

THE POLITICS OF UNCERTAINTY

ANALYSIS OF THE 2004 FEDERAL ELECTION



June 29, 2004

The 2004 Election results mean that the Liberals continue in power. However, the new Government will have to govern on an issue-by-issue basis. To maintain itself in power, the Liberals will need to rally ad hoc coalitions around issues where there is some possibility of consensus such as health care, the military and municipal infrastructure. They will find ready allies in the NDP across a range of issues. When it is necessary to ensure an absolute majority to pass important legislation, they will have to seek the support of the Bloc or the Tories.

Minority governments can be immensely innovative and productive. They can also be cautious and non-productive. Minority Parliaments tend to be political theatre where the adversarial and the opportunistic predominate. This will be an extremely careful Parliament. It is not in the interest of the Tories or the Bloc to bring down the Government quickly and the Bloc will be especially anxious to prolong the Government as the Bloc is unlikely to ever again match their electoral success. The Parties are exhausted from the Election Campaign and a minority provides the environment for all Parties to enhance their profile, but accidents do happen and this Parliament may indeed be short lived. Prime Minister Martin's challenge will be to hold support on the left while maintaining fiscal discipline and not turning off future centre/right supporters.

STANDINGS

LIBERAL
135

CONSERVATIVE
99

NDP
19

BLOC QUÉBÉCOIS
54

INDEPENDENT
1

WHAT HAPPENED?

On June 28, 2004 Canadians voted to send significantly more Liberal than Tory MPs to Ottawa setting the stage for Paul Martin to head a Minority Government. The Liberal margin was built on strength across Atlantic Canada and especially in urban areas in British Columbia, Manitoba, and particularly in Ontario, where the Conservatives were unable to achieve a major breakthrough. Massive support for the Liberals in Toronto was evident. But a hemorrhage in Liberal support in Quebec off the Island of Montreal made a majority impossible.

Clearly, voters across Canada were angry with the Liberals but distrustful of the Tories. Only voters in Quebec were comfortable giving their support to an

alternative Party (the Bloc) in large enough numbers to deny a majority to the Liberals. The Liberals made none of the inroads in the West which Martin had hoped for.

While the Liberal campaign had faltered during the initial stages, in the last two weeks Paul Martin found his voice and message. Negative ads and constant hammering on Harper's social conservatism raised enough doubts about Conservative policies and Harper himself, to sway enough Canadians to give the Liberals an unexpectedly comfortable edge in the final outcome. At the end of the day, too many Canadians simply remained unsure about throwing their support to Harper and the new Conservatives.

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	LIBERAL	CONSERVATIVE	NDP	BQ
BRITISH COLUMBIA	8	22	5	0
ALBERTA	2	26	0	0
SASKATCHEWAN	1	13	0	0
MANITOBA	3	7	4	0
ONTARIO	75	24	7	0
QUEBEC	21	0	0	54
NEW BRUNSWICK	7	2	1	0
NOVA SCOTIA	6	3	2	0
PEI	4	0	0	0
NUNAVUT, NWT, YUKON	3	0	0	0
NEWFOUNDLAND	5	0	0	0
TOTAL	135	99	19	54

Mr. Martin reminded voters of his own credibility as Finance Minister and firmed up his stance as a defender of rights. He also used polls showing a potential Conservative victory to rally voters away from the NDP and to draw in the uncommitted. He benefited from the unusually large number of voters who were either undecided or open to changing their vote right up to voting day. Unlike most elections, voter preferences remained relatively fluid until very near the end.

Liberals finished with a higher number of seats than had been expected even on the eve of the Election. And while this was something for Liberals to celebrate, the result was disappointing for a Party that not so long ago had been uniformly expected to sail back into power. Many Liberal candidates were defeated, among them some Cabinet Ministers and star candidates. While the Quebec results were better than predicted, the poor showing there robbed Paul Martin of his majority and created further regional divisions and potential polarization. Quebecers and Western Canadians handed Martin a very personal rejection.

