

Is the ‘War on Drugs’ working or is it time for drug policy reform?

IN THIS ISSUE:

- Health care in Canada
- Essay contest winners
- Oil transportation: pipelines vs. trains



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Canadian student review

Welcome!

Dear Readers,

In the winter 2014 edition of *Canadian Student Review* we are pleased to publish the post-secondary winning essays from our 2013 Essay Contest, answering the question: "Is the 'War on Drugs' working or is it time for drug policy reform?" This year's contest was very competitive and we received over 500 entries.



If you'd like to enter our 2014 Essay Contest, the topic is "The rise of crony capitalism: how government and business gain at the taxpayers' expense." We are awarding a new total cash prize amount of \$9,000 this year and the deadline to enter is May 30, 2014. For more information, visit our website at www.studentessaycontest.org

In this edition you will also find op-eds from our researchers on the safety of oil transportation and health care in Canada, as well as studies on federal transfer payments and new estimates of poverty in Canada. Finally, you can watch our recent *Ask the Expert* webinar about Aboriginal prosperity and energy development.

We hope you enjoy the holiday season and these articles!

Lindsay Mitchell

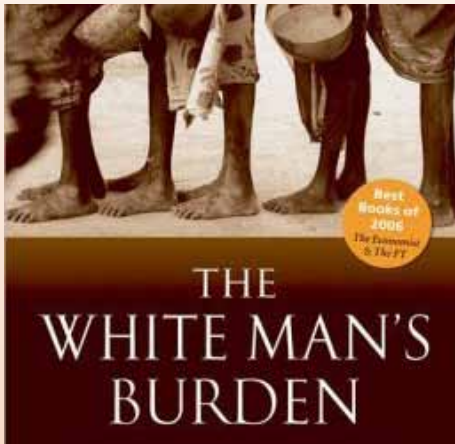
Editor, *Canadian Student Review*

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HATE TO BREAK IT TO YOU WALT, BUT IT'S PRETTY BAD IN CANADA TOO

Bacchus Barua

The season finale of the popular US drama *Breaking Bad* brought with it renewed interest in a viral internet meme that implicitly suggested that the entire story might not have taken place had the main character, Walter White, lived in Canada. The meme suggests that within minutes of being diagnosed with cancer, Walt's "free" treatments would begin the very next week.

The question of exactly how the story arc may have changed depending on which country it took place in, while surely fun, is ultimately moot. It is, after all, a piece of creative fiction. For all we know, Walt might have simply decided to retire in BC and start a marijuana grow-op instead.



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However, addressing the meme’s naïve and misleading allusion to the idea of timely access to “free”, high quality health care in Canada is important—especially for those relying on it for support of the status quo or in support of arguments to adopt a Canadian-style health care system elsewhere.

To begin with, health care in Canada is anything but free. The average Canadian family of two parents with two children (similar to Walt’s family in the drama) pays approximately \$11,320 in taxes for hospital and physician care through the country’s tax system, in addition to the cost of private insurance for things like dental care and outpatient prescription drugs.

While lower than the amount Americans contribute on a per capita basis, it is certainly higher than in almost any other developed country that offers universal health care.

Next, comes the question of the scope and timeliness of medical services provided in exchange for this substantial expenditure. Surely such expenditure is justified if Canadians receive a stellar health care system in return for their tax dollars. Unfortunately, that simply isn't the case. Canada actually has fewer medical resources (physicians, beds, diagnostic imaging scanners for example), and performs fewer medical interventions than its American and European counterparts.

Canada's universal access health care system also fails to provide access to these services in a timely



DELAYS CAN HAVE LARGE IMPACTS ON CANCER PATIENTS

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CANADA HAS FEWER MEDICAL RESOURCES THAN ITS AMERICAN AND EUROPEAN COUNTERPARTS

manner. The most recent annual survey of wait times in Canada revealed that patients have to wait approximately four and a half months on average to receive treatment for medically necessary elective procedures after referral from a General Practitioner (who many Canadians also have a hard time finding). While the wait is shorter for cancer patients (about a month), we also have to remember the long wait patients face for access to diagnostic imaging technologies like MRI's (over two months on average) and CT scanners (almost a month on average) which are vital for assisting in making the diagnosis in the first place. Such delays can have large impacts on cancer patients, with the possibility that the size of cancerous tumours double every four months.

