

# MANITOBA POLICY PERSPECTIVES

*A Student Journal*

Volume 2, Issue 1  
September 2018



*Manitoba Policy Perspectives (MPP) is a multi-disciplinary and cross-university online student journal that addresses the topics of public policy, administration and governance in Manitoba, Western Canada and Canada.*

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## Foreword

I am pleased to introduce the second volume of the *Manitoba Policy Perspectives* (MPP) online student journal. The MPP journal is an initiative of the Manitoba Institute of Policy Research (MIPR). The purpose of the journal is to provide post-secondary students in the province of Manitoba the opportunity to publish original work as it relates to provincial and national public policy issues. In doing so, we believe students will contribute to a larger dialogue on important policy issues, acquire familiarity with the peer review process, and gain the organizational skills required to publish an online policy journal.

This second volume of the MPP journal features five papers written by University of Manitoba students. The backgrounds of this volume's authors range from law to agricultural economics to political studies. This reflects the multi-disciplinary nature of the MPP journal. Our aim is to engage, and publish, students from across disciplines to foster a greater policy dialogue and to strengthen authors' individual voices.

I would like to note that the current volume's five papers were each submitted for review in 2015. This is to bring attention to the fact that the work presented in this journal was written and finalized by the authors during the period of 2013-2015. As a result, any developments or changes to the issues discussed by authors since this period will not be reflected in the published work to follow.

This volume's Peer Review Board involved both MIPR staff and University of Manitoba students. Included in this Peer Review Board were anonymous student peer reviewers, Wanda Hounslow as an editorial assistant, and Dr. Andrea Rounce as our Faculty Advisor.

We thank the professors who nominated their students' papers for publication. I would like to personally thank Gillian Hanson and Robert Ermel (both formerly of the MIPR) for their support in making a second volume of this journal possible, as well as for their effort in successfully running the MIPR throughout the early stages of this publication. Additionally, I would like to thank the MPP's founding editor, Alexandra Allary, and our previous Faculty Advisor, Dr. Karine Levasseur, for their excellent work on our first volume. I do not believe a second volume would have been possible without the secure foundation set by Alexandra and Dr. Levasseur. Finally, I would also like to thank Marcus Closen for his efforts in the final stages of the publication process.

Thank you to everyone who contributed to the September 2018 publication of *Manitoba Policy Perspectives*. For more information on the MIPR, or to access the MPP's first volume, please visit [www.mipr.ca](http://www.mipr.ca).

Sincerely,

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Devon Hanel  
Student Editor  
Manitoba Institute for Policy Research

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## About the Publication

*Manitoba Policy Perspectives* is an online student journal that addresses the topics of public policy, administration, and governance as it pertains to regional and national issues. It is published by the Manitoba Institute for Policy Research. The Peer Review Board consists of a Faculty Advisor, a Student Editor, and anonymous student peer reviewers from the University of Manitoba.

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# Public Service Gone Digital

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This paper was originally submitted for the course POLS 3470: Canadian Public Management and was nominated for publication by the course instructor, Dr. Andrea Rounce.

## Abstract

This paper focuses on Canadian e-government development over the last 20 years and examines both the advantages and disadvantages that it can bring. This paper argues that, while e-government faces certain problems, it remains a worthwhile project as it provides an alternative channel of communication for government and citizens. The benefits of e-government discussed in this paper include: reduced service delivery costs, ease of access for citizens, encouraged flexibility and integration among governmental departments, and transparency and accountability of government activities. Some of the challenges examined include: coordination of the integration of information and communications technology across departments, standardization of e-government's platforms, the possible trivialization of the citizen-state relationship, the "digital divide," and the determination of realistic expectations for e-government. Technology has dramatically changed many industries, and it has also changed the way citizens expect to interact with their government. Canadians have come to expect accessible and interactive e-government, and Canada's initiatives in the domain will, with time and money, help ensure that its e-government fulfils those expectations.

*Keywords:* Canadian e-government, Canadian public policy, technology policy, information and communications technology, digital divide, Blueprint 2020

## Introduction

Technology brings about great change in the societies it develops within and public administration worldwide is changing because of it. The internet has become a useful tool that governments of all levels can use to provide services to their citizens. This tool is described in the literature as *e-government* and can mean many different things in theory and in practice. These include the provision of information, contact services, transactions (e.g. paying taxes), dialogue between citizens and government, and information exchanges between the public and private sectors (Bekkers and Homburg 2007, 375). What each of these capabilities have in common is that they are all facilitated through the internet in e-government and use information and communications technology (ICT). Governments worldwide are to develop e-government programs that not only bring public administration practices into the digital era, but also solve

ongoing problems of lack of transparency, rising costs, and public dissatisfaction with excessive bureaucracy.

Clifford McCue and his colleague Alexandru Roman (2012), both academics who conduct research in public administration, noted that, according to the World Bank, “a significant number of nations have spent more on ICT over the last decade than on traditional capital investments such as roadways, airports, water purification plants and the like” (222). In 2014, the United Nations ranked Canada as 11<sup>th</sup> worldwide in e-government development and implementation (United Nations 2014, 15). These results demonstrate not just the real interest in e-government worldwide, but also Canada’s reputation as a role model in e-government development and implementation. This paper will briefly describe the evolution of Canada’s e-government in the last twenty years and argue that, despite its problems, e-government is a worthwhile project because it provides another channel of communication between government and its citizens. I will primarily discuss the federal government and draw on provincial and municipal examples to better illustrate Canadian e-government in practice.

### **Canada’s Brand of E-Government**

E-government started to develop in Canada in 1994 when the Information Highway Advisory Council was established to make the internet available to all Canadians (Reddick and Turner 2012, 3). The next significant initiative was Government Online which had the government develop websites that could provide information, transaction services, and a forum for political dialogue. This also required different government departments to coordinate ICT infrastructure to achieve cost-effective results. Canadian Customs and Revenue Agency with Human Resources and Skills Development Canada worked together to share ICT information and servers so that the 85 percent of Canadians who interact with these ministries could receive cost-effective and cohesive e-government services (Borins 2005, 26).

Using data from a 2004 federal study, evaluating the impact of Government Online, Sandford Borins (2005) found that from the “319 million requests for information in 2003, 88 percent were provided over the Internet” (14). This demonstrates that e-government is a widely used tool by citizens for informational purposes. Analysis of Canada’s e-government shows informational and transactional services compose the majority of citizen-government interactions online (Reddick and Turner 2012, 3), but that creating online forums for political dialogue is a priority (Bekkers and Homburg 2007, 379). The federal and provincial governments handle ICT internally because, as Borins says, “they see their Web presence as a core communications function” (Borins 2005, 11).

The Canadian bureaucracy has developed its own unique objectives to accomplish e-government. The Clerk of the Privy Council has designated this strategic plan as “Blueprint 2020” (Canada 2017). This plan outlines: “affordable, e-enabled and seamless services,” “open

access to data and information,” “standardized technological infrastructure,” “interoperable systems,” and “enhanced ability to leverage *Workplace 2.0*” (Canada 2017, 7). This can be reduced to the basic point that the Canadian bureaucracy needs to have affordable ICT, flexible and integrated web-services, and that information needs to be more accessible to the public, including accessibility to private sector businesses to better coordinate communication with the government. The public service hopes that attaining these goals will “nurture a tech-savvy culture, making use of social media tools while respecting Public Service values and ethics” (7). It also acts under the assumption that as more Canadians log on and surf the worldwide web there will be higher expectations regarding the online availability of government information (Canada 2017). As Blueprint 2020 describes, bureaucrats in Canada can expect to spend the next years of their careers “finding innovative ways to customize public services, enable networking and provide open access to information that Canadians can use...” (7).

### **What E-Government Provides**

One of the most powerful reasons why governments are moving towards the e-government model is that service delivery through the internet reduces costs (Borins 2005, 14). Delivering services through e-government, via the internet, instead of traditional technologies (e.g. phoning, visiting a government office, etc.) can reduce operating costs (7). Since operating expenses make up over 25 percent of the Canadian federal government's annual budget, any way to reduce that cost would be very attractive (8). In his research on the cost of Canadian e-government, Borins uses data from a federal government initiative in 2003 that estimated service delivery in Canada. Borins depicts the attractiveness of the internet as a service delivery mechanism when he compares the 84 cents per internet transaction to the “\$2.99 per call... mail service an average of \$18.86 per letter...and in-person service an average of \$38.24 per visit” (8). A government confronted with these numbers, such as the Canadian federal government, can suddenly become very interested in service delivery through e-government. With this level of savings, the government will likely provide incentives for citizens to switch to online delivery of services (15).

Cost is not the only factor driving e-government adoption. Many governments consider it a solution to bureaucratic shortcomings in efficiency, accountability, and effectiveness. As Victor Bekkers and Vincent Homburg (2007), authors of “The Myths of E-Government: Looking Beyond the Assumptions of a New and Better Government,” state (in the context of Australia’s online government): “hardly any sphere of activity...could not be improved by online government” (377). Under an ideal model of online government, the citizen becomes the consumer and the government becomes the primary service provider (379). As a consumer, citizens can have quick and easy access to customized services provided at a much lower price (i.e. transaction cost). Many national policies on e-government are aiming for this development (377).

E-government can improve citizens' access to information (e.g. easier and faster searches), online services (e.g. paying taxes, applying for funding as a business) or translation of government documents online for the impaired with the help of special software (e.g. text enlargement or text-to-voice capabilities) (West 2004, 17). Technological advances can make public and private administration simpler and make government and administration practices more transparent if the guidelines, ethical codes, and administrative output are more easily available for public scrutiny due to their availability online (Welp, Urgell and Aibar 2007, 301). It is also reasonable to expect that bureaucrats have a duty to reinvent government administrative practices through technological progress (Bekkers and Homburg 2007, 378).

Canadian bureaucracy is Weberian in model, and, therefore, hierarchical and inflexible as a result. The Weberian model was imagined by Max Weber in the 1800s and claims that efficiency is only achieved when there is a well-defined and structured chain of command, management by rules and regulations, and a division of labour by specialization (Rockman 2015). Due to these constraints, and as bureaucrats are assigned to certain specialized, hierarchical positions, with both their position and department size remaining static, public administrative units can become rigid and immobile. E-government promotes decentralization of government agencies as it requires them to integrate their web services to save money and avoid excessive administration (Welp, Urgell & Aibar 2007, 301). Such decentralization improves government's flexibility as departments can change in size and share ICT infrastructure and human resources.

## **Problems with E-Government**

The integration needed for government websites is one of the difficulties that e-government development faces. Citizens expect standardization of practices and cohesion in design and format when browsing government websites. This provides a real challenge since different aspects of the Canadian bureaucracy must collectively agree on a single vision and then implement it (Bekkers and Homburg 2007, 377). If a Canadian citizen wants to complete a service transaction through e-government, then all the involved departments must coordinate their administrative processes to avoid sending the citizen from one website to another to complete their desired transaction. To avoid this situation, serious integration must be coordinated amongst very different bureaucratic units belonging to disparate jurisdictions. Given the challenges it may not yet be possible or reasonable to achieve this, even with unlimited funding and human resources.

Moreover, such integration may even be undesirable because, as Bekkers and Homburg (2007) state, "standardization and integration may intensify existing dependencies and enshrine these dependencies in the technology" (379). E-government bureaucracy can become exactly like traditional bureaucracy, and the flexibility and decentralization promised can become just that: a promise. Furthermore, Bekkers and Homburg (2007) observe that there is a myth in national e-

government strategies that “ICTs... [help] the realization, with little effort, of administrative machinery that is responsive, client oriented and cohesive” (375). Cohesion is difficult, and ICT, while revolutionary, cannot be the quick-fix solution to departmental integration once believed.

In e-government, like New Public Management, the citizen becomes the client or consumer and the government, the service provider (Bekkers and Homburg 2007, 379). It is similar to the Weberian model in that New Public Management is a theory that describes how administrative organizations should work to achieve the best results. It was inspired by for-profit firms from the private sector, and seeks to outsource government services, allowing the market to facilitate funding and decision contracting (Bevir 2015). New Public Management has been adopted in many democracies, but there remain serious obstacles to treating citizens as consumers or clients, partly because this kind of thinking reduces the relationship of citizen and government to a much more trivial and arbitrary position. E-government can, when it focuses on service delivery (which it often does) trivialize the special relationship of reciprocity of rights and duties that underpins the citizen-state relationship (Bekkers and Homburg 2007, 374, 380).

Service delivery for citizens by e-government has two major issues in practice with respect to accessibility. The first is the “digital divide” (Daou et al. 2013, 159). This is used to describe how certain citizens are excluded from or have limited access to the internet as compared to those who are familiar with it and have easily accessible web services. Alain Daou et. al. (2013) think that this “digital divide may deepen [already strong] economic, demographic, or social divisions” (159). Research shows that age affects e-government access and use, as younger people tend to have more knowledge about digital platforms (Borins 2005, 9). Those with higher income and education are also reported as having greater access to e-government (9). Additionally, large differences exist between e-government availability to citizens based on their location, with larger cities having a clear advantage in access. Larger cities’ municipal websites are also much more interactive (Daou et al. 2013, 164). Northern Canadian communities can have extremely limited access to the internet with few computers, while remote municipalities may lack the IT support or structures needed to provide local e-government effectively (164).

Even with these problems, e-government has not delivered on its expectations (Bekkers and Homburg 2007, 373; Daou et al. 2013, 157). Differences that exist between e-government in theory compared to practice should be unsurprising when expectations surrounding the idea are too ambitious (Bekkers and Homburg 2007, 380). Public sector technology is inferior to the private sector, meaning larger investments in e-government projects might bridge the gap between what is expected and what is available (Reddick and Turner 2012, 1). E-government may not have fixed the problems of traditional bureaucracy, but it has provided citizens with a new channel of communication to their government. Moreover, surveys indicate that many Canadians are happy with e-government reforms (3).

## Citizens and Canadian E-Government

Canadians have asked for e-government so that service delivery and communication between Canadians and the government can be fast and convenient (Martinez et al. 2013, 106). Co-authors Christopher Reddick and Michael Turner (2012) examined how Canadians feel about e-government. A series of surveys conducted by Ekos in 2002 showed that “80% of citizens surveyed agreed with the government's increasing use of information technology and 70% of internet users thought that it was important to put all government services online” (cited in Reddick and Turner 2012, 3). Significantly, in that same series of surveys, it was found that almost half of Canadians expected “the internet would be their primary way of interacting with government in 5 years,” demonstrating that Canadians believed that e-government was the future delivery platform of government services (cited in Reddick and Turner 2012, 3). This, however, has not happened. Yet, Reddick and Turner report that the internet was the most used channel of communication (55 percent of total communication) in 2007, with the caveat that Canadians tended to use the phone when they had a problem with government and tended to use the internet to find information about services (5). Moreover, Canadians are most satisfied with personal office visits as a means of communication with government and second most satisfied with internet communication (6). When satisfaction rates are compared among Canadians, government employees are contrarily reported as least satisfied with e-government, along with those in larger cities (8). Reddick and Turner conclude their analysis of citizen satisfaction with e-government showing that Canadians with higher levels of trust in the public service also reported higher satisfaction of all channels (e.g. telephone, visits, e-government, etc.) and suggest that e-government can improve public perception, but that it cannot fix the bigger issue of low trust (9).

