



EMBASSY
CANADA'S FOREIGN POLICY NEWSWEEKLY

Canada and the World.
Every Wednesday.

Click to subscribe today!



The Hill Times
Policy Briefings



THE HILL TIMES

Since 1989

CANADA'S POLITICS AND GOVERNMENT NEWSWEEKLY

March 31, 2008

- [SUBSCRIPTIONS](#)
- [ADVERTISING](#)
- [ABOUT HT](#)

Search [Advanced Options](#)

PUBLIC SECTION

- [Cover Stories](#)
- [Policy Briefings](#)
- [Letters](#)
- [Classifieds](#)
- [Vacation](#)
- [Links](#)
- [Home Page](#)

MEMBERS SECTION

- [Login](#)
- [Weekly PDFs](#)
- [Archives](#)
- [Surveys](#)
- [Lists](#)
- [FAQ](#)

NEWS

- [News Stories](#)
- [Heard on the Hill](#)
- [Legislative Column](#)
- [Hill Climbers](#)
- [Civil Circles](#)

OPINIONS

- [Editorial](#)
- [Op-eds](#)
- [Letters](#)

COLUMNISTS

- [Andrew Cardozo](#)
- [Richard Cl  roux](#)
- [Jenefer Curtis](#)
- [Aaron Freeman](#)
- [Philippe Gagnon](#)
- [Chantal H  bert](#)
- [David Jones](#)
- [Joe Jordan](#)
- [Warren Kinsella](#)
- [Tom Korski](#)
- [Brad Lavigne](#)
- [Don Lenihan](#)
- [Denis Massicotte](#)
- [Arthur Milnes](#)
- [Angelo Persichilli](#)
- [Tim Powers](#)
- [Ken Rubin](#)
- [Mike Storeshaw](#)
- [Leslie Swartman](#)
- [James Travers](#)

FEATURES

- [Policy Briefings](#)
- [Spin Doctors](#)
- [Parliamentary Calendar](#)

The Hill Times, March 31st, 2008

Flaherty's strategy: shape Liberals as poor managers of economy

Tories are building up economic management as a wedge issue. Flaherty's attacks on McGuinty fall into the long-term strategy.

By Simon Doyle

Conservative insiders say Finance Minister Jim Flaherty's unusual but calculated political broadside against Ontario Liberal Premier Dalton McGuinty has several motivations, ranging from personal antagonism to ideological differences, but that his overall strategy is to shape a long-term view of the Liberals as poor managers of the economy.

Observers note that the Conservatives are in the process of building up economic management as a wedge issue between themselves and the Liberals—both provincially and federally—and Mr. Flaherty's attacks on Mr. McGuinty fall into the strategy. Indeed, one Ontario Conservative strategist told *The Hill Times* last week that Mr. Flaherty's strategy is a long-term one in which his criticism of Mr. McGuinty's provincial budget will have far more relevance about a year from now, when the federal Conservative government could be tabling a budget framed by a slumping economy.

"I'm not sure that they're so worried about it today or tomorrow, but I think they're probably thinking a year from now, what they'll be able to say," the Tory strategist said.

Another Ontario Conservative said Mr. Flaherty's attacks on Mr. McGuinty are unorthodox but "very calculated." The source pointed out that most economists agree with Mr. Flaherty's assessment of the Ontario economy, and that his strategy is to bring attention to Mr. McGuinty's handling of the economy amid what Conservatives see as the hypocrisy in Ontario's call for bailout money.

In January, Mr. McGuinty criticized the Conservative government's \$1-billion relief fund for one-industry towns, which provided \$350-million for Ontario over three years. Mr. McGuinty said the funding was not enough.

"The Ontario government, in the past six years, has not been tending the store, in terms of creating a good environment to attract and hold investment," the Ontario Tory said. "I think he [Mr. Flaherty] really is offended by McGuinty's attempt to shift bailout responsibility to Ottawa, when it's just not wise to bail out industries that are failing because they're not competitive. Ford isn't selling cars."

