

## 2006 Federal Election

### The First Conservative Government Since 1993

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#### 1. What Happened?

Although it more closely resembled the gentle lapping of the Bay of Fundy's tidal bore than a tsunami born of an earthquake, the shift in power resulting from the January 23<sup>rd</sup> election nevertheless reflected the desire some Canadians had for change in Ottawa. The question underlying all that happens between now and the next election is whether the change from Paul Martin's Liberal minority government to Stephen Harper's Conservative minority has satiated that desire or merely whetted it. Prime Minister-designate Harper's objective from this day forward is to lay the foundation for even greater change and lead his party to the promised land of a majority.

Stephen Harper steers his new government into a Parliament just as fractured as the last, with 11 fewer seats than Mr. Martin had when he began his minority government. Nevertheless, for reasons explored below, this government could survive for a few years. Or it could last just as long as Mr. Harper wants it to. Sensing political advantage and the strong possibility of a future majority, he could engineer a loss of confidence in Parliament and trigger an election at any time of his choosing. In the meantime, many interesting dynamics, including a Liberal leadership contest this year and a provincial election in Québec next year, will provide colour and turbulence to the 39<sup>th</sup> Parliament of Canada.

#### Election Snapshot: Comparing 2004 and 2006

	CON	LIB	BLOC	NDP	OTHER
<b>Seats</b>					
<b>2006</b>	<b>124</b>	<b>103</b>	<b>51</b>	<b>29</b>	<b>1</b>
<b>2004</b>	<b>99</b>	<b>135</b>	<b>54</b>	<b>19</b>	<b>1</b>
<b>Popular Vote</b>					
<b>2006</b>	<b>36.3%</b>	<b>30.2%</b>	<b>10.5%</b>	<b>17.5%</b>	<b>5.6%</b>
<b>2004</b>	<b>29.6%</b>	<b>36.7%</b>	<b>12.4%</b>	<b>15.7%</b>	<b>5.5%</b>

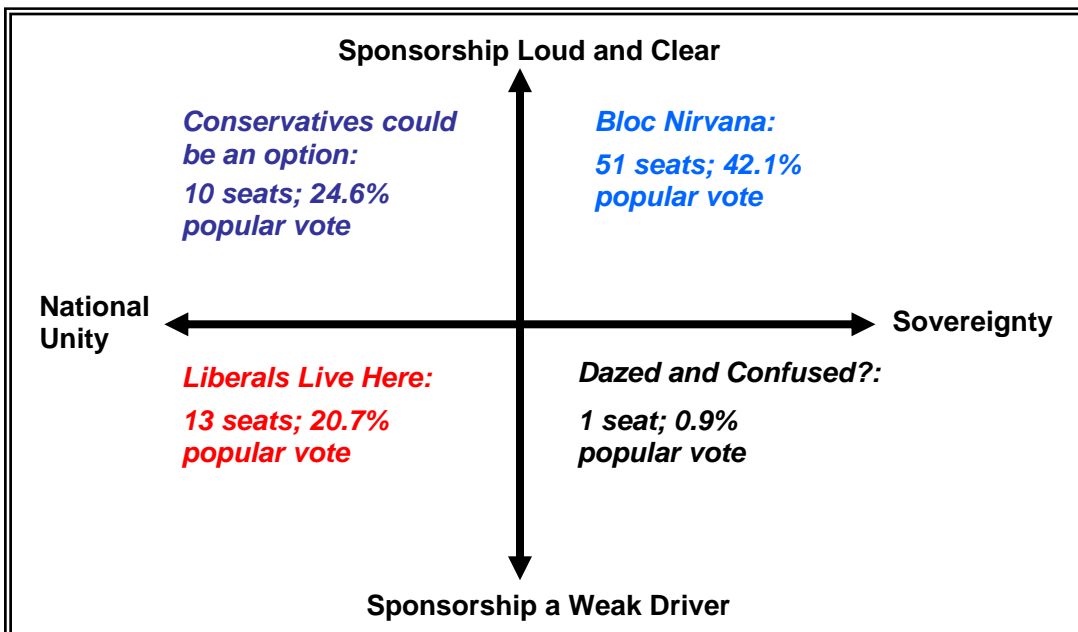
## The Story in Quebec

Combining to deliver 27 new seats for the Conservatives, voters in Québec and Ontario (outside of Montreal and Toronto) threw their considerable electoral muscle around and delivered victory to Stephen Harper. Not the largest but certainly the most dramatic seat gains were made in Québec, where the Conservatives came close to tripling their popular vote, from 8.8 percent in 2004 to 24.6 percent in 2006. Winning ten seats in Québec after starting from a base of zero, and placing second in 39 other Québec ridings, stand as the most stunning outcome of the 2006 election. We may have witnessed the start of an important shifting of political tectonic plates in the Province of Québec.

