

C-28 (29 Nov, 2007)

Hon. John McCallum (Markham—Unionville, Lib.):  

Mr. Speaker, I am very pleased to rise on this bill. I am only disappointed that I did not get a chance to reply to my colleague from [Outremont](#), but I guess we will have to save that for another day. I might mention a few words about him, however, and I think his basic problem is that he is new to the NDP. Until recently he was a Liberal and I do not think he really quite understands the party into which he has entered.

It is irrelevant when the NDP refers to the achievements of provincial New Democratic governments because those governments have to meet a payroll. I admire some of those governments for balancing their budgets over history, in Saskatchewan and elsewhere, but that has no connection to the federal NDP, which has never been a government and never will be a government, and whose basic problem is that it may have a heart, as it knows how to redistribute income, but it does not have a brain.

It has to have a heart and a brain. Redistribution of income is a good thing, and we Liberals believe in that, but we also must have a brain to create wealth, to grow income, because if we do not grow the pie we will not have much to distribute. The problem with the federal New Democrats is that while they can talk up a good show on sharing income, they have absolutely nothing to say and no credibility on growing income and creating the wealth to share.

The reason for that is that the federal New Democrats are an unreconstructed and antediluvian Labour Party. They have not followed in the footsteps of progressive leaders such as Tony Blair. Tony Blair should be a model for that party because Tony Blair escaped from old Labour, which did not know how to grow a bigger economic pie, if I can quote one of my colleagues in an earlier life. Tony Blair transformed that party.

If the member for [Outremont](#) had understood that, he would have tried to follow in the footsteps of not only Tony Blair but also his Labour colleagues in Sweden, Denmark and Norway, because they have escaped from the antediluvian old Labour past in which that party is still mired. They have moved forward, much in the manner of the Liberal Party. We are very close to Tony Blair and have learned not only how to have a heart, that is to say redistribute, but also how to have a brain, that is to say, grow wealth.

That is the difference between the Liberals and Conservatives and the NDP. Maybe the NDP has a heart, but it has no brain. The Conservatives definitely have no heart and I wonder whether they have a brain. Perhaps they do, more than the NDP, but if Canadians want a party with a brain and a heart, then they have one natural destination and that is the Liberal Party of Canada.

Now let me come more specifically to the question of the budget bill. We certainly are opposed to this, for two reasons. First of all, it is dishonest. Second, it is incompetent.

Let me deal with the dishonesty first.

Certainly there is a huge broken promise on the Atlantic accord and on promises made to the province of Saskatchewan. I will not go into detail on that. My colleagues from those parts of the country have no doubt dealt with it. However, there is a second gross dishonesty, and that has to do with personal income so-called tax cuts.

Let me explain what the Conservatives did. In the previous budget, they took the tax rate from 15% to 15.5% and called that a tax cut, even though the rate went up. Then, in the latest economic statement, which is a part of this bill before the House, they took it from 15.5% back to 15% and called it a tax cut. In that case, they were right, but this was Conservative arithmetic, and how is it possible to have two tax cuts and end up in the same place?

We are at 15% now, which is where we were under the Liberals, and the Conservatives had two tax cuts to take us back to where we were before they came into office. Obviously the first one was a tax hike, not a tax cut, and Canadians should understand that all the Conservatives have done is raise their taxes in order to bring them back down again to where they were under the Liberal government.

 (1610)

The Conservatives simply failed to come clean and acknowledge the truth, which all Canadians understand, that when you take the tax rate from 15% to 15.5% it is called a tax increase. It is not called a tax cut.

Let me now come to the question of incompetence. As exhibit A for incompetence, there is this interest deductibility measure that the Conservatives put into their budget. What they said was that Canadian companies would no longer be able to tax-deduct the interest on money they borrowed in order to make foreign acquisitions.

The trouble with this is that every other major country allows such deductions, so Canadian companies in this highly competitive world were forced to compete with one hand tied behind their back. This had a huge negative effect on the competitiveness of our companies and it made them much more vulnerable to foreign takeovers.

A well-known tax expert, Allan Lanthier, characterized this move as the worst tax move "to come out of Ottawa in 35 years". It was clear that the finance minister had no idea what he was doing. As in so many cases, he was totally out of his depth.

The whole weight of Canadian industry came crashing down on him. We in the Liberal Party denounced this move and told him to remove it from the budget. In the end, he did. He retreated. He ripped it out of the budget. He ripped out this interest deductibility provision, thereby acknowledging that he was incompetent, thereby acknowledging he did not know what he was doing, and thereby acknowledging that he was out of his depth. Of course he tried to hide that, but it was there for all to see.

Then it came back in another form, not quite so damaging but equally stupid. It has come back in the form where he says that double-dipping will not be allowed. But we had seven or eight experts in front of the finance committee who were unanimous in saying that the issue is not double-dipping. The issue is something called debt dumping. Again, even though he ripped out the first version, which was a good thing, and he acknowledged that he did not know what he was doing, he came back with something even dumber, and that is the thing that is in this bill. That is the first charge of incompetence.

