Probus Club of Central Edmonton
Newsletter

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Probus Events:
September 14 - John Stanton

John Stanton's presentation was on the Running Room. He started the Running Room in 1984 in Edmonton. It has grown to 120 stores which are in every province in Canada and in the USA. His vision was to provide a meeting place for runners, thus the name Running Room. He believes in a Triple win philosophy, that is Customers, Company and Community win. He spoke extensively on the Community connection that the Company has and its importance to their success. The Company's commitment to community was very evident when they opened stores in Quebec. These stores were branded under a French name and staff were francophone. The idea being to respect the unique Quebec culture.
The commitment to community is shown by their sponsorship of over 600 events each year. These raise money for 600 charities. The company provide a special webpage for use by charities, it allows participants to apply and pay the event fee and receive tax receipt. All money raised goes directly to charities. Further example is the training offered, classes include a running starter class all the way to survival camp. John has authored 10 books on running, all best sellers.
The Company sells shoes, clothes, equipment and accessories for runners. They also support walkers, and swimmers, though they focus on runners. They have opened walking room stores as well.
John spoke with pride about the Company's signature jacket first introduced 2 years after opening. It sold for $79 then and still does - through innovation they improved it and maintained price. They are big in social media and have a had an online store for several years. Since the staff are all runners, they are on trails with customers, and they use this contact to learn what they can from them.
Like many businesses they were challenges by the Covid crisis. Stores were shut down by governments but bills still needed to be paid. Also, some staff was still needed to ensure stores taken care of. Hard decisions were required about which staff to retain, they chose to keep their best staff (these were also there most expensive staff.) the fact that they had a strong online store helped. They built on it. Sales on the online store skyrocketed. They took some other steps, such as altering store hours when the could finally open to help staff. They also moved classes to online as well.
There were bumps in the road. In 1988 there was cash crunch. Drawing on an inspiration from his wife, they dug down, worked and survived. His point is that if you believe in what you're doing, if you believe that it will work, it does.

Another interesting point was that pole walking has shown to be positive and particularly important to people over 50 or 60. By the way, shoes are generally considered to last 500 or 800 kilometers. All in all, it was a compelling presentation that provided some insight on a significant Edmonton based company.

September 28 – Trevor Tombe

Trevor Tombe is a Professor of Economics at the University of Calgary and a Research Fellow at The School of Public Policy. Prior to joining the University of Calgary in 2012, he was an Assistant Professor of Economics at Wilfrid Laurier University. His academic research explores a broad range of topics, but focuses mainly on international trade, macroeconomics, and fiscal federalism questions. In addition to this work, he actively contributes to public policy research and outreach in Alberta and Canada.
Trevor spoke to us about the equalization program in Canada. He noted that Equalization program principles are set out in section 36 of the Constitution, it states:

- **36 (1)** Without altering the legislative authority of Parliament or of the provincial legislatures, or the rights of any of them with respect to the exercise of their legislative authority, Parliament and the legislatures, together with the government of Canada and the provincial governments, are committed to
    - **(a)** promoting equal opportunities for the well-being of Canadians;
    - **(b)** furthering economic development to reduce disparity in opportunities; and
    - **(c)** providing essential public services of reasonable quality to all Canadians.
- **Marginal note: Commitment respecting public services**
  (2) Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

The highlighted clause is the basis of the equalization payment. In simply terms it is to ensure that all Canadians are treated "reasonably comparable" regardless of the economy strength of the province they live in. Please note, it is the continued existence of this clause we have been asked to vote on in the upcoming election.
Equalization started in 1947. During the WWII the provinces vacated the income tax field, leaving it to the Federal government as a revenue source. After the war, the provinces wanted to reenter the field, the Fed's liked the revenue. A deal was struck that saw the Fed's paying provinces not to enter the field, the payment ($15.00/per person) was based on population. In 1952 the amount being paid was increased by about 30%. This payment was also simple fixed amount per person. Further change took place in 1957 and then in 1962. The formula went through several changes over the years to what we have now. This program has been criticized by governments across Canada and by politicians of all stripes. Now it is essentially expressed as: Equalization to Prov I = R x (need – Capacity) where R is total provincial and local revenue to be equalized. Need is "reasonably comparable levels of

public services", and capacity is "reasonable level of taxation". It should be noted that if capacity exceed need the number is zero. In Canada:

- Need equals population
- Capacity equals what you could raise at average tax rates, this is done for very tax
- The tax base is then identified for each tax
- Thus, fiscal capacity is = tax base x average tax rates

The actual formula considers many more details.
Capacity varies from province to province with Albert the strongest and the maritime provinces the weakest. A chart of this mirror provincial GDP per capita. Also, there is more difference for example it uses a weighted three-year average. Those provinces that are below the average are topped up.
Some potential problems are:

- Alberta never received funds because, even with recession, Alberta was still highest capacity.
- Why does Quebec receive money and it has a surplus and why did Alberta, with a deficit, did not receive money – Quebec has higher taxes and Alberta has lower taxes.
- In 2009 feds capped equalization payments. The cap now causes exceeds actual calculation of equalization, thus $ left over. This difference is distributed.
- How much of the resource revenue should be included; zero, all or portion
- There are some adverse incentives that arise from the formula
- Should we include other measures of need, e.g., real fiscal capacity based on cost of goods.

Another related issue federal revenue and spending in Alberta versus national average. This issue is not part of equalization; however, it is an often-included issue in the speeches of local politicians.
Trevor provided more insights in his presentation than I included in this summary. He provided a significant learning opportunity for us, and we do thank him for taking the time.

Stay Health and Enjoy