The surprising outcome in Québec, with hints of more to come, arose from several factors which played in favour of the Conservatives. When pre-election polls showed movement in Ontario toward the Conservatives, strategically-inclined Québec voters began to think of Mr. Harper's party as a potential winner worth checking out. Many who were livid with the Liberals over the sponsorship scandal and were toying with voting for the Bloc even though they were not ardent separatists heard precisely what they wanted to hear from Mr. Harper. He told them he would correct the fiscal imbalance between Ottawa and the provinces.

And there was more to come. In their special platform document called *For Real Change: The Conservative Party of Canada's Commitment to Quebecers*, the Conservatives zeroed in on more Québec hot buttons. They promised to clean up the scandals in Ottawa, offer greater autonomy in international affairs, and limit the federal spending power. These were the icing on the fiscal imbalance cake.

### Election Fault Lines in Québec – Post-Election Update



The diagram above updates the *Election Fault Lines in Québec* diagram included in the first edition of *Tactix Election Watch* with the seat and popular vote counts. Little did we know in early December that the phrase “Conservatives could be an option” in the quadrant reserved for angry federalist-leaning Québécois would be taken up by one-quarter of Québec voters. And, with implications for the country’s ongoing national unity debate, the “Bloc Nirvana” fell a few steps short.

### **The Story Outside Québec**

Mr. Harper’s hopes of forming a government rested on voters in the Province of Ontario buying into his agenda for change. Although barely over one-third of Ontario voters did so, they were in sufficient number and concentrated in the right ridings to reduce the Liberals’ seat count by 22 (including two former Liberal MPs sitting as Independents). The Conservatives gained 17 of these seats and the NDP gained 5. With his seat gains in Québec (10), New Brunswick (1), Newfoundland and Labrador (1), Manitoba (1), and Alberta (2), Mr. Harper can boast of forming a national government with representation across Canada, except in PEI and the North.

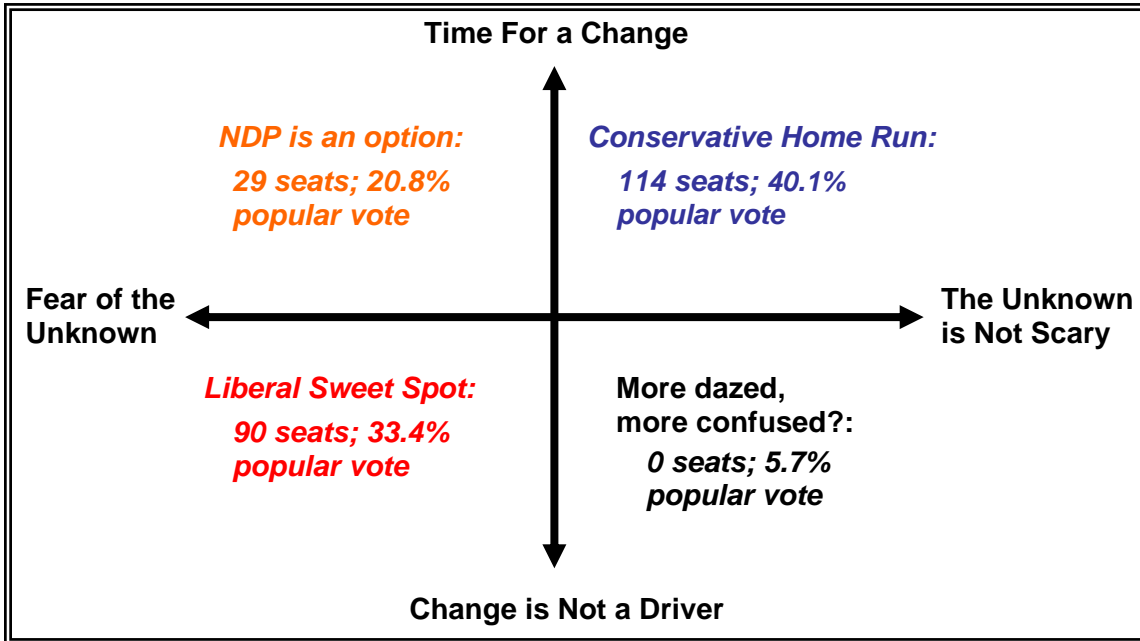
The Conservatives were shut out, however, in Canada’s three largest cities. Toronto, Montréal and Vancouver shunned Mr. Harper’s agenda, with the Conservatives finishing third in the popular vote in Montréal and Vancouver. Exceeding the NDP popular vote in Toronto is small consolation, considering the Liberals attracted 51 percent of the voters in that city. The inability to break through in these three cities creates a challenge for Mr. Harper as he contemplates how best to reach out to them without Cabinet representation. While some may make the case that a strong urban-rural divide is evident in the election outcome, this conclusion bears closer scrutiny. The Conservatives did well in the next tier of urban centres, including Ottawa, Calgary, Edmonton, Winnipeg, and Québec City.