In a move that some observers called unprecedented, Mr. Flaherty (Whitby-Oshawa, Ont.), Prime Minister Stephen Harper's (Calgary Southwest, Alta.) regional political minister, last week held a news conference in Toronto the day before the release of the Ontario provincial budget, calling on Premier McGuinty to cut corporate taxes to stimulate economic investment.

"We run the risk, unless there's stimulus in the Ontario economy by way of tax reduction, of becoming a 'have-not' province over time—and not a long time," Mr. Flaherty told reporters in Toronto on March 24.

It was not the first time Mr. Flaherty had called on Mr. McGuinty to do so. He has been taking aim at Ontario in speeches delivered across the country, recently telling an audience in Halifax, N.S., that, "If you're going to make a new business investment in Canada, and you're concerned about taxes, the last place you will go is the province of Ontario."



SPIN DOCTORS

Mike Storeshaw

◀ PREVIOUS NEXT ▶

Foreign Policy Matters

EMBASSY
CANADA'S FOREIGN POLICY NEWSWEEKLY

Click to subscribe today!

Two weeks ago, while in Toronto to announce \$350-million for 400 hybrid transit buses for the city, Mr. Flaherty requested an editorial board meeting with the Sun Media, and made headlines when he said that Ontario could become a "have not" province, that is, a recipient of the federal government's equalization program, "within two or three years if corrective measures are not taken."

The economy is quickly shaping up as a political issue as opinion polls show that Canadians are increasingly concerned about its health and as the Bank of Canada and private sector economists say the impact of the U.S. recession will have a more significant impact on Canada than expected. The impact will be felt particularly hard in Ontario, a province that depends on its exports, and whose expected growth rate for 2008 is its lowest since 1992.

Last week's Ontario budget did not include the corporate tax cuts Mr. Flaherty called for, instead offering targeted funding for education and skills training for displaced workers; money for innovation, infrastructure and social programs; and targeted business tax cuts with a view to improving competitiveness.

The budget also sped up the elimination of capital taxes for manufacturers, accelerated capital cost allowances, and introduced an Ontario Innovation Tax Credit for small and medium-sized corporations. Much of the budget was geared toward helping Ontario manufacturing, a sector that has seen tens of thousands of layoffs in the last few years.

In an unusual move last week, the federal government sent Ottawa-area Conservative MP Pierre Poilievre (Nepean-Carleton, Ont.)—considered something of a political pinch hitter for the Prime Minister's Office—down to Queen's Park in Toronto to criticize the Ontario budget.

Greg Lyle, managing director of the Innovative Research polling firm in Toronto, said that Mr. Flaherty may be thinking as far ahead as 18 months from now, to October 2009, when the Tories have scheduled the next fixed federal election date. The long-term strategy, he said, appears to be one of building up a perception of who is the best manager of the economy—the Conservatives or the Liberals.

"The answer of building a wedge on the economy against the Liberals makes a lot of sense," Mr. Lyle said. In the next federal election, if the Canadian economy appears to be going down the tubes, the Conservatives can point to Ontario and say that they were urging Mr. McGuinty to "the right thing," not the "most popular thing," in introducing corporate tax cuts.

"We may not be doing the most popular thing, but we're doing the right thing, and when you see Ontario sucking wind compared to the rest of the country, you'll see we were right," Mr. Lyle said, suggesting the Tory thinking.

Mr. Lyle, formerly a senior staffer to Ontario premier Mike Harris and the B.C. provincial Liberals, said that although Mr. Flaherty is now widely criticized for his criticism of Mr. McGuinty, voters will a year from now forget where the original attacks came from in the same way that they forgot about the Conservative Party's original attack ads on Liberal Leader Stéphane Dion (Saint-Laurent-Cartierville, Que.).

"Other communications will play upon [the first one], and you remember that last communication, not the first one," Mr. Lyle said.

Observers note that Mr. Flaherty also has a personal history of taking on the provincial Liberals, having served as finance minister under Progressive Conservative premier Mike Harris, and where his fiscal record was far from laudable.

