



HAPPY FIFTH ANNIVERSARY!

Later this month Stephen Harper will celebrate his fifth anniversary as the Prime Minister of Canada. Looking back, a great deal has happened during these five years of Conservative minority government: Canada withstood a serious global economic downturn, the war in Afghanistan continued, Canada hosted both a G8 and G20 conference, Canadian Olympic athletes won more gold medals than any other country in the history of the Winter Games, and the Liberals changed their leader twice. It is fair to say that Mr. Harper enjoys being the Prime Minister of Canada and aims to keep his job. Looking ahead, in this Commentary we explore some of the challenges that will confront Mr. Harper and his Conservative government in the coming months as others try to take his job away from him.

ACCORDING TO HOYLE IT'S ONE MINISTER SHORT OF A LEGAL SHUFFLE

While some media members of the "commentariat" called last week's Cabinet changes a mini-shuffle, technically, for those who play cards, according to Hoyle a cut or shuffle is not legal until a minimum of five cards are displaced. With only four Ministers "in play", the Prime Minister used this Cabinet fine-tuning exercise to hammer home a theme that will underscore all of the government's messaging in the months ahead, from the economy to public safety to election speculation: "this is a time for stability, not uncertainty."

This is thinly disguised code that a Conservative government is about stability and the opposition parties, presumably in some form of coalition government, would plunge the country into a period of uncertainty. Look for this political assertion, and the positioning of the opposition by the government as "The Coalition", to permeate Question Period, ministerial speeches and many government announcements going forward.

Precipitating last week's shuffle was the November 2010 departure of then-Environment Minister and Calgary-area MP Jim Prentice to the private sector. The Hon. Peter Kent (Thornhill, ON), a long-time and accomplished broadcaster, was promoted to Minister of the Environment from his previous position as Minister of State for the Americas where he drove the day-to-day agenda of the government's trade and investment focus in Central and South America. Minister Kent's elevation to a portfolio that has been the subject of harsh opposition criticism on the climate change file will test him quickly and repeatedly in the coming months as the both the Liberals and NDP focus in on his portfolio in pre-election policy posturing. Mr. Kent also became Vice-Chair of the Cabinet Committee on Environment and Energy Security.

From a regional political standpoint, an additional Minister from Ontario and the Greater Toronto Area (GTA) is a positive signal. Indeed, the GTA is the coveted battleground for the Conservatives in the next election and success there is critical if they are to achieve their goal of forming a majority government.

Keeping with the GTA, recently elected Julian Fantino (Vaughn, ON), a former Toronto police chief and Commissioner of the OPP, was appointed as the Minister of State for Seniors. This portfolio is important to the government as it constitutes a solid segment of its base support and it foreshadows the social policy challenges and changes that our ageing population – with the first tranche of baby boomers turning 65 this year – will usher onto policymakers at all orders of government.

Mr. Fantino's ascension to Cabinet was not surprising, yet many observers thought he would go to a portfolio more in keeping with his professional pedigree. However, his Minister of State role will give him time to learn not only how to be a Minister but also assist him with learning the ropes of being an MP.

In politics you must always stay true to your base and the Prime Minister did so in moving former Minister of State for Seniors, Diane Ablonczy (Calgary-Nose Hill, AB), to Mr. Kent's previous position as Minister of State for the Americas, but added another role in also making her responsible for consular affairs. Elected as a Reform MP in 1993, Ms. Ablonczy has been a consistent supporter of the Prime Minister and her star is once again on the rise in Cabinet.

To complete the Cabinet tweak, Ted Menzies (Macleod, AB) was promoted to Minister of State for Finance (a new position in this government) from his previous role as Parliamentary Secretary to Finance Minister Jim Flaherty. Mr. Menzies is a hard-working and jovial MP and respected by his peers in all parties. His elevation to Cabinet sends a clear signal to other aspirants in caucus ... hard work and loyalty is rewarded. Mr. Menzies will also sit as a member of the powerful Treasury Board.