The Liberals faced an uphill battle in Québec and across the country in this campaign. They were seeking a fifth successive mandate in the face of a judicial inquiry into the sponsorship scandal that brought disrepute to the Liberal brand. Further, the mid-campaign announcement of an RCMP criminal investigation into the pre-election income trust announcement reinforced the message delivered daily by Messrs. Harper, Layton and Duceppe that the Liberal Party was corrupt. Although they took a significant hit and lost hold of power as a result, the fact that they took 103 seats across the country suggests that the Liberal brand is resilient; it just might be the Coca-Cola of political party brands.

Apart from Mr. Harper, the happiest party leader on January 23<sup>rd</sup> was Jack Layton. The NDP leader successfully thwarted overt attempts by the Liberals (and Buzz Hargrove) to use the spectre of an ideologically right-wing Conservative government to sway NDP voters to the Liberal side. Not only did NDP supporters

refuse to swallow the Liberal bait, their party gained five seats in each of Ontario and British Columbia. Once again, however, Mr. Layton fell just short of holding the balance of power in a minority Parliament. That honour falls instead to both the Liberals and the Bloc.

**Election Fault Lines Outside Québec – Post-Election Update**



The diagram above updates the *Election Fault Lines Outside Québec* diagram included in the first edition of *Tactix Election Watch* with the election seat and popular vote counts. The Conservatives hit a base-clearing triple instead of a home run, but they will gladly take the runs into the next inning. And the Liberal “sweet spot” turned out to be bitter sweet.

**2. What Happens Now?**

Mr. Harper hopes to lay the foundation for a majority Conservative government. All of his efforts will be devoted to consolidating his election gains and building on his new, larger base of support, particularly in central Canada. Keeping his eyes, and just as importantly, his caucus members’ eyes, on the bigger prize, Prime Minister-designate Harper will need to impose the same degree of discipline in managing his caucus as he demonstrated in the election campaign. If history is any guide, this will not be an easy task. Prime Ministers of all stripes have faced the challenge of keeping caucus members happy with their lot in life, particularly if they are passed over for places in Cabinet, as Parliamentary Secretaries or as Chairs of Parliamentary committees.

**Mr. Harper’s Five Priorities**

During the election campaign Mr. Harper set out five priorities he would move on first should Canadians elect a Conservative government. He reiterated these priorities in his victory speech on January 23<sup>rd</sup>.

The five priorities are set out in the table below, along with TACTIX’ assessment of how each is likely to be received in the new minority Parliament.

**Conservative Government Priorities**

INITIATIVE	SUMMARY	ASSESSMENT
Federal Accountability Act	<p>Identified as the new government’s first Bill, measures include:</p> <ul style="list-style-type: none"> <li>• Ban corporate, union and organization political donations.</li> <li>• Change the Lobbyists Registration Act to: require 5-year cooling off periods; require officials to record contact with lobbyists; ban contingency fees.</li> <li>• Establish a Public Prosecutor’s Office.</li> <li>• Establish a Public Appointments Commission.</li> </ul>	<p>All federal parties are committed to improving accountability. Although there may be negotiations around specific measures, the opposition will not want to be portrayed as standing in the way of improving public accountability or “cleaning up Ottawa”. This Bill will pass.</p>
Reduce the GST	<p>Reduce the GST from 7% to 6% immediately, with a further reduction to 5% over 5 years.</p>	<p>Some trade-offs may be made on other tax measures to secure support, but the initial reduction will be made because opposition parties will be loathe to be seen opposing it. This Parliament will not last 5 years so the second GST reduction will await a future Parliament.</p>

