

BEGINNING OF THE END OR END OF THE BEGINNING?

CONSERVATIVES AND LIBERALS JOCKEY FOR ELECTORAL ADVANTAGE



October 19, 2007

OCTOBER 16TH 2007 THRONE SPEECH HIGHLIGHTS

Throne Speech Highlights (see Appendix for details on Throne Speech themes and initiatives)

- Accelerating the GST cut from 6% to 5%*
- Promising future broad-based cuts to corporate and personal taxes*
- Additional funding for infrastructure through the *Building Canada Plan* to support long-term growth*
- Using the federal trade and commerce power to make Canada's economic union work better (e.g., removing interprovincial trade barriers; a national securities regulator)*
- Limiting the use of federal spending power in areas of provincial jurisdiction, while allowing provinces choice to opt-out if they offer compatible programs
- An omnibus *Tackling Violent Crime* anti-crime bill
- Extending the military presence in Afghanistan by two years to 2011, with a new emphasis on training Afghan troops and country building
- Establishing requirements for carbon emission reductions and a carbon emissions trading market.

*Details of the Governments' economic priorities will be revealed later this fall in the Economic and Fiscal Update.

FOR THE CONSERVATIVES...

Five Easy Pieces – A Conservative Agenda as Canadian as Maple Syrup

There must be something magic about the number five, because like the five priorities of the 2005/6 election campaign, the Conservatives laid out five new themes this week. Replacing five narrow proposals from the last campaign, the new “five” speak to a larger Conservative vision of Canada: strengthening sovereignty and security, modernizing the federation, building the economy, protecting the environment, and reclaiming Canada's safe streets and communities. This was a Throne Speech that can just as easily serve as the Conservative majority road map.

Gone is the Conservative Party that relied on public anger over Liberal misdeeds and indecisiveness; this is a Conservative Party lead by a Prime Minister

who is ready to challenge Liberals for the hearts and minds of Canadians by establishing its own Conservative agenda for Canada. No longer will the Conservatives allow themselves to be defined by the Liberals or the cabal of aging political commentators hanging on to liberal shibboleths from the 1960's.

What's interesting about the new “five” priorities is that they all go to the issue of nation building while staying away from issues of private morality. On both domestic and foreign policy, Prime Minister Harper's Conservative principles are clear and easy to understand. More importantly, they are consistent with the Canadian self image. The penultimate phrase of the BNA Act “peace, order and good government” rings sympathetically with this Throne Speech --- it's a Conservative agenda as Canadian as maple syrup.

FOR THE LIBERALS...

Liberals in Stronger Position than Pundits Would Allege

The Speech from the Throne sets out the priorities and tone of what most certainly will become a Conservative Party election campaign. But the campaign won't begin that soon.

Stéphane Dion has – rightly in our view – sidestepped an unnecessary political showdown over the words and the general arrogance of a speech that is more about grandstanding than actual legislation.

By falling back on a defensive line – “Canadians don't want another election they want us to make Parliament work” – and constructively criticizing many elements of the Throne Speech, while praising a couple, Dion has probably bought himself some time, especially if his MPs in committee can delay final votes on legislation.

There is no doubt that many in the Party would prefer to ‘give Harper his election now’ because it's time for someone to speak for a Canada where the Federal Government has an important role in ensuring social justice and equality. They see Harper as reducing the role of the federal government to foreign affairs, defence and the economic union. If he wants to change this compact with the Canadian people, he must ask them for permission.

These views will continue to be expressed in caucus and among militants, and make it more difficult for some members to abstain from voting (Tories did this during the Martin minority) to prop up the government. These divisions could become serious, but we think the Liberals will in the end rally around the consensus decision against an early election for practical, not ideological reasons.

Whatever, – within a few months if not weeks – a campaign will happen. And then what? While the conventional wisdom in the Press gallery is that the Liberals under Stéphane Dion are a house divided with weak leadership, this ignores two important truths:

1. **The Liberal Party foundation is strong.** In contrast with the ‘one-man show’ Party led by the Prime Minister with Presidential envy, the Liberals have both an exceptionally strong, experienced and diverse team that can be relied upon in both an election campaign and what is likely now the pre-writ period. From Bob Rae to Michael Ignatieff, Gerard Kennedy to Justin Trudeau and Carolyn Bennett on and on (there is something to be said for an 11 person leadership race!) the Liberals have ‘bench strength’.

The Party also has significant policy expertise within its caucus – consider John McCallum, Ken Dryden, Ralph Goodale and Irwin Cotler.

Equally important, the Liberal's campaign team will be led by veterans Senator David Smith and John Rae. Pulling together a wider team and mounting a campaign with this leadership is largely housekeeping.