Canada does have a “digital divide” as research demonstrates that those who live in large municipalities have superior local e-government websites, in terms of content and features, compared to those who live in remote or small communities (Dolson & Young 2012, 1). For example, municipal e-government has reduced service delivery capabilities compared with other levels of government (18-19). Borins (2005), using data from large national surveys, explains that Canadians want five things from e-government: “In order of importance, [they are] are speed (i.e., time needed to provide the service), staff competence, courtesy, fairness, and outcome” (8). Canadian citizens are comparably satisfied with e-government as a channel of communication as citizens want a fast and easy way to access government services.

A few initiatives involving e-government in Canada, outlined in Blueprint 2020, include the partnership of Canada Heritage and Industry Canada on an e-initiative of public consultation for Canada’s *Copyright Modernization Act* written to clarify and ensure that copyright owners

are protected from copyright infringement on the internet (Canada 2017).<sup>1</sup> Over 30 thousand people participated in the consultation by logging on to the website. Among them, eight thousand participants wrote comments, and around one thousand and a half discussions were recorded on the online forums (Canada 2017). This is an example of e-government promoting direct communication between citizens and government, in this case the departments responsible for updating the *Copyright Modernization Act*.

Further examples of e-government in Canada include the use of ICT by the province of Ontario and the national Open Government initiative. The province used ICT when they consulted constituents on the budget. Online consultation with the public took place from 2004 to 2008 as people were asked to fill out online questionnaires in order that the government could accurately represent their interests in the budget (Borins 2005, 23). This was not the only channel which the provincial government used to communicate with constituents, but it did provide another way in which Ontario residents could inform the government of their thoughts on the budget. Open Government is a recent project launched by the federal government in 2011 (Canada 2018). It is an ongoing project that aims to make government data easily accessible on the internet and seeks to address the transparency and accountability shortfalls of traditional channels of communication (Canada 2018).

## Conclusion

Despite e-government's problems, it is still a worthwhile project for governments to undertake since it provides citizens another channel of communication. Canada's government has made it clear that government services are, and will continue to be, increasingly accessible through the medium of the internet. Projects like Government Online, Open Government, and Blueprint 2020 demonstrate Canada's commitment to developing its e-government. Like all communication and service delivery platforms, if done right, e-government can reduce service delivery costs, provide information easily for citizens, offer new ways of paying taxes or applying for government funds, encourage flexibility and integration among government departments, and make the public sector more accountable and transparent to Canadians. The problems of e-government discussed included: inter-departmental integration of ICT and human resources, standardization of online platforms, the possibility of the trivialization of the special relationship between government and its citizens, the "digital divide," and the gap that can form between expectations and the reality of e-government. Yet, though these problems exist they do not entail that e-government is an unworthy project, in fact, Canada has signalled its commitment to using ICT to provide a viable alternative channel of communication between government, its bureaucracy, and its citizens.

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1. *Copyright Modernization Act, Statutes of Canada 2012*, c. 20. [http://lois-laws.justice.gc.ca/eng/AnnualStatutes/2012\\_20/page-1.html](http://lois-laws.justice.gc.ca/eng/AnnualStatutes/2012_20/page-1.html).

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# Following the Money Trail: How Canada's Anti-Terrorism Laws Impact Charities

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This paper was originally submitted for the course LAW 3980: Philanthropy and the Law and was nominated for publication by the course instructor, Dr. Michelle Gallant.

## Abstract

Since 9/11, the Canadian government has increasingly used stringent anti-terrorism laws to confront the threat of misappropriation by Islamic charities of donor funds to support terrorist entities or operations. Such legislation enables protection of charities from being used as vehicles for terrorist financing. However, due to the broad wording of the anti-terrorism legislation, the complex nature of charities with international operations, and the vast amount of power afforded to the government, there is a strong possibility that the law, as it currently stands, will dampen the activities of legitimate and beneficial charities. This paper examines the impact of Canada's anti-terrorism laws in the context of recent American and Canadian cases in which Western-based Islamic charities were accused of diverting funds to foreign terrorist entities.

*Keywords:* Canadian anti-terrorism law, Canadian charities, Islamic charities, anti-terrorism, Holy Land Foundation for Relief and Development

## Introduction

In the wake of 9/11, there was a significant increase in donations to charitable causes (Smith 2011). Americans alone gave \$2.8 billion for the victims' families (Smith 2011). But even though charities at large were receiving more, donations by Americans to Islamic charities dampened as donors increasingly became concerned with the prospect of facing arrest or retroactive prosecution for donations made in good faith to Islamic charities; such charities were increasingly being targeted and implicated for funding the rising specter of Islamic terrorism (American Civil Liberties Union 2009, 8). Similarly, in light of increasing governmental scrutiny, Islamic charities themselves now face the dilemma of whether or not to pursue charitable activities. As it remains today, many Islamic charities continue to face reservations and handicaps in their fundraising of overseas operations (Dilley and Ryan 2012).

This negative post-9/11 atmosphere is not confined to the US but also permeates its neighbor to the north as Canada continues to adopt stricter approaches towards the surveillance

and scrutiny of the actions of Islamic charities by using increasingly draconian anti-terrorism legislation (Carter 2005). By reviewing the current state of the law and recent legal decisions, this paper will seek to establish that the anti-terrorism legislation which currently regulates Canadian charities is alarmingly broad, complex, and allows the Canadian government to forge connections between Canadian Islamic charities and foreign terrorist entities in a manner that is arbitrary, tenuous, and difficult to reconcile.

### **The HLF Case**

Any exposition on the targeting of Islamic charities is incomplete without a case commentary on the Holy Land Foundation for Relief and Development (HLF), a charity set up to provide humanitarian assistance to Palestine. Prior to being stripped of its charitable status, HLF was one of the largest Islamic charities in the US (Claridge and Carter 2012, 1). In 2004, the US Court of Appeals for the Fifth Circuit found HLF to be in non-compliance with US anti-terrorism laws. A federal grand jury indicted HLF, three of its former officers, one former employee, and one person who had performed at a fundraising event for “providing material aid and support to a foreign terrorist organization (Hamas), engaging in prohibited financial transactions with a Specially Designated Terrorist (Hamas), [and] money laundering,” as well as other non-terrorism related matters (2).

The charges against HLF were a result of the millions of dollars in donations made to HLF by US Muslims, which were then distributed by HLF to Palestinian *zakat* committees (Claridge and Carter 2012, 2). In a broad and disconcerting manner, the United States government was able to successfully argue that “by providing charitable support to Palestinians in the West Bank and distributing humanitarian aid through those committees, HLF [had] helped Hamas win the ‘hearts and minds’ of the Palestinian people [and that] the *zakat* committees were not legitimate charities and were only fronts for Hamas” (2).

It is worth noting that these Palestinian *zakat* committees did not appear on any global designated terrorist list and, moreover, there was no evidence of any knowledge, on the part of HLF, that these committees had affiliations with Hamas (Claridge and Carter 2012, 2). On the basis of such evidence, a reasonable question posed to any jury would have included: first, whether Hamas did in fact control and operate the alleged Palestinian *zakat* committees, and second, whether HLF had knowledge that Hamas was in control of such aforementioned committees (2). However, the court failed to instruct the jury to impute any knowledge of any intention upon HLF to support Hamas, leading to a seemingly far-fetched, tenuous, and rather weak trail leading from the pockets of Muslim American donors to alleged Palestinian terrorist operations conducted by Hamas (7).

Canadian charity law experts, Nancy E. Claridge and Terrence S. Carter (2012), have argued that, because of its many problematic legal aspects, the HLF decision should not be used

as a precedent for determining the future fate of Canadian charities (8). But, the same experts have taken note of the Canada Revenue Agency's (CRA) inclination to rely on the HLF decision in its own audit process, thereby opening the possibility of a long-winding and all-encompassing money trail to terrorism (5). If only for this fact – that this case may be used in the audit process of Canadian charities – the HLF decision serves as an important reference point for Canadian charities with foreign interests or partners.

### **Canada's Anti-Terrorism Legislation and Charities**

Canadian charities are governed by part six of the *Anti-Terrorism Act*, which includes the relatively new *Charities Registration (Security Information) Act*.<sup>1</sup> Under the Act, the Canadian government has the authority to revoke the charitable status of an existing charity on the grounds that the charity has or will support a terrorist activity (sec. 4). The Act further allows the government to deny the application of a new charity for the reasons listed above (sec. 4). The deregistration process is initiated with the issuance of a security certificate against the charity, the consequences of which can go beyond the negative impact of loss of charitable status (sec. 5).

Under the Act, the power to take action against a charity rests jointly with the Minister of Public Safety and Emergency Preparedness (previously known as the Solicitor General of Canada) and the Minister of National Revenue (sec. 5). A security certificate may be issued if there are reasonable grounds to believe:

- (a) that an applicant or registered charity has made, makes or will make available any resources, directly or indirectly, to an entity that is a listed entity as defined in subsection 83.01(1) of the Criminal Code;
- (b) that an applicant or registered charity made available any resources, directly or indirectly, to an entity as defined in subsection 83.01(1) of the Criminal Code and the entity was at that time, and continues to be, engaged in terrorist activities as defined in that subsection or activities in support of them; or
- (c) that an applicant or registered charity makes or will make available any resources, directly or indirectly, to an entity as defined in subsection 83.01(1) of the Criminal Code and the entity engages or will engage in terrorist activities as defined in that subsection or activities in support of them. (sec. 4)

The very broad wording of the Act and the broad powers afforded to the government render Islamic charities and their employees “vulnerable to criminal prosecution for unwittingly providing support to organizations that on their face are not identified by any government as having links to terrorism” (Claridge and Carter 2012, 7). In fact, the deregistration process raises

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1. *Charities Registration (Security Information) Act*, *Statutes of Canada* 2001, c. 41. <http://laws-lois.justice.gc.ca/eng/acts/C-27.55/>.

several concerns. A plain reading of the Act indicates that no knowledge or intent is required on the part of the charity as to where its donations ultimately end up, nor does the charity need to have engaged in directly supporting a terrorist entity (Carter 2005).

Furthermore, under the deregistration process the normal rules of evidence do not necessarily apply (Carter 2005). Section seven of the Act “effectively waives the ordinary rules governing the admissibility of evidence” and states that “any reliable and relevant information may be admitted into consideration by a Federal Court judge whether or not the information is or would be admissible in a court of law” (44-45). This is particularly troublesome because it effectively means that “confidential” information that was relied upon by the government in making its determination of reasonableness need not be disclosed to the charity facing deregistration (47). This corrodes a fundamental principle of the law: the ability to know and meet the case being made against you.

Essentially, by giving the government broad powers to collect evidence and build a case behind closed doors, Canada’s recent anti-terrorism laws have severely impeded the ability of those charities facing de-registration to know and meet the case against them. Carter (2005) suggests that it may also “severely handicap the ability of a charity to present a competent defense,” which it certainly has (47). Since the burden of proof rests on the accused charity, one can only wonder how a charitable organization’s employees would be able to build a successful defence given that there would exist little idea as to what charges might have been leveled against the organization, where they might originate from, and what the evidence might be.

All that is required for the government to take legal action against a charity is that the very low threshold of mere “reasonable grounds” is met (Carter 2005, 43). The Act does not define what “reasonable grounds” entails, and if a Federal Court judge finds that a security certificate is reasonable, then the charity is stripped of its charitable status (44). Once the decision is made the longstanding, revered right to appeal cannot help the maligned charity – the Federal Court decision to deregister is final (47). The effects of the security certificate affect the charity’s status for a period of seven years (48). After seven years, if the government still believes the organization to be a risk, the deregistration process begins again. But, more likely than not, at the end of the seven years the charity is unlikely to exist (49).

The above becomes even more troubling when the financial consequences to the charity and the criminal charges that can be laid on its employees are taken into consideration. For instance, often the issuance of a security certificate can lead to a freezing and/or seizure of a charity’s assets, eventually resulting in bankruptcy, insolvency and/or a complete shutdown of the charity.<sup>2</sup> Additionally, the directors of the charity can face civil liability for breach of their

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2. *Criminal Code, Revised Statutes of Canada* 1985, c. C-46. <http://laws-lois.justice.gc.ca/eng/acts/C-46/>.

fiduciary duties (Carter 2005, 47). Furthermore, the specter of criminal liability also exists, as a charity's directors can possibly be found guilty for financing terrorism or facilitating a terrorist activity; both indictable offences carrying a maximum sentence of ten years and fourteen years respectively.<sup>3</sup> Needless to say, such a heavy onus on management to know how to follow the charity's money trail could very well lead to a decrease in qualified individuals seeking positions as directors of charities out of fear of civil or criminal prosecution.

## **The Chill Effect**

As of 2012, the US has designated nine US-based charities as terrorist organizations. Of these nine, seven are Islamic charities (US Department of Treasury 2010). According to a 2002 policy brief called *Counter-Terrorism and Humanitarian Action: Tensions, Impact and Ways Forward*, published by British think tank The Overseas Development Institute (ODI), anti-terrorism measures implemented worldwide since 9/11 have had a global chilling effect on humanitarian efforts (cited in Pantuliano et al. 2011). There are numerous ways in which this chill effect manifests itself in the operation of Western-based Islamic charities (Carter 2005, 7).

For instance, donors that once, pre-9/11, had accepted the risk of some aid diversion as a byproduct of the cost of doing business now have a much more heightened awareness and fear of unintentionally and indirectly funding designated terrorist entities (Carter 2005, 7). This reluctance to donate is exemplified in a 2012 Brookings Institute report which notes that “donors who wish to support...charitable activities face a dilemma when assessing the qualifications of a particular charitable organization in what has been described as a ‘climate of fear’ [and] similarly, in reaction to their own changing regulatory obligations, financial institutions are increasingly risk averse in dealing with Muslim charities” (cited in Dilley and Ryan 2012, 7). This supports the likelihood of an already-apprehensive donor ceasing her donations altogether due to a fear that her contribution will be misappropriated. Additionally, the inspection of foreign counterparts and/or beneficiaries – a standard business practice of Canadian charities done to satisfy local Canadian donors that their funds are not at risk of misappropriation – can undermine relationships between that Canadian charity and the foreign local charity. Moreover, it can also “make local acceptance harder to achieve, thereby potentially compromising access to people in need” (Carter 2005, 9).

