

**HALT**

REPORT

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EDITORIAL

The Choice is Yours

I talked to a businessman today. He had been forced to let five of his men go because of a business slump. We talked about it for a few minutes and I asked him, "If the choice were yours, which would you rather do? Lay off five men or stop sending your taxes to Ottawa?" He laughed; the answer was obvious to both of us.

But think about it for a minute. *If the choice were yours...*

Why isn't the choice yours? Why, when confronted with laying off five workers do you not have the alternative of deducting their salaries from your tax bills and keeping the workers on? Which do you think benefits Canada more? Is it better to keep on these five men whom you know to be good workers and who have families to support and bills to pay? Or is it better to put them on UIC or welfare and send their salaries to Ottawa for Alan MacWreckin to squander?

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TAX VISE

The Budget Dispatched

by Paul Geddes

November saw the release of the 1981-82 federal budget and a new Quebec mini-budget. Both increased the tax bite and claimed to make some reductions in spending.

Federal Finance Minister Alan MacEachen stressed three themes in this year's budget: restraint, equity and renewal. It is doubtful that MacEachen's definitions have anything to do with these words as they are commonly understood. Restraint was not evident in the projected 22% increase in government spending or 31% increase in government revenue (calculated on a national accounts basis).

Equity was not evident either. Changing the tax rules in midstream has caused much disruption in tax planning. Particularly penalized have been those who have in the past played according to the rules. Nor was renewal evident in the response of the stock markets across Canada. The value of stocks traded in Canada fell \$8 billion within two days of the budget's release.

Within a week, Auditor General Kenneth Dye called into question the government's statistics as well. He charged that the country's debt was understated by \$9 billion and last year's deficit understated by \$0.4 to \$1.3 billion. These are rather large numbers.

Meanwhile in Quebec, Finance Minister Jacques Parizeau announced three tax changes to raise an additional \$285 million because unexpected spending had added \$355 million to the nearly \$3 billion deficit already predicted for

the fiscal year. Quebeckers, by the way, are already the highest taxed citizens in Canada.

Reactions to both budgets were swift but not all the complaints are in yet. Some of those who objected loudest have already received temporary reprieves. Builders, for example, have had restored their "soft cost" write-offs and interest expense deductions which made their construction projects economically viable. It is predictable that other sectors will soon begin to feel the full effect of changes on them as well.

Linguistic trickery

The most dangerous aspect of this federal budget was the constant use of the terms "tax loopholes" and "tax expenditures" to muddy the ownership perspective of most taxpayers. Instead of using the term "tax deductions," these phrases reflect the attitude that government is allowing people temporarily to keep government money to achieve some governmental goal. Thus, if it is the government's money which you are temporarily holding, you can't complain when they close loopholes and ask for their money back. If it is truly your money, you have reason to fight. This linguistic trick does not bode well for the future of other tax deductions.

Finally, here are a few thoughts to help keep your perspective when contemplating this year's budget.

1. The federal government's projected revenue for

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The Budget Dispersed

"If they have it, they spend it; if they don't have it, they ask for more."

So Ross Westergaard, writing in the Vancouver Sun summarizes the routine extravaganza of needless spending and flagrant misuse of government money and equipment. A federal civil servant himself for years, Mr. Westergaard knows whereof he speaks. The following excerpts detail some of his observations.

An occurrence so common as to hardly be worth mentioning is the discovery, near the close of the fiscal year, that money remains unspent in some particular budget. The flurry and panic resulting from that finding, and the ensuing helter-skelter rush to spend the money — preferably on desirable operations or equipment, but spending it regardless of the priority of the project, would be laughable if it were not our money being tossed away.

I have seen \$30,000 to \$40,000 (tidy sums to the average person, but peanuts to the government swingers) hastily diverted at the penultimate moment from Project A to Operation B simply so it would be spent before year end.

The amount of taxpayers' money thrown away annually in such spend-thrift procedures is immense — at least in the millions and probably well into the billions.

Let's move from that massive generality to a few specific examples — by themselves minute but, taken nationwide, enormous.

Government vehicles have a sticker on the dashboard that says, in effect, that they are to be used for official business only. Perhaps no other term in the language is so widely and grandly interpreted — or misinterpreted — as "official business."

