



Address to the Frontier Centre for Public Policy

Notes for address by Stephen Harper, MP
Leader of the Conservative Party of Canada
Leader of the Opposition
Monday, May 17, 2004

- CHECK AGAINST DELIVERY -

- UNDER EMBARGO UNTIL 12:30 pm (CDT) -

Thank you for your kind invitation to speak to your prestigious institute today.

It is a privilege for me to be able to share some ideas with members of the Frontier Centre for Public Policy.

In the short time since its creation, the Centre has made a splendid contribution to the study of the economic growth and social outcomes necessary to enhance the quality of life in prairie communities.

I want to pay particular tribute to Peter Holle. I've known Peter for a long time. I appreciate his leadership, not just in organizing this event today, but also in providing me his advice over many years, and in giving the strong direction behind the growth of this institute.

The mother of all accountants, Sheila Fraser, the Auditor General of Canada, did not say that she thought that something smelled fishy. She identified the fish. She did not say that irregularities might have happened in the management of the Liberal Sponsorship Program. She said, and repeated, that every rule in the book was broken.

Her competence and her courage have shone a bright light on the mismanagement, incompetence and corruption that this Liberal government has been trying to hide for more than a decade.

Since 1993, the Liberals have won elections by default and governed by neglect. But, for the first time in many federal elections, Canadians will have a real choice, a real shot at replacing a discredited, disoriented government.

Our new, united and strong Conservative Party is ready to give Canadians new hope in their future and new pride in their national government.

We will not win, however, only because our opponents have discredited and disgraced themselves.

The new Conservative Party of Canada is a broadly based and balanced political party, ready and willing to defend the values of Canadians, and, in the words of our election slogan, to demand better.

Our Party includes economic conservatives, who demand a better economy. One that taxes less, creates more jobs, and exploits the growth and opportunity created by a free market and free trading economy.

Our Party includes red Tories, who demand a better environment, preservation of social programs, and strong national institutions.

Our Party includes social conservatives who demand better national defence and criminal justice, who want to strengthen our families and traditions, and make our streets and our communities safer.

And our Party includes democratic reformers, who demand a better system of government, who want to give us the best 21st century system of democracy, rather than the best 19th century democracy.

And, more than anything else, our Party includes a diverse group of men and women who recognize and represent our two official languages and our cultural traditions freely in our Party.

Budget

I said I believe we have had increasingly bad government in recent years. In fact, I believe we have the most poorly managed, the most incompetent and the most scandal-prone government in our history.

Today, I would like to say a few words about the mismanagement, the incompetence and the corruption of the federal Liberal government.

Specifically, I will tell how they caused those serious problems by hiding budget surpluses.

I also want to show how a new Conservative government will tell the truth about surpluses and offer a balanced budget, which will allow us to invest in services, reduce the debt and cut taxes.

This government's problems of mismanagement, incompetence and scandal are by no means limited to the Sponsorship Program.

The problems lie at the heart of the way this government does business.

And nothing demonstrates this more than the most recent pre-election budget, which tried once again to assure the public that there will be an end to waste and abuse.

Here is a reality check.

This was actually the tenth budget of this Liberal regime. The first eight budgets were delivered by the current Prime Minister himself.

In those budgets, this Prime Minister took full responsibility for the spending program of the government.

In his 1995 budget speech, he specifically promised the following and I quote:

- “the government has just introduced a new and much tighter system to manage its spending...
- “for the first time, departments will have to prepare business plans for three years forward... that transparency and that accountability will mark a major departure from the past...
- “individual ministers are being asked to alter their funding approach accordingly. They will be held accountable for their decisions and those decisions will be reviewed annually.”

The year 1995 is very significant. That is the year that the Liberal government decided to create a Sponsorship Program.

Let me emphasize that.

That is the year the Prime Minister told Canadians that the government had introduced “a new and much tighter system to manage its spending,” a claim repeated over and over in the years that followed.

It was the same year the government created the Sponsorship Program.

Now the 2004 budget tries, yet again, to claim that the government is a “prudent manager.”

For example, the government makes a number of recommendations to tighten spending.

They want to re-establish the office of comptroller general.

You are probably asking, “you mean they don’t have one now?” And the answer is, no.

The answer is “no” because the current Prime Minister wound up this office in his first budget as Finance Minister.

The Liberals want to appoint professionally accredited comptrollers.

And you are probably asking, “you mean they aren’t accredited now?”

And the answer is no, because the Prime Minister never thought it necessary to establish them.

