

The Conservatives in Government?

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Based on the results of a well-executed campaign, the Conservatives have moved up the polls in the New Year. Unless the last minute barrage of negative Liberal ads rolls that progress back, after 13 years in power the Liberals are out of office and the Conservatives in.

Like the Liberals, we agree that a Conservative Government represents a dramatic change in how Ottawa will be governed but we base our conclusion on a different set of reasons.

Part of that has to do with the Conservative Agenda, which we will discuss in detail below. The other part has to do with how Ottawa is likely to work under the Conservatives and we expect major changes.

Key Implications:

- Shift of decision-making power back to Cabinet and away from Public Service;
- Some initial confusion about how decisions are being taken;
- Corporate Canada lacks history with the party and will need to establish channels with the new players;
- Expenditure review will be key initial driver of government agenda;
- Retrenchment into federal areas of jurisdiction;
- Repair mode on Canada-US relations; and
- Substantive agenda but business impact is limited with defence being the main area of new spending.

How Ottawa Will Change?

Paralysis

People operating outside of Ottawa likely have trouble appreciating how stalled the decision-making processes within Government have become as the Liberal Regime has wound down.

As governments age, typically there is a dilution of talent around the Cabinet table. Ministers with strong personalities and/or a sense of mission that helped put the party in power fall by the wayside and are replaced by people who are just happy to have risen that far. The result is that Ministers become figureheads and extensions of the public service – risk adverse and process driven.

This tendency was encouraged by Mr. Chrétien's managerial style of government, which insisted on close cooperation between the Minister and the senior public servants. With good ministers, this leads to fruitful partnerships; with weaker ministers, it leads to absorption in the machinery. As Mr. Chrétien's time ran down, decision processes noticeably bogged down.

None of these problems were resolved by Mr. Martin coming to power. For a number of reasons, they were only exacerbated and decision processes slowed further.

Ministers have been unwilling to engage on issues and have pushed everything down into the machinery. Meanwhile, senior public servants have been given every incentive to keep their heads down and count down their days until full pension.

The end result has been a tortuous, decision-making environment in which it is very hard to get anything done.

Breaking the Cycle

Cabinet Government is supposed to be a team sport. The system is most dynamic with a cadre of strong ministers operating in the context of a strong caucus - who are given 'room' by the Prime Minister. Conservative Governments have traditionally had more independent Cabinets and caucuses.

It should also be noted that Mr. Harper has a strong crop of relatively young, smart and now experienced MPs. He will elect additional talent including former provincial cabinet ministers who have already run departments and taken the heat of a legislature. Harper will have a crop of Ministers expecting to make the policy and take the decisions. They will be engaged.

Having Ministers wanting to make changes and willing to engage opens the door to the review of some existing policies and creates a more fertile environment in which to introduce new policies.

Getting To Know You

When the Mulroney Government assumed power they brought with them suspicions of “official Ottawa”. Because of that, senior public servants were often cut out of the decision-making process. There was a period of re-education for both the politicians and the public servants and that took a couple of years. That experience may be repeated.

Business and other organized Interests, trained to work through certain channels and dependent on their relationships with senior officials under the Liberals, may find that these contacts are now ‘out of the loop’ on key issues.

Bay Street

The Conservatives will not be anti-business but this government will be the least dependent on large corporations than any government we have ever elected federally in Canada. This is not Bay Street’s party anymore. The Party’s roots are elsewhere. Only a few MPs will have a strong ‘Big Business’ background. Harper, and the people around Harper, mostly does not come from a business background.

Relative to the Liberals, the Conservative Party is far less dependent on corporate donations and Mr. Harper’s Accountability package will make them even less dependent.

Corporate Canada had strong, long established connections with the Liberal Party and it simply does not have that history with the new players.

The Next Tax Cuts

The evidence suggests that Harper can fund his existing promises (\$60+ billion) within the current fiscal framework. But as a good fiscally conservative economist, he will have noticed the acceleration in program spending over the last five years and the 15% jump in the last year alone. He will also want to offer Canadians more tax cuts at the next election.

That leads towards a hard look at how Ottawa spends money. This always sets hares running as program heads in Ottawa play ‘duck and cover’. Expenditure review and a minority government can be a volatile mix.