The abuse of government vehicles is beyond belief. It is commonplace for civil servants to drive their wives to work in an official-business car. And on weekends it is common for such cars to be laden with fishing rods or firearms, bumping along back roads on "inspections" of remote posts or areas. A relatively minor abuse of the vehicles is to take one home for lunch — but my point about widespread misuse has been made.

And now to the telephone. A useful instrument, granted, but its misuse by civil servants is preposterous. Low-priority information easily obtainable by a short memo or Telex message, is all too frequently acquired by the easy but expensive method of a cross-country phone call.

Of course the call is not limited to an exchange of "official" information; the bureaucratic amenities must be observed — enquiries about the weather and the health of fellow workers, exchange of interdepartmental gossip and miscellaneous chitchat.

A government-service practice that should be classified as outright fraud is that of "bidding" for available jobs — then, having obtained the desired posting (at a higher salary), immediately applying for another job for which the newly acquired higher salary makes the applicant eligible.

I know of one case in which a person who successfully applied for a new job was moved to a new location at government expense, then devoted all his time to applying for still other jobs. In less than a month the government, all-wise, deemed him successful in another competition and moved him across the nation, again at public expense.

I estimate that that fiasco removed over \$7,000 from the taxpayer's pocket — for no return. As a sordid sequel, the person in question, having arrived where he wished to be, applied for and got yet another job.

The impending visit of a minister or deputy minister — neither of whom travels without a retinue — is invariably an occasion for extensive sprucing up. Out come paint pots and brushes, mops, brooms, and buckets. In the offices imposing arrays of documents boasting of the impressive achievements performed are amassed to impress the visiting deity.

Naturally the junketeers cannot be expected to soil their regal bottoms by using normal means of transport from the departmental aircraft to the local outpost. Good heavens no! Nothing less than a government helicopter, hovercraft, or vessel will suffice to plunk these nobles at the site of inspection, where spic and span local officials fawningly await them.

A short tour follows, with the self-styled Lords of Creation dispensing charm, good will, and discreet pats on the back to the underlings before they regally depart — having done nothing, learned less, and disrupted routine for days.

In a few days a letter arrives thanking the local potentate for his assistance with the very valuable tour. The letter is circulated for the edification and initials of lesser managerial mortals. Cost of the whole junket? About \$20,000 to \$30,000. Value? Nil.

And then there is the impossibility, or improbability, of firing or demoting incompetent civil servants, well-known to the Canadian public, even though it is denied by the potentates in Ottawa, who spew out millions of cubic feet of hot air annually to prove otherwise.

In practice, if a hopeless incompetent is successful in a competition, more staff will be hired to ensure that routine is carried on — and the boss will be left little to do but pose as a figurehead until his retirement, transfer to another department, or, God help us all, promotion.

The farce of the government's bilingualism policy has led to further waste: every federal document is in both English and French, and the way in which the two languages are accommodated in a document often makes it difficult for the average civil servant to read (unless he holds a featherbed job designated as bilingual) and nearly incomprehensible to a businessman. In some documents French and English alternate sentence by sentence or paragraph by paragraph; in others, English is on one page, French the next. Enough! The translations cost us millions

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TAX VISE *(continued)*

1981-82 is close to \$70 billion. The two largest private companies in Canada, Canadian Pacific and General Motors each had total sales of slightly less than \$10 billion. The government's business is vast indeed.

2. The underground economy was estimated to be worth \$55 to \$80 billion in 1981 (one-fifth of gross national product). The current changes in the tax rules are punishing most severely those who have been successful in legally avoiding taxes. Expect a surge in the underground economy. 

FISCAL WATCHDOG

by Robert W. Poole, Jr.

Paratransit: The Future is Now

Chicago is still not out from under its transit crisis. Mayor Byrne has pushed through a 1% city sales tax and a 1% professional services tax, expected to dump \$200 million a year more into the failing Chicago Transit Authority. Even so, fares have been raised to 90¢ and may reach \$1.00 by early next year.