They want to bolster the audit function and institute “public disclosure of contracts.”

And again, you are probably asking, “you mean they don’t do that now?”

And the answer is no, because the Prime Minister never thought it necessary when he was Finance Minister.

The Prime Minister cannot have it both ways.

He cannot claim, on the one hand, to have had a tight reign on spending. And, at the same time, not bothered to create the most elementary spending control mechanisms.

He cannot claim, on the other hand, to have “reformed government programs,” and to have “eliminated waste and abuse.” And at the same time claim that he had absolutely no idea that \$100 million was being shoveled into the hands of Liberal friends.

And yet that is exactly what the Prime Minister is saying. And this kind of bad financial management goes well beyond the Sponsorship Program.

I could name all the various billion-plus instances of waste and abuse, not to mention, by our count, some 36 outstanding police investigations into many of them.

The Liberals say, yes, but we have been running surpluses.

Well, all this waste, mismanagement and corruption has occurred in spite of the government running surpluses.

In fact, I would argue, it has occurred because of these surpluses. Specifically, it has occurred because of the way the government has been creating and using these surpluses.

At the heart of the problem is a disturbing practice that Paul Martin has engaged in for years.

He has radically understated the size of the expected federal budgetary surplus to the tune of roughly \$7 to \$10 billion per year.

And not for the cautious reasons of fiscal conservatism, but so that fiscal room is hidden, so that announcements can be made off-budget, throughout the year and with wild abandon in this pre-election period, and so that padded spending estimates disguise waste, mismanagement and corruption.

This practice has led this government to lose control of its spending, to spend at rates unseen since 1970s.

A few short years ago, the government of Canada had projected program spending of just over \$100 billion. This budget projects program spending of well over \$150 billion. That is an increase of 50 percent.

All of this spending has not resulted in better outcomes.

In fact, medical waiting lists are not shrinking, students are not paying less tuition, our men and women in uniform continue to watch equipment decay, communities continue to watch infrastructure crumble, and, of course, our levels of taxation remain too high and uncompetitive for long-term prosperity.

The truth is that the numbers in the recent budget are, once again, simply dishonest and flagrantly fictitious.

Paul Martin virtually admitted this when only days after a budget that allowed for no new spending on health care, he announced that he was ready to fund a new 10-year plan to save the health system – although it's a plan no one has actually seen.

Remember that this is the same government that only weeks before the federal budget said it didn't even have the money to fund the health care commitments it had already made in last year's health accord with the provinces.

Liberal budgetary numbers and projections are simply meaningless, changing monthly to suit their latest political objective.

Our Fiscal Priorities

We will have different fiscal priorities than this government.

First, and most importantly, we will be honest with the Canadian people about our financial situation.

In the next two years, for example, Paul Martin claims to be anticipating a cumulative surplus of \$8 billion, which is money allocated to contingency or debt repayment.

A more honest assessment is a cumulative surplus over \$20 billion, rising to \$90 billion over a five-year period.

When my financial advisors first revealed this data, we were taken to task by that guardian of fiscal conservatism, the Toronto Star.

But, I must point out, a long-time independent analyst, Dale Orr of Global Insight Canada, immediately confirmed the accuracy of these figures. As, by the way, have analysts as diverse as Don Drummond and the Canadian Centre for Policy Alternatives.

So, strangely enough, has Paul Martin, who continues, in post-budget, pre-election speeches, to make announcements worth billions of dollars that his budget said he didn't have.

A new Conservative government will use the surpluses in a balanced way. For example, to pay down some debt, to spend in key areas, like national defence and health care, and to get our taxes down.

I emphasize this. Unlike the Liberals, we will not just spend money. We will also use these surpluses to get money out of Ottawa and into more hard-pressed levels of government, into the productive activities of the economy, and back into the pockets of ordinary taxpayers.

Tax reduction is not only doable. It is essential.

A government rolling in money, as our federal government is today, has no incentive to focus on priorities, to control costs, or to ensure results.

Throwing money around becomes a substitute for ensuring service. And it leads to the kinds of extraordinary multi-billion dollar spectacles of waste, mismanagement and scandal we have seen in Ottawa.

To suggest that Ottawa needs all of the tax money it collects today is quite simply an insult to the intelligence of ordinary people.

We will seek low tax, rather than high spending, solutions to public policy issues.

For example, rather than boost spending on institutional daycare, we will offer tax breaks to families with children, regardless of how those children are raised.

We will vacate some gas tax revenue through agreements with the provinces, not direct municipal infrastructure through a federal infrastructure department.

