



TIME FOR SPF-30 AND SOME PARLIAMENTARY REFLECTION

Welcome to the summer of 2010! In this Commentary we offer our take on the just-concluded parliamentary session that was (or wasn't), what your federal politicians will be up to this summer, and our crystal ball look-ahead to the fall session of Parliament. Read on – you will also find what we think of the prospects of, gasp, an election this year.

THE MINORITY PARLIAMENT THAT COULDN'T (OR WOULDN'T)

The House of Commons is scheduled to resume sitting on Monday, September 20th. Let's hope that the summer break for MPs will lower their collective partisan temperature, which reached historic proportions of petulance and dysfunctionality this spring, and that civility will return once again to Parliament Hill.

Not a great deal was accomplished in the spring 2010 session of Parliament. What Canadians witnessed mostly was the bluster of fractious Question Periods, a focus on Afghan detainee documents and the historic decision on the authority of Parliament by the Speaker of the House, questions surrounding the \$1 billion price-tag for the recently concluded G8 and G20 meetings, the non-appearances of political staffers at House of Commons committees, and the sideshow of a former MP facing allegations of improper behaviour complete with shady business figures and testimony from a sports car-driving private investigator.

If legislation is the key barometer of a successful session of Parliament, the barometer is falling. The legislative tally included a modest ten bills passed by Parliament and receiving Royal Assent. This compares to a more normal output of between 30 and 40 bills in a session. And most frustrating for the government is likely the fact that its economic centerpiece, the 900-page Budget Bill, C-9, remains stuck in the Senate at the time of writing (although we believe Bill C-9 will be passed before the Senate rises for its summer break later this month).

While the national political parties have jostled in public opinion poll standings over the last six months, if an election were held today, neither the governing Conservatives nor the opposition Liberals would form a majority government. However, the one consistent and growing trend across multiple pollsters results is the declining esteem in which MPs are held by Canadians which can be attributed in no small respect to the nightly TV spectacle of parliamentary antics which are watched while the House of Commons is in session.

When the House recessed on June 17th, it was into this public mood that MPs travelled home to attend school graduations, constituency gatherings and other events which will fill out their summer barbeque circuit schedules. They might just get an earful served with their burgers and hot dogs.

FROM HUNTSVILLE TO TORONTO: WORLDS APART

If the government was looking for pristine Ontario wilderness and orderly Toronto streetscapes as the television images that would be beamed globally from the G8 and G20 summits, they ended up batting .500. While the G8 summit in picturesque Huntsville was protest-free, the 900-plus arrests and burning police cars amidst some of the “black bloc” inspired violence during the G20 in Toronto were not the images that Toronto-area tourism promoters wanted.

And it certainly wasn't the way in which Prime Minister Harper would have liked to cap off the last four months of Canada's spot in the international limelight, given the outstanding success of our athletes and global image portrayed by the hosts during the 21st Winter Olympics in Vancouver/Whistler.

While the senseless violence in Toronto captured so vividly by the media was disturbing, on the substantive policy front the Prime Minister tallied up some successes. He cajoled some reluctant nations into supporting the Canadian-led maternal and child health initiative arising from the G8. Moreover, as most observers acknowledge, he scored two important and practical victories during the G20 summit by heading off the imposition of a global bank tax and gaining agreement on a general framework for fiscal restraint. If the recent Greek crisis teaches us anything it is that sovereign debt issued by a country that cannot control its spending and held by financial institutions as collateral for their own borrowings has contagion risk that can seriously undermine global financial stability.

Meanwhile, critics have been quick to note that the G20 agreement is non-binding and the heavy-lifting and tough negotiating is yet to come when our G20 co-chair nation, South Korea, hosts another G20 meeting in November where the more troublesome and technical issues of financial sector reform will be on the agenda. Nonetheless, the television images and media coverage of Prime Minister Harper meeting face-to-face with other world leaders will no doubt surface in the next election campaign, a subject which is addressed later in this Commentary.

Of longer-term geo-political significance is the rapid and fundamental transition that is occurring in global economic coordination. The G8 (formerly the G7 plus Russia) is firmly rooted in and mirrors the global political and economic power structure from the end of World War II to the early 1990s. On the other hand, the G20 table is clearly much more emblematic of current global economic and political influence as we march into the second decade of the 21st century.