Importantly, public health insurance plans in Canada also fail to cover the cost of many new medical options that could prove vital in surviving a bout of serious illness like Walt's. One

of these costs is borne as a result of a lack of coverage for new prescription drugs. Public drug plans only covered about a quarter of the new drugs approved for sale in Canada between 2004 and 2010. Private drug plans, meanwhile, covered more than three quarters of the same set of new drugs. Even worse, Canadians also have access to fewer new and innovative drugs than their European and American counterparts—and those they do have access to, are approved for use much later than they are in other jurisdictions. In fact, important new cancer drugs like Avastin and Jevtana became available to Canadian patients more than a year after the drugs received marketing approval in either the United States or Europe.

These realities serve to dismiss the mythical notion that a Canadian-style health care system would have necessarily meant anything better for someone facing Walt's particular circumstances, either in terms of the cost of advanced health care or in terms of the ultimate outcome. Whether north of the border or south, Walt could just as easily broken bad. ■



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The VIDEO Gallery



Ask the Expert *webinar with Ravina Bains*

Watch Ravina Bains, Associate Director of the Fraser Institute's Centre for Aboriginal Policy Studies, talk about Aboriginal prosperity and energy development.

See the video [HERE](#)

A Canadian perspective
on the
“War on Drugs”
and drug policy reform



Jasmine McEachern

In regards to the “War on Drugs,” Prime Minister Stephen Harper told reporters at the 2012 Summit of the Americas in Cartagena, Colombia, “I think what everyone believes and agrees with, and to be frank myself, is that the current approach is not working, but it is not clear what we should do” (Ditchburn, 2012).

Despite acknowledging the faltering state of the “War on Drugs”, Canada has committed \$25 million to assist El Salvador in combatting the illegal drug trade, and continues to push through the Safe Streets and Communities Act, legislation which introduces mandatory minimum sentencing for drug offences (Ditchburn, 2012). Critics of the Act argue that it will result in an increase in drug enforcement spending and the over-incarceration of non-violent drug offenders (Mason, 2013 and Bernstein & Drake, 2012).

Conversely, Canadian support for more relaxed policies on drug prohibition is increasing, with a 2012 public opinion poll reporting 57% in support of marijuana legalization (Angus Reid, 2012). In line with these evolving Canadian opinions, the Liberal Party of Canada (2012) passed a resolution whereby, if elected to power, the party intends to legalize, regulate, and tax marijuana.

Is it in Canada’s best interest to continue with the “War on Drugs” or should we be pursuing more lenient drug reform?

Canadian drug legislation

From the 1908 Opium Act to the 1996 Controlled Drugs and Substances Act, Canada's drug legislation has largely been moral as opposed to scientific in origin (Senate, 2002). The *Le Dain Commission of Inquiry into the Non-Medical Use of Drugs of 1969-1971* was Canada's first attempt at reforming marijuana drug policy to be more scientifically based. The inquiry evaluated existing scientific evidence in regards to the potential personal and social harms resulting from marijuana use and recommended, among other things, the end of cannabis prohibition for personal use (Senate, 2002). Although this recommendation was never adopted, Le Dain sparked a debate on the robustness of Canadian drug legislation; one which continues today.

As scientific evidence in support of the therapeutic effects of marijuana accumulated (for example, in the management of chronic pain, HIV/AIDS, epilepsy, and multiple sclerosis), Canada became the first country to legalize cannabis consumption for designated medical purposes in 2001 (Senate, 2002). Health Canada's [Marijuana] Medical Access Program now serves over 26,000 individuals, a number that will likely grow (Health Canada, 2012).



How and why the “War on Drugs” has failed

Despite decades of extensive law enforcement efforts, illicit drugs are still widely used and readily available. A 2009 RCMP report found, by province, that between 8% and 15% of adult Canadians had used at least one drug in the last year (RCMP, 2010). Another study found that 23% of Canadians 15 years and older reported using marijuana at least once in their life (Single, Williams & McKenzie, 1999). These consumption rates reflect the accessibility of illicit drugs by both youth and adult drug users, as was affirmed in a recent Vancouver-based study (Hadland, Marshall, Kerr, Lai, Montaner, & Wood, 2012). Even in the federal penitentiary system, a place where one would assume that there is a restricted drug supply, 17% of inmates reported recently

injecting drugs (Thompson, Zakaria, & Jarvis, 2010). If corrections cannot effectively control drugs in a prison, how can police be expected to control drugs on the streets?