Playing in Your Own Back Yard

Half of the Martin Agenda seemed to have the Federal Government playing in provincial or municipal areas of jurisdictions. It is hard to manage something that you do not directly control even if you throw lots of money at it - because, in the world of politics, it is not easy to withdraw your money if things do not work out.

Harper will be more focused on federal affairs and letting the provinces run their own shops.

Mending Fences

Paul Martin came to office promising to repair the damage Prime Minister Chrétien inflicted on the Canada-US relationship. He has had the opposite result. His anti-American posturing during the campaign has taken the relationship to a new low.

Harper will not be as 'chummy' with Bush Jr. as former Conservative Prime Minister Mulroney was with his father but he will see it in Canada's national interest to have a good working relationship with whoever is in the White House.

Inexperience

All new governments make rookie mistakes. These usually come down to two types: throwing too many balls in the air at the same time and pushing ahead with initiatives without laying the ground work. This leads to the usual results: Big headlines! Outraged interest groups! Pillorying in Parliament! In a minority Parliament, even small mistakes matter and the government's agenda is always at risk of being high jacked by the issue of the day.

The Conservative Platform

For all those reasons above, Ottawa is going to be a much different environment in which to operate after this election than it was before

Having a substantive platform is another reason why a Conservative Government will have a major impact on how Ottawa operates.

The platform is detailed below. Hillwatch takes governing parties political platforms seriously because, in our experience, 80% or more of the proposals in party platforms are implemented.

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This platform represents a busy small C-Conservative Agenda. Where the Liberals want to spent money on programs, Conservatives prefer tax credits or tax cuts to achieve their objectives. Despite all the election charges of social conservatism, this is not a radical program.

Beyond wanting to appeal to voters, this platform has been designed to be workable in the context of a minority parliament. The Conservative may have to put some water in their wine but they should have a reasonable chance of passing most of these measures.

This platform is populist with highly targeted measures. There is not a lot said on the economy or directly reflecting business priorities.

Area	Commitment	\$dollars
Accountability		
<i>Donations</i>	<ul style="list-style-type: none"> • Individual donations limited to \$1000 • Prohibit all corporate, union, organizational donations • Ban cash donation to political parties above \$20 • Extend prosecution time limits under Elections Act • Ban nominated candidates or MPs from accepting large personal gifts • Ban use of trust funds to finance candidates campaigns • Existing trust funds to be reported and wound up 	
<i>Budgeting</i>	<ul style="list-style-type: none"> • Independent Parliament Budget Office 	
<i>Lobbying</i>	<ul style="list-style-type: none"> • 5 year cooling off period for former ministers, staffers and senior public servants to lobby • Contingency fees banned • Ministers and senior government officials to record contact with lobbyists • Extend power of Registrar and time limits for investigation 	
<i>Officers of Parliament</i>	<ul style="list-style-type: none"> • Ethics Commissioner, Auditor-General, Chief Electoral Officer, Information Commissioner, Privacy Commissioner, Lobbyist Registrar appointed with consultation of all parties and based on secret ballot. • Establish a Public Appointments Commission for government boards, commissions and agencies • Ministerial aides to receive no preferential treatment for public service positions • Strengthened powers for Auditor-General and tougher penalties for misuse of taxpayers money • Strengthened powers for Ethics Commissioner • New, tougher Access to Information Act • Establish an independent Director of Public Prosecutions 	