Back in 1999, then-Finance Minister Paul Martin was questioned by the opposition parties and some in his own Party for his determined focus on the embryonic G20 as it was convened to address the Asian contagion market meltdown. His prescience in helping to build and legitimize the G20 and this reputational legacy likely played an enabling role in the Prime Minister's successful hosting of the summits last month.

G20: THE BILLION DOLLAR ASTERISK *

Despite substantive progress during the G8 and G20 summits, both of these gatherings will long be remembered with an asterisk or footnote as a result of the reported \$1 billion figure to host, stage and secure both meetings. If the Conservatives will be using pictures of Prime Minister Harper hosting world leaders in their next election campaign, it is a near certainty that opposition parties will use the \$1 billion price tag as a point of attack in their own election advertising. Furthermore, to add insult to injury, French President Nicholas Sarkozy boasted that France will host next year's G20 meeting for one-tenth of Canada's reported cost. Ça fait mal: translation, that hurts!

LIGHT ON THE MUSTARD, HEAVY ON THE PARTY SPIN

From Canada Day to well past Labour Day, during events in their ridings and at numerous community gatherings, MPs will be beta-testing and refining their respective Party messages should events conspire to send Canadians to the polls some time this fall. What will the respective Parties be selling?

For the governing Conservatives, they have some economic wind in their sails. Look for Conservative MPs to be trumpeting Canada's recent economic performance, which includes five straight months of job gains according to Statistics Canada and 6.1% GDP growth in the first quarter of 2010 – although April GDP came in flat and the manufacturing sector suffered its first drop in output since last August. Notably, both the IMF and the OECD have projected Canada's GDP growth in 2010 and 2011 to lead all G7 countries. Finally, *The Economist* magazine recently called Canada an "economic star" and the OECD waxed eloquently that our economy "shines." Although there are still troubling signs on the horizon globally which could affect our economy, Canada's relatively strong growth could well result in a rebound in corporate and personal income tax collections, with the happy commensurate result of reducing the forecasted record budget deficit.

Finally, Conservative MPs will utilize every opportunity to trumpet the government's "management" of the economy through very challenging times as they continue to fan out across the country and announce funding for the final projects of the government's two-year Economic Action Plan announced in Budget 2009.

Turning to the opposition Liberals, their objectives this summer are two-fold. First, Leader Michael Ignatieff will be using the summer months (after visiting China) to bus across the country, seeking to "change the channel" on his leadership by reaching out to regional media, looking to drown out the national media, many of whom have written him off. He will also re-connect with Party faithful who may be in need of the personal touch from their leader. Although he is likely to keep much of his detailed election platform under wraps (work on the platform is well-advanced), Mr. Ignatieff may drop strong hints here and there about what a Liberal government would do. Secondly, Mr. Ignatieff and his Liberal MPs will paint a portrait of an arrogant, anti-democratic and secretive government on files ranging from the billion dollar summits to the denial to turn over Afghan detainee documents to the muzzling of ministerial staff and contempt for parliamentary committees.

As for the country's fiscal performance, the Liberals will note that Canada's relatively strong outlook would not have been possible if not for two things: their initial support of the Conservative's Economic Action Plan, and the residual dividend of the budget surpluses delivered during the Chrétien/Martin years, positioning Canada positively heading into the global economic recession of 2008. Seeking to wrest the mantle of sound economic managers away from the Conservatives, they may add that if the Conservatives had not "squandered" the Liberal fiscal surplus through large budgetary spending increases and their cuts to the GST, Canada would not be in deficit today.

The NDP can be expected to make policy announcements over the summer months, seeking to get out in front of the Liberals and trying to chip away at Liberal support. Their performance during the past parliamentary session was, on balance, quite constructive. Despite battling prostate cancer, NDP leader Jack Layton habitually used his Question Period time to focus on big issues like the economy and pensions as opposed to chasing the often trivial daily headlines that dominated the session. The challenge for Mr. Layton and his 35 MPs is to remain relevant in summer coverage of political events and capitalize on Mr. Ignatieff's perceived leadership weaknesses and fend off consistent support for the Green Party, even though the Greens have little prospect of winning parliamentary seats in the near future.

