/unconditional repayable contribution in September 2007;
- Since its first disbursement in 1974, aerospace company CAE Inc. has received 44 disbursements worth \$646 million, its most recent in January 2009, a repayable contribution for \$167.9 million;
- Since its first disbursement in 1972, aerospace company CMC Electronics has received 83 disbursements worth \$306 million. Its most recent disbursement was in January 2009;
- Since its first disbursement in 2005, the Ford Motor Company of Canada Limited has received three amounts worth \$162.8 million. Two disbursements were received since the Conservative government took power in 2006: one in March 2006 and another in March 2009;
- Since its first disbursement in 1966, Bombardier has received 48 payments worth a total of over \$1.1 billion; its most recent was in March 2009;
- Since its first disbursement in 1970, Pratt and Whitney received 75 more for a total pay-out worth almost \$3.3 billion. Its most recent disbursement was in December 2010.

Those six companies are either long-standing corporate welfare recipients (the aerospace

companies) or are new recipients of Industry Canada disbursements, but for significant sums (the two automotive companies). The Conservative government is demonstrating the same pattern of distributing largesse to companies large and small as past federal governments dating back to when John Diefenbaker was Prime Minister.

## References

- Bartik, Timothy J. (1994). Jobs, Productivity and Local Economic Development: What Implications does Economic Research have for the Role of Government? *National Tax Journal* 47, 4 (December): 847-61.
- Buss, Terry F. (1999). The Case Against Targeted Industry Strategies. *Economic Development Quarterly* 13, 4 (November): 339-356.
- Canada (2013). Harper Government's New Approach to Innovation Helping Canadian Industries Grow. Media release (May 28). Government of Canada. <<http://news.gc.ca/web/article-eng.do?nid=745489>>, as of June 28, 2013.
- Federal Court of Canada (2012). Court Number T-380-12. *Bombardier Inc. v. Attorney General of Canada*. <[http://cas-ncr-nter03.cas-satj.gc.ca/IndexingQueries/infp\\_RE\\_info\\_e.php?court\\_no=T-380-12](http://cas-ncr-nter03.cas-satj.gc.ca/IndexingQueries/infp_RE_info_e.php?court_no=T-380-12)>, as of June 3, 2013.
- Finkle, Jeffrey A. (1999). The Case Against Targeting Might Have Been More Targeted. *Economic Development Quarterly* 13, 4 (November): 361-364.
- Globe and Mail (2012). Canada's 50 biggest employers. Data table. *Globe and Mail*. <<http://www.theglobeandmail.com/incoming/article4372879.ece/BINARY/50+Top+Employers+2012.csv>>, as of April 16, 2013.
- Industry Canada (2012). Access to Information request by author (request number A-2012-00341). Received September 19, 2012.
- Milke, Mark (2007). *Corporate Welfare: A \$144 billion addiction*. Digital Publication. Fraser Institute. <<http://www.fraserinstitute.org/research-news/display.aspx?id=12944>>, as of June 26, 2012.
- Milke, Mark (2008). *Corporate Welfare: Now a \$182 billion addiction. A fiscal update on business subsidies in Canada*. Fraser Alert. Fraser Institute. <<http://www.fraserinstitute.org/research-news/display.aspx?id=12945>>, as of June 26, 2012.
- Milke, Mark (2009). *Corporate Welfare Breaks the \$200 Billion Mark: An update on 13 years of business subsidies in Canada*. Fraser Alert. Fraser Institute. <<http://www.fraserinstitute.org/research-news/display.aspx?id=12943>>, as of June 26, 2012.
- Milke, Mark (2011). *Ontario's Corporate Welfare Bill: \$27.2 billion*. Fraser Alert. Fraser Institute. <<http://www.fraserinstitute.org/publicationdisplay.aspx?id=2147483988&terms=Ontario's+Corporate+welfare+bill>>, as of June 25, 2012.
- Milke, Mark (2012). *Corporate Welfare Bargains at Industry Canada*. Fraser Alert. Fraser Institute. <<http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/corporate-welfare-bargains-at-industry-canada.pdf>>, as of May 30, 2013.
- Mintz, Jack, and Michael Smart (2003). *Brooking No Favorites: A New Approach to Regional Development in Atlantic Canada*. CD Howe Institute.
- Statistics Canada (undated). Estimated population of Canada, 1605 to present. Web table. Statistics Canada. <<http://www.statcan.gc.ca/pub/98-187-x/4151287-eng.htm#table2>>, as of June 24, 2013.

Treasury Board of Canada Secretariat (2001). *Accounting Standard 3.2—Treasury Board—Transfer Payments (Grants and Contributions)*. Web page. Government of Canada. <<http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12178&section=text>>, as of June 27, 2013.

Treasury Board of Canada Secretariat (2009). *Appendix—Definitions. Directive on Loans and Loan Guarantees*. Web page. Government of Canada. <<http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=17062&section=text#loans>>, as of June 27, 2013.

World Trade Organization (2006). *World Trade Report: Exploring the Links between Subsidies, Trade and the WTO*. World Trade Organization.

## Acknowledgments

The author wishes to thank Ty Mills, Cliff Oldridge, Milagros Palacios, Frasier Fathers, Jason Clemens, Steven Easton, and Marc Law for their assistance and comments, and the federal department of industry for data courtesy of the Access to Information request.

Copyright © 2013 by the Fraser Institute. All rights reserved. Without written permission, only brief passages may be quoted in critical articles and reviews.

ISSN 2291-8620

**Media queries:** call 604.714.4582 or e-mail: [communications@fraserinstitute.org](mailto:communications@fraserinstitute.org)

**Support** the Institute: call 1.800.665.3558, ext. 586 or e-mail: [development@fraserinstitute.org](mailto:development@fraserinstitute.org)

Front cover photo credit: Bigstock, Man is offering money... © Richard Peterson

Visit our **website:** [www.fraserinstitute.org](http://www.fraserinstitute.org)



Mark Milke ([mark.milke@fraserinstitute.org](mailto:mark.milke@fraserinstitute.org)) is a Senior Fellow at the Fraser Institute. He has extensive experience analyzing and writing about public policy, particularly in the areas of government spending, land claims negotiations, and taxation. Dr. Milke has a PhD in political science and is an occasional lecturer at the University of Calgary.