The “War on Drugs” has effectively monopolized law enforcement, judicial, and corrections resources. Nationwide, police reported 113,100 drug offences in 2011, 54% of which were for cannabis possession (Statistics Canada, 2012), and in 1999, the Canadian criminal courts saw over 400,000 drug related appearances (Senate, 2002). Cannabis-related



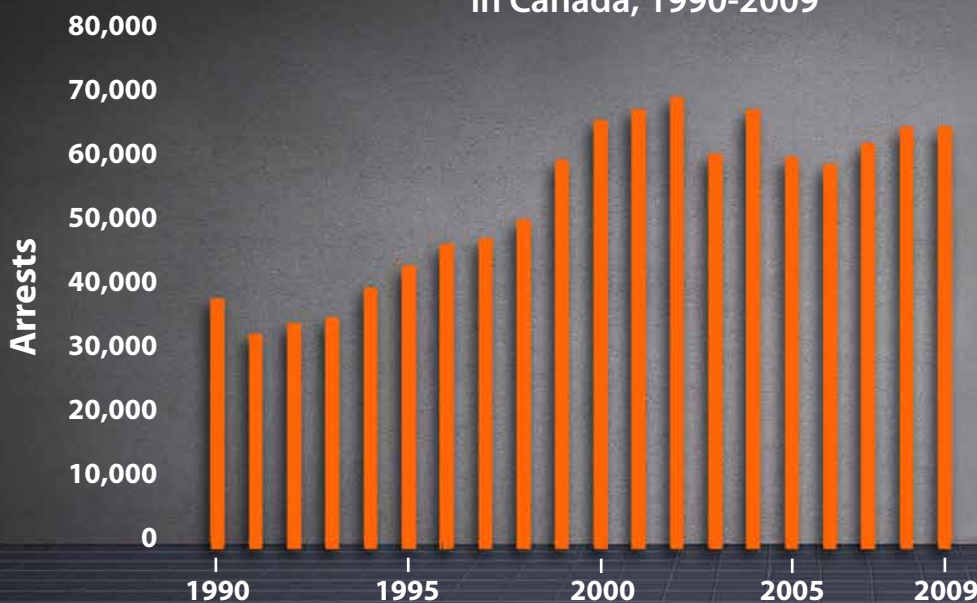
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offence arrests in Canada have been on an upward trajectory for most of the last 20 years (figure 1). Direct law enforcement expenditures have ballooned to between \$1 billion and \$2.34 billion annually (Senate, 2002; and Rehm et al., 2006). Furthermore, because the drug trade is so challenging to enforce, agencies are utilizing novel strategies to tackle drug use, measures that arguably are misguided and wasteful. For example, RCMP officers in Alberta have been strapping on snowboards to stop on-the-slopes drug use at Lake Louise and Nakiska ski resorts, resulting in few charges (CBC, 2013).

The drug trade inevitably will persist, if not continue to grow, due to the lucrative nature of the industry. Annual illicit drug sales in Canada are estimated to be between \$7 and \$18 billion (Office of the Auditor General of Canada, 2001), with the BC marijuana market bringing in at least \$6 billion per year alone (Dhillon, 2012). In the words of the former Executive Director of the United Nations Office on Drugs and Crime, Antonio Maria Costa, “there is no shortage of criminals competing to claw out a share of a market in which hundred-fold increases in price from production to retail are not uncommon” (UNDOC, 2008).

With greater enforcement, some criminals are actually more secure in the market. If there are substantial barriers to market entry, and suppliers are required to possess large amounts of money or technology to sell drugs, it pushes up the cost and entrenches the market power of larger profiteering gangs. Ergo, powerful organized crime networks have expanded across Canada, culminating in 275 reported drive-by shootings in Canada in 2009 (Stop the Violence BC Coalition, 2011); this violence also affects the innocent. In fact, the International Centre for Science in Drug Policy (Werb et al., 2011) found

Figure 1: Cannabis-related arrests
in Canada, 1990-2009



Source: Statistics Canada

Depositphotos

strong evidence to suggest that drug law enforcement actually contributes to an increase in both gun violence and homicide. This has been particularly apparent in Mexico, where, following a 2006 counter-narcotics campaign, more than 60,000 people have died (BBC, 2013).

