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HST could become 'political lightning rod' in Ontario

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Globe and Mail Update

B.C. will tighten operational spending without touching job creation expenditures to meet its budget-balancing target on time

A cash-register revolt has killed British Columbia's harmonized sales tax, underlining a continuum of political angst some say could ripple across Canada, including impacting Ontario where Premier Dalton McGuinty's Liberals are seeking another term in the next two months.

Nik Nanos, president of Nanos Research, said the death of B.C.'s 12-per-cent HST in an unprecedented referendum result announced Friday is the latest indication of political fatigue in Canada as voters battered by economic woes express their unhappiness.

A total of 1.6 million people cast ballots in the mail-in vote, with 54 per cent voting against the tax.

"The HST vote is just another symptom of political grumpiness," Mr. Nanos said, citing the election of Toronto's new conservative mayor Rob Ford, the decimation of the federal Liberals and the Bloc Québécois in the May election, and the current upheaval in Quebec politics as examples of this frustration.

Although neither of Mr. McGuinty's main rivals are proposing the scrapping of the province's recently introduced 13-per-cent HST, Mr. Nanos said the HST could still become "a political lightning rod."

Ontario Finance Minister Dwight Duncan said he didn't expect the HST's rejection in B.C. would hurt his party, noting: "I believe Ontarians have accepted our tax plan."

Ontario does not have the legislation that allowed for the mail-in referendum in B.C. Bill Vander Zalm, the former Social Credit premier whose Fight HST organization collected more 555,383 signatures to activate the referendum under B.C.'s Recall and Initiative legislation, said the vote shows politicians cannot take voters for granted.

"They can't simply do things because it's the will of the premier or the party," he said, noting the government must consult the people.

B.C. Finance Minister Kevin Falcon said B.C. will return to a PST and GST split within 18 months, and he will meet with federal Finance Minister Jim Flaherty next month to discuss repayment of \$1.6-billion in transitional funding Ottawa paid B.C. to adopt the tax.

He also said B.C. will tighten operational spending but not job-creating capital expenditures, and balance its books, as scheduled, by 2013-2014.

"It's an important lesson for us, and frankly any government, to recognize that if you are undertaking a major public policy change, it is so important to bring the public along at the very beginning of that change," he said.

Pollster Greg Lyle, a former B.C. Liberal strategist who is now managing director at Innovative Research Group, echoed that point, noting there are lessons for other leaders. "Don't discover a problem in private and then release a tough solution in public," he said.

B.C. Premier Christy Clark acknowledged the point, though she avoided specifically naming former premier Gordon Campbell.

In July, 2009, two months after a provincial election in which the B.C. Liberals ruled out the HST, Mr. Campbell announced the province would follow Ontario's lead in creating a single harmonized sales tax. Mr. Campbell resigned in late 2010, only 17 months into a third Liberal term, suggesting his own unpopularity over the HST was blocking the government's economic agenda.

Mr. Campbell was recently named Canada's new high commissioner to the United Kingdom. On Friday, the Department of Foreign Affairs said Mr. Campbell would not be available for comment.

"I think for many people, it was really difficult to get over the way this tax was brought in and I think you saw that in the results," Ms. Clark said, promising better engagement with citizens.

A snap fall election may not be part of that engagement. Ms. Clark has previously refused to rule out a bid to gain her own mandate ahead of the next scheduled vote in 2013, but suggested Friday she would focus on job creation for now.

With reports from Sunny Dhillon in Vancouver and Karen Howlett in Toronto

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