INITIATIVE	SUMMARY	ASSESSMENT
<b>Crack Down on Crime</b>	<p><b>Measures include:</b></p> <ul style="list-style-type: none"> <li>• <b>Mandatory minimum sentences for certain offences.</b></li> <li>• <b>Mandatory consecutive sentences for certain offences.</b></li> <li>• <b>Presumption of dangerous offender designation for 3 violent offences.</b></li> <li>• <b>Toughen parole.</b></li> <li>• <b>Repeal the long-gun registry program.</b></li> <li>• <b>Hire 1,000 new RCMP officers.</b></li> </ul>	<p><b>Some form of crack down on crime will get through Parliament. Specific measures will be the subject of negotiations with all of the opposition parties. There will be fireworks on repealing the long-gun registry, a popular measure in Canada's largest cities.</b></p>
<b>Parent's Choice in Daycare</b>	<p><b>Provide all families \$1,200 per year for each child under 6; devote \$250 million a year in tax credits to employers covering the full cost of creating day care spaces; honour the fed-prov child care agreements for one year.</b></p>	<p><b>This is likely to be one of the biggest legislative challenges facing the new government. It will be opposed by the Liberals and NDP. If the Bloc also oppose it, trouble looms. Assuming this program will be in a Budget, it would be the subject of a confidence motion. This could be a case where Mr. Harper takes a calculated risk and drives ahead.</b></p>
<b>Patient Wait Times Guarantee</b>	<p><b>Work with the provinces to develop a guarantee ensuring essential medical treatment within clinically accepted waiting times.</b></p>	<p><b>Premiers will be looking for bags of cash. The Liberals also promised a guarantee so won't oppose in principle.</b></p>

### **Managing A Brokerage Parliament**

Given the distribution of seats in the House of Commons and the narrow minority he enjoys, Mr. Harper faces a brokerage Parliament. He can be expected to adopt a pragmatic, issue-by-issue approach to managing his government's Parliamentary agenda. He will have to be skilful, and those wishing to achieve their public policy

goals in this Parliament will need to be equally skilful at forging coalitions of common interest and aligning their messages with the government's objectives.

Prime Minister-designate Harper can be expected to take calculated risks from time-to-time as he moves his agenda through Parliament. Each of the opposition parties has vulnerabilities that can be exploited by the government. Moreover, Mr. Harper knows that election fatigue may be a factor, with many Canadians having little tolerance for another election in the near future.

**a) The Liberals**

The Liberals present an interesting case. On one hand, several highly competent former front bench Ministers who “know where the bodies are buried” in government will have to be reckoned with at Question Period and in the media. They may be highly motivated to make life miserable for the new government. For example, the Liberals may well create mischief by using one of their early supply days (i.e., opposition days in the House) to introduce a motion supporting same-sex marriage. The composition of the new Parliament suggests that such a motion would likely pass, thereby causing the Conservative government to deal with some disappointed party supporters over next steps on this issue. There are several such issues that the Liberals can use to lay their own groundwork for the future.

On the other hand, the Liberals will be focusing inward for some time, choosing a new leader, re-examining and revitalizing their policies, and improving their fundraising capabilities. These major distractions make the Liberals vulnerable to an early election call, and Mr. Harper can take advantage of this vulnerability as he presses forward with his government's agenda.

**b) The Bloc Québécois**

Gilles Duceppe and his Bloc Québécois won over two-thirds of Québec's seats in the House of Commons but still have a few wounds to lick following the election. Ill advised talk by Mr. Duceppe of obtaining 50 percent or more of the popular vote established a threshold that his Party failed to meet. In fact, voting support for the Bloc dropped 6.8 percent from 2004 and the party returned three fewer MPs. Moreover, if Mr. Harper demonstrates an ability to build on his Québec results, Mr. Duceppe will not be in a rush to have another election. Finally, Mr. Duceppe and his Bloc colleagues will be distracted to some extent by preparations to help their Parti Québécois soul mates in the next provincial election in Québec, expected in 2007.