What are other countries doing?

Internationally, drug policy varies greatly. A number of countries, such as Germany and Mexico, have decriminalized the possession of small amounts of illicit drugs, most often cannabis (Release Legal Emergency & Drugs Service Ltd., 2012).



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Likewise, despite a seemingly ironclad American anti-drug front, in 2012, both Colorado and Washington State voted to legalize and regulate marijuana, a move which is expected to result in considerable state revenue (Miron & Waldo, 2010).

In 2001, Portugal, under great scrutiny, reformed its drug legislation to cease the penalization of drug possession, decriminalize a personal supply of all illicit drugs, and institute a drug abuse referral system. Due to the selective use of data, studies have declared Portugal's amendments to be both a success and a failure (Hughes & Stevens, 2012). That being said, drug use rates in Portugal remain below European averages and policy changes resulted in the refocusing of law enforcement efforts, an increase in funding of drug education and rehabilitation programs, and a decrease in HIV and tuberculosis

transmission, prison overcrowding, drug related deaths, and a decade low homicide rate in 2009 (Release Legal Emergency & Drugs Service Ltd., 2012).

What should Canada do?

Given the astronomical costs and futile methods of drug enforcement, the market protection provided for gangs as a result of enforcement, the overburdening of the judicial and corrections systems, the persistent drug use by Canadians, and the continued ease of access to illicit drugs, it's clear that the "War on Drugs" is not achieving its objectives.

Government policy on marijuana, in particular, should be reevaluated for a number of reasons. First, there is little conclusive evidence on the harms of casual marijuana consumption (Hall & Degenhardt, 2009). Its criminalization, especially given the legal status of other harmful substances such as alcohol and tobacco, is therefore questionable. Second, the policing of petty marijuana possession is a massive diversion of policing, judicial, and corrections resources. If minor marijuana possession charges were no longer a priority, these resources could refocus on more justifiable and pressing societal issues. Third, if Canada legalized and regulated marijuana, based on conservative consumption estimates, there would be an estimated annual revenue of over \$2 billion, not including enforcement and corrections savings (Easton, 2004). Currently, this money is going directly into criminal hands.

Government policy on the enforcement of minor possession offences of other drugs should also be reconsidered. As with marijuana, valuable government resources are wasted on the enforcement of these crimes, with no effect on supply or demand. The enforcement of personal possession has also

proven to disproportionately affect the most marginalized drug using populations, who would benefit more from drug treatment services than imprisonment (Senate, 2002).



In the event of marijuana legalization, new revenue would allow for investment in drug rehabilitation and harm reduction services, which are currently poorly funded (Senate, 2002). There is ample evidence of the cost-effectiveness of harm reduction programs, such as opiate substitution therapy (Fischer & Rehm, 1997) and needle and syringe programs (Ritter & Cameron, 2005 and Hunt et al., 2003). Vancouver's

supervised injection facility has also been found to improve health cost-effectively, by decreasing overdose deaths and mitigating transmission of harmful and costly infections, such as HIV and hepatitis C (Health Canada, 2008). More extensive use of the aforementioned programs would improve the health of and access to services for drug users.

Canada has been a leader in drug policy reform in the past and it has the opportunity to continue as a global leader with pragmatic, economical, and ethical amendments to existing drug policy by means of marijuana regulation and the decriminalization of small amounts of illicit drug possession. As Nobel Prize winning economist Milton Friedman said, "Legalizing drugs would simultaneously reduce the amount of crime and raise the quality of law enforcement. Can you conceive of any

other measure that would accomplish so much to promote law and order?" (Friedman, 1992: 52). ■

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THE QUOTE WALL



It is no crime to be ignorant of economics... but it is totally irresponsible to have a loud and vociferous opinion on economic subjects while remaining in this state of ignorance.

—Murray Rothbard

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War on two fronts

The global convergence of terrorism and narcotics trafficking

Nikesh Trecarten

It is well known that drug prohibition has created a lucrative global black market and has not been effective in reducing drug production or consumption. Moreover, drug cartels are not the only groups who profit from narcotics trafficking. There is mounting evidence that terrorist organizations around the world are financing terrorism by selling drugs (Oscapella, 2001; Thomas, Jr., 2009: 1897).