Unfortunately for commuters and taxpayers, hardly anyone is looking into *why* public transit costs so much. Economist Charles Lave did that recently. He concluded that because these systems are run as government monopolies, their employees have been able to extract wages far above free-market levels. Moreover, they have prevented the use of sensible measures like employing part-time drivers to cover rush hours. And the transit systems persist in trying to run large buses in low-density suburbs where covering costs is impossible.

Lave's prescription for cutting transit deficits was simple: 1) increase fares so that users pay more, 2) leave low-density routes to paratransit operators, 3) use part-time drivers at peak hours, and 4) let paratransit have part of the costly peak-hour business. Except for fare increases (which they've grudgingly accepted), the transit agencies and their unions fight tooth and nail whenever such measures are suggested.

In Indianapolis, for example, the transit authority opposed the Yellow Cab Company's recent bid to begin operating 15-passenger "Jitney Express" vans. Fortunately, the city government turned a deaf ear to the protest, and the vans are now helping relieve the peak-hour load. In Chicago, however, a similar proposal by Checker Cab has so far been stymied.

It's surprising that American transit agencies are so adamant in their opposition to private-sector paratransit, because the evidence from overseas fully supports Prof. Lave's view. Two years ago a pair of World Bank researchers identified three major cities where public transit agencies operated side by side with large-scale private mini-bus operations: Bangkok, Istanbul, Calcutta. In all three cases the private sector operations nicely

complemented public transit.

Take Bangkok, for example. Besides the public transit system's 4,000 regular-size buses, Bangkok has 10,000 private mini-buses. If the minis didn't exist, the public transit system would need 40% more buses to handle the peak-hour loads. The mini-buses are completely unregulated — they can serve any routes they want, charging any fares they choose. Most end up charging one *baht* — the same as the city bus. Because they are smaller, the mini-buses can traverse unpaved roads on the outskirts of town where the city buses cannot go. So the minis cover low-density routes as well as peak hours downtown. Interestingly, they manage to make a profit while the city buses — changing the same fare — cover only 70% of their costs.

In Istanbul and Calcutta the mini-buses are also more numerous than the city buses. But in each of those cities the government restricts the minis to serve largely outside the downtown areas and regulates their fares. Because the minis cannot relieve downtown peak-load traffic, the city systems lose more money than in Bangkok; Calcutta's covers only 60% of its costs while Istanbul's covers just 37%! Yet the private mini-buses turn a profit, even though restricted to lower-density routes.

It's clear that in none of these cases are the mini-buses "skimming the cream" from the public transit systems. Nor are the mini-buses poorly maintained; in Calcutta and Istanbul, studies have shown that the mini-buses are in better shape than the city buses. What is different is that the minis are operated in a businesslike fashion — they have to be or the operators would go broke! Their wage levels tend to be less than those of the government-run services, and their overhead costs are usually much less because they have no bureaucracy to support.

These Third World experiences are beginning to be duplicated in this country. In Chicago hundreds of commuter groups have discovered their own form of paratransit: charter and subscription bus service. The most common pattern is for school-bus firms to offer no-frills

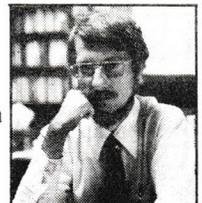
service in surplus school buses. Commuter Bus Systems, for example charges \$75 a month or \$20 a week for such service. And for \$100 a month, Chicago commuters can move up to Executive Commuter Coach's air-conditioned buses with reclining seats, reading lamps, and a washroom. Many commuters — especially those who formerly had to ride both a train and a local bus — are saving as much as \$60 a month with the private buses. Just like overseas, private operators are able to make a profit in the same market where public agencies are losing a fortune.

Similar subscription bus services are starting up in Atlanta, Houston, and Philadelphia, according to Larry Plachno, editor of *National Bus Trader*, who's keeping tabs on the phenomenon. Typically, they've begun in the wake of large increases in transit system fares. But dissatisfaction with poor services has also been a factor.

The 46 Toms River, New Jersey commuters who formed their own bus company last spring were motivated by both concerns. Their bus costs them \$38 a week, compared with the \$46 charged by New Jersey Transit. More important, the air conditioning and heating work, the bus has a restroom, the driver is courteous, and those who sit at the back can smoke, drink, and play cards.