... AS FOR THE OPPOSITION REACTION

With Parliament in recess until month's end, the opposition parties, for the most part, treated the Cabinet changes as a non-event. Reaction was left to spokespersons or strategists on the supper-hour political news shows to point out that embattled Natural Resources Minister Christian Paradis remains in Cabinet and assert that the key portfolios such as Foreign Affairs and Health remain underwhelmed by poor Cabinet leadership.

The timing of last week's Cabinet announcement, scheduled for 2:00 pm EST in the afternoon, also ensured that it was the only political story of the day with little time for opposition reaction. It is clear that all opposition parties (Liberals, NDP and the Bloc Québécois) are keeping their proverbial political powder dry until the House resumes on January 31st and will focus their energies on Jim Flaherty's forthcoming "austerity" budget expected to be tabled in late-February or early-March.

Passage of the Budget, which is a matter of confidence, will be the focal point of election speculation for the next three months and an issue to which we will return shortly. But first ...

WHO NEEDS AN ELECTION? THE CONSERVATIVES HAVE A MAJORITY

While Canadians were rightly focused on family and friends over the holidays, two new Senators were appointed: Reverend Don Meredith from Ontario and former Canadian Football League Commissioner Larry Smith from Quebec. While these appointments received scant media coverage, from the context of party standings in the Senate they are game-changers.

The governing Conservatives now have an absolute majority in the Senate (see chart below) which adds a new legislative arrow in their governing quiver. Even if opposition-dominated committees fundamentally alter government bills and pass them through the House of Commons, the Conservatives can use their majority in the Senate to restore legislation to reflect the government's original intent. There would be no small irony in using the Senate in this way, given the Prime Minister's views on the Senate and his oft-expressed desire to reform "the Other Place". Nevertheless, PM Harper has demonstrated his willingness to deploy all levers at his disposal to achieve his objectives and there is little reason to believe that he would be shy about judiciously using a Senate majority, if necessary, to thwart his political opponents.

Senate Standings (# of seats)

Conservative Party	54
Liberal Party	46
Progressive Conservative	2
Independents	2
Independent Liberal	1
Vacant	0
	105

WILL BUDGET 2011 TRIGGER AN ELECTION?

The big political question of 2011, and perhaps the eternal question in this minority Parliament, is self-evident: what will trigger the next election, and when? Barring any unforeseen political bombshells, all eyes are focused on Budget 2011 and its consequent confidence vote as the best (and perhaps only) opportunity for the opposition Liberals to try and force a late-winter election, should they be so inclined.

With the government's Economic Action Plan winding down, the simple lack of spending on infrastructure will allow Finance Minister Jim Flaherty to put a dent in Canada's record fiscal deficit, projected to stand at \$45.4 billion on March 31, 2011.

While Strategic Reviews to cut and re-allocate low priority spending within departments and agencies continue apace, most influential economists agree that more substantive measures to curb baseline program spending across the federal government is critical to returning to a fiscal surplus by 2015-16 as projected by the Finance Minister. And simply hoping for the Canadian economy to recover significantly and provide increased personal, corporate, and consumption tax revenues is not enough to balance the books.

Even with federal departmental budgets frozen at 2010-11 levels for two years, the main theme of Budget 2011 will be austerity. Several belt-tightening measures that could be announced in the Budget will likely stem from the Administrative Services Review (ASR), concluded late last year by former Privy Council Office mandarin Daniel Jean (now Deputy Minister of Canadian Heritage).

Mr. Jean's task, along with 24 other senior public servants which he coordinated, last summer and fall was to proverbially shake every government couch and chair for lost quarters and scour every departmental nook and cranny for overhead savings and periodically report back to an ad-hoc committee of senior ministers. We expect to see the results of the ASR peppered throughout Budget 2011. This could include back-office rationalization, privatizing certain crown corporations, outsourcing service delivery, a wide-scale agencies, boards and commissions sunset review or renegotiation and/or consolidation of major service contracts, especially in the area of information technology support and consulting services to government. Look to the Budget for P3 opportunities, particularly with regard to commodity-based infrastructure such as data centres and real estate.