An increasing awareness of this phenomenon has led to the creation of the concept of “narco-terrorism,” broadly defined as the increasing overlap of terrorism and illegal drug trafficking.



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With this phenomenon continuing to expand throughout the global underworld, it may no longer be adequate to think of the “War on Drugs” and the “War on Terror” as distinct wars, but rather the same war being fought on two fronts. Various past attempts to curb narco-terrorism have failed but it has been argued that the “War on Drugs” could be swiftly ended with the legalization of narcotics; which in turn could also be a victory in the “War on Terror.”

The term “narco-terrorist” was coined in the early 1980s by then Peruvian President Fernando Belaunde Terry as “the union of the vice of narcotics with the violence of terrorism” (Thomas,

2009: 1885, 1895). The definition of “narco-terrorism” has evolved over the years, becoming more and more inclusive, though remaining as vague as ever. The activities of narco-terrorist groups, including al-Qaeda, the Taliban, the Revolutionary Armed Forces of Colombia (FARC), the United Self Defence Forces of Colombia (AUC), Pablo Escobar and the Medellin cartel, Shining Path, the Irish Republican Army (IRA), the Kosovo Liberation Army (KLA), Hezbollah, the Kurdistan Workers’ Party (PKK), Basque Homeland and Freedom (ETA), and more recently, Mexican drug cartels, most certainly reinforce the existence of the “drug-terror nexus” (Felbab-Brown, 2006: 2, Thomas, Jr., 2009: 1894, 1896, and Thompson, 2010). However, the expansion

Drugs have taken over as the chief means of financing terrorism

of this term to include all and any groups whose actions combine drug trafficking and terrorist tactics does more to confuse our understanding of the term than to clarify. With the conceptual line

between “terrorist” and “drug dealer” becoming increasingly blurred, the Canadian Security Intelligence Service in 1991 called narco-terrorism “a subject of definitional controversy” (Thomas, Jr., 2009: 1895-1897).

As it stands, “narco-terrorism” can apply to any and all of the following three situations: 1) when narcotics traffickers commit acts of violence to protect their business interests, the tactics of which resemble those of common terrorist attacks¹; 2) when terrorist organizations engage in trafficking narcotics to finance their operations; and 3) when narcotics traffickers and terrorist



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organizations cooperate for mutual gain (Bjornehed, 2004). For our purposes, we will eliminate the first scenario listed above and favour the latter two. This is because the actions of both groups are motivated by different factors: terrorists are motivated by ideology, while narcotics traffickers are motivated by financial gain (Bjornehed, 2004: 312; and Thompson, 2010). Actions by narcotics traffickers may at times resemble terrorist attacks, but ultimately these actions are for economic gain (Thompson, 2010). Therefore, we will adopt an understanding of “narco-terrorism” that includes only the latter two situations listed above, as they make reference to the distinctive ideology of terrorism that defines the drug-terror nexus (Thomas, Jr., 2009: 1913).

Crop eradication policies fail to disrupt narco-terrorist funding

Since the end of the Cold War, state-sponsored terrorism has gone out of fashion. As a result, terrorist organizations in at least 30 countries have turned to trafficking narcotics to fund their campaigns. In 1994, Interpol's chief drugs officer, Iqbal Hussain Rizvi, told the media that "drugs have taken over as the chief means of financing terrorism." It is exceptionally difficult to measure the value of the global drug trade, and estimates vary greatly; but even the lowest estimates entail a significant income for terrorists willing to exploit the illicit drug market. The best examples of narco-terrorists (as defined for this essay) are the FARC, al-Qaeda, and the Taliban. It is estimated that the FARC earns \$400 million to \$600 million per year from the sale of illegal drugs. Al-Qaeda and the Taliban control a significant amount of territory in Afghanistan and Pakistan used to harvest opium. They make approximately \$20 billion per year exporting heroin to Europe with cooperation from Afghan and Pakistani drug lords (Oscapella, 2001). As Ted Galen Carpenter writes,





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“There is little doubt that terrorist and other anti-government forces profit from the drug trade. What anti-drug crusaders refuse to acknowledge, however, is that the connection between drug trafficking and terrorism is a direct result of making drugs illegal. Not surprisingly, terrorist groups in Afghanistan and other countries are quick to exploit such a vast source of potential funding. Absent a worldwide prohibitionist policy, the profit margins in drug trafficking would be a tiny fraction of their current levels, and terrorist groups would have to seek other sources of revenue (Carpenter, 2004: 3).”