Conservatives similarly note that there is a personal element to the feud between Mr. Flaherty and Mr. McGuinty, given Mr. McGuinty's steady criticism of the federal Conservative government on issues ranging from relief for Ontario's auto sector to criticizing the federal government's House of Commons seat redistribution bill. Just last month, for instance, Mr. McGuinty criticized the Harper government for taking a *laissez faire* approach to the economy.

"They've been bad-mouthing the Conservative government since it was elected. They don't do it as vociferously, but there is never a good word out of Queen's Park or Toronto City Hall," an Ontario Conservative told *The Hill Times* last week.

The Conservative added that Mr. Flaherty is motivated in part by personal principles, and believes strongly in the Irish model of minimal corporate taxes, especially for exporters. "I think Flaherty really does love the Irish model," the Tory said. "He does have his vision of getting every Canadian province to 10 per cent."

Pollster Nik Nanos, president of Nanos Research in Ottawa, told *The Hill Times* last week that the Conservatives appear to be inoculating themselves from a potential slide in the economy by effectively shifting the focus from themselves to the Ontario government. The



attack on Mr. McGuinty also sets the groundwork for a transition to an attack on the federal Liberals. The federal Tories, he said, are likely to go after Liberal MP Bob Rae's (Toronto Centre, Ont.) record in Ontario as the NDP premier.

"The Conservative position could very likely be, 'You might not like us, but it's very risky to elect Stéphane Dion and the Liberals in these turbulent economic times,'" Mr. Nanos said. "I see them laying the groundwork for future attacks."

However, Mr. Nanos said that Mr. Flaherty's comments about Ontario not being a good place to invest do not go over well in the province, and that Mr. Flaherty may well have handed the federal Liberals material for future attack ads. "I think that particular comment is really the one vulnerability that the Conservatives have on this issue," he said.

Federal Liberals reacted with sharp criticism of Mr. Flaherty last week. Liberal MP Scott Simms (Bonavista-Gander-Grand Falls-Windsor, Nfld. and Labrador) told *The Hill Times* that he challenges Mr. Poilievre to travel to Newfoundland for the release of the provincial budget, daring him to criticize Newfoundland and Labrador Premier Danny Williams.

"I'm looking at the situation between Flaherty and McGuinty, and I'm absolutely flabbergasted. I mean the nerve of these people," Mr. Simms said by phone. "Where's Pierre Poilievre? Come on down to Newfoundland and take on Danny Williams. Let's see how they do then."

Liberal MP David McGuinty (Ottawa South, Ont.), the brother of Premier McGuinty, similarly told *The Hill Times* last week that he challenges Mr. Flaherty to go to Quebec, the day before it releases its provincial budget, and criticize Liberal Premier Jean Charest. Mr. McGuinty said he believes Mr. Flaherty is in trouble because he has "spent the cupboard bare" with corporate tax cuts, spending, and cutting the GST.

"They've got everybody fighting with everybody, and public services are hugely compromised," Mr. McGuinty said. "The guy comes to Ottawa, inherits massive surpluses. He pisses it all away. He cuts the GST foolishly by two per cent when everybody tells him not to do it. He spends the cupboard bare at a time when he knows we're going into troubled times."

David McGuinty congratulated the federal and Ontario governments for reaching a \$706-million deal later last week on funding for public transit, community development programs, and police recruitment, which appeared to calm relations somewhat. David McGuinty said that working behind the scenes to accomplish such agreements is how Mr. Flaherty should be operating now in his criticism of how to handle the Ontario economy.

Mr. Nanos said the Liberals have polled ahead of the Conservatives in the province in all of his firm's surveys since the start of the last federal election. But he added: "I don't think we can underestimate the potential impact of a pocketbook issue like the economy."

sdoyle@hilltimes.com

The Hill Times

© Copyright 2008 Hill Times Publishing Inc. All rights reserved. Unauthorized distribution, transmission or republication strictly prohibited. Privacy Policy