

# Elimination of Subsidies to Business

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# New Era – 90 Day Commitment

**“Act to initiate the elimination of government subsidies to businesses that give some companies an unfair advantage over their competitors.”**

# Decisions Sought

## Scope of Review:

- **Definition of a “subsidy”**
- **Definition of a “business”**
- **Indirect subsidies**

# Decisions Sought

- **Tax policy**
- **Federal cost-sharing programs**
- **Past expenditures**
- **Exemptions - programs in competing jurisdictions**

# Definition of "Subsidy"

**A program or activity which transfers a benefit to a for-profit business, or selected group of businesses beyond that which would be provided by the marketplace.**

# Type of Subsidy

## **Option 1**

- **Focus on direct financial benefits provided on a selective basis.**

## **Option 2**

- **Also include non-financial benefits.**

**Recommendation - Option 1**

# Definition of a “Business”

## Option 1

- Review only for-profit businesses.

## Option 2

- Also include sector organizations and community or regional development groups.

**Recommendation - Option 2**

# Indirect Subsidies

## Examples:

- **High tech scholarships, fellowships.**
- **Venture capital tax credits.**

## Option 1

- **Review indirect subsidies.**



# Indirect Subsidies

## Option 2

- **Do not review indirect subsidies.**

## Option 3

- **Do not review R & D fellowships and scholarships, but include venture capital tax credits.**

**Recommendation - Option 3**

# Tax Credits and Tax Holidays

## **Option 1**

- **Review tax policy.**

## **Option 2**

- **Do not review tax policy - consider through budget process.**

**Recommendation: Option 2**

# Federal Cost-Sharing Programs

## Option 1

- **Do not review cost-shared programs, but examine their effect on business competitiveness.**

# Federal Cost-Sharing Programs

## Option 2

- **Review cost-shared programs perceived to provide subsidies.**

**Recommendation: Option 2**

# Treatment of Past Expenditures

## Option 1

- **Do not review if funds have flowed, or signed contract with arms-length entity.**

# Treatment of Past Expenditures

## **Option 2**

- **Review past expenditures to determine which can be recovered.**

**Recommendation: Option 2**

# Practices in Competing Jurisdictions

## Option 1

- **Exempt programs where needed to maintain a level playing field.**
- **No subsidies to individual business, even if no competitors.**

# Practices in Competing Jurisdictions

## Option 2

- **Exempt programs to sectors where needed to maintain a level playing field.**
- **Specific exemptions where no competitors, pilot, no tax credit.**



# Practices in Competing Jurisdictions

## Recommendation – Option 1

- **Exempt programs where needed to maintain a level playing field.**
- **No subsidies to individual business, even if no competitors.**

# Decisions Sought

- **Definition of a “subsidy”**
- **Definition of a “business”**
- **Indirect subsidies**
- **Tax policy**

# Decisions Sought

- **Federal cost-sharing programs**
- **Past expenditures**
- **Exemptions - programs in competing jurisdictions**

# Next Steps

- **Recommendations for elimination of subsidies that clearly meet definitions.**
- **Further examine programs through Core Services Review.**
- **Announcements and implementation beginning immediately.**