Prohibitionist policies have served only to undermine the global “War on Terror”

Previous and current approaches to curbing narco-terrorism have sought to reduce the consumption of illegal drugs by prohibiting their production. One cannot discuss the prevalence of narco-terrorism without addressing the failure of crop eradication policies which were introduced by the US as a means of reducing the capacity of traffickers to produce narcotics. This involves the literal destruction of crops used to grow illegal drugs. However, in practice these policies have proven “too simplistic, and ultimately, ineffective.” They are also said to “[undermine] government stabilization, the war on terrorism, and counter-drug efforts themselves” (Felbab-Brown, 2006: 1).

Crop eradication policies fail to disrupt narco-terrorist funding for a number of reasons. One reason is geographical. Narco-terrorists such as al-Qaeda are not limited to particular territories, so the destruction of a particular drug crop will simply lead to more harvesting elsewhere. Alternatively, it may lead to an increase in the production of synthetic drugs. Furthermore, whatever temporary disruption to the market supply of narcotics might occur from crop eradication will only serve to drive prices up, since demand will likely remain constant (Felbab-Brown, 2006: 2-3).



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Another reason for the failure of crop eradication in the fight against narco-terrorism is that often, the livelihood of the local population depends on the export of crops that are used to produce illegal drugs. For example, the illegal opium trade in Afghanistan represents half of the country's GDP and 75% of the global supply of opium. Many of those who benefit from the trade are not narco-terrorists, but farmers trying to secure a decent living for themselves and their families. Crop eradication policies are detrimental to the way of life of many farmers who lack alternative sources of income. When local populations suffer because of America's prohibitionist anti-drug policies, narco-terrorists active in these regions can use this to undermine the legitimacy of the US. As a result, the local population is likely to withhold potentially valuable human intelligence from US authorities in the "War on Terror" (Carpenter, 2004:1-2, 5-6; and Felbab-Brown, 2006: 3).

In conclusion, prohibitionist policies adopted as part of the “War on Drugs,” which aim to reduce the supply and destroy the production of illegal drugs, have served only to undermine the global “War on Terror” (Carpenter, 2004: 1-2). Other approaches to deterring narco-terrorism include tougher sentencing for narcotics trafficking found to be associated with terrorist activity, but drug trafficking already carries severe penalties in the US, thus, increasing the penalties for these acts is unlikely to reduce their occurrences (Thomas, 2009: 1902). Given the failure of the “War on Drugs” and the tough-on-crime approaches that accompanied it, the most effective solution to the global problems caused by the narcotics trade is the legalization of narcotics themselves.

Eugene Oscapella wrote in a submission to the Senate of Canada Special Committee on Illegal Drugs that “drug prohibition—not simply the drug trade, but rather the drug trade under a system of prohibition—has become a major, if not the major, source of funding for many terrorist groups” (Oscapella, 2001). The legalization of drugs would effectively undermine the drug-terror nexus and drastically reduce terrorists’ financial resources. Furthermore, legalization would redirect this income towards governments of developing countries and the local populations who depend on growing drug crops to ensure their survival (Carpenter, 2004: 1).

Note

1 There are ongoing debates as to how “terrorist tactics” ought to be defined. These debates are very important, but for the purpose of this essay, let us define “terrorist tactics” as they are conventionally understood.

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The Book Corner

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Fraser Institute researcher-recommended books on free market policies and economics

THE WHITE MAN'S BURDEN

Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good

by **William Easterly**

William Easterly is a New York University economics professor and a former research economist at the World Bank. He was fired from the World Bank after his first book, *The Elusive Quest for Growth*, criticized the ineffectiveness of Western organizations to alleviate global poverty.