The Conservative campaign was well conceived and executed. While Mr. Harper came across as an interesting and not unattractive new personality, he simply could not make Canadians comfortable with handing power to him. His Alliance Party baggage proved too heavy to carry in the face of Liberal attack ads, public skepticism (abetted by the media), random statements by Conservative candidates and by Mr. Harper himself --- all tending to reinforce the notion that the Conservatives were not a 'safe' alternative. Issues related to bilingualism, minority

rights, abortion, cultural policy, and the preeminence of the Charter of Rights and Freedoms created problems for the new Conservatives and their leader, especially in the Ontario heartland. Attacks on Martin around child pornography significantly backfired. Harper's nearly 100 seats, however, give the Tories a powerful voice in the new Parliament and make him, by definition, a new force in the political landscape. Prime Minister Martin will have to appeal for Harper's support on some major initiatives. He may not get it.

HOW WILL THE LIBERALS GOVERN?

A Liberal Minority Government should survive for the near term (12 to 18 months) with NDP support and reluctant support on individual issues from the Conservatives and the Bloc. It will not be in the interest of the Conservatives or the Bloc to force an election too quickly. The agenda focus will be social and cities issues to placate the NDP and Bloc and the Liberal's own base of support in urban Canada. Martin's challenge, however, will be to maintain fiscal discipline so as not to turn off centre or centre-right supporters. With no formal majority, Prime Minister Martin may well have to appeal for Harper's support on some major initiatives. He is not likely to easily get it. In its early days, exchanges in the new Parliament will be sharp and cooperation not easily achieved. Quebec will be a particular challenge with the Martin team there in disarray facing a strong Bloc Opposition with a vocal 'Quebec first' stance. The Bloc will be basking in new credibility as a defender of Quebec's provincial interests at a time, ironically,

when popular support for separation was thought to be at a low point. Only time will tell whether the separatist cause gets a new lease on life.

Liberals and the NDP – Together Again

The Liberals and the NDP will have little trouble finding common ground around social issues, health care, environment, and investments in municipal infrastructure. This may allow for a relatively stable collaboration in the short term without resort to free spending associated with social democratic policies which would be anathema to Paul Martin. Tradeoffs will be the order of the day – the NDP may be persuaded to water their wine somewhat, for example, in return for a repeal of the GST on “essentials”. On Election night, NDP Leader Jack Layton laid down one condition for his support – that the Liberals look at proportional representation.

Beyond such shared policy initiatives, internal political pressures will dictate that both the Liberals and the NDP try to maintain an ad hoc alliance into the foreseeable future. For the NDP this is the first time in a generation that they have been in a position to influence decisions at the federal level. They will want to use this opportunity to implement elements of their policy agenda and demonstrate to the public that giving them this influence is a good thing. They will want to show that they are capable of governing. For Jack Layton, the NDP’s high energy and media-adept Leader, it will mean a place in the spotlight and he will not readily pass up this opportunity. Moreover, a quick election could lead to a majority for either of the two main Parties returning Layton and his Party to the margins.

Liberal Party Politics

The Liberals need time to reinvent themselves and put down much clearer policy markers than were sufficiently evident or heard by the electorate in the Election Campaign. They will need to resuscitate their Party in the aftermath of the Election which downsized them. The inquiry into the sponsorship scandal will continue and it will be a major House of Commons focus for an enlivened Opposition. It will be many months before it is off the front burner. Prime Minister Martin will want to quickly build a Prime Ministerial track record that he can call his own. He will need time to focus on the daunting task of rebuilding the traditional Liberal base in Quebec. Quebecers were angry and they need time to get over that anger. To rally voters in Quebec back to the Liberal banner, he will need to find a ‘Quebec

issue’ of his own (more dollars for Quebec’s aerospace industry or a strong Federalism to counter resurgent separatists?). Most importantly he will need to heal real divisions in a Party sure to be simmering with discontent. The way he staffs the Prime Minister’s Office will be an indication of the course he intends to follow.