Last to be noted is the effort required by Canadian charities to avoid risk of misappropriation of funds by terrorist entities. As an example, in its brief, the ODI notes that “bank transactions are frequently stopped without explanation and organizations have to wait for up to three months while an investigation is carried out. They are often asked to bear the costs of these investigations, and even if they are cleared of any wrongdoing” (Carter 2005, 9). Ultimately, the burden on a charity of unwittingly being implicated for supporting terrorism are

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3. *Criminal Code*, R.S.C. 1985, c. C-46 s. 83.02-83.04. <http://laws-lois.justice.gc.ca/eng/acts/C-46/>.

many, ranging from the threat of criminal charges laid upon its management, to administrative delays resulting in charities seeking to end operations in high-risk areas – typically, areas which require charitable aid the most (7).

### **Follow the Money Trail**

A 2002 Canadian Security Intelligence Service (CSIS) report states that “with the possible exception of the [United States], there are more international terrorist organizations active in Canada than anywhere in the world” (cited in Gaffney 2006, 120). In order to carry out their efforts, the CSIS report notes that terrorists and their supporters are guilty of abusing Canada’s immigration, welfare, and charity regulations (120). The case of the World Assembly of Muslim Youth Canada (WAMY Canada), which was stripped of its charitable status in 2012, is an example of an organization with blatant, immediate ties with al-Qaeda operations (Boesveld 2012). WAMY Canada ran Islamic camps and organized pilgrimages to Mecca for Canadian Muslim youth. In February 2012, WAMY Canada was stripped of its charitable status for failure to “keep proper books and records, maintain a specific charitable purpose and distinguish itself from parent organization WAMY (Saudi Arabia)” (Boesveld 2012). The connection between WAMY Canada and WAMY Saudi Arabia is not tenuous. In fact, the money trail from Canadian donors to the Islamic terrorist entity in question is rather easy to follow. As indicated by the CRA audit of WAMY Canada, the connection between the Saudi parent organization and its Canadian counterpart had been immediate lacking a separation between the activities of WAMY Canada and WAMY Saudi Arabia. In fact, the CRA audit indicates that all financial and operating decisions of WAMY Canada were in fact the decisions of its parent organization WAMY Saudi Arabia (Boesveld 2012).

Since WAMY Canada was so inextricably linked with the functioning of WAMY Saudi Arabia, it was reasonable for the CRA to assume that WAMY Canada would have at least some connection with the Benevolence International Fund of Canada (BIF). BIF had its assets frozen in 2002 by the Canadian government due to its link to Osama bin Laden’s alleged attempts to acquire nuclear and chemical weapons (Boesveld 2012). Indeed, as the CRA audit illustrated, the link between WAMY Canada and BIF was strong and obvious. The two organizations shared a director, contact information, and a bank account (Boesveld 2012). On the basis of the above, the CRA concluded that WAMY Canada’s actions were not exclusively charitable (Canada Revenue Agency 2012).

The case of WAMY Canada is an important one in the landscape of charity law. It serves as an example of a well-known, well-established Canadian Islamic charity that was likely complicit in financing or supporting terrorism. But, the mass sweep allowed by Canadian anti-terrorism legislation does not mean we have uncovered more WAMY Canadas. Instead, many other Canadian Islamic charities that have or are currently facing a loss of their charitable status

tend to have weaker connections and far more tenuous relationships with the alleged terrorist counterparts whom they are purportedly supporting.

An example of such a charity is the International Relief Fund for the Afflicted and Needy (IRFAN-Canada). In 2008, the CRA began inquiries into this organization because of allegations made by US prosecutors in 2007 that IRFAN-Canada had financial links to HLF and Hamas (Ridley 2012, 88). In 2010, Canada stripped IRFAN-Canada of its charitable status for failure to maintain adequate records and accounts (88). As Nick Ridley points out, in his book *Terrorist Financing: The Failure of Counter Measures*, the links between IRFAN-Canada to Hamas “were long and tortuous, and through several NGOs based in Gaza” (88). Ridley illustrates these “long and tortuous” links by describing the way in which HLF routed funds to IRFAN-Canada, which were then transferred on to a UK NGO/charity that then sent the funds onwards to Hamas. Hamas would then link Gaza NGOs to these funds as part of multiple fund transfers to many relief organizations in Gaza and Palestine (89).

Now, even though IRFAN-Canada appears to be far removed from its alleged terrorist counterpart and may, in fact, have never had motive to become a terrorist financier it became recognized as one nonetheless. Another useful illustration of a “long and tortuous” (and arguably unfair) link is the 2009 Ontario Superior Court of Justice’s decision in *R. v. Ahmad*.<sup>4</sup> The charity in question provided funds for humanitarian activities in Gaza. The government argued that by providing funding for humanitarian activities in Gaza, the Canada-based charity was providing Hamas (a designated terrorist entity) the means to spend the money of Canadian donors. Such associations make it seemingly impossible to dissociate legitimate contributions from illegitimate ones (para. 80).

Currently, the Canadian government continues with its stringent stance of cracking down on Islamic charities, as is evidenced by the recent deregistration of the prominent Islamic Society of North America (ISNA Canada). On its web homepage, ISNA Canada describes its purpose as “establishing a vibrant presence of Muslims in Canada” by being “a platform for all Muslims who share its mission and are dedicated to serving the needs of Muslims and Muslim communities” (Islamic Society of North America 2013a). Many Muslims donate hundreds of thousands of dollars to ISNA Canada because of its longstanding reputation as one of the largest and most reliable Islamic charitable organizations, offering several ways in which Canadian Muslims can fulfill their mandatory *zakat* obligations by sending money to those in need “back home.” ISNA Canada’s website states that all donations are used for various programs including, but not limited to, the following: facilities and maintenance, Ramadan services, food banks, and emergency *zakat* for needy families (Islamic Society of North America 2013b). Despite its large and important presence in the lives of Canadian Muslims, its many years of work on a national

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4. *R. v. Ahmad*, [2011] 1 S.C.R. 110, 2011 SCC 6. <http://canlii.ca/t/2bxxw>.

level to promote and protect Muslim interests in North America, and its events that are endorsed and attended by prominent Canadian politicians, ISNA was stripped of its charitable status on September 21, 2013 (Canada Revenue Agency 2013; Jeffords 2013).

In its 2013 Notice of Intention letter, in accordance with section 168(1) of the *Income Tax Act*, the CRA wrote that:

Our analysis of the information obtained during the course of the audit has led the CRA to believe that the Organization [ISNA] had entered into a funding arrangement with the Kashmiri Canadian Council/Kashmiri Relief Fund of Canada (KCC/KRFC), non-qualified donees under the Act, with the ultimate goal of sending the raised funds to a Pakistan-based non-governmental organization named the Relief Organization for Kashmir Muslims (ROKM) without maintaining direction and control. Under the arrangement, KCC/KRFC raised funds for “relief work” in Kashmir, and the Organization supplied official donation receipts to the donors and disbursed over \$281, 696 to ROKM, either directly, or via KCC/KRFC. (cited in Canada Revenue Agency 2013)

The CRA letter went on to state that, according to their research:

ROKM is the charitable arm of Jamaat-e-Islami, a political organization that actively contests the legitimacy of India’s governance over the state of Jammu and Kashmir, including reportedly through the activities of its armed wing Hizbul Mujahideen. Hizbul Mujahideen is listed as a terrorist entity by the Council of the European Union and is declared a banned terrorist organization by the Government of India, Ministry of Home Affairs, under the *Unlawful Activities (Prevention) Act of 1967*. Given the commonalities in directorship between ROKM and Jamaat-e-Islami, concerns exist that the Organization’s resources may have been used to support the political efforts of Jamaat-e-Islami and/or its armed wing, Hizbul Mujahideen. (cited in Canada Revenue Agency 2013)

The CRA’s above letter of revocation is a clear indication that Canada has taken a stand against the abuse of charities. Because the anti-terrorism laws, as they apply to charities, do not permit a “charity defense,” a charity like ISNA Canada cannot shield itself from liability simply on the basis that its donations were earmarked for humanitarian, charitable, and non-terrorist activities (Rowe 2009, 395). What the above portrays is a connection that best fits Ridley’s description of a “long and tortuous” link (Ridley 2012, 88). If the CRA will revoke the charitable status of ISNA Canada for fueling the political efforts of terrorist organizations based in India by way of a circuitous and winding connection extending across the borders of Kashmir to Pakistan to India, it is no wonder then that this “climate of fear” persists (Dilley and Ryan 2012, 1). For both charity and for donor, simply bearing the burden of suspicion may be enough to put them off charitable giving.

Post-9/11, the *Wall Street Journal* described terrorism financing by Islamic charities as a “byzantine world...where alliances are often tangled,” where organizations “move and evolve rapidly,” and where “rooting out money” that is meant to fuel terrorism is “particularly difficult” (Cohen et al. 2001). Adding to this conception is a region with already convoluted politics and a situation in which terrorist organizations take on activities that include: “Fundraising, lobbying through front organizations, providing support for terrorist operations in Canada or abroad, procuring weapons and material, coercing and manipulating immigrant communities in Canada, facilitating transit to and from the US and other countries, and other illegal activities” (Anti-Defamation League, 2004). Alan Cohen, a former New York federal prosecutor, had rounded off on this issue succinctly when he said, “as a practical matter, chasing charities won’t get anyone anywhere because the money is so well-hidden and much of it may be in the accounts of intermediaries like foreign banks and money managers” (cited in Cohen et al. 2001).

## **Conclusion**

The Brookings Institute report correctly noted that “given the size, scope, and diversity of the worldwide charitable sector, a single solution is unlikely to address the legitimate objectives of all concerned” (Dilley and Ryan 2012, 2). Canada has over 86 thousand registered charities and with this fact comes an intricate network of donors, stakeholders and members (Charity Intelligence Canada 2014). Simply put, the charitable sector in Canada is complex. Equally complex is the task of countering terrorism, which too boasts its own intricate network. Given the complex nature of this area of the law, the importance of regulation is clear. However, as discussed above, any regulatory legislation must come equipped with the necessary provisions required by the law: namely, the duty to know and be able to meet the case against you.

As the American and Canadian cases discussed above indicate, it is likely that a Canadian charity has or is facilitating terrorism using the dollars of Canadian donors. In light of this fact, some experts in the field and certain politicians maintain that actions such as freezing a charity’s assets are important messages to send to abusers of the systems and may help deter those who seek to fund the coffers of terrorism (Cohen et al. 2001). Others question whether freezing assets or bank accounts can truly impede a terrorist entity’s funding sources (Cohen et al. 2001). Regardless, it is not difficult to see why in the post-9/11 world it is important for Canadian charities to function transparently. The ability to inspire the trust and confidence of their many stakeholders should be a priority for any Canadian charity – Islamic or not.

The full impact of Canada’s anti-terrorism laws will be felt gradually. But one fact is certain: at present the law overburdens legitimate charities with legitimate foreign interests. As Nancy E. Claridge and Terrance S. Carter (2012) point out, the Canadian government must maintain a balance between achieving collective, national security without unduly curtailing civil liberties and deterring potentially well-meaning actors working in the charitable and non-profit sector (8). Similarly essential is the need for organizations with foreign interests to develop an

understanding of the law, its impact on their operations, and the necessity of thorough due diligence.

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# Mainstreaming Policy for Female Entrepreneurs: A Coordinated Approach

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This paper was originally submitted for the course POLS 4860: Canadian Public Policy Process and was nominated for publication by the course instructor, Dr. Andrea Rounce.

## Abstract

This paper applies a gender mainstreaming (GM) framework to the Women's Enterprise Initiative (WEI) to explore how the federal government develops policy to promote small business ownership among women. In Canada, women are underrepresented as small business owners. This paper argues that governments can coordinate supports for women entrepreneurs by broadening policy development beyond targeted programs for business owners. GM-based analysis examines how the WEI represents the barriers to starting and growing a business that are specific to women. This analysis demonstrates how the program frames the policy problem in terms of barriers faced by individual women rather than structural problems. The program also prioritizes economic development goals and financial indicators. Its objectives pay less attention to business owners' socioeconomic status and their motivations for starting a business. These alternative ways of representing the policy problem can identify a broader set of options for supporting women in small business. These options extend across small business, education, childcare, employment insurance, and other policy areas.

*Keywords:* Canadian business policy, gender mainstreaming, women entrepreneurs, gender-based analysis, deep evaluation, Women's Enterprise Initiative

## Introduction

In recent years, public policy for small business in Canada has paid greater attention to the performance of firms owned by women and other traditionally under-represented groups. This stems from the federal government's focus on promoting all small businesses and entrepreneurs as drivers of economic growth. Women's underrepresentation in small business is seen as an indicator of social inequality. Policymakers also argue that an increase in women entrepreneurs is an important source of economic development. This problem definition means that business-related departments such as Western Economic Diversification Canada are largely responsible for implementing policy toward women entrepreneurs. Accordingly, governments have designed small business policy and, as a result, programs must respond to the barriers to the

growth of women-owned firms. This paper applies gender mainstreaming (GM) analysis to the federal government's Women's Enterprise Initiative (WEI) to demonstrate the potential of a coordinated, government-wide approach to public policy for women entrepreneurs. GM is a process of incorporating gender considerations into all areas of policy. A GM perspective provides a broader understanding of policy problems and options available to address gender inequality in entrepreneurship. GM analysis demonstrates that a coordinated mix of policy instruments across multiple areas such as small business, childcare, and education policy is necessary to address the issues that influence female entrepreneurship.

While multiple levels of government deliver small business programs, the federal government has been the main actor in creating policy to support women entrepreneurs. The most established program in this policy area is the WEI, administered by Western Economic Diversification Canada. The program provides funding for non-profit Women's Enterprise Centres in British Columbia, Alberta, Saskatchewan, and Manitoba. These centres provide information, training, and loans to women-owned small businesses. The WEI is an example of a "targeted" business program as it is designated for female clients. The rationale for these programs is the relative underrepresentation of women-owned small businesses, as well as the unique barriers that women encounter to starting and growing a firm. The term "women entrepreneur" refers broadly to women who own small businesses, businesses with majority female ownership, and self-employed women (Orser 2007). This paper will follow Industry Canada's (2012) definition of a small business as a firm that has fewer than 100 employees.

The first section of this paper describes the GM framework and clarifies the relationship between mainstreaming and gender-based analysis. The second section assesses the relative inequality between male and female entrepreneurs. It looks at the micro-level barriers identified by the WEI and uses "deep evaluation" to understand how the representation of the problem shapes the options available for policy and program design. The third section looks at the macro-level problem of women's inequality in small business and how this issue is represented from an economic development lens. This framing means that policies are evaluated based on financial indicators with limited analysis of entrepreneurs' motivations or circumstances, which also impact policy outcomes. The fourth section argues that the complexity of the policy problem is well-suited to mainstreaming gender across a variety of policy areas and instruments to support entrepreneurship. When gender-targeted programs for women are prioritized, governments may overlook how other "non-targeted" or mainstream policies affect the outcomes of women-owned small businesses.