2. **Policy should be the Liberal Party's secret weapon.** On almost every major issue raised in the Throne Speech – from the war in Afghanistan to the approach to the environment, from knee jerk reactions on crime to a questionable plan for the Arctic (let's protect it so we can exploit it!) – the Liberals should find that their positions align closer with public opinion than the government's positions.

There is little doubt that Liberals still reflect the mainstream of Canadian politics better than even the ‘kinder, gentler’ Tories. There are no codes in a Liberal approach, no ‘family values’, no US style ‘fighting for democracy’, and no ‘strengthening the union’ by weakening it.

There will also be no need for huge direct mail campaigns to let immigrants and targeted minorities know how much they are loved. Instead, Liberals will rely on a legacy of foreign policy based on multilateralism, caring about child poverty and investing in and protecting our health care system. The Party seems to still enjoy a seemingly unshakeable loyalty from minorities.

If the Party can seize the moment on two other issues that preoccupy urban Canada and that they should own – the environment and support for cities, especially through public transit – it may even be able to beat back the NDP and Greens ensuring the Liberals are the beneficiaries of any coalition to stop Harper from getting a majority.

Add to this a refreshing approach to reducing corporate taxes to make us more competitive, a greater willingness to advance policies to help the beleaguered manufacturing sector, and a proven track record in massive investments in our research capacity, and there is a foundation for a saleable and solid economic platform to counter Conservative boutique tinkering and ‘buy-their-vote’ GST reduction.

As for the Leader, low expectations are an absolute bonus going into a campaign. Admittedly they are low indeed – but he has not and is unlikely to stumble. A man of probity and intelligence, an election campaign will tune up his political style in a hurry. And unlike his opponent he has an attractive wit and original turn of phrase which will serve him well in tweaking Harper's fondness for US style leadership.

We doubt that Dion will resort to an overly negative campaign, and if he gets a personally negative one in return, it will backfire. That's what happened to the Ontario Tories with attacks on Liberal Premier Dalton McGuinty, who shares some of Dion's lack of obvious charisma.

What may be the biggest wild card is if Dion can regain the fire that drove him to soundly defeat the separatists in Quebec when they were at their mightiest. That is the Dion many Liberals remembered when they cast their votes for him at the Leadership Convention less than a year ago. It is that Dion that Harper risks reigniting by pushing misguided policy and too clever-by-half politics.

Overall, we think the Liberals have a good shot despite the Party's organizational issues and the rifts that may develop as caucus decides when and why to pull the plug. There is nothing like a campaign with the prize of victory to enforce unity.

So, while the next days and weeks will see Dion's Liberals virtually counted out as powerful contenders to upset Harper's cleverly laid out path to the polls, the recognition of an increasingly attractive and accessible leader and mainstream Canadian policies will seize the media's and public's attentions and interests. It may even lead to a Liberal minority and from there – who knows?

WHAT DOES THIS MEAN FOR BUSINESS

Modernizing the Federation: The Conservatives seem ready to tackle a tough structural issue that has long bedevilled Canada's policy makers: restoring the division of powers from the Constitution by restricting Federal spending on provincial social programs, while asserting Federal trade and commerce powers. What this means for business is a vigorous assault on inter-provincial trade barriers and a determined push for a national securities regulator.

Building the Economy: In both the Throne Speech and comments by Finance Minister Flaherty, the Conservatives are moving from narrow tax policy measures to broader across-the-board tax cuts for businesses and individuals; and, productivity measures to encourage spending machinery and technology.

While the Conservatives were criticized for their attack on the 'double dip' (i.e., interest deduction issue), this initiative appears to have been conceived within the context of a general business tax cut that the Conservatives were not yet ready to announce. The other major area to watch is infrastructure spending. While it took up little space in the Throne Speech, that it was there, is important. Ports, harbours, highway, "national" transportation investments with a focus on cross border routes, are clearly a focus of this Government. Recent delays in moving forward mean there is much that is still in the system. Also, investments in the North and the military should be substantial as the Government implements its agenda.

Healthy Environment: The 'cult of Kyoto' seems to be on its last legs. The Conservatives have made it clear that they understand the importance of progress on this issue. The energy industry should look for new initiatives that include recognizing the importance of nuclear power as a source of clean energy as well as encouraging investments in new energy efficient technologies. Unlike Ontario, the Federals are not afraid of new clean coal technologies as part of a larger strategy to reduce green house gases but no one should be surprised if the attack on green house gases is aggressive.