And we will replace corporate welfare and expensive business development subsidies with lower business tax regimes.

Tax Reduction

Today I want to talk specifically about some of the tax reduction measures that I have approved for our upcoming election platform.

I propose three specific measures. A new Conservative government will increase the GST credit by 25% for low income Canadians.

We will eliminate the GST on the excise tax on gas and on the portion of gas price above 85 cents a litre.

I have always said that tax reduction must be fair. It must benefit everyone in society.

Today, not only are ordinary people overtaxed, but their taxes are rising in line with their costs of living, a phenomenon most evident in the escalation of gas prices

We have record gas prices. They are injuring key businesses. They are burdening consumers. In many cases, they are hurting some of the poorest people in our country. Only government is benefiting. In fact, through a series of taxes, like the GST, the federal government is simply rolling in revenue.

On Friday, I made known our proposals for the Registered Lifetime Savings Plan (RLSP), which would allow Canadians, especially modest- and middle-income Canadians, to avoid the kinds of taxes that are crippling their retirement savings.

Today I want to speak about tax changes a new Conservative government will make to lessen the tax burden on the most vulnerable, those who pay taxes primarily through consumption.

The principal federal tax on consumption is the Goods and Services Tax (GST). I would love to promise you that I would abolish it, but I think that one was done before.

We are all older and wiser, at least hopefully the election will show we are where the Liberals are concerned.

I cannot promise today to abolish the GST, but I can tell you that the time has come to significantly lessen its impact on those it hurts most, the poor and those on fixed incomes.

Too many Canadians are suffering real hardship from price increases on such necessities as home heating, gasoline and automobile insurance.

So today, I am announcing that a new Conservative government will, as part of its tax policies, increase the GST tax credit by 25% to help soften the blow of price increases.

We will not stop there however. We must respond specifically to this escalation of gasoline prices.

We have learned, from the Liberals' disastrous National Energy Program, that stopping rising oil prices is largely outside the government's control or we have at least learned that their solutions will be worse than the problem.

But just because government cannot stop gas prices from rising doesn't mean they have to pile on. And Ottawa does pile on.

Not only does it charge special excise taxes on gasoline, it charges GST on gasoline – a tax where revenue rises as gas prices rise. In the most extreme of all policies, it charges GST on its own excise taxes.

I am announcing two additional platform measures today.

First, a Conservative government will axe the tax on tax. We will end GST charges against federal excise taxes.

Second, and perhaps even more importantly, I am announcing that a new Conservative government will remove GST charges on oil prices that exceed 85 cents per litre.

What are the costs of these measures? We want to be upfront about these matters.

The cost of increasing the GST credit will be, fully implemented, about one billion dollars annually. The removal of GST on federal excise tax will be about \$300 million annually.

But the removal of GST on gas over 85 cents per litre will cost next to nothing. These are revenues that no one foresaw even a few months ago. We are only depriving Ottawa of a massive windfall it didn't count on and that it doesn't need.

This raises an interesting question. Why won't the Liberals do this themselves?

I've asked them in the House of Commons to lower gas taxes and they refused. Well, one reason is obviously their devotion to getting more and spending more – the more hidden or more unexpected the better.

The other reason is more ideological. The Liberals remain committed to the targets of the Kyoto Accord and, to achieve these, any honest person will tell you that increased gas prices, and therefore high gas taxes, are essential.

In his days as Liberal environmental critic, Paul Martin used to talk openly about the need to have carbon taxes to discourage gasoline consumption. A 1999 government document even freely admitted that gasoline would have to hit \$1.40 per litre to reach the Kyoto targets.

The Liberals claim today that these are not their objectives, but given that we don't know how they intend to achieve the Kyoto targets, we should remain very leery.

Conclusion

Ladies and gentlemen, in the coming federal election, we will offer you a choice between the old Liberals and the new Conservatives.

The old Liberals are disguising fiscal surpluses, wasting your money and rejecting tax reduction by raising fears about social programs.

We want to offer an honest assessment about our budgetary plans, and a balanced program of social investments and tax breaks for ordinary people.

I am very proud of our new party, of all who have come together, not just in our caucus, but across the country.

I believe that very soon, thanks to the emergence of our new Conservative Party in Canada, Canadians will be at last able to say that there is another way of doing things.

That it is possible to move ahead and fulfill all our potential as individuals, as a society and as a country.

And I encourage you all to join us in this mission.

MERCI BEAUCOUP. GOD BLESS CANADA.