## **The Gender Mainstreaming Framework and Deep Evaluation**

GM calls for the inclusion of gender considerations across all policies and programs, and throughout all stages of the public policy process (Hankivsky 2007). It brings gender considerations into the policy "mainstream," instead of adding the variable of gender to the

existing policy process. GM concentrates not only on differential impacts of policies on men and women, but also upon institutions that affect gender equality (McNutt 2010). In the GM framework, “gender equality policy is no longer focused on women but rather on gendered structures” (McNutt 2010, 3). Although it is beyond the scope of this paper, it should also be noted that GM can be adapted into “diversity mainstreaming,” which accounts for other aspects of identity that intersect with gender (Hankivsky 2007).

The federal government has adopted a gender mainstreaming approach called gender-based analysis (GBA). GBA is a policy analysis method used to advance gender equality. Status of Women Canada (SWC) is the department responsible for implementing GBA in the federal government. Its guide to GBA emphasizes that gender equality is a “core Canadian value enshrined in the *Charter of Rights and Freedoms*” (Status of Women Canada 2013, 2). Given this value, GBA is designed as a tool to identify equality gaps in public policy and solutions to address those gaps (Status of Women Canada 2013). The Canadian government first committed to implementing gender-based analysis in 1995 with: *Setting the Stage for the Next Century: The Federal Plan for Gender Equality* (Hankivsky 2007). The report defines GBA as a method to identify and respond to different impacts of policies on men and women. GBA uses analytical tools and methods, such as gender-disaggregated data, to evaluate policies in a gender-sensitive way (McNutt 2010). The implementation of GBA, however, has had a limited impact. A 2009 report demonstrated that implementation of GBA across the federal government has been weak and inconsistent (McNutt 2010).

GM and GBA are often assumed to be one and the same. The two frameworks share a common goal of gender equality. They both advocate for substantive equality, which may require recognizing differences between groups in order to treat individuals as equals, as opposed to formal equality, which emphasizes applying equal treatment to all individuals. From this standpoint, policies that provide formal, equal treatment to men and women do not necessarily advance gender equality (Hankivsky 2007). However, proponents of GM have argued that GBA is one component of GM rather than an equivalent concept (McNutt 2010). McNutt (2010) argues that GM regards inequality as structural and requiring institutional change while GBA is limited to reacting to existing policies and is ineffective in coordinating across different policies to advance equality. Bacchi and Eveline (2010) put forward a similar critique of GBA. They also argue that GBA is reactive while GM is proactive and takes place at the outset of policy development. Moreover, GM calls for “scrutiny of broad policy objectives” rather than a focus on specific policy instruments (42). These scholars argue that GBA, on its own, is insufficient as a mainstreaming strategy. In short, mainstreaming allows policymakers to be strategic and take on a broader, more comprehensive approach to gender equality.

GM proponents have outlined methods and frameworks to bring mainstreaming into the policy process. McNutt (2010) argues that an effective GM strategy requires a coherent,

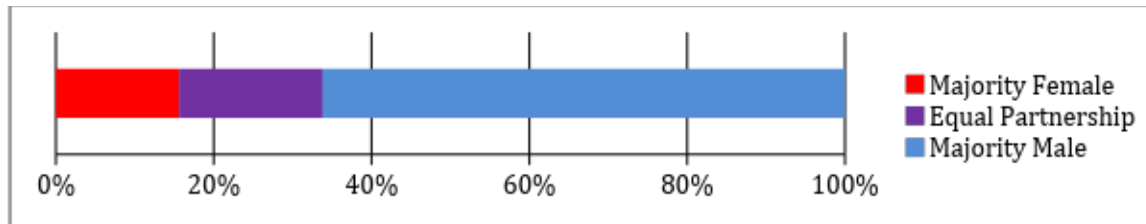
consistent mix of policy instruments. This requires a shift away from a piecemeal approach in which policy instruments become “layered” and work at cross-purposes. Bacchi and Eveline (2010) outline the method of “deep evaluation” as a tool for mainstreaming. Traditionally, evaluation focuses on operational processes and outcomes of programs and policies (Pal 2013). Deep evaluation assesses these aspects of policy but expands the scope of inquiry to the way the policy problem is framed and the concepts and assumptions behind the problem definition. It asks, “what is the problem represented to be?” and then inquires further into this representation. These questions include: “What presuppositions or assumptions underlie this representation of the problem? How has this representation of the problem come about? What effects are produced by this representation of the problem?” (Bacchi and Eveline 2010, 117). This paper will use the deep evaluation method to analyze the policy problems that influence the outcomes of women entrepreneurs.

### **The Issue: Women and Entrepreneurship**

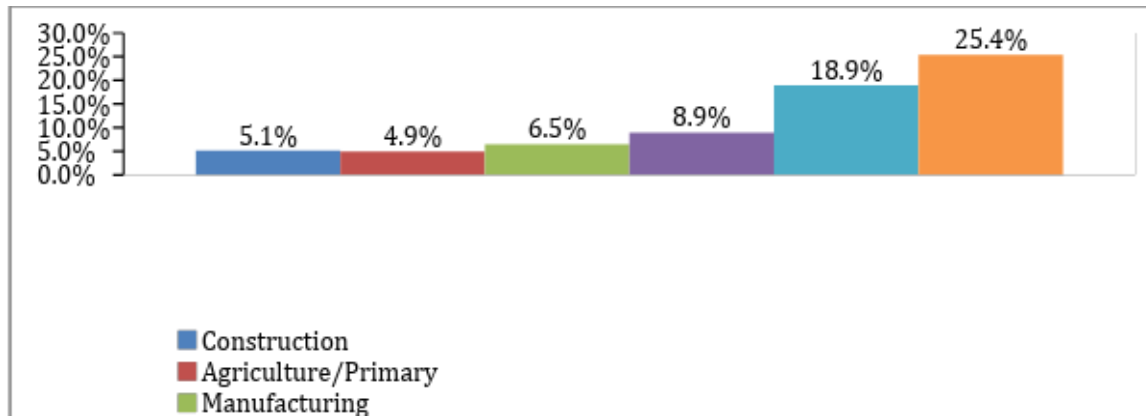
The Canadian federal government started focusing policy interventions on entrepreneurship and small business in the early 1990s (Swedish Foundation for Small Business Research 2001). The goal of these policies is to stimulate economic development, innovation, and job creation. They are also a response to the shift to a “new economy” where entrepreneurship has become increasingly relevant for employment and economic development (Hughes 2004). Federal and provincial governments have applied a variety of policy interventions aimed at promoting the start-up and growth of small businesses, such as online information, regional business service centres, and advisory and mentor services. Governments have also supported financial instruments such as loans and loan guarantees to promote access to capital for small businesses (Swedish Foundation for Small Business Research 2001). In recent years, the federal government has also promoted messaging that encourages people to become entrepreneurs. For example, the 2013 federal budget emphasized not only supporting existing small businesses but also the goal of “promoting an entrepreneurial culture” (Canada 2013, 206).

Small business policy has also been marked by programs directed at “target groups” that are under-represented as owners, which includes women (Swedish Foundation for Small Business Research 2001). The number of women-owned small businesses has grown in recent years, but women remain under-represented. Figure 1 shows that, in 2013, approximately 16 percent of small businesses in Canada were solely or majority-female owned, and 18 percent were equally male- and female-owned. The remaining 66 percent of businesses were either solely or majority male-owned (Industry Canada 2013). There are also notable differences in the industries of businesses owned by men and women. As figure 2 demonstrates, the largest proportion of women small business owners are found in Canada’s service and wholesale/retail sectors with 17 and 22 percent majority female ownership respectively. These industries tend to be more competitive with lower profit margins (Women’s Enterprise Centre 2014). Research in this area has indicated that, on average, majority women-owned small businesses have lower

revenues, profitability, and equity compared to those with majority male ownership (Orser 2007).



**Figure 1.** Gender distribution of small business ownership in Canada. Adapted from Industry Canada (2013).



**Figure 2.** Percentage of majority female-owned businesses in Canada by industry sector. Adapted from Industry Canada (2013).

The federal government has developed policies that aim to increase the number and success of female-owned businesses. The WEI is one of the longest-running and most extensive of these programs in Canada. It is also one of the few programs providing loan financing exclusively for women-owned businesses. The goal of the program is to promote economic equality between men and women (Western Economic Diversification Canada 2014). The program is delivered through not-for-profit Women's Enterprise Centres in British Columbia, Alberta, Saskatchewan, and Manitoba. The centres deliver advisory, mentorship, and training services as well as loans up to \$150,000 for small businesses owned by women (Western Economic Diversification Canada 2014). Promotion of women's entrepreneurship has continued since the inception of the WEI in 1995. Provincial governments also deliver small business training and financing programs but play a less prominent role in delivering gender-targeted business programs.

## Defining the Problem: Barriers Encountered by Female Entrepreneurs

The WEI is designed to respond to the relatively lower representation and growth of women-owned small businesses. The initiative attempts to address barriers that are more likely to

be experienced by female business owners, with a focus on barriers experienced at the individual level. The BC Women's Enterprise Centre categorizes these factors as "personal barriers" and "external and firm-related barriers" (Women's Enterprise Centre 2014, 8, 10). As this section will demonstrate, these two categories of problems are often interrelated.

First, "personal" barriers cited by female business-owners include: low confidence, conflicts between work and family roles, lack of networks, and gender-based discrimination. Low confidence in one's abilities as a business owner influences how entrepreneurs operate their businesses, present themselves, and negotiate with other business actors (Women's Enterprise Centre 2014). Another personal barrier is the conflict between work and family roles. Caregiving responsibilities and other family roles limit the time that some owners have available to devote to their business or to training. Women are more likely than men to cite this as a challenge (Orser 2007). Women also cite other challenges such as limited connections to professional networks, as well as being discriminated against or not being perceived as professional equals by male peers in business (Orser 2007).

Next, "firm-related" barriers include limited management skills and experience, and a lack of access to financial capital to invest in their business. These factors are particularly limiting for business owners with growth aspirations (Women's Enterprise Centre 2014). There is some debate over the cause of women's relative difficulty in accessing financing. The BC Women's Enterprise Centre cites low financial literacy and limited professional networks as factors. Perceptions of access to finance matter as well. Some women assume they will be unable to gain business financing and decide not to pursue entrepreneurship at all (Women's Enterprise Centre 2014). Some studies have suggested that lending institutions and investors may be biased against financing women-owned businesses (Orser 2007). Other studies have instead attributed financing challenges to the nature of the industries where women are most represented. Some have suggested that there is no significant gender gap in financing when controlling for the size and sector of the business (Orser 2007).

The WEI and its Women's Enterprise Centres are designed to address both the personal and firm-related barriers for existing businesses. The WEI provides business skills training, advisory services, and networking opportunities (Orser and Riding 2006). These are a response to the identified gender gap in entrepreneurial skills, confidence, and networks. The program also provides loans for various stages of the business cycle, including start-up and growth (Orser and Riding 2006). This addresses financing challenges by designating loan capital exclusively for women-owned businesses. The goal of these measures is to increase the survival and growth of women-owned businesses.

The program only responds to the challenge of work-family conflicts in an indirect manner. Clients have suggested that Women's Enterprise Centre staff tend to share the

perspective of being a woman in business and understand their challenges (Orser et al. 2012). There is also some indication that mentorship services can help clients learn from peers to better manage challenges related to “work-life balance” as a business owner (British Columbia 2012). However, the program is limited in that it can only address work-life balance as a skill that can be built without addressing the root causes of this issue.

This identification and response to women entrepreneurs’ personal and firm-related barriers follows GBA methods. It approaches gender as a key variable in explaining the characteristics of small businesses (Hankivsky 2007). It also uses gender-disaggregated data to examine differences between male- and female-owned businesses. This method reflects GBA’s emphasis on drawing from empirical evidence to inform policymaking (McNutt 2010). This analysis is effective in identifying barriers unique to women. The scope of GBA, however, might be limited. Bacchi and Eveline (2010) argue that policy development does not only react to problems, but also has a role in framing and representing problems. The representation of a policy problem determines what interventions governments use to address it, who is seen as responsible for the issue, and who will benefit from the intervention (Bacchi and Eveline 2010, 124).

Deep evaluation’s method of examination (i.e. to ask, “what is the problem represented?”) can be applied to the barriers identified by the WEI. For instance, one of the personal barriers is women’s lack of confidence, skills, and experience relative to men. Bacchi and Eveline (2010) consider a similar characterization of this problem and ask if this representation of the problem affects how women view their own position in business and society and their view of how others perceive them. This depiction also places responsibility upon individual women to gain skills and to adapt to the existing business environment (124). This framing directs attention from structural factors that affect perceptions of women’s business skills relative to men. These include gendered socialization and stereotypes. These assumptions may imply that entrepreneurship is a “male norm” to which women need to adapt (Ahl et al. 2014). For example, Braidford et al. (2013) propose that “women’s lower scores in entrepreneurial self-efficacy tests may not result from gender differences per se, but socially conditioned norms and perceptions of male and female traits and how these relate to entrepreneurial activity” (146). Women’s level of business-related skills can be attributed not only to individual competencies but also to culture and socialization

The identified barrier of work and family responsibilities can be analysed in a similar way. Characterizing family responsibilities as a barrier for women entrepreneurs draws from the idea that caregiving is a predominantly female role (Bacchi and Eveline 2010). It frames the problem in terms of individual responsibilities, but this characterization is also related to gendered patterns of domestic labour (Fenwick 2004). A narrow scope of analysis may not capture how other areas of public policy influence gendered patterns of caregiving

responsibilities. Women tend to take on more care responsibilities because they are the lower income earner in their family, meaning they have a lower opportunity cost than their spouse for childcare (Newman 2012). These responsibilities are also shaped by cultural expectations and socialization that associates women's family and societal roles with caregiving (Newman 2012). In the absence of public policy to support childcare, these responsibilities tend to fall upon women. The gender mainstreaming perspective acknowledges that family responsibilities are a challenge for business owners. It also broadens analysis to explore the other factors that influence how these responsibilities are allocated.

The example of conflicts between work and family responsibilities demonstrates how GM can analyze the challenges that women experience as well as the depiction of the challenge in policy development. GBA is also an important tool for identifying issues facing female entrepreneurs. However, GBA on its own may focus narrowly on individual factors that can be addressed by a targeted program. Exploring how a problem is represented can complement GBA by shifting the focus of analysis more broadly to the other areas of policy.

### **Framing Inequality in Entrepreneurship: The Business Case**

Deep evaluation can be applied not only to individual barriers and targeted programs, but also to the broader policy problem at the macro level. Policies and programs targeted at women entrepreneurs, such as WEI, are a response to the underrepresentation of women as small business owners and the growth of women-owned firms relative to male-owned ones. One might ask what makes this a policy problem and why governments should deliver an intervention. This section argues that there are different rationales for policies that aim for gender equality in business.