Finally, the Bloc Québécois (BQ) celebrated its 20th anniversary as a party in May and, to the surprise of some and to the dismay of Conservatives and Liberals, remains a force in Parliament with 48 seats. The challenge for the Conservatives and the Liberals is to find the right narrative that will resonate with Bloc voters because it is crystal clear after several election campaigns that telling BQ supporters they are wasting their votes is a message that has been rejected time and time again.

PREPARING FOR BUDGET 2011: IT IS NEVER TOO SOON

Just as the House of Commons rose for summer recess, the House Standing Committee on Finance issued its annual call for pre-budget submissions from Canadians. The deadline is August 13th for delivering written briefs, not to exceed five pages. While this development is part of the annual budget cycle, the lack of parameters or direction from the Finance Committee is telling.

In previous years, the Finance Committee has focussed on themes such as prosperity, competitiveness or trade related issues and posed a series of questions to shape respondents' submissions. This year the canvas is blank, with no theme and no suggested questions. This open-ended approach will likely result in a gamut of creative suggestions for allocation of scarce tax dollars in what will be a tough and challenging budget. And organizations should be mindful that, despite the economic good news which is the weekly subject of Conservative talking points, the projected budget deficit for Fiscal 2010-2011 is \$49 billion (although it could come in lower by some \$5 billion or more) with plans to trim the deficit by 44% to \$27.6 billion by 2011-2012.

It is also interesting to note that the Finance Committee will depart from its usual practice of holding its travelling fall hearings (in addition to its Ottawa-based consultations) in large metropolitan centres like Montreal, Toronto, Edmonton and Vancouver and will instead hear from Canadians in places like Surrey, Kamloops, London, Lebel-sur-Quévillon and Saint John's.

As the stimulus funding under the two-year Economic Action Plan ends in early 2011, Ottawa must still trim the size and growth of government substantively to return to fiscal balance through administrative and strategic reviews. Any requests for new funding will face many obstacles and will need to be buttressed by strategic and coordinated government relations and advocacy efforts.

TO GO OR NOT TO GO, THAT IS THE QUESTION

While public opinion polls indicate that if an election were held soon it would return the same sort of fractious minority parliament Canadians have seen in recent years, the truth of the matter is that election campaigns matter. Knowing this, the temptation for Prime Minister Harper and his Conservatives to go to Canadians this fall and seek a majority mandate (they are just 11 seats shy of the magical 155 seat threshold) is growing. A summer of continued economic good news and framing of the next election as one in which Canadians will have only two choices – a Conservative government or an Ignatieff-led coalition government with socialists and separatists – are safe bets for inclusion as part of any Conservative election script. Furthermore, having the Prime Minister conduct his fourth national election campaign against a Liberal leader experiencing his first stokes the temptation.

Other considerations that an election could be in the offing this fall include a report from Auditor General Sheila Fraser on Canada's Economic Action Plan (funded through the 2009 and 2010 Budgets) which may find challenges with the government's signature economic recovery initiative, given the historic size and speed with which it was implemented. Of note as well – although more of an inside-Ottawa observation – is the departure of several senior political staffers from the Prime Minister's Office and other key departments (Defence, Transport, Finance) over the past month.

While the beginning of each parliamentary summer recess brings with it a natural churn of staffers leaving the Hill and switching offices, this spring's departures could signal "inside intel" that the Conservative government is edging ever closer toward an election and these staffers, many with young families, are simply not prepared to commit to a gruelling fall election campaign.

There is, however, one big obstacle to a fall election. The challenge, and as-of-yet missing ingredient for Prime Minister Harper, who prorogued parliament in 2008 and 2009, is a plausible triggering event. The opposition needs to provide the catalyst by provoking him into calling an election, perhaps by defeating a critical piece of confidence legislation – potentially the fall economic statement. Whether the opposition parties – and it must be all three parties agreeing in concert to do so – are willing to trigger an election depends on how their polling numbers look at the end of the summer. Moreover, an important issue for the Liberals to factor into their decision-making is whether they can either shake the Conservative message of a coalition government or find that Canadians would actually embrace a coalition. Until then, the government will almost certainly continue to govern as it has for the better part of two minority parliaments; that is, as if it had a majority, with either the Liberals or NDP supporting the Conservatives at critical, election-threatening moments of parliamentary confidence.

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