**c) The New Democratic Party**

NDP leader Jack Layton is understandably buoyed by the election results and may be the least vulnerable of the opposition leaders to an early election call. However, his mantra in the last Parliament and throughout the election campaign has been

that Canadians want their Parliamentarians to make things work, and he will be expected to make every effort to do just that. In addition, Mr. Layton will be in no particular rush for another election, wanting to enjoy the fruits of his recent labours rather than putting his newfound gains at risk in the near term.

### **Managing the External Agenda**

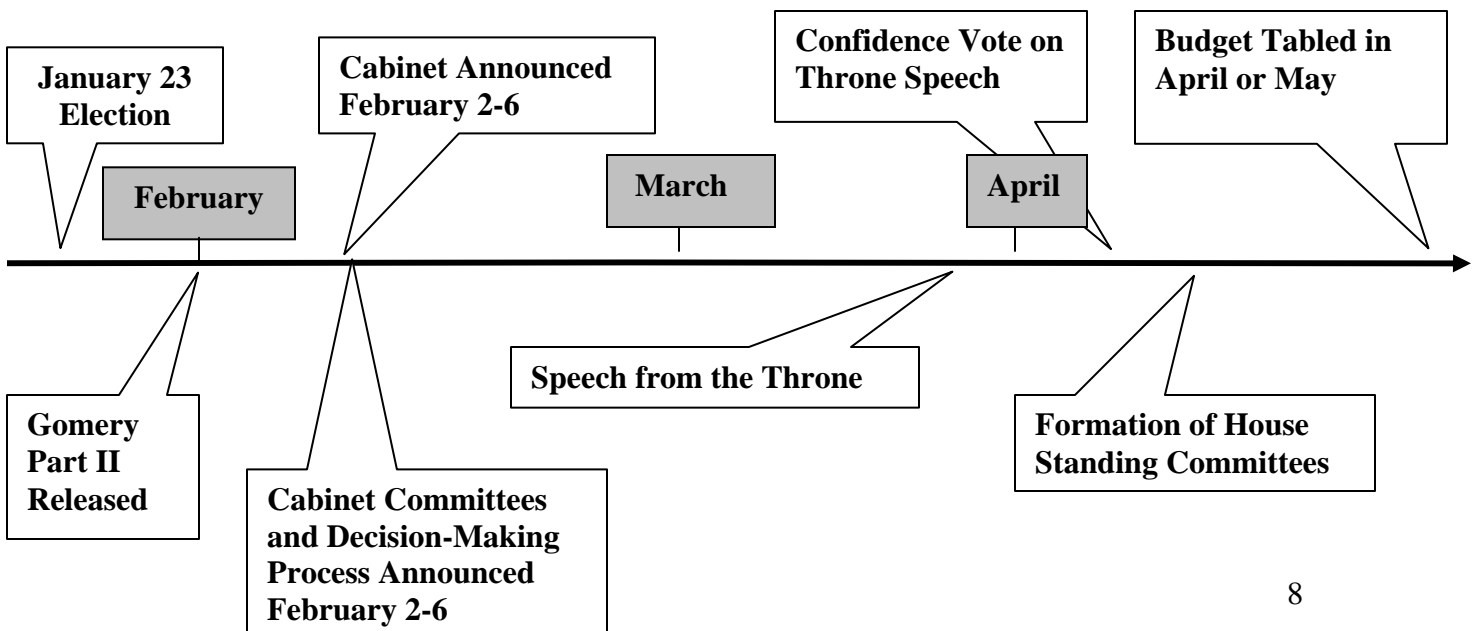
Governments are measured not only by how they manage their Parliamentary agenda but also by how they respond to the myriad of unpredictable external issues that can blindside it at any time. A flu epidemic, a terrorist attack, an unhelpful international trade tribunal decision, or a new case of mad cow disease, exemplify surprises that focus public attention on a government's competence. Seasoned hands and sound judgement are necessary to deal competently with such emergencies and thereby earn the confidence of Canadians in the ability of their government to respond.

Another key part of the external agenda is managing foreign policy. Many Canadians will be particularly intent on watching Mr. Harper as he reaches out to forge a relationship with U.S. President Bush and strengthen Canada's relationship with the United States. Other foreign policy matters, as well as representing Canada abroad in various international leaders' fora, offer additional opportunities for Canadians to measure the competency of their new government.

### **Key Events**

Prime Minister-designate Harper's transition team has begun its work, preparing Mr. Harper for a series of important decisions that will launch his new government. No decisions have yet been announced. Accordingly, the events set out on the timeline below represent TACTIX' best estimate of when these critical events may occur in the weeks and months ahead.