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<i>Polling</i>	<ul style="list-style-type: none"> No more verbal reports and all polling to be published within six months of completion Investigate previous practices Open up bidding process 	
<i>Procurement</i>	<ul style="list-style-type: none"> Appoint procurement auditor 	
<i>Whistle Blower</i>	<ul style="list-style-type: none"> Strengthened Act, procedures and coverage 	
<i>Other:</i>	<ul style="list-style-type: none"> Review CMHC handling of construction regulations and leaky condos 	
Agriculture	<ul style="list-style-type: none"> Replace Canadian Agricultural Income Stabilization Program New Separate disaster relief program beyond CAIS Require 5% renewable fuel content in Canadian fuels by 2010. Expedite delivery of \$755 emergency federal assistance to grain and oilseed producers. Western Grain producers participation in producer orgs (i.e. Canadian Wheat Board) made voluntary 	\$500 million per year in new agriculture funding.
Defence & Security		
<i>Defence</i>	<ul style="list-style-type: none"> Increase Pacific navy personnel levels New ships and refurbishment for Pacific fleet New air force surveillance capability Fighter upgrades at CFB Cold lake, Winnipeg & Comox New territorial Defence strength in Vancouver, Calgary, Regina, Winnipeg, Montreal and Quebec City New tactical Airlift fleet and new airborne battalion at CFB Trenton Double the disaster relief capability and personnel strength of DART at CFB Kingston New rapid reaction battalion at CFB Bagot CF-18 upgrades 	\$5.3 billion over five years, 1.8 billion more in funding over current levels per year
<i>Security</i>	<ul style="list-style-type: none"> Create new National Security Commissioner Expand Canadian Foreign Intelligence Agency Establish Canadian Coast Guard as stand alone agency with higher funding Strengthened and armed border personnel Re-open RCMP detachments in Quebec and the West Deploy face recognition and biometric technology at border crossings and ports of entry Increase the pace and resources to support 	

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	<ul style="list-style-type: none"> deportation orders • Re-instate Vancouver Port Police 	
Democratic Reforms	<ul style="list-style-type: none"> • Move to elected Senate • Fixed election dates • Establish ground rules for party nomination processes including prohibition against 'parachuting' of candidates • Give BC additional seats to ensure fair representation in the House 	
Education & Job training	<ul style="list-style-type: none"> • \$500 tools deduction for employees and self-employed 	\$30 million a year
	<ul style="list-style-type: none"> • \$1000 Apprentice Incentive grant for first two years of registered apprentice program 	\$80 million a year
	<ul style="list-style-type: none"> • Up to maximum \$2,000 per apprentice, employers may get Apprentice Incentive Grant 	\$160 million per year
	<ul style="list-style-type: none"> • Up to \$500 tax deduction for text books for university, may be transferred to parent 	\$75 million per year
	<ul style="list-style-type: none"> • Improve Canada Student loan program. 	\$20 million per year
	<ul style="list-style-type: none"> • First \$10,000 of student scholarship or bursary is exempted from taxation. 	\$5 million per year
Fisheries	<ul style="list-style-type: none"> • Scrapping capital gains tax on transfer of fisher assets including licenses 	
	<ul style="list-style-type: none"> • Greater involvement of coastal provinces in fisheries management including creation of joint fishery management councils 	
	<ul style="list-style-type: none"> • Greater investment in fisheries research 	
	<ul style="list-style-type: none"> • Extension of 200 mile limit to edge of continental shelf, nose and tail of Grand Banks and Flemish Cap and exercise of Canadian custodial management 	
	<ul style="list-style-type: none"> • Restore weather forecasting in Gander 	
	<ul style="list-style-type: none"> • Independent Judicial inquiry of collapse of sockeye salmon stocks on Fraser River. 	
Forestry	<ul style="list-style-type: none"> • Program to fight pine beetle infestation 	\$ 1 billion over ten years
	<ul style="list-style-type: none"> • Additional support for BC forest industry related to softwood lumber dispute 	
Health	<ul style="list-style-type: none"> • Patient wait time guarantee • Work with provinces to increase supply of health doctors and nurses • Support Canadian strategy for Cancer control • New national disease strategies and specifically 	\$260 million over five