The "business case" is based on the idea that women-owned enterprises need support from policy interventions so that they can contribute to economic growth and job creation. Policies directed toward these firms aim to tap into an "under-utilized resource" to generate economic benefit (Orser et al. 2012, 239). The issue has also been framed in terms of gender equality. This standpoint argues that business policies that apply uniform treatment to men and women fail to address the factors that disadvantage women business owners (Orser et al. 2012). It is also based on the concern that women do not have equal access to government supports for business (Orser et al. 2012).

The WEI draws from both the "business case" and "equality" rationales. Programs targeted to female entrepreneurs recognize that there is gender inequality in small business. They follow GBA and GM's concept of substantive equality, which recognizes policy interventions that respond to women's unique obstacles in business. While this equality view has an influence, governments tend to feature the business case framing more prominently in public policy toward female entrepreneurs. An example can be found in the 2003 Prime Minister's Task Force on

Women's Entrepreneurship. It highlights that "with more than 821,000 self-employed women in Canada today, earning in excess of \$18 billion annually, women-owned businesses are a vital part of the Canadian economy" (Canada 2003, 33). The WEI program also focuses on the economic benefit of these businesses. The program fits with the general mandate of Western Economic Diversification Canada, which is to promote economic development in the four western provinces. The BC Women's Enterprise Centre depicts the policy problem as a "gender gap" in the economy caused by the "less-than optimum participation of women in the economy" (Women's Enterprise Centre 2014, 4).

The framing of a problem influences the standards by which governments evaluate the effectiveness of a policy intervention (Pal 2013). The "business case" problem definition informs the WEI's performance measures and definition of success more than the "equality" problem definition. Similarly, the definition of the problem determines the objectives and performance criteria of programs that are part of a policy response (Pal 2013). The intended outcomes of the WEI are: increased small or medium enterprise "competitiveness and productivity," increased investment to targeted western Canadian firms, strengthened "women owned and controlled small/medium sized enterprises in Western Canada with improved capacity to remain competitive in the global marketplace," increased self-employment and business development among women, the establishment and growth of women-owned and controlled businesses, increased economic equality between men and women, and, finally, the development and diversification of the western Canadian economy (Western Economic Diversification Canada 2014, 5).

Most of the above outcomes emphasize firm performance and economic impact. As such, the federal government mainly evaluates the WEI in terms of how it fills the "economic gender gap" in small business to produce economic benefit. The goal of "greater economic equality between men and women" alludes to the equality perspective. However, equality is not as well defined and measurable as the other objectives. As a result, it is not quantified as easily as other performance objectives. A 2014 program evaluation notes that it is unclear what equality means in the context of WEI and how it should be measured. The "business case" is articulated much more clearly and more easily quantified. While firm performance is linked to widely recognized measures, measures of equality are more contested. This may explain why the "business case" rationale is given precedence in evaluating the performance of the program.

This examination of the "business case" perspective also shows how entrepreneurship is assumed as a desirable outcome of public policy. The representation of the policy problem holds that the higher representation of women in business is a positive outcome. One of the stated goals of WEI is to increase business-ownership among women. As such, one of the program's performance indicators is the increase in the number of self-employed women in Western Canada (Western Economic Diversification Canada 2014).

This “business case” perspective also focuses on small businesses that aim for financial growth, an increase in exports, and an increase in investment. Hughes (2006) terms this group “classic” entrepreneurs (109). However, both men and women have a diverse set of motivations for starting a business. Hughes identifies two additional broad groups. In addition to “classic” entrepreneurs, there are also “work-family” or “lifestyle entrepreneurs,” such as those who operate smaller-scale home-based businesses. There are also “forced entrepreneurs” who are “pushed” into self-employment by circumstances such as loss of another form of employment (110, 109). There is some indication of differences in the proportion of men and women who identify with these different motivations. For instance, Statistics Canada’s 2000 *Survey of Self Employment* found that 31.9 percent of women and 7.9 percent of men cited “work-family” reasons as their primary motivators for self-employment (as cited in Hughes 2006, 113).

While business ownership can be a source of economic independence, it may also signify precarious economic security (Ahl et al. 2014). Ahl et al. (2014) argue that a better understanding of owners’ contexts is required to determine if higher levels of business ownership are a positive policy outcome. For example, small business owners work longer hours on average than those who work for an employer. They are also more prone to fluctuations in income or low income and the associated financial difficulties (Hughes 2004). In other words, a transition to entrepreneurship can be risky because of the potential to compromise quality of life or economic security (Fenwick 2004). Hughes (2006) suggests that “forced entrepreneurs” and “work-family” entrepreneurs are more likely to experience these challenges than “classic” entrepreneurs (108). Policymakers may consider this as a gender-based issue if women are relatively over-represented in the “work-family” group. Women’s entry into business ownership may signify barriers in other areas of the labour market that are similar to the barriers faced by women business owners. Women may become self-employed due to workplace discrimination or because other employment options are incompatible with family caregiving responsibilities (Hughes 2004).

The evaluation frameworks of programs such as the WEI do not necessarily capture women’s reasons for starting a small business, as well as the factors that influence these motivations. Such motivations may stem from other policy problems, such as lack of access to childcare or an inability to find other employment. The “business case” perspective measures the program’s success based on the increase in business ownership and financial success of firms. This perspective could be supplemented by analysis of the factors that influence business success or failure. The program is not designed to address other underlying policy problems that influence women’s paths to business ownership. Nevertheless, these factors still affect the evaluated outcomes of the program.

In summary, the deep evaluation approach to mainstreaming demonstrates the assumptions that follow the framing of the policy problem. It shows how policy can influence gendered roles and structures (Bacchi and Eveline 2010). This approach also provides a deeper

understanding of policy problems that affect women's success in small business. For instance, it draws attention to structural factors that shape women's roles as business owners. This leads to the consideration of a broader range of policy interventions to address the problem. GM broadens the scope of small business policy to factors that take place beyond the scope of small business programs. This demonstrates the potential for a coordinated mix of policy instruments to advance women's equality and economic benefit as small business owners.

### **A Coordinated Policy Approach to Women's Entrepreneurship**

Deep evaluation draws attention to the broad context and assumptions behind policy problems. As summarized in previous sections of this paper, the barriers to women starting and growing businesses are also shaped by structural factors, such as the gendered patterns of domestic labour. The problems and barriers for women entrepreneurs extend beyond the traditional jurisdiction of small business policy. They are also connected to social policy and programs, such as childcare and Employment Insurance (EI) benefits (Hughes 2004). In other words, women's entrepreneurship issues are not only a niche area of small business policy.

This analysis reinforces McNutt's (2010) argument that effective GM requires a mix of policy instruments coordinated across government departments. The 2003 Prime Minister's Task Force on Women Entrepreneurs takes a similar approach. While it does not identify itself as a GM strategy, the report recommends that the needs of women entrepreneurs should be integrated into "mainstream" business programs and policies. This includes areas such as Export Development Canada, regulations for small business financing, and other areas that are not specifically targeted to gender (Canada 2003).

Both gender-targeted and non-targeted business programs could fit within a GM-based policy strategy. Gender-targeted programs such as WEI have been praised for supporting needs that are generally unique to women entrepreneurs (Orser and Riding 2006). These programs also help women to establish networks and mentoring relationships with other women in business who understand their experiences and challenges (Orser et al. 2012). Although it has benefits, targeted programming on its own is not sufficient as a GM strategy because gender analysis may be left out of other, "non-targeted" programs and policies. Targeted programs may also limit the ability to coordinate across policy and program areas. It has been argued that these programs can make "collaboration with other organizations more difficult" (Western Economic Diversification Canada 2014, 12). Alternatively, GM advocates argue that targeted programs are necessary to counter gender biases in existing policies or institutions (Braidford 2013; Orser and Riding 2006). Gender targeted programs can also be viewed as an intervention that can be implemented over the short-term, as GM is concerned with policy goals that tend to occur over a longer time horizon.

Thus, while targeted programs are effective in advancing equality, GM requires attention beyond niche policies and programs for women. The 2014 evaluation of WEI notes that there is a gap in research or evidence on the effectiveness of non-targeted programs in supporting women entrepreneurs (Western Economic Diversification Canada 2014). Orser and Riding (2006) also note this gap. They argue that there is a need to assess other programs and services beyond WEI with a gender lens. This is the first step toward a coordinated, GM-based approach to policy for women entrepreneurs. The lack of gender research in “gender-neutral” business policies is an indication that neither GM nor GBA have been fully applied in this policy area.

Although GM has not been systematically applied to small business policy, there are indications that gender-neutral business policies have gendered effects. Government financial programs tend to prioritize sectors where women entrepreneurs are less likely to own businesses, such as advanced technology or manufacturing (Orser et al. 2012). This may impede the access of women entrepreneurs to government funding programs. Innovation strategies may focus on these sectors while overlooking innovation and growth in sectors where women entrepreneurs are concentrated, such as the service sector (Canada 2003). Recent budgets have committed to encouraging entrepreneurship among young adults. If gender were integrated into small business policy overall, then there would exist opportunities to address the gap between men’s and women’s skills. For instance, Canadian research has shown that men are more likely than women to enrol in formal entrepreneurship education at the secondary and post-secondary levels (Orser 2007). Policies toward young entrepreneurs present an opportunity not only to include women in mainstream business training but also to address factors that may discourage women from entering business.

A GM strategy for women entrepreneurs also extends beyond policies that are directly related to business. One example is access to EI and maternity benefits for self-employed workers. This can be particularly challenging for female entrepreneurs because they are more likely to experience conflict between business ownership and family roles (Women’s Enterprise Centre 2014). Many self-employed women cannot afford to forgo income and must continue working throughout pregnancy or after childbirth (Canada 2003). In 2011, self-employed workers gained the ability to opt in to receive EI benefits, including maternity benefits (Davidson 2013). This decision may have been driven by a need to adapt policy to the “new economy” overall, as well as gender-specific considerations (Hughes 2004). This development represents some movement toward a mix of policy instruments to support women business owners.

Childcare policy is also highly relevant to women entrepreneurs. Deep evaluation has demonstrated that the issue can stem from the gendered patterns of caregiving roles. As the previous section explained, women may be more likely than men to start a business based on the motivation of accommodating both employment and family needs (Hughes 2006). The “business case” perspective on entrepreneurship may assume that an increase in the number of women-

owned businesses is a positive outcome. Such an increase could potentially be viewed as an undesirable outcome, depending on entrepreneurs' motivations and circumstances. For example, female entrepreneurship may grow if more women are compelled to start a business because they cannot find employment that accommodates their childcare responsibilities. In this case, childcare policy may be best suited to address the underlying challenge (Canada 2003). This example demonstrates that an increase in female entrepreneurship is not necessarily an indicator that barriers to women's economic equality, overall, have been reduced.

The policy areas identified above are not an exhaustive list of the areas that a GM strategy would consider. They demonstrate that women's equality and success in business requires expanding the lens of policy development beyond programs targeted at female entrepreneurs. A focus on targeted programs frames women's entrepreneurship as a niche policy area without considering the impacts of public policy on a broader scale. GM means that gender-related factors should be considered across small business policy as well as social policy. Gender equality requires a coherent mix of policy instruments and a strategic, government-wide view (McNutt 2010). Women's entrepreneurship could be supported by a strategic combination of policy instruments including targeted programs, integration with "mainstream" small business programs, and interventions in other areas of policy such as education and social programs.

## **Conclusion**

A GM-based analysis of the Canadian federal government's WEI demonstrates that public policy can support the equality and success of women entrepreneurs through a broad, coordinated approach spanning across multiple policy areas. As a policy strategy, GM calls for a strategic, coordinated approach to women's equality as well as an examination of how governments depict policy problems that impact the outcomes of women-owned businesses. By inquiring into the problem representation, GM-based deep evaluation provides a fuller understanding of the barriers facing women entrepreneurs. This, in turn, broadens the options available to governments and other stakeholders to address the policy problem. Deep evaluation presents a more extensive understanding of the barriers to entry and growth facing female small business owners. GM and deep evaluation also assess how the federal government and the WEI frame the macro-level problem of women's economic equality. This analysis highlights the "business case" focus of the WEI and its emphasis on indicators of economic growth rather than entrepreneurs' circumstances and socioeconomic status. This perspective may not fully capture the factors that influence policy outcomes and thus limits the evaluation and measurement. A GM-based evaluation of micro- and macro-level issues ultimately reinforces the importance of policy toward women's entrepreneurship that is coordinated across government and incorporates a mix of policy instruments. The WEI and other programs targeted to women entrepreneurs can play an important role in this strategy. Such programs, however, should be key components of a broader, coordinated approach.

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# Strict Party Discipline: Why it is Necessary for Responsible and Accountable Government

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This paper was originally submitted for the course POLS 2070: Introduction to Canadian Government and was nominated for publication by the course instructor, Robert Ermel.

## Abstract

Party discipline in a parliamentary setting is a widely discussed issue among scholars and experts who offer varying arguments about whether party discipline needs to be strengthened or loosened. This paper will be centred on the parliamentary system in Canada and will both explain, and support, the reasons in favour of strict party discipline. The central argument of this paper is that strict party discipline is vital in Canadian government and allows for accountability and responsibility of government actions to the Canadian public. To support this argument, this paper will begin by presenting the historical context of the changing roles of members of Parliament through voting discipline. Subsequently, a detailed account of how the executive and legislative branch deliver party discipline will be examined. To further support this argument, various reform strategies will be introduced which provide an alternative to Parliament dissolution and which might provide more responsibility and accountability to constituents.

*Keywords:* Canadian government, party discipline, responsible government, accountability, lobby groups

## Introduction

Modern representative democracy typically exists as a parliamentary system or as a presidential system of governance, with each having varying degree of power and control over legislature. The executive branch in a parliamentary system derives its legitimacy from, and is held directly accountable to, the legislature. In a parliamentary system, government must be accountable for their actions and must maintain party cohesion in voting behaviour, whereas in a presidential system, party cohesion is not mandatory. In a presidential system, the executive branch is separate from the legislative branch and is not responsible to the legislature. These two elements of representative democracies have diverse benefits, but also have varied opposition in terms of the degree of autonomy that elected representatives possess. In this regard, parliamentary systems impose party discipline on elected representatives to ensure responsible government. In presidential systems, elected representatives have greater autonomy in their

ability to act independently in the legislature to represent their constituents' interests. To this end, there has been recent opposition to strict party discipline among those who argue that party discipline should loosen their hold on representatives to allow greater representation of regional and local constituents' interests.