The internecine warfare which characterized the Leadership Campaign was only intensified in the Election Campaign. It was only the prospect of losing power which brought Martin’s opponents scurrying back inside the tent. A Liberal defeat, even if the Election result had been a Tory minority and not a Tory majority, would have placed Paul Martin’s leadership in serious doubt. Notwithstanding some dissatisfaction with Martin’s campaign and anger with his inner circle, the Prime Minister’s leadership will not be overtly threatened in the near term. There is no question though that his past leadership rivals (Manley, Rock, Copps) and some prospective ones (McKenna, Tobin) may smell blood and this will not auger well for the discipline that is essential to managing a minority situation. In the interim, however, self-interest (in staying in power) will probably work to contain rivals’ leadership ambitions.

The hope that a Martin majority would once and for all quiet Martin’s enemies in the Party was not fulfilled. As the Election results were coming in (showing unexpectedly strong support for Martin), some Chretien loyalists were expressing great disappointment with the outcome and pointing out that Martin will face a leadership review after the Election and that the outcome of that review is not certain.

Martin remains Leader of the Liberal Party with control of the Party funds and Party mechanisms and this presents him with an effective counterweight. There is no history of dumping leaders in a minority situation as it would be political suicide, but this does not still dissent or restlessness. Expect pressure on Martin, however, to trim his inner circle and open the tent to additional seasoned players.

Personalities

With a smaller Caucus, Paul Martin’s Cabinet making flexibility is diminished. The Minority Cabinet will look far different from the Cabinet that might have emerged had the Liberals been elected with a majority. Some ‘star candidates’ will not be coming to Ottawa and some former Cabinet Ministers have

been defeated. However the pre-Election Cabinet is virtually intact. The Cabinet will also have to be palatable to the NDP, though unlikely to contain any NDP MPs. Expect the social portfolios to be filled with left-leaning Liberals (including a probable role for the former BC NDP Leader) while Mr. Martin maintains a tight grip on Finance. Anne McLellan and Ralph Goodale will have prominent positions in Cabinet to signal Martin's commitment to the West. The Caucus will cover the waterfront in terms of right/left perspective. But the Government itself will be obliged by its need to placate, to tilt leftward from the centre, centre-right stances of Liberal governments over the last decade.

Priority Issues

As mentioned above, the focus of the Liberal agenda will be dictated by the Parliamentary alliance with the NDP and the need for support from either the Bloc or the Conservatives to achieve an absolute majority when required. The Liberal's own need to build support in Ontario and Quebec will be important. All the while, Martin will have to be mindful of the Liberals poor showing in the West and not risk future voter support there by tilting too far to the left. In addition, the Liberals will be very vulnerable to demands from a variety of groups on the left and particularly the demands of provincial governments which will smell blood. As a result, we can expect to see initiatives in the following areas:

- **Health Care** (Paul Martin's signature campaign issue – although ill-defined as to precise policy reforms): long-term funding for provinces with standards governing waiting times; a national home care program; funding for seniors and disabled; funding for intensive care programs. Note that this program may meet a solid wall of opposition from several provinces and this will create real problems with Harper.
- **Day Care:** Launch of a national day care program.
- Some form of limited **Pharmacare**
- **Municipalities:** Funding for mass transit and affordable housing through the gas tax.
- **Quebec:** Financial support for the aerospace industry in Quebec
- **Kyoto-related** "green" initiatives.
- **Defence**

The Dramatic Impact of New Political Party Finance Rules

The new political Party finance rules will dramatically

change how the individual parties operate and how the private sector interacts with political parties. The traditional fundraising dinners where business people met MPs are no more. The reliance on large corporate/union donors is gone and the Parties must look for ways to significantly expand the donor base of individuals. In addition smaller or regional parties like the Bloc and the Greens will have access to more federal funding.