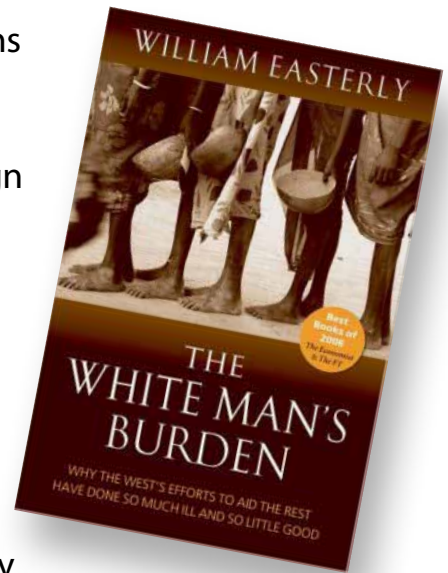
As one of the world's best-known development economists, Easterly provides a critical attack in *The White Man's Burden* on the West's efforts to improve conditions in the so-called developing world.

Though he acknowledges that aid projects have succeeded in some tasks—reducing infant mortality, for example—Easterly

provides sobering evidence that Western nations have accomplished depressingly little, despite more than \$2.3 trillion spent on aid. That evidence suggests that in some countries foreign aid has actually intensified suffering.

By examining the history of several aid initiatives, he shows how Western aid officers are stifling democracy and local enterprise. He contends that the West has failed, and continues to fail, to enact its ill-formed aid plans because it assumes it knows what is best for everyone. Existing aid strategies, Easterly argues, provide neither accountability nor feedback. Without accountability for failures, he says, broken economic systems are never fixed. And without feedback from the poor who need the aid, no one in charge really understands exactly what areas need fixing.

Easterly argues that we in the West need to face our own history of ineptitude and draw the proper conclusions before attempting to tackle global poverty, and that an ambitious new round of Western aid programs will help those it is intended for only if those who manage them seek local approaches and rigorously monitor the project results.



William Easterly

This book is an excellent demonstration of how true victories against poverty are most often achieved through indigenous, ground-level planning, and it sets the terms for a debate over how to give foreign aid a new start.

Easterly's next book, The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor, is due out in early 2014. ■

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A large, golden oil pipeline stretches across a desert landscape under a clear blue sky. The pipeline is supported by concrete pillars and runs from the foreground into the distance, following the contours of the land. The background features rolling hills and mountains in a warm, golden light, suggesting a sunset or sunrise. The overall scene is a stark, industrial landscape.

***Pensions and
governments
both hurting
from Canada's
inability to
ship oil to
market***



Kenneth P. Green

As almost everyone knows by now, Canada has some interesting challenges looming when it comes to transporting increased oil production to markets both inside and outside of Canada (Green, 2013). What many Canadians might not realize is how important oil exports are to Canada's economy. Canada has the world's third largest proven oil reserves, is the fifth largest exporter of crude oil, and is the fifth largest producer of crude oil in the world (Natural Resources Canada, 2013). And that's only expected to grow: according to the Canadian Association of Petroleum Producers (CAPP), production of oil from Alberta's oil sands is expected to more than double by 2030, rising from the 2012 level of 3.2 million barrels of oil per day to 6.7 million barrels per day (CAPP, 2013).

What would that mean for the Canadian economy? In 2011, the Canadian Energy Research Institute (CERI) projects that investments and revenues from new oil sands projects would be approximately \$2 billion dollars over the period from 2010 to 2035, with a total GDP impact of \$2.1 billion in Canada (CERI, 2011).

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Employment, both direct and indirect stemming from new oil sands investments is projected to grow from 75,000 jobs in 2010 to over 900,000 jobs by 2035. And CERI's estimate is somewhat more conservative than CAPP's, estimating oil production at only 5.4 million barrels per day by 2035.

But several obstacles stand in the way of reaping these huge economic benefits, the biggest of which is a projected lack of safe, low-cost transport capacity to move that oil to world markets, where it can fetch the highest price. Already, oil transport limitations are costing Canadians at least \$17 billion per year, and depending on market fluctuations, those losses could reach \$25 billion per year.

But it's not just oil producers that are feeling the pinch—pensioners share the pain. The Canadian Pension Plan, for example, holds some \$2.8 billion in stock from companies involved in oil sands production. The Ontario Teachers Pension Plan also has at least \$1 billion invested in oil sands companies. And, governments also take a hit: Alberta took in \$2.4 billion less in oil sands royalty revenues during fiscal 2012-13 than expected largely due to the bitumen price discounting that was occurring in both Canada and the US. Saskatchewan lowered its expected royalty revenues from heavy oil by \$278 million. Governments are further affected when personal and corporate income tax revenue growth is constrained by slower growth of employment and labour income and reduced earnings from operations because of price discounting.