This paper will argue that strict party discipline in Canada's representative democracy allows for a more effective and legitimate government with greater accountability and responsibility towards the Canadian electorate. A brief historical context will be presented to understand the emergence of party discipline and its relation to responsible government. Next, several arguments for the necessity of strict party discipline, its benefit to Canada, and its ability to increase the accountability of government will be discussed. The critiques of strict party discipline will also be examined. This is to note the motion towards substantive reform measures of the kind that would allow elected representatives considerable autonomy to voice the concerns of constituents in legislature. Moreover, this paper will provide several reasons to think that loosening party discipline will result in greater misrepresentation of Canadians' interests and will suggest that such a loosening of party discipline might lead to the influence of external interests, such as advocacy groups.

### **Party Discipline; its Historical Roots and Development**

It is important to understand the purpose of party discipline through its constitutional origins in responsible government. A clear understanding of these concepts will further assist in the subsequent arguments of this paper. Party discipline is a term used in parliamentary systems which has several interpretations and applications, but, fundamentally, is concerned with the smooth operation of Parliament. In this paper, party discipline will be defined as the convention by which all members of Parliament (MPs) within a party vote together on every occurrence. Party discipline is reinforced by caucus meetings, orders from the prime minister in the governing party, and party whips (Dyck and Cochrane 2014, 685). Strict party discipline allows for a measure of ideological certainty within political parties and delineates the opposition party from the governing party; this certainty helps inform voters (Chodos et al. 2006).

A key principle in the formation of party discipline is responsible government; this principle was embedded within the Constitution Act of 1867. Strict party discipline, in its promotion of party unity and solidarity in the House of Commons, is a required feature of responsible government. This is important since a government can be defeated on a confidence question. Responsible government ensures that the executive branch enjoys the confidence of a majority of its members in the elected assembly; it is the executive's job to maintain confidence in the House of Commons (Docherty 1997, 138). When the government loses confidence in the House, either through bills or a confidence vote, the legitimacy of the executive diminishes, and the government must either call an election or resign (138). Responsible government also means that the government of the day is responsible and accountable for their actions to the Canadian

public through the election process. Strict party discipline allows for an effective and legitimate government to function by expressing the minds of citizens through adopting legislation, amending legislation, and allocating resources (Savoie 2008, 48-49). Strict party discipline also allows for a stable government by providing assurance that it can pass its legislation program intact. Without strict party discipline, Parliament would simply be a collection of disparate individuals and, as a result, legislation would become more difficult to pass (Flavelle and Kaye 1986, 6).

However, strict party discipline was not present in the early years of confederation; during the 1860s and the 1870s, parties were not fully cohesive or developed in scope (Lemco 1988, 287). According to Jonathan Lemco (1988): “Governments during this period were frequently defeated without any resignations. Private legislation was equal in importance as public legislation, and the sense of the will of the House was more important than that of party policy” (287). During this period, private members could defy the party whip and vote according to their conscience on legislation. In fact, during Prime Minister John A. Macdonald’s time in office, he referred to these private members as “loose fish” and “shaky fellows” because they were not primarily concerned with acting cohesively to achieve the party’s goals (quoted in Lemco 1988, 287). To further support this lack of party unity, the government of Macdonald was defeated six times on minor bills, yet, in defeat Macdonald did not dissolve parliament or call an election (287).<sup>1</sup> Through advancements in electoral laws, parties began to become more cohesive and unified in their ideological views (which resulted in minimal dissent).

Toward a more modern practice of party discipline, Joseph Wearing (1998) found that during the 35<sup>th</sup> Parliament (i.e. 1993-1997) dissent in any of the parties was only present 21.8 percent on recorded votes (cited in Malloy 2003, 117). This period is important to distinguish because it challenged the traditional notions of party discipline (Docherty 1997, 136). The existence of lower levels of dissent in the modern context of the Canadian parliamentary system is the result of strict party discipline. Historically, the two major parties (i.e. the Liberals and the Progressive Conservatives) functioned as brokerage parties meant to appeal to as many interests needed to gain majority governments. On this view, brokering various interests does not allow for a consistent ideological focus but allows brokerage parties to represent various regional interests (Malloy 2003, 117-118). Brokering various regional interests enables government to supplement their party’s personal cohesion with strong party discipline to lower dissent levels and to stay united in their goals. Party cohesion must then be maintained by strong party discipline through caucus meetings, incentives, and networks since party discipline determines legislators’ behaviour in voting rather than an MP’s individual ideological preference (122).

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1. Roman March’s (1974) data of 1867 shows that only 28 percent of MPs never voted against their party but, in 1963, this figure of MPs not voting against their party rose to 78 percent (cited in Lemco 1988, 287).

## Benefits of Party Discipline

Party discipline does not only benefit the governing party but is also equitable to the opposition since it provides a solid and united group to distinguish themselves from in the next general election campaign (Savoie 2008, 48). The opposition must be united internally to effectively critique legislature and the executive, and they must also be unified in order to display to the public that the government is weak (Docherty 199, 143). Strict party discipline serves its purpose by assuring that if defeat were to occur, it is not due to internal dissent or conflict (this would likely happen if party discipline was loosened). So, strict party discipline benefits the opposition as it allows them to attempt to form a united group that aims to offer a reasonable alternative to the electorate. Party discipline is further maintained by loyalty, the limiting of behaviour and expression, and sanctions on MPs who defy the party line (139).

As John Reid (1993) points out, Canadian politics is often analogized to a team sport in which each member plays a role for the benefit of the whole team (2). This means that political parties: depend on mutual trust, require close cooperation by all members of the party, and must maintain the confidence that each MP will satisfy their role in voting (2). When political parties are viewed in this light, an individual on the team must work together with their party to achieve its goals, regardless of their own personal beliefs. If a member opposes their party, it is not primarily the leader, the party whip, or the cabinet ministers that reprimand this action, but instead their fellow colleagues who collectively whip them back into line (3). This team-focused mentality in political parties, encouraging solidarity and unity, ensures that the party is able to accomplish its goals collectively. Accomplishing such goals is crucial for political parties to remain accountable to constituents.

Now, MPs are already equipped with the necessary opportunity to voice the concerns of their constituents within party caucuses without the influences of the media, interest groups, or the opposition to scrutinize their views or beliefs. Through caucus, all MPs are granted the opportunity to debate issues and demands in private. These debates are not whipped and are not the highly scripted debates that occur in the House of Commons (Reid 1993, 2). Caucus grants party leaders the opportunity to justify their actions to their party members and to gain support from these members. In caucus, the party leader is accountable to their political party, and if members do not feel that the leader is fulfilling their constituent's or the Canadian public's demands, the leader can be voted out of the party (2).

Responsible government gives immense power to the electorate, through elections, to make decisions regarding the future of Canada. Political parties are further accountable to the public for the following reason: if the electorate feels the government is not representing their interests, and does not feel the leader is suitable to lead their party, the electorate has the ability to vote accordingly at elections (Reid 1993, 2). This system keeps government in line with the policies and actions they propose in the House of Commons. If party discipline is loosened, there

would be no party to be held accountable for their actions, and the electorate would not be able to vote effectively at elections (Franks 1987, 227). Giving MPs more independence in their voting behaviour would be counterproductive to the constitutional principle of responsible government. To counteract this, the parliamentary system gives various incentives to MPs for toeing the party line and provides punishments for MPs who vote against the party's position (Longley 2008, 490-491). For example, Monique Guay (2002) notes how loyal MPs are rewarded for cooperation by potentially being granted the opportunity of becoming appointed to a committee chair, a House leader, a parliamentary secretary, or a Cabinet minister (7-8). This system allows Parliament to achieve results more quickly and efficiently than other alternatives, which in turn directly benefits the Canadian public.

A salient case that exemplifies disputes among legislative houses and political parties is the United States federal government shutdown of 2013. The government shutdown spanned for several weeks and was intended to delay and defund President Obama's Patient Protection and Affordable Care Act (colloquially referred to as "Obamacare"). The result of the shutdown was governmental deadlock and the taking of leave of absence by many government employees. The 16-day shutdown of the US federal government is estimated to have cost the US economy a total of \$24 billion; a figure that drew alarm in the global economy and impacted various fields of research such as Arctic and atmospheric research (Showstack 2013, 397-399).

The American congressional system does not have strict party discipline as Canada does, and, as a result, interest and advocacy groups are able to have a direct influence on individual party members (Kilgour, Kirsner, and McConnell 2006, 218). This can result in a decreased cohesion of the party as members are free to negotiate among themselves. Such a lack of rigidity can lead to issues of accountability and responsibility (Flavelle and Kaye 1986, 8-9). As stated earlier, interest groups appeal to private interests and may entice party members to prioritize interests other than the public good in their decisions. In a congressional system, legislators have the independence to vote against a party-preferred bill; this is an ability that Canadian legislators do not realistically have (Longley 2003, 490-491). In the American congressional system, US Presidents and Congress are elected for fixed terms and neither Presidents nor members of the House or Senate resign if legislation is voted down. This system also provides for more regional representation than Canada (because there is no party discipline), but, comes at a price since interest groups can override regional interests; meaning, accountability issues can arise when party discipline is loosened.

### **Critiques of Strict Party Discipline**

Critics of strict party discipline in the Canadian parliamentary setting argue that MPs are forced to vote according to the party line and, consequently, are unable to vote their conscience on moral issues. Critics often argue that the Canadian House of Commons exhibits the strictest party discipline in advanced parliamentary democracies by forcibly restricting and saturating a

member's comments to align with the interests of the party (Kilgour 2013). Enforcement of party discipline by party whips and leaders allows for crucial legislation to pass at the expense of a member's own conscience and, indirectly, the constituent's that they represent. Members who dissent from their party's position can put the political party in jeopardy due to a lack of perceived solidarity among party members. Such a perceived lack of solidarity can result in the party facing further criticism from the opposition and media outlets. Furthermore, the role of party whips in Canada is to monitor the current opinions within the party caucus and to ensure that members are both present and in support of the party's leadership; this function of the party whip helps to deflect criticism and promote party cohesion (Westmacott 1983). Critics often note that party whips and leaders have too much power in deciding how MPs should vote on certain matters and argue that reformative measures should be in place to allow MPs greater independence. There are some MPs who would rather have greater autonomy in their voting behaviour so that they could avoid sacrificing their individual identity to align with the party's identity. As Liberal MP Sue Barnes stated when discussing Canadian party stricture, "I didn't leave my family and my city and a life to let somebody else tell me what to do, or to roll along with the flow" (quoted in Loat & MacMillan 2014).

Advocates for loosening party discipline promote several reforms to party discipline. These include limiting the power of the party leader to decide who sits in caucus, in order to transfer power from the leader to the party caucus, as well as granting caucus the ability to select party members for legislative committees (Democracy Watch 2013). Kilgour (2013) states that an additional reform measure might be similar to the German constitutional reform which says that a chancellor cannot be defeated in the legislative house unless a majority of members agree on a new candidate to become chancellor. Allowing freer votes on certain legislation and placing a limitation on confidence votes to only pertain to important legislation, such as annual budgets or estimates, would allow MPs more discretion to support their constituent's regional concerns (Anderson 2013).

In general, critics of strict party discipline often advocate for MPs' ability to act independently when they face scenarios not in the interest of their constituents (Flavelle and Kaye 1986, 8). Relaxing party discipline is said to improve the representation of regional interests by giving more discretion to MPs and is also thought to allow both the opposition and the governing party to work together *pro bono* (Kilgour, Kirsner, McConnell 2006, 219). Loosening party discipline might also present other benefits such as a reduction in voter cynicism about the predictability of parliamentary actions, the improvement of public policy by accepting backbench amendments, and it might provide ministers an opportunity to overrule senior officials (Flavelle and Kaye 1986, 8-9). However, what such critics fail to mention is that by sacrificing strict party discipline, accountability issues will inevitably arise as the lines blur between different parties. That is, without strict party discipline, voters will have a hard time distinguishing between distinct parties and their distinct ideologies. Voters might also lose

confidence in the parliamentary system since it would be difficult for the governing party to pass legislature without the necessary party discipline.

Critics often overlook the strengths, and exaggerate the faults, in Canada's current political system. Loosening party discipline will not allow judgement to be placed on the performance of the executive or legislative branches since MPs will be able to obstruct and delay pivotal legislation (Reid 1993, 1-3). Loosening party discipline can also increase the role of lobby groups influencing an MP's decisions; this can come at a detrimental cost to the public. As John Reid puts it: "I have never heard an interest group speak of the general good but rather of their special needs along with their power and right to have these needs met, no matter what the cost to whom" (Reid 1993, 3). In the United States, where party discipline is minimal, powerful lobby groups can influence political candidate's decisions and policies. For example, the National Rifle Association (NRA) is one of the most prevalent lobby groups in the US. The NRA supports, and fundraises for, numerous political candidates who oppose gun control legislation, while directly opposing candidates who support gun control legislation (Devi 2012, 3-9). Due to the power of this lobby group, it has become burdensome to reform existing gun laws despite increased public support by both gun-owners and non-gun-owners in favour of more restrictive gun laws. Colleen Barry et al. (2013), found that public support was high for policy measures to prohibit certain persons from possessing guns, such as those who are facing mental health problems, as well as to bolster background checks, and to implement greater oversight of gun dealers (1077-1081). Moreover, the majority of gun-owners and members of the NRA supported policies that bolster background checks and the oversight of gun dealers. More specifically, Barry et al. found that public support for policies that ban large-capacity ammunition magazines and military-style semiautomatic weapons was greater than 65 percent of the general public (1077-1081). These results show that despite public opinion in support of modest gun control legislation in the US, a single powerful lobby group can exert sufficient political pressure to prevent such gun regulation. Similar results could likely emerge in Canada if party discipline were loosened. This would produce a similar result in which the interests of advocacy and lobby groups override the interests of Canadians.

## **Conclusion**

This paper has argued for the benefits of strict party discipline in the Canadian parliamentary system. This system allows for greater accountability and responsibility of government toward their constituents and the Canadian public than other proposed alternatives. This paper has primarily shown that strict party discipline is vital for the accountability and responsibility of government actions to the Canadian public. This argument is supported by the changing roles of MPs, which produced strict party cohesion in the House of Commons and has made government responsible and accountable to the public. This argument is further supported by the structure of the legislature and executive branches in delivering party discipline and the multitude of benefits that strict party discipline offers the Parliament of Canada. Arguments for

loosening party discipline, and the various reformative measures that critics propose, have been examined with emphasis placed on the point that loosening party discipline allows powerful lobby groups the ability to influence MPs' voting behaviour. Finally, this argument is further supported by the consequences of reform measures which overlook the strengths of the Canadian parliament system and which ultimately result in less accountability and less effective government. Most importantly, those reform measures that aim to loosen party discipline would coincidentally reduce the power of the electorate and manifest the pressure of interest and advocacy groups which can be detrimental to both government procedures and the Canadian public.