Since the Federal financial contribution to individual political parties (based on popular support during the last election) will flow through a political Party's central offices, the Party leaders and those around the leader will have tremendous new powers to control how the political Party operates. In effect, the new political finance rules centralize power with the Party leader – perhaps to a degree unknown in the past.

THE BLOC QUEBECOIS

The Bloc and their core provincial rights and separatist supporters will be emboldened by the Bloc's strong campaign. While they pushed their separatist agenda to the background of their Campaign, they will be looking for every opportunity to prove that Canada is ungovernable and unworkable. The failure of the Tories to form the government robbed the Bloc of the opportunity to demonstrate that Canada and Quebec were alien to each other around core social issues. Being able to make this argument would have assisted them in making the case for greater provincial autonomy, even separation. With a Liberal Minority supported by the NDP, the Bloc will be forced to find other ways to demonstrate that Canada does not work, perhaps by asserting that interventionist Liberal/NDP federal government works against Quebec's interests. The Bloc may effectively derail Martin's approach to cities and health care by rejecting any approach which ties dollars to specific goals and amounts to an end run around the Province.

AND WHAT OF THE TORIES?

While the Conservatives were disappointed with the Election results, they successfully re-established themselves as a national party and are positioned to play a much larger role in Parliament. While the Liberals must spend time with the tricky business of managing a Minority Government, the Conservatives will be free to plan for the next election. As Paul Martin must struggle to establish the identity of his

government and respond to internal Liberal Party recrimination, Stephen Harper is in a strong position to define the agenda, policies and strategy of the new Conservative Party. As a result of running a good campaign (where he was both the candidate and campaign manager), Mr. Harper exceeded the expectations of political pundits and Liberal strategists alike, and gave his own Caucus and members the first taste of near victory in over a decade.

In the upcoming months we can expect the Conservatives to concentrate their efforts on uncovering more wasteful Government spending and misguided programs. They will do everything to tie Prime Minister Martin to Mr. Chretien and, after ten years in power, it is almost inevitable that more dirt can be found. Be prepared for demands for new Parliamentary investigations and empowered House of Commons Committees, well in the background before, will be providing a new arena for action. The Conservatives will strongly support Parliamentary reform and an elected Senate – items that may be brokered for support on Martin's issues.

At the same time, the Conservatives will be anxious to strengthen their position in Ontario, broaden their image, and establish a bridgehead in Quebec. In Quebec, they will feature their concept of a smaller Federal Government and try to build a new federalist alternative in ridings in and around Montreal. Look for discussions with the conservative Mario Dumont and his provincial ADQ party. On the policy front the Tories will make common cause with the Provinces on health care --- pushing for long-term funding and greater provincial flexibility. The demand for tax cuts, increased assistance for municipalities, spending on the military, and the diffusion of power will continue to be central issues.

When Stephen Harper took control of the Alliance he made it clear that he had little time for including a conservative social agenda as part of a national party's political platform. But, his commitment to the primacy of Parliament and process was misunderstood by many as merely a mechanism to facilitate a social conservative agenda. It was not. The process is an end in itself. And so we will continue to see a push for returning Parliament to its central role in the evolution of social policies. For all this openness, Mr. Harper has a very tight circle of close advisors and is wary of people from the outside. People are either inside or out. He has run his Leadership Campaign and the subsequent

Election with a small group of key advisors from his days in Reform and Alliance. However, through the merger negotiations he developed a very close relationship with Peter MacKay and the two work closely. Mr. MacKay's views and advice on policy and personnel will have a significant impact on how the Party operates. The challenge for the Tories will come when they face their first policy convention as a newly united party and have to take decisions about the social policy agenda that was so damaging to electoral prospects in Central Canada.

A BRIEF HISTORY OF MINORITY GOVERNMENTS

Canada has a long history of minority governments and understanding that history is essential to dealing with the current one.