The content of Budget 2011 will inform the actions of all three opposition parties. For example, if the Budget were to include a provision particularly beneficial to Quebec, Mr. Duceppe would be hard-pressed to vote against it. Similarly, a change to pensions that is to the liking of the NDP would make Mr. Layton think twice about pulling the plug on the minority government. For his part, could Liberal leader Michael Ignatieff direct the Liberals to support a Conservative budget yet again while also trying to differentiate themselves from the ruling party in advance of a national election?

In addition to budgetary content, opposition leaders must assess their election prospects as of Budget Day. This is where public opinion polls over the past three to six months mostly conspire against the prospects for an election. The Conservatives, while not breaking through the vaunted 40% in national polls, continue to lead the Liberals by three to five percent consistently. As the ridings break out across the country, the Bloc still looks strong in Quebec and we believe that Liberal gains would have to not only come from some Conservative seats but also from strategic voting in key urban centres that would see traditional NDP supporters throw their support to local Liberal candidates. No doubt NDP leader Jack Layton is aware of this scenario and will factor it, along with his party's poor showing in the recent by-elections, into his thinking as his response to Budget 2011 looms large.

In light of these factors, and given that the Prime Minister has said he will not inject a "poison pill" into Budget 2011, we believe the likelihood of an early election due to the defeat of Budget 2011 is a low probability at this point. But stay tuned.

In the meantime, the major parties will position themselves with the electorate in the months ahead and try to shape the ballot box question. The Conservative government will claim the high ground of competent economic management and the ongoing need for stability. As noted above, they will contrast this with the alternative of an unstable coalition of tax-and-spend Liberals and New Democrats supported by separatists. For their part, the Liberals will differentiate themselves from the government by saying the Conservatives are about “planes and prisons” whereas the Liberals are about people – their pensions, their home care, their children.

While public opinion polls have vacillated throughout the two plus years of the 40th Parliament, after seven by-elections, the composition of the present parliament is almost identical to the election results of October 14, 2008, as depicted below. The more things change, the more they stay the same ...

	Conservative	Liberal	BQ	NDP	Other	Vacant	Total
October 2008	143	77	49	37	2	0	308
January 2011	143	77	47	36	2	3	308

A POTENTIAL FALL ELECTION HAS COMPETITION OF ITS OWN

In case you were thinking that a federal election might be more likely this fall, we see a crowded provincial election agenda. Five provincial governments must go to the polls:

- Prince Edward Island – October 3, 2011
- Manitoba – October 4, 2011
- Ontario – October 6, 2011
- Newfoundland and Labrador – October 11, 2011
- Saskatchewan – November 7, 2011

While concurrent federal and provincial elections have occurred in Canadian history, brand and issue confusion are a risk for all parties. Provincial parties of all stripes will unofficially be in full campaign mode by late spring in the five provinces right through to voting day. This limits the timing of a federal election – under normal circumstances – to November or December and winter campaigns. While not unheard of in recent years, for a variety of historical and nature-laden reasons they are not preferred by most parties, candidates and volunteers.

With what looks to be a low probability of a spring election and with the added dimension of a crowded fall election agenda in 5 provinces, we believe the field is open for clients to continue pressing ahead with their government relations objectives and not become distracted by election speculation which often makes headlines on slow news days.

Subscription Info

If you would like others to receive future editions of the Tactix Commentary, please e-mail your contact information to us at contact@tactix.ca. If you would like to be removed from our mailing list, please e-mail contact@tactix.ca.

About Us

TACTIX GOVERNMENT RELATIONS AND PUBLIC AFFAIRS INC. has helped corporate clients and industry associations navigate through Canada's complex political and public affairs landscape – to get the decisions they need to succeed – since 1996. Tactix' team of professionals knows how governments make decisions. We understand the constraints and opportunities presented when government charts a course of action. What matters to Tactix' clients is whether their strategic objectives have been met or harmed by a government decision. That is our focus too.