The lesson from all these cases should be clear. Private, profit-making paratransit is not a "threat" to public transit systems. In fact, it could be their salvation (if, indeed, they are to survive at all). Private buses can reduce the costly peak-hour loads on the public transit system. The vans and mini-buses can replace money-losing city buses on low-density suburban routes. And all of us — commuters and taxpayers alike — will be better off for the change. ■

Mr. Poole is chairman of the Local Government Centre in California, an organization dedicated to cutting the cost of local government.



HALT ACROSS CANADA

by Elizabeth Bolstler

HALT Toronto

There's a new birth in the HALT family. A metro-Toronto chapter, under the pro-tem presidency of Rick Cabot, has united new and long-time supporters from four metropolitan boroughs.

November 24th saw the first public meeting, featuring Bruce Knapp of HALT Peterborough as guest speaker. The standing room only audience welcomed the HALT message with prolonged applause. Reporters from the Sun and the Star and crews from two TV stations recorded the events.

HALT Edmonton

Bruce Vaughan continues his efforts to keep HALT upfront before the eyes of Edmonton businessmen, municipal politicians and the public at large. Educating civil servants about the advantages of private industry alternatives to taxpayer-subsidized services is an important part of that process. Therefore, the Edmonton chapter is sending complimentary copies of Robert Poole Jr.'s *Cutting Back City Hall* to the mayor and twelve council members.

HALT Halifax

David Morgan's one-man crusade in Nova Scotia tackles the same problem. His proposal for private fire-fighting service caught the attention of the assessment

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BUDGET DISPERSED (continued) annually, and the frustration of government workers attempting to wade through those morasses of gobble-degook costs us more untold millions in wasted time.

What can be done about this unhappy state of affairs? The typical government action would be to appoint a "task force," which would simply mean more civil servants preparing a report about which they know nothing and no one would read.

What's needed is a board of successful, altruistic businessmen

committee because it was the only brief not asking for funding from government. Official response is yet to come.

David has found himself in a conflict of principles. As owner of a small business, he must add sales tax to customers' bills. He plans to state his personal position on a decal to be attached to invoices, protesting his forced involvement in a process with which he disagrees.

HALT Vancouver

HALT's struggle against a system of expensive mini-parks in Vancouver's West End (HALT Across Canada, Dec. 1981) appears to be anything but a dead issue. Although City Council approved the project, they are sufficiently uncertain about their decision to have set up temporary trial barriers across a few well-travelled roads. Fire-fighters and resuscitation units have accordingly made heavy-duty chain cutters a standard part of their equipment kit. They report that, in spite of increasing practice, having to stop and remove

the barriers still costs them unrecoverable minutes when responding to emergency calls. The only words in favour of the blockades come from local prostitutes who find the slowed traffic a boon to their business.

Events

Public meetings will be held monthly in cities where there is an active HALT chapter. At that time, a competent spokesman will discuss HALT objectives and methods, its projects and progress. Everyone is welcome. A question and answer period will be part of the meeting format.

Edmonton: the last Monday of each month, 8:00 p.m. at the Edmonton Inn, 11830 Kingsway Avenue. Phone Bruce Vaughan at 462-0698 for further information.

Vancouver: the last Monday of each month, 7:30 p.m. at The Scottish Auditorium, 1605 West 12th Avenue. If you have any questions, phone 688-2308. 

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from outside government, with the power not only to make recommendations, but to enforce them. Would it ever happen? I doubt it. In a structure of empire-builders, who would give the authority to some body of people who might well render him powerless? 

EDITORIAL

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The answer is so obvious it's silly to state the question. Yet we continue to lay off men and women in the private (read "productive") sector of our economy while spending more and more on government. This is insanity.

We propose the following. When faced with the necessity of laying off an employee, lay off the salary from your tax bill instead and keep your worker. If enough of us did it, it could become a Canadian tradition. If you are an employer, ask your employees what they think of the idea. If you are an employee about to be laid off, show your boss this editorial.

Who knows? The civil servant laid off when you fail to pay your total tax bill may be your tax collector. Now wouldn't that be a fine present for the new year? 

by Richard Bolstler