As discussed, various reform measures meant to loosen party discipline have been proposed by critics of strict party discipline. These measures advocate greater representation of regional identities and would allow MPs to vote according to their conscience on controversial moral issues (Galloway 2013). These reform measures overlook, and fail to admire, the strengths of the current system as stated earlier; they also exaggerate the faults in this system (Franks 1987, 258). Most importantly, it is important to point out that the electorate votes according to the foundation of the political party and its leadership; they do not vote on the basis of an individual MP's track record (259). Allowing additional power to backbencher MPs creates greater accountability problems because these MPs are not accountable or responsible at federal elections: the government is. As stated earlier, increasing the autonomy of MPs will further obstruct and aggravate the already prolonged process of passing legislation. Moreover, as Franks points out, advocates who propose moving towards the congressional system would necessarily cater to particularism, meaning the government would have difficulty promoting equality, justice, and similar collective ideals (268). (Political particularism, in this context, is the tendency of elected representatives and policymakers to benefit their own careers by adhering to narrow interests, such as the interests of lobby groups, rather than to broad national party platforms (Gaviria et. al. 200, 8).) Collective ideals are typically the reverse of particularism where elected representatives see themselves as interdependent with other members and where national party platforms take precedence over an individual's interests. Finally, reform measures would engender a lack of constitutionality of responsible government by giving MPs more power to cater to private interests at the expense of their responsibility to the electorate (Sutherland 1991, 117-120).

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# Comparing Options for Routing Bipole III: What are the Key Issues?

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This paper was originally submitted for the course ECON 4140: Economic Evaluation of Programs and Policies and was nominated for publication by the course instructor, Dr. Gregory C. Mason.

## Abstract

There has been a recent routing change for the Bipole III 500 kV transmission project from the east side of Lake of Winnipeg to the west side.<sup>1</sup> In this paper I examine the two routing plans using cost-benefit analysis in the Manitoba context. The relevant parties and their costs and benefits associated with the transmission line will be presented. More specifically, I will discuss the methodology needed to conduct a cost-benefit analysis, as well as suitable measurement methods. This paper does not discuss the rationale for capacity expansion, and it does not select a preferred route. Instead, this paper uses cost-benefit analysis to identify the relevant issues that should be included in any routing assessment, given that expansion of generating and transmission capacity is validated by load growth projections. This paper's contribution lies in its clarification of the decision-making process needed to support the selection of the optimal routing of the transmission line.

*Keywords:* Bipole III, Manitoba Hydro, transmission line, HVDC, cost-benefit analysis, environmental assessment

## Introduction

Hydropower accounts for one fifth of the world's electricity supply (World Bank 2009). Canada is one of the top five hydropower producers<sup>2</sup> (International Rivers 2013), where hydro generates 60 percent of Canada's domestic electricity supply (Canada 2015). There are three key

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1. Bipole: a direct current electrical transmission line which utilizes two conductors, consisting of one positive and one negative pole which normally operate at equal current. In the context of Manitoba Hydro's Site Selection and Environmental Assessment process, the term also includes conversion equipment at both ends of the high-voltage direct current (HVDC) line (Manitoba Hydro 2009b, 1).

2. The other four top producers are: China, Brazil, the United States, and Russia (International Rivers 2013).

reasons for this. First, Canada is comparatively abundant in water resources that traverse changes in altitude, which is a basic prerequisite for developing the hydroelectricity industry. Second, hydropower is an extremely flexible source of energy. On the one hand, both run-of-the-river<sup>3</sup> and dam system hydropower plants can be used to respond quickly to variable demand by simply releasing or diverting more water. In the case of dam systems, water can also be reserved when demand is low to generate additional power during periods of peak demand. In effect, this stores energy. On the other hand, hydroelectricity transmission infrastructure can be flexibly integrated with other electricity generated by other forms of energy (Nathwani and Chen 2013). Third, when in use, and post-construction, electricity produced by dam systems does not produce greenhouse gases and other pollutants.

Together with emerging global dynamics, the opportunities and challenges of hydroelectricity projects are complex, and ultimately dependent on the resources, skills, and will to invest responsibly, with due regard to the significant economic, environmental, and social risks. In 2010, Manitoba Hydro released its new preferred route for the controversial Bipole III high-voltage transmission line, which is through the west side of the province; this prevents trespassing through the boreal forest on the east side of Lake Winnipeg. A major factor in this decision was the protection of a proposed UNESCO World Heritage site in that area. In this paper a cost-benefit analysis (CBA) framework is used to identify the relevant issues associated with two different transmission routings, as well as suitable measurement methods. The contribution of this paper lies in clarifying the decision-making process needed to support the selection of the optimal routing of the Bipole III transmission line.

## **Bipole III Overview**

As pointed out in the executive summary of Manitoba Hydro's Environmental Impact Statement, around 70 percent of Manitoba's hydroelectric generating capacity is driven to southern Manitoba through the Bipole I and Bipole II high-voltage direct current (HVDC) transmission lines<sup>4</sup> (Manitoba Hydro 2011a, 1). The summary notes that "Bipole I and II share the same transmission corridor, through the Interlake region, for much of their length from northern Manitoba to a common terminus at the Dorsey Converter Station, northwest of Winnipeg" (1). Importantly, the summary also points out that, in 1996, severe winds resulted in the outage of 19 transmission towers (between Bipole I and II) (1). Additionally, in 2007, the strongest confirmed tornado in Canadian history caused immense damage to the rural town of Elie, which is only 30 km from the Dorsey Converter Station (1). Manitoba Hydro warns that

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3. Run-of-the-River Hydroelectricity (ROR) is a type of hydroelectric generation whereby little or no water storage is provided.

4. High-Voltage Direct Current (HVDC) – direct current boosted up to high voltages for long distance transmission. This form is sometimes used to carry large amounts of power over long distances and for transmission underwater.

“similar catastrophic events could lead to an interruption of weeks” (1). If such an interruption were to occur, then Manitoba Hydro estimates that in months of peak demand, for example, January, demand would be unable to be met “85% of the time” (1). It is this vulnerability, plus the major consequences of continued major outages, that justifies “a major initiative to reduce dependence on the Dorsey Converter Station and the existing HVDC Interlake transmission corridor” (1). Bipole III is intended as the solution to the risks posed by such possible catastrophic events. That is, Bipole III will serve to improve the overall reliability of the system, as well as Manitoba Hydro’s ability to meet domestic demand (1).

Bipole III is a newly proposed 500 kV HVDC transmission project required to improve overall system reliability and dependability. There are two route options for Bipole III: the east side corridor and the west side corridor.<sup>5</sup> The west side corridor originates at the Keewatinoow Converter Station site near the proposed Conawapa Generating Station site located northwest of Gillam. This route would travel southwest towards The Pas and would continue south staying west of Lake Winnipegosis and Lake Manitoba. Finally, the route would pass south of Potage la Prairie and Winnipeg to terminate at the Riel Converter Station on the Riel site in the Rural Municipality of Springfield (Manitoba Hydro 2009b, 1). While the east side corridor originates at the same station (Keewatinoow), it terminates at the Riel site east of Winnipeg (1).

Now, consider the two corridors, or routes, in slightly more detail. First, there is the east side corridor. Routing the Bipole III line along the east corridor of Lake Winnipeg offers the most attractive technical solution for improvement to the security of the existing HVDC north/south transmission system. It is shorter, and consequently reduces exposure to line failure, and is less costly to build. Additionally, the east side corridor provides a closer location for Riel Station to the east side of the Red River Floodway, next to the existing Deacon Reservoir. The advantage of the west side corridor is that routing Bipole III along this route would avoid traversing the boreal forest. But, it would also be more expensive and less useful for emergency operation in the event of the loss of one of the transmission corridors (i.e. Bipole I and II). Moreover, due to its length and geographic mapping, it cannot use the existing Henday Converter Station, rather, it requires the construction of a new converter station. On the other hand, according to CMC Consultants Inc. (2007, 5), if Bipole I and II were lost, the new Bipole III would only be able to carry its rated load (about 50 percent of the available output), thus it would require the advancement of yet another transmission line to meet the load growth projection.

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5. For a visual representation of the two route options, see the figure in the following link: <http://www.cbc.ca/news/canada/manitoba/bipole-iii-becomes-high-voltage-issue-1.998827>.

## Issues in Evaluating Benefits and Costs

CBA is a policy assessment method that quantifies, in monetary terms, the value of all consequences of a project, program, or policy to all affected members of the society (Boardman et al. 2010, 2). Two basic first steps are, first, to enumerate the “parties with standing” (those directly affected in terms of income or wealth gains and losses as a result of the project) and, second, to enumerate the losses and gains (costs and benefits). Similarly to the application of CBA to Bipole III, Neudorf et al. (1995) looked at two cases involving alternative routing for power system reliability. The focus was on different circuit volume alternatives, and, in both cases, CBA was applied. However, this study was limited insofar as it omitted the benefit side and other costs related to mapping<sup>6</sup>; mapping is an indispensable factor to make a more exact assessment for the cost-benefit analysis.

As an example of a similar study, Morimoto & Hope (2004) analysed a Sri Lankan hydro program using an extended CBA model which included environmental and uncertainty aspects. In the paper, the authors took the following steps. First, the authors decided benefits and costs where two aspects of benefit include, first, utilization of indigenous and renewable resources to lessen air pollution and, second, economic stimulation. Regarding cost, the authors considered construction costs, resettlement costs, aesthetic losses, economic losses for tea plantation, accidental costs, and costs brought about by sedimentation. Second, the authors identified variables and the framework for CBA, after which, the net present values were computed. Third, a sensitivity analysis was performed by applying variations in the expected increase in economic output due to increased power supply and proportional reduction in annual number of tourists. This allows the analyst to show how the benefits and costs vary with changes in key assumptions and reveals whether findings would be reversed under adjustments, however minor. Finally, the authors computed cumulative net present value<sup>7</sup> (NPV) at various discount rates and concluded that it is likely that a positive cumulative NPV will be obtained. Yet, a possibility of obtaining a negative cumulative NPV exists, particularly at higher rates of pure time preference.

Uniquely for Bipole III, both east and west routings contain traditional land use areas and Treaty Land Entitlement areas of various First Nations in addition to Resource Management Areas and prime farmland. Therefore, any evaluation of the project must incorporate environmental effects (e.g. costs for traversed agricultural land, polarized wildlife habitats and forest, and threatened and endangered wildlife) and socio-economic factors such as the rights of

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6. Benefits and costs due to mapping can include: social welfare, environmental sustainability, outage cost, and other system costs.

7. The net present value approach views the project as a stream of net benefits (benefits minus costs) into the future. Net benefits received in the future are adjusted (discounted) because they are valued less than net benefits received now.

First Nations<sup>8</sup> and other community interests besides the usual costs and benefits incurred by the transmission line. An important aspect of this paper is to identify a method for including the preferences of affected residents (both Indigenous and non-Indigenous) and to include the considerations of uncertainty.

A key challenge in benefit and cost valuation is valuing the land used by the transmission line. Lines impede the use of land by limiting agricultural operations, disrupting migration, and creating eyesores. Analyzing changes in the land values is an obvious metric for losses but has limits. Techniques that rely on market observations reflect the *revealed preference* by buyers and sellers. Several impediments exist to using land as a basis for estimating gains and losses to parties, but most important is that land may not be traded frequently enough, or at all, as in the case of First Nation reserve lands. Measures based on changes in land values also encounter double counting issues; increased farming costs because of transmission lines would also be reflected in changes in sales and rental prices. One can count the changed operating costs or the changed land values, but not both.

On the other hand, contingent valuation methodology (CVM) is a survey technique that aims to provide a more direct assessment of value using a consumer's willingness to pay (WTP) (Per-Olov and Kriström 2012). The technique approaches parties directly and asks them to state their WTP. Such *stated preference* methods use a split ballot (i.e. a survey sample divided into randomly assigned subsets), where each respondent in a sub-sample indicates whether they accept the trial price that is offered. The trial prices vary with each sub-sample allowing the researcher to map the value of land under project options.

However, a common problem is strategic bias. This occurs when people offer bids that are too high or too low in an attempt to affect the final price. That is, parties view the survey as part of a negotiation with the project proponent, which affects their estimation of value. To mitigate this effect, the double-bounded CVM approach was first proposed by Hanemann (1985) and first implemented by Carson, Hanemann, and Mitchell.<sup>9</sup> As Hanemann et al. (1991) noted, to the extent that respondents' awareness with multiple bid iterations is a cause of the starting point bias<sup>10</sup>, double-bounded models avoid this problem with a single follow-up bid.

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8. Increasingly, First Nations rights with respect to resource development are being recognized as meriting payments, which increase the costs of any project that infringes directly on land or affects treaty provisions whether directly or indirectly.

9. "Double-bounded" CVM uses a "follow-up" question to exact willingness to pay (WTP) after first bid-up.

10. Starting point bias results from the starting point of the bidding procedure. If the starting value is too far from the true bid value, then the single follow-up bidding will terminate the game before the true value is revealed.

Another methodological issue is uncertainty, which should be accounted for in CBA. However, as Merkhofer (1987) points out, CBA rarely attempts a comprehensive accounting of uncertainty in the outcomes of a decision; this is because risk is an objective property of the physical world and only repetitive phenomena can be analysed with probabilities. As for analysis of the Bipole III HVDC transmission line, extreme weather uncertainty would make a crucial difference between different routings. Therefore, extreme weather uncertainty should be taken into consideration from the beginning. However, extreme weather, such as wind, lacks frequency distributions or symmetry arguments for estimating probabilities.<sup>11</sup> In an electricity transmission outage study by Koval and Chowdhury (2005), it was found that, among other extreme weather, wind and precipitation outages were not proportional to the physical length of transmission line. On the other hand, lightning outages were strongly correlated with physical length. Thus, for extreme weather, uncertainty could be approximated by the dimensions of the line to show the impacts of specific events. Other studies have attempted to model uncertainty by experimenting with specific probability density functions (PDFs) to simulate extreme weather.

A third issue is that the difference between two transmission alternatives also lies in the varied land use they transverse. For the west transmission line, many farms will be diversely affected since the lines impede farm operations and management. Costs brought by these lines on farmlands could be hard to estimate. On the other hand, the impact of a line across UNESCO-designated land would incur obvious complexities in estimating value.

### **Applying Cost-Benefit Analysis to Bipole III**

#### *Proposed Framework for Bipole III, Scope, and Affected Parties*

The first work plan of Bipole III was proposed as the “Transmission Complex Site Selection & Environmental Assessment” in May 1989, followed by an addendum in June 1990. In 2004, the Government of Manitoba asked Manitoba Hydro to cease work on the east side because of the provincial intention to apply to UNESCO for a heritage site designation of 43,000 square kilometres of forest on the east side of Lake Winnipeg and a concern over the habitat disruption for woodland caribou in the area. The comparison in this paper is between the original east side work plan proposed in 1989 with the west side work plan reflected on the Manitoba Hydro website.