DEALING WITH OTTAWA

Notwithstanding the relative strength of the federal Conservatives over the Liberals, the Government still needs Parliament and its committees to pass its agenda. Indeed, with a Government ready to push forward and hold the Liberals to account, it's likely that much of the attention will focus on Parliamentary committees where the Liberals retain significant control.

The other new dynamic will be within the Cabinet. When the Conservatives came to power in 2006 only one MP had ever served in a federal Cabinet. In an uncertain minority Parliament it should have surprised no one (except the federal press gallery) that Prime Minister Harper needed to keep a tight watch on government operations. The growing experience and confidence of Ministers means that some will take on greater political prominence and independence within the agenda established by the Prime Minister in the Throne Speech.

THE CAMPBELL STRATEGIES / MEDIA PROFILE TEAM

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.

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.

Mitchell Toker has an extensive background in law and public policy with over fifteen years experience working in the Ontario Public Service as a senior executive.

Media Profile offers proactive media relations with a knowledgeable approach to developing beneficial relationships with the media and ultimately building a more positive image for its corporate clients. Media Profile also has extensive experience in preparing crisis plans and in managing crisis communications. Through its IR Profile division, Media Profile provides a comprehensive package of investor and business media relations services to publicly traded companies.

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.

Christopher Holcroft has offered strategic advice to a number of high-profile Liberal candidates for the Ontario Legislature and Federal Parliament. He also co-authored a major report on youth and civic engagement in Canada as part of the federal Liberal Party's Renewal Commission.

*For more information on our team,
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See Appendix (next page) for details of the Throne Speech.

APPENDIX

FEDERAL SPEECH FROM THE THRONE

Overview

The October 16, 2007 Throne Speech, titled **Strong Leadership. A Better Canada** outlined the Government's five specific priorities:

- Strengthening Canada's sovereignty and security.
- Building the economy.
- Modernizing the federation.
- Protecting the environment.
- Reclaiming Canada's safe streets and communities.

Many of the details of the Governments' economic priorities will be revealed later this fall in the *Fall Economic and Fiscal Update*.

Themes / Initiatives

Strengthening Canada's Sovereignty and Security.

- Extend the military presence in Afghanistan by two years to 2011, with an emphasis on training Afghan troops so that the Afghan government can defend its own sovereignty. In this Parliamentary session, members will be asked to vote on the future of the Canadian mission in Afghanistan
- Build a research station in the North that will be "on the cutting edge of Arctic issues".
- Modernize Canada's military to provide effective surveillance and protection for Canada and abroad with its allies.

Building the Economy

- Accelerate implementation of the GST cut from 6% to 5%.
- Broad-based cuts to corporate and personal taxes.
- Additional funding for infrastructure through the *Building Canada Plan* to support our long-term growth.
- Improve the protection of cultural and intellectual property rights through reforms to copyright laws.
- Improve the governance and management of the Employment Insurance Account.
- Provide aid for the struggling forestry, fishery, manufacturing and tourism industries in this parliamentary session.
- Help researchers bring new inventions and discoveries to market.
- New investments to transport and trade hubs to upgrade border crossings, highways and commercial transport corridors.

- Continue promoting bio-fuels.
- Bring in new measures to improve the quality of imported food and products.

Modernizing the Federation

- Introduce legislation that would limit the use of federal spending power in areas of provincial jurisdiction, with compensation for provinces that wish to opt out of shared-cost programs if they offer compatible programs.
- Consider ways to use the federal trade and commerce power to make Canada's economic union work better (e.g., removing interprovincial trade barriers, creating a national securities regulator).
- Apologize for residential schools abuses and provide a final settlement to its victims.
- Reintroduce legislation to guarantee to people living on reserve the same protections other Canadians enjoy under the *Canadian Human Rights Act*.
- Reform the Senate, including limiting the terms of senators and allowing Canadians to elect senators.
- Require people who wear veils to uncover their faces when voting.

Protecting the Environment

- Follow through with requirements for carbon emission reductions and the establishment of a carbon emissions trading market.
 - Reintroduce elements of the *Clean Air Act* that had all-party support;
 - Create a carbon-emissions trading market;
 - Continue to push for a 50-per-cent reduction in greenhouse-gas emissions by 2050.

Reclaiming Canada's Safe Streets and Communities

- Introduce a new omnibus anti-crime bill (*Tackling Violent Crime* bill) which will include: measures on tougher mandatory sentencing for offences such as impaired driving, dangerous offenders and gun crimes; stricter bail provisions; strengthening the *Youth Criminal Justice Act*; and raising the age of consent.
- More money to recruit 2,500 more police officers to improve law enforcement.

Full text of Federal Throne Speech available at:
<http://www.sft-ddt.gc.ca/eng/index.asp>