Oil transport limitations are costing Canadians at least \$17 billion per year

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One obstacle to pipeline development is simply satisfying regulatory requirements that can be quite onerous, costly, and time consuming, involving numerous governmental agencies, and negotiations with land-owners, Aboriginal groups, governments, municipalities, and other stakeholders. The Harper government has tried to address regulatory complexity with its “one project, one review” initiative, but approval cycles still play out over years rather than months.

Another obstacle (and perhaps the biggest obstacle) to the expansion of oil pipeline capacity in Canada and the United States is political, as exemplified by the Keystone XL Pipeline case. Keystone XL is the world’s most studied pipeline, and virtually all environmental, engineering, routing, and other engineering challenges pertaining to both the Canadian and US portions have long been put to rest (CBS, 2013). But under pressure from environmental pressure groups such as 350.org and Greenpeace, the Obama administration continues to stall approval of the pipeline, most recently moving the decision relating to the granting of the required presidential permit into

2014 (a mid-term election year in the United States, wherein Keystone XL could easily get lost in the shuffle) (350.org, 2013; and Greenpeace, 2013). Similar political barriers are springing up in Canada, with Aboriginal and environmental groups opposing initiatives that would move oil from Alberta's oil sand deposits both west to the Pacific Ocean and east to the Atlantic.

There's little question that Canada's oil will find a way to market: the value represented by Canada's oil reserves is simply too vast to envision a world where it's left in the ground, despite the most fervent wishes of environmentalists. The only question is not if the oil will reach markets, it is how. Already, we are witnessing a sharp increase of oil transport by rail to markets in Canada and the US, and rail transport is being considered to bring oil from Alberta out to ports in British Columbia (Association of American Railroads, 2013; and Cheadle, 2013). In this regard, environmentalists may wish to be careful, lest they get consequences that they do not like. While generally safe, rail transport of oil is not as safe as transportation by pipeline.

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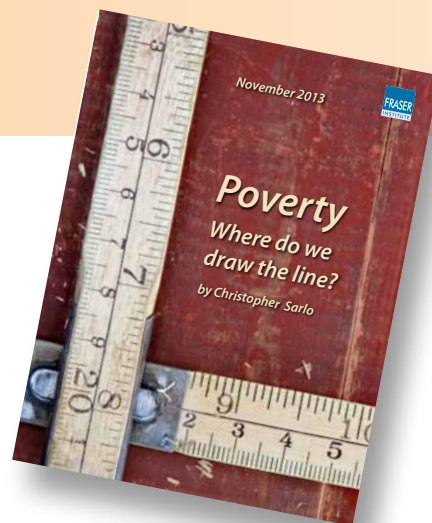
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Poverty: Where do we draw the line?

This paper provides new estimates of poverty in Canada using the Basic Needs Line. In 1969, Canada's overall income poverty rate was about 16 percent. By 2009, the latest year for which detailed income and consumption data are available, the rate was below 5 percent. The trend for child poverty is about the same, with child poverty at about 5.5 percent in 2009—down from about 17 percent in 1969. The corresponding rates for consumption poverty are even lower.

The paper is much more than an update of the estimates of basic needs poverty. It looks more carefully at the debate about absolute and relative measures. It examines more critically, and in far more depth, the media treatment of the poverty issue and highlights a number of concerns about the media coverage of poverty.

Read the study [HERE](#)

Super-sized Fiscal Federalism: How equalization over-serves have-not provinces



In 2012/13, the federal government's total transfers to the provinces amounted to \$60.1 billion, or \$1,725 per capita. One of those federal transfer programs is equalization, an unconditional transfer of federal funds to provinces eligible for such payments. Eligibility for equalization is determined based upon calculations of "fiscal capacity" (which is calculated based on a province's ability to raise its own revenues).

In total, from 2005/06 to 2012/13, the federal government has transferred \$107.5 billion in equalization to nine of Canada's ten provinces.

In the "have-not" provinces, "free" equalization money offers choices to the recipient provinces (when compared with the giving provinces) that otherwise would not be possible. This includes increased public sector staffing levels and government spending, giving the receiving provinces an advantage, at least in part, because of the additional money that flows from equalization.

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