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	for heart disease and mental illness	years
Immigration	<ul style="list-style-type: none"> • Cut \$975 right of landing fee • New Canadian Agency for Reassessment and recognition of Credentials • Extend automatic citizenship to foreign born adopted children 	\$500 million over five years
Infrastructure	<ul style="list-style-type: none"> • Maintaining funding for New Deal for cities including 0.05 cents per litre gasoline tax transfer to cities by 2009-10 • Expanding new deal parameters for broader range of transportation projects • Develop national Road Congestion Index • Maintain current infrastructure agreement and renew at current levels 	
	<ul style="list-style-type: none"> • New Highway and Borders Infrastructure Fund for national highway system and border crossings 	\$2billion
Justice	<ul style="list-style-type: none"> • Appoint a comprehensive judicial review of Air India bombing 	
	<ul style="list-style-type: none"> • Increased mandatory minimum sentences for drug trafficking, weapons, crimes committed while on parole and repeat offenders • End conditional sentences for serious crimes • Create presumption-of-dangerous offender status for anyone convicted of three violent or sexual offences. • Repeal the faint hope clause • Create mandatory consecutive sentences • Repeal statutory release with earned parole • Toughen parole conditions • Prevent courts from giving earned credit for pre-trial custody • Create reverse onus for bail for charges of indictable firearms offence. • Work for constitutional amendment to prevent prisoners voting • Registration of all sex offenders • Raise age of consent from 14 to 16 • Zero tolerance policy for child pornography • Prohibit conditional sentences for sex offences committed against children • Anyone 14 years or older tried as adult • Expedite deportation of non-citizens convicted of drug trafficking • Create National Joint Task Force on Security 	

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	<ul style="list-style-type: none"> • More resources for RCMP • New cost shared program to put additional 2,500 more police • \$100 million more per year for criminal justice priorities 	\$100 million
	<ul style="list-style-type: none"> • Repeal gun registry but include a series of measures for tougher sentences and controls on firearms 	
	<ul style="list-style-type: none"> • Community based funding for young people at risk 	\$50 million
	<ul style="list-style-type: none"> • Create Victims Ombudsman office • More support for victims appearances at parole hearings 	\$10 million per year
	<ul style="list-style-type: none"> • Restore Canada Ports Police 	
Mining	<ul style="list-style-type: none"> • Retain super flow through share program • Streamline regulatory process for mining and pipelines 	
Quebec	<ul style="list-style-type: none"> • Quebec to participate in UNESCO • Greater respect for provincial autonomy • Review and redress of fiscal imbalance 	
Social Policy	<ul style="list-style-type: none"> • \$1,200 per child tax credit under six child care allowance 	\$10.9 billion over five years
	<ul style="list-style-type: none"> • Tax credits to employers of \$10k per space to create 125,000 new child care spaces over five years 	\$250 million per year
	<ul style="list-style-type: none"> • Federal tax credit of \$500 for children under 16 for fitness related activities fees 	\$130 million per year
	<ul style="list-style-type: none"> • Appoint a Seniors Council to advise Ministers 	
	<ul style="list-style-type: none"> • Maintain all federal infrastructure commitments to Winter Olympics • Maintain commitment to high performance Olympic athletes 	\$55 million
Taxes	<ul style="list-style-type: none"> • Reduce GST to 6% right away and to 5% over five years. 	\$4.5 billion per year per 1% drop
	<ul style="list-style-type: none"> • Raise threshold of small business tax rate from \$300K to \$400K 	\$480 million per year
	<ul style="list-style-type: none"> • Remove capital gains on stocks donated to charity 	\$50 million a year
	<ul style="list-style-type: none"> • Double the amount that pensioners can earn tax 	\$2.2 billion

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	free from \$1000 to \$2000 and raise it to \$2500 over five years	over five years
	<ul style="list-style-type: none"> As part of the electoral pre-budget negotiations, the Conservatives have signed off on the increase in the basic personal amount and reducing the lowest tax rate by one per cent but have not committed beyond 2005-tax season 	
	<ul style="list-style-type: none"> <i>Please note the tax credits referenced in a number of other areas of the table.</i> 	
Trade	<ul style="list-style-type: none"> Deliver five years commitment to Pacific Gateway Initiative 	\$591 million over 5 years
	<ul style="list-style-type: none"> Expand trade agreements with Asian-Pacific countries 	
Transport	<ul style="list-style-type: none"> 16% federal tax credit for bus, subway & light rail fares 	\$400 million annually
	<ul style="list-style-type: none"> Remove borrowing limits of the Port of Vancouver 	
	<ul style="list-style-type: none"> Maintain staffing of light houses and increase capacity of search and rescue 	
Veterans	<ul style="list-style-type: none"> Enact Veterans Bill of Rights 	
	<ul style="list-style-type: none"> Appointment of National Veterans Ombudsman 	
	<ul style="list-style-type: none"> Address needs of Aboriginal and Metis veterans 	