Canada's last minority government was 25 years ago when Joe Clark's Progressive Conservatives held office from May to December 1979. But in the three decades from the late 1950s until 1980, minority governments were common. John Diefenbaker led the PCs to a minority government in 1957, the lead up, as it turned out, to a landslide victory in 1958. In the 1962 election, the PCs and Diefenbaker were pushed back into minority territory; the very next year, 1963, the situation was reversed with a minority Liberal government under Lester B. Pearson. In 1965 – the third election in four years – the Liberal bid for a majority failed. Pearson was to retire without achieving a majority although he could point to a record of remarkable legislative output centered in the social area. Diefenbaker was ousted as PC leader in July 1967.

Pearson stepped down and was succeeded by Pierre Trudeau in April, 1968, who won a decisive victory in June, 1968. It was the sixth federal election in ten years. Trudeau would go to the polls again in 1972 but a disenchanted electorate would reduce his Liberals to a minority. He revamped his team of advisors and the result was a productive legislative period that would help boost Trudeau and the Liberals back to majority status in the 1974 election. Stability would reign in Parliament until 1979 when the Liberals would again stumble into minority from which they would rebound the next year. From then until the present, majority governments – Liberal and Conservatives – would be the order of the day.

Minority governments have produced positive results for Canadians as in the Pearson and Trudeau periods. But, by nature, they are interim phenomena. The media thrive in such an environment of uncertainty and unpredictability. But what do minority governments mean for the electorate? Are they good for the economy and for society as a whole? The record is mixed. Minority governments can be immensely innovative and productive. Pearson pushed through, inter alia, old age pensions, Medicare and the Maple Leaf flag. But this record was exceptional. Minority Parliaments in the recent past tended to be above all else political theatre where the adversarial and the opportunistic predominate.

Jockeying for every procedural advantage and preventing surprise votes constitute the daily grist of a Minority Parliament. A government buying time lives in a state of permanent anxiety over being defeated by accident or miscalculation, and MPs may be tempted (or encouraged) to switch sides to bolster the prospects of one party or the other. A life-support existence of this nature is not ordinarily conducive to courageous or balanced governance as there is a strong tendency to pander or curry favour with the electorate – all in preparation for the inevitable early fall of the government and a new federal election. Controversial or unpopular legislation, does not, as a rule, prosper in a minority context.

HELPING YOU TO LIVE WITH MINORITY GOVERNMENT

A minority government can pose significant challenges to achieving one's objectives with government. It also offers real opportunities for the private sector if goals are pursued strategically and thoughtfully, with a full understanding of the unique dynamics at play.

The Campbell Strategies/Media Profile team is ideally positioned to help clients navigate this volatile environment, where MPs from all parties have the potential to carry – or kill – an issue. Our professionals have worked in and for Liberal and Conservative governments, and continue to represent client interests at both the federal and provincial levels. We also have experience working in minority governments at the highest levels, and bring a first-hand appreciation of the nuances of governing in this environment.

With the right strategic advice and support, this could prove to be a useful time to position and even advance your objectives with a new mix of empowered parliamentarians.

THE CAMPBELL STRATEGIES/ MEDIA PROFILE TEAM – NAVIGATING THE NEW POLITICAL REALITY

Campbell Strategies provides a broad range of government relations services covering all levels of government. Our unique experience enables us to effectively bridge the gap between the public and private sectors and assist our clients to communicate effectively in the political environment.

Barry Campbell served as a Member of the Parliament in the Liberal Government from 1993 to 1997. He served as Parliamentary Secretary to the former Minister of Finance, the Rt. Hon. Paul Martin.

Dick O'Hagan, a seasoned consultant with long experience in the public and private sectors, was an advisor in the Prime Minister's Office serving Prime Ministers Trudeau and Pearson.

Paul Brown served in the Conservative Government of Canada from 1984 to 1988 as Policy Advisor to the Industry Minister, Executive Assistant to the President of the Treasury Board, and Chief of Staff to the Minister of Labour.

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Patrick Gossage is one of Canada's most highly respected communications practitioners. He served as Prime Minister Trudeau's press secretary from 1976 to 1982 and Minister of Information at the Canadian Embassy in Washington.

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