The second charge of incompetence, at least at the level of economics if not at the level of politics, is that he took \$12 billion per year of government revenue, of fiscal space, to devote to a lower GST. That is a huge amount of money. Economists, commentators and even Conservative economists, from the OECD or the IMF, it does not matter who is asked, are unanimous that the last thing Canada needs is lower consumption taxes.

What we need is lower income taxes, which give people the ability to save those things, to invest them, to give them to their children or their parents, not just a tax cut that they get only as and when they consume. We have an aging population. We have a need for more saving, not a need for more consuming. This was an extremely costly and unfortunate move by the government.

There is a third element with which we certainly disagree. We have always been the party of broad based tax cuts. We had a \$100 billion income tax cut in the 2000 budget, as some members in the chamber may recall. The thing about an income tax cut that is broadly based is that it goes to every Canadian and every Canadian can do what he or she wants with that money depending on their circumstances. People can consume it. They can save it. They can give it to their aging parents or their young children, whatever they want to do with it, as opposed to a GST cut, where they get nothing unless they consume.

The other advantage of a broad based income tax cut that goes to everybody is that it is fairer and it leaves families to decide how to spend their money, whereas this social engineering Conservative government prefers to give just narrowly targeted tax credits targeted to electoral groups that it believes might vote Conservative. So we have special tax credits for young hockey players, but we have nothing at all for young violin players.

Why is it incumbent on the government, unless it is a social engineering government, to arbitrate between hockey playing and violin playing or piano playing? Is that not best left in the hands of the families? That would certainly be our approach.

 (1615)

This government does not let those decisions be left to families. In their social engineering fashion, the Conservatives say that hockey players deserve a break and piano players do not. This is the edict of the government. I think that is inappropriate. It is up to the families to decide how to allocate their funds in this way. It is not up to the government.

The last point I would like to mention is a huge missed opportunity. I am referring to the Canadian dollar being in the stratosphere around par--and it has been over par--and the fact that the layoffs we have seen so far as a consequence of that high dollar, particularly in forestry and in the auto sector, are just the tip of the iceberg if the dollar stays high, which most economists believe it will.

If we look forward a year, we will see far more layoffs. The layoffs we have seen are just the beginning in manufacturing, tourism, forestry and other sectors that are exchange rate sensitive, unless something is done about it. The government had the opportunity in its economic statement, its last budget and its previous budget to do something. It has not done anything.

It is true that the government has cut the corporate tax rate. We agree with that. If the NDP members were of the Tony Blair type of new Labour instead of the antediluvian old Labour of the NDP and if they were in agreement with their Swedish and their British colleagues, they would agree too, because that is a good move. That is central to competitiveness. It is central to attracting capital and investment into this country as opposed to elsewhere, so that is good.

But the government does not seem to understand that it is not enough. The corporate tax cut only takes effect some time down the road and it does not deal with the immediate crises facing forestry, manufacturing and other industries.

Much of the forestry industry is on life support today and the government does nothing except cancel our \$600 million plan, which would have invested in that industry to help workers adjust and to help modernize the industry. The Conservatives scrapped that.

The Conservatives are doing nothing for the auto sector, except that they have put not a penny into it. We put in \$300 million. They put in nothing. They are foolish. This is another example of incompetence. The whole industry has dumped on the stupid feebate program. It takes a lot and is very difficult to give a subsidy to an industry and have the whole industry criticize one for it. Normally if we give industry money, it thanks us, but the whole industry is up in arms against this ill-considered government feebate, which benefits largely just one make of car, which is imported.

The Conservatives have not put any money into the car industry. They have a hugely damaging and silly feebate program and they are pursuing free trade with South Korea, notwithstanding huge non-tariff barriers. They are hurting the car industry. They are hurting the auto sector. They hurt the tourist industry by taking away the visitors' GST rebate. They are wounding industries that are already bleeding instead of making positive moves to help them.

I think this budget, this economic statement, is a total failure. One thing the Conservatives did was the accelerated capital cost allowance, but they only allowed two years. The industry committee members unanimously said it had to be five. Those in the

industry said unanimously it had to be five. The government was not listening or did not understand. The government made it two years and that is totally inadequate.

To conclude, it is a dishonest budget because it breaks its promise on the Atlantic accord and its promise to Saskatchewan. It has an ill-considered and totally dumb feebate program. It has interest deductibility, which was so stupid the Conservatives had to rip it out of the budget. It is also incompetent on interest deductibility.

It is incompetent on GST cuts versus income tax cuts and on boutique versus broad based tax cuts. Finally, and perhaps most importantly, looking forward it has missed a huge opportunity for all those vulnerable industries that are exchange rate sensitive, such as forestry, manufacturing and tourism. Instead of doing something positive to help them, the government kicks them when they are down. It adds salt to their wounds when what is needed is a positive program to help jobs and to help the economy grow this year, next year and in coming years.