The primary affected parties are: Manitoba Hydro, Manitoba Hydro customers (ratepayers), landowners (comprising farmers and non-farm landowners), and the Manitoba government. From an importantly broader perspective, Bipole III also affects additional parties: Indigenous communities, rural communities, and those Manitobans who prefer the preservation

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11. Symmetry arguments, developed by early probability theorists, were able to justify the initial assumptions of equiprobability using combinatorial methods (i.e. by simply counting cases).

of wilderness. As the transmission project traverses farmlands, wilderness, and some living areas, soil productivity, integrity of wildlife habitats, and human health are affected. Farm operation is affected directly by limiting the use of the land close to transmission lines. Moreover, non-farmers may suffer losses due to visual effects. The key is that the costs and benefits of Bipole III are held by those whose “enjoyment,” both economic and socio-cultural, is directly affected. The perceptions of non-residents of Manitoba should not be given any standing since they bear none of the direct costs (e.g. construction) or indirect costs (e.g. deprived income and loss of benefits in actual or potential use). These costs (represented by “-”) and benefits (represented by “+”) are summarized in table 1 (where “0” represents neither a cost nor a benefit). For example, mitigation will pose a cost to Manitoba Hydro and ratepayers but would bring monetary benefit to First Nations who will be affected by the project. Considering local landowners will not be affected, in terms of mitigation, Bipole III means a monetary transfer from ratepayer to First Nations via Manitoba Hydro.

**Table 1.** Stylized cost-benefit framework showing the impacts of Bipole III.

		First Nations	Ratepayers	Local Landowners	Manitoba Hydro
Costs	Cost of the transmission line	-	-	0	-
	Mitigation of affected landowners	+	-	0	-
	Line failure	-	-	-	-
	Environment and plant and animal diversity	-	0	-	0
Benefits	Transmission stability for Bipole I & II	+	+	0	+
	Reduced pollutants	0	0	0	0
	Electricity transmitted	+	+	0	+
	Electricity exported	0	0	0	+

*Note:* Ratepayers includes households and business corporations. For Manitoban electricity consumers, it is assumed that their WTP is higher than the electricity rate. Therefore, consumer surplus is positive. This assumption is derived from rates among different provinces across Canada.

### *The Cost-Benefit Analysis*

This section provides a comparative evaluation of the specifics of the Bipole III project. In particular, the associated costs and benefits of each proposed Bipole III route to the relevant parties will be discussed. To begin with, the costs to Manitoba Hydro will be presented. These include: construction and maintenance costs, environmental mitigation costs, transmission line failure costs. Next, the benefits to ratepayers will be briefly restated. (Costs and benefits to all parties are represented in table 1.) Finally, a CVM survey is proposed to measure ratepayers’ WTP for a rate increase for the west side route.

Manitoba Hydro faces both construction and maintenance costs. These costs differ depending on the preferred Bipole III routing. First, two main construction differences are the transmission line length and the development of a northern converter station. Regarding the converter station, cost estimation is straightforward, it is the sum of labour costs and equipment-related costs. As for the transmission line, different geographical features require different technologies. However, when comparing the total cost in terms of length, the cost due to different technologies is negligible.

Next, construction costs should be discounted until the end of the construction period and maintenance costs should be discounted until the end of the life cycle for the project. If periodic upgrades are planned, then these become part of the construction cost and need to be discounted appropriately. Vegetation management is one of the more important maintenance issues which involves a variety of methods including: hand-cutting (e.g. utilizing chainsaws, brush saws, or axes), mechanical shear blading, and herbicide treatment. The latter is always controversial, but unless impacts, such as death of wildlife, can be quantified and that loss valued, this is a difficult element to include in a cost-benefit framework. The vegetation maintenance brushing cycle for transmission line rights-of-way typically ranges between 8 and 10 years (Manitoba 2012). Therefore, vegetation maintenance costs should be discounted every maintenance period until the end of the life cycle.

Regarding environmental mitigation costs, Manitoba Hydro uses various ways to mitigate the impact of transmission lines which can be used to approximate welfare loss due to decreased biodiversity. In this framework, the costs have been categorized as: media promotion cost<sup>12</sup>, environment-oriented mitigation cost,<sup>13</sup> and land acquisition cost<sup>14</sup>. Because mitigation is done in different geographical segments, and during different stages of the lifetime of the transmission project, it can be calculated using the same method for construction and maintenance. The media coverage cost and the land acquisition cost should be discounted before the construction period; this is especially the case when considering the land lump-sum payment.

Transmission line failure costs are caused by line outages and by major natural events. For transmission line outages, the cost difference between the two routings lies in the length of the transmission lines. To estimate line failure cost, there are two important parameters to consider. First, there is the mean time to failure which, for transmission lines, is 1.25 years per 100 km (Padiyar 1990, 6). Second, there is the mean time to repair to consider which, in this case, is one and a half hours (6).

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12. Social media promotion cost is the cost related to public relations necessary to promote policy implementation.

13. Environment-oriented mitigation cost, also known as compensatory mitigation cost, is a cost that intends to offset the known impacts to an existing historic or natural resource.

14. Land acquisition costs refer to the overall costs of purchasing an asset.

On the other side, Bipole III, similarly to other long lines in Canada, will be subjected to severe weather conditions that are expected to be the controlling design loads for conductors and towers. Extreme weather causes line failures across Canada. In January 1998, an ice storm devastated eastern Ontario and southern Quebec's power system (i.e. 120,000 km of power lines and telephone cables, as well as 130 major transmission towers were affected). This resulted in about 900,000 households without power in Quebec and 100,000 in Ontario (Phillips 2002). For Manitoba, the 1996 windstorm that caused the failure of nineteen transmission towers meant that it took four days to restore one HVDC line (Manitoba Hydro 2011b, 4). Manitoba Hydro notes that if this event had occurred a month or two later than it did, then "rotating blackouts would have been unavoidable" (4). Although the probability of extreme weather occurring is relatively low, from an examination of the historical data, the loss brought about by such an event would be huge. This is especially true for transmission lines in different climate regions where the costs of extreme weather could produce a significant difference between the two.

To simulate climate models, it is necessary to select six weather monitoring spots in two transmission study areas. Access precipitation, wind speed, temperature, and lightning data of the past 50 years creates a collection of data from which the probabilities of extreme weather may be derived using numerous techniques. For example, one method is the generalized extreme value<sup>15</sup> distribution. Using such a distribution, risk probabilities may be modelled.

As indicated in table 1, the average Manitoban, as an electricity consumer, benefits from an increased amount of electricity available. It is assumed that the WTP brought by an additional unit of electricity provision is constant and that both the WTP and electricity consumption for the average household is identical between the two alternative lines. In other words, revenues earned by Manitoba Hydro represent the benefits of the service. However, the capital and maintenance costs of Bipole III will need ratepayers to meet these costs through a rate increase. The key issue then becomes whether Manitoba ratepayers are prepared to pay the incremental costs of a west side transmission line, assuming that the revenues (and benefits) are the same in either case.

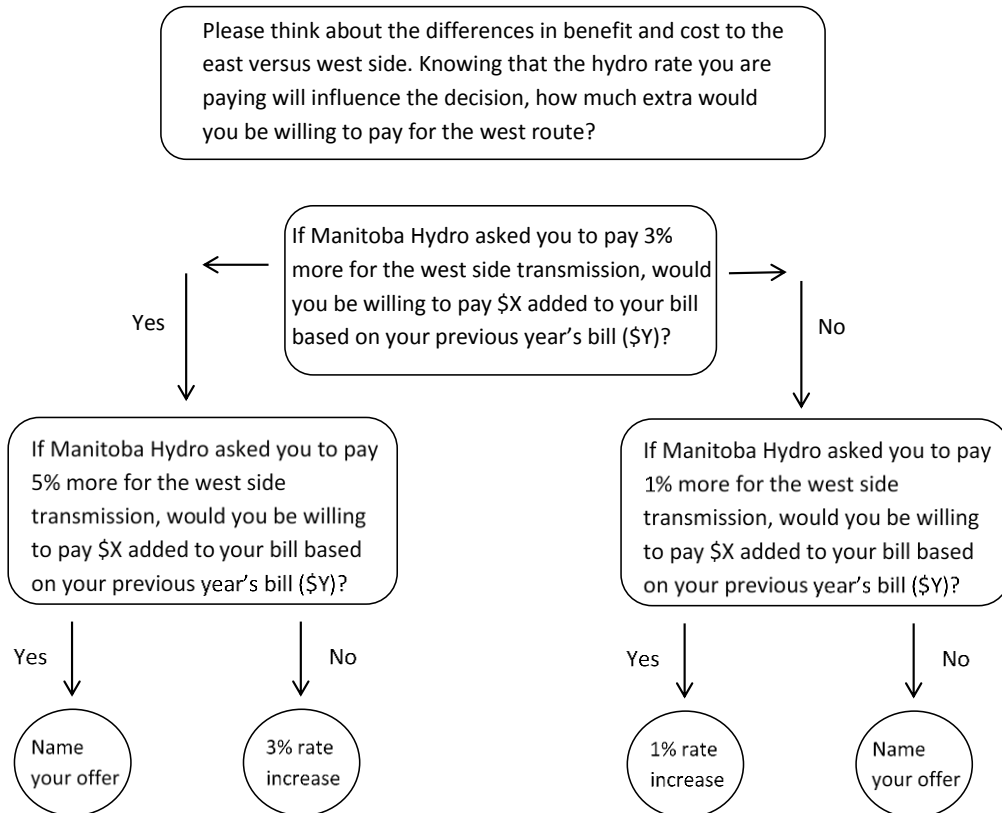
Cost-benefit analysis can summarize relative value (the cost-benefit ratio). However, it is necessary to measure the preferences of affected ratepayers. A survey of ratepayers represents an effective way to measure the value of two options, in this case the choice of transmission line on the east or on the west. Conventional, single-bound CVM surveys involve asking a ratepayer if they would pay some given amount to have Bipole III move down the west side of the lakes to avoid some harm or gain some benefit.

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15. The generalized extreme value distribution is often used to model the smallest or largest value among a large set of independent, identically distributed random values representing measurements or observations.

The survey will randomly enrol respondents from a sample of Manitoba Hydro ratepayers with an incentive to receive a year's free electricity or gas. After the confirmation of participation, respondents will receive a letter which explains the differences in cost between the east and west side routes. This letter will be followed up by a CVM survey where respondents will be asked how much more they are willing to pay for the west side. The first bid option will be asked at three percent extra than the previous year's bill payment.

In double-bounded CVM, participants are faced with a starting bid and will be presented with two sequential prices or bids afterwards (see figure 1). If the initial bid is accepted, a second higher value is presented; if the bid is rejected, then a lower value is presented. The goal is to obtain either a "yes" or "no" response to a range of potential rate increases. In this case, after the first bid question of a three percent rate increase, those that said "yes" were tested with a five percent increase and those that said "no" were tested with a one percent increase. At the second bid offer, those who refused the five percent increase were brought back to three percent and those that agreed at one percent have reached their final answer. For those that said "no" throughout or "yes" throughout, such respondents were asked to give their own offer. At the end of the survey, researchers will be able to determine the WTP for a rate increase for the west side route. This number, multiplied by the population, can give the total WTP for the west side transmission line project.



**Figure 1.** The Structure of the CVM.

## *Conclusions*

There are five points to note from the proposed CBA. To begin with, the WTP value derived from the double-bounded survey tends to underestimate the environmental cost. This arises for three main reasons. First, using land value as an indicator of WTP itself would lead individuals to emphasize commercial value more heavily than environmental value. That is, the negative impact on environmental integrity, Indigenous communities, and wildlife would not be fully reflected. Second, population and economic development pressures often lead to underestimation of the opportunity cost of maintaining the land. Finally, it is immediately apparent that accounting for future ecosystem service values is further complicated by the problem of irreversibility. Due to the increasingly relative scarcity of the ecosystem, the “user cost” for future consumers should also be included. Although, following Brander et al. (2006, 241) who indicate that CVM studies have tended to produce higher value estimates among evaluation methods, adding a shadow price should also be considered.

A second issue has to do with the method used to model extreme weather. The method described is based on a stable weather condition assumption, which is unrealistic. As world climate changes, a higher probability of extreme weather can be expected. Thus, although the line stability of Bipole I and II benefits from the new Bipole III project, it is likely that the costs due to extreme weather will be higher than expected. Additionally, the cost to maintain Bipole I and II will increase. Moreover, due to Manitoba’s dependence on hydroelectric-generated electricity, any outage could induce huge economic losses to society; this makes the probability of extreme weather sensitive to the CBA. Therefore, careful analysis should be conducted regarding the probability of extreme weather.

Third, for the consumer of electricity, WTP is closely related to consumer surplus. In this framework, we assume WTP brought by one additional unit of electricity is constant for the following reasons. First, the transmission line itself is only one part of the hydro project. Second, the increase in hydroelectricity production and transmission ability will minimally affect the electricity rate. Third, there exist different side transmission lines with nearly the same load. Therefore, it is reasonable to simplify consumer surplus.

Fourth, losses in soil productivity and stability is likely to occur due to the construction and operation of the Bipole III transmission line. Regarding any loss in soil productivity, the agriculture market, as the secondary market, will reflect this impact. However, the soil stability loss should be taken into explicit consideration as it is the negative externality produced by this transmission project.

Finally, this analysis does not include settlements that may be necessary if the government determines that those with an interest in the land (e.g. Metis, First Nations) are owed compensation for transmission lines traversing traditional lands. Take Tataskweyak Cree Nation

for example. The Bipole III project will need more than 200 km of land through the resource management area for the transmission line. This translates to about 400 towers for the use of hunting, trapping, and other traditional activities. As traditional land is a means of maintaining traditional lifestyles, interruption of such land will also pose a potential cost to the healthcare system. Such important considerations add to the complexity of the assessment of this project.

## **Conclusion**

The proposed cost-benefit study outlined in this paper has attempted to provide a feasible framework for the complex analysis involved in routing the Bipole III transmission line. The presented CVM survey method, used to measure the preferences of affected residents who reside in proximity to the two routes, clarifies WTP assessment. Importantly, this provides greater specification for the routing decision-making process. Therefore, the importance of this proposal should be clear to both policymakers and community inhabitants. Economically speaking, as energy needs change in the main export market (i.e. the United States and, as demand increases, Ontario) the benefit gained by either routing will make a significant difference in future assessments. The importance of costs and benefits to all affected parties has been discussed in this paper but is also important for the future of the Bipole III project. For example, reactions from different First Nations along the transmission line may pose a potential cost, thus, possibly producing a change in decision by policymakers. Moreover, construction cost is forecasted to explode which makes the Bipole III project much more vulnerable to the economic conditions of Manitoba, as well as Canada as a whole.

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