#### **Key Events Timeline**



• T A C T I X •

- a) The second report of the Gomery Commission of Inquiry into the sponsorship program is scheduled for release on February 1, 2006. It will contain Mr. Justice Gomery's recommendations on measures to prevent a repeat of the abuses found in the sponsorship program.
- b) Traditionally a new Prime Minister takes between ten days and two weeks to appoint a Cabinet. We anticipate Mr. Harper will name his Cabinet Ministers and Parliamentary Secretaries in the first or second week of February. These announcements will also inform Canadians of any 'machinery of government' changes that may be made affecting the number and composition of government departments and agencies.
- c) The membership of Cabinet Committees and the decision-making process to be implemented by Cabinet are extremely important to the success of every government. Expectations are that Mr. Harper will introduce a more streamlined Cabinet and decision-making system than Mr. Martin.
- d) We expect Mr. Harper to convene the 39<sup>th</sup> Parliament in mid-to late March (or perhaps in early April). This estimation is based on the experiences of Prime Minister Mulroney in 1984 and Prime Minister Chrétien in 1993 when they took office following a change in governing parties. Mr. Mulroney took 7 weeks and Mr. Chrétien took 12 weeks (a Christmas break intervened) to get their respective governments prepared to meet the Opposition in Question Period.
- e) One of the first acts of a new government is to prepare and pass a Speech from the Throne setting out its agenda. The Throne Speech is a matter of confidence, meaning it will be first test of the government's ability to command the confidence of the House. For reasons identified above, this spring's Throne Speech will pass.
- f) Standing Committees of the House will be formed within the first three weeks of the resumption of Parliament. Minority governments do not control Standing Committees of the House of Commons. This provides a lever for individual MPs to influence the outcome of legislative measures. It is expected that most House Committees will be comprised of 5 Conservatives, 4 Liberals, 2 Bloc Québécois, and 1 NDP.
- g) Although the government could choose to wait until the fall to table its first Budget, operating on the basis of Interim Supply and Main Estimates that will have to be introduced on an expedited basis this spring, it is more likely that a Budget will be tabled this spring to deal with, among other things, the promised GST reduction.

### **The Public Service**

In addition to appointing a Cabinet and ensuring PMO and ministerial staff are hired, the new government will also consider what, if any, changes might be made to the senior ranks of the public service. Incoming governments tend to be suspicious of senior mandarins and doubt their impartiality, having dealt with them from the opposition benches. Federal bureaucrats, on the other hand, pride themselves on being neutral and non-partisan. As career public servants who have advanced based upon merit, they bring considerable experience and expertise to bear, an important asset for a new government implementing its agenda.

Stephen Harper did not make a promise like former Prime Minister Mulroney did when running for office in 1984 to give bureaucrats “pink slips and running shoes.” (In fact, Mr. Mulroney only made one senior personnel change, the Deputy Minister of Finance, and a “golden parachute” was arranged for him.) The transition team for Mr. Harper’s government includes savvy political veterans Derek Burney and Senators Hugh Segal and Marjory LeBreton who will likely advise the new Prime Minister to resist the temptation to make major changes in the senior levels of the bureaucracy. Experience and expertise will be particularly important in a minority Parliament, which consumes a considerable amount of ministerial time and energy, often at the expense of their departmental duties.

The Clerk of the Privy Council, the head of the public service, traditionally offers his/her resignation to an incoming Prime Minister, which is often accepted after a period of transition. Should this be the case, and assuming that a new Clerk would be drawn from the existing Deputy Minister community, it would have a domino effect on the public service, necessitating changes in other portfolios.

### **3. Conclusion**

Canadians concluded it was time for a change. Not too much change, but change nonetheless. Each of the four parties in the House of Commons has its own set of challenges and opportunities, with each focused on influencing the outcome of the next election. Prime Minister-designate Harper will soon have the keys to the government. As the head of a minority government, he will use every legitimate lever available to him to put in motion a set of events leading to a majority Conservative government the next time around.

A change in government represents an opportunity for members of the private sector to reflect on their public policy objectives, fine-tune them as required to be aligned with the priorities of the incoming government, and begin building the relationships, both within government and with those outside government who share their goals, necessary to make their case. We at TACTIX look forward to working with our clients to help them achieve their objectives.