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

Mr. Speaker, I am very pleased to rise today to deliver my response to the [finance minister's](#) budget speech from yesterday.

As I have said publicly many times since he tabled it, the budget does not really contain any initiatives that should excite Canadians but, at the same time, it does not have much that should overly concern them either, at least not in the near term.

As a result, the Liberal Party will allow this budget to pass through the House. I see no reason to cause a \$350 million election and send Canadians to the polls over a document that does not do much that is harmful to the country. However, I have questions on a few of the proposals, which have shown for the first time that the Conservatives are willing to listen to the demands of the opposition. It has shown that the [Prime Minister](#) is willing to listen to the [leader of the official opposition](#).

[*Translation*]

Here are some examples: making the gas tax transfer permanent, as we committed in February 2007; providing direct support to the auto sector, as we called for in January 2008; creating jobs and improving public transit through additional investments in infrastructure, as we advocated in February 2008; and increasing the northern residents deduction, as we promised in December 2007.

[*English*]

Here is what CTV's Bob Fife had to say about the [finance minister's](#) budget:

Look what he's done here. He's stolen the Liberal idea on help for the auto sector. He's stolen Liberal idea on job creation through infrastructure. And he's stolen the Liberal idea of making the gas tax for municipalities permanent.

A few weeks ago the [finance minister](#) was swearing up and down that there would be no help for the auto sector. While the budget only contains a modest amount for them, at least the minister has flip-flopped on this important subject. Perhaps in the future he will consider devoting more money to help this sector overcome the challenges of a high dollar.

In a perfect world the government should not have to intervene in such a way, but this is far from a perfect world when it comes to other governments protecting their homegrown industries. Governments around the world spend billions of dollars ensuring their countries have a thriving and competitive aerospace sector. We do as well here in Canada, and that is a good thing. Without that government help, Canada would not have an aerospace industry.

However, the auto industry is no different. Our neighbours to the south have been busy giving big money to open new car plants across the states, particularly in the southern states. There is no reason that we should simply let our auto jobs flow south because we are ideologically opposed to any kind of government participation or intervention. The budget gives the first indication that maybe the [finance minister](#) is beginning to understand this fact.

I will admit there were a few surprises in this budget that caught me a little off guard. For example, in the House, I have often raised the issue of the ecoAuto feebate program, introduced in budget 2007, and the chaos it has caused among Canadian auto manufacturers. There was a mention that this program was perhaps designed with good intentions, but was so poorly designed and executed that it threw our entire auto sector into total disarray. Civil servants at both the Department of Transport and the

Department of Finance vigorously opposed the program for not being cost effective and being something that would result in an increased regulatory burden, without having much effect on reducing CO₂ emissions. The public servants, however, were ignored in the interests of something the government thought would be politically advantageous.

Car manufacturers were incensed with the seemingly random cut-off lines, which were perhaps picked out of a hat. Vehicle winners and losers were chosen without any consultation with the auto industry, leaving auto manufacturers completely incapable of designing cars that met the program requirements. Honda even mused publicly that the Honda Fit would qualify for the rebate if it lowered the weight of its vehicle by removing some of the additional safety features they offered such as multiple air bags. Thankfully it did not come to that. This year's budget eliminates the program, which was described by *The Globe and Mail* as follows:

While it is never a good idea to complicate the tax system with targeted breaks, this feebate debacle is a particularly sad indictment of...[the] instincts [the Minister of Finance] and of his bureaucrats' waning clout.

As I have described, there are several things in this budget with which I can agree. Another example is the pre-tax paid savings plan, which is not a bad idea, although lower income Canadians will have a difficult time taking advantage of it. However, if this savings plan is intended to honour the government's promise on capital gains during the last election, then it must be judged an abject failure.

The government promised to eliminate any capital gains tax incurred by a Canadian, so long as the profits of that sale were reinvested within a six month time frame. Most experts pointed out that this was almost a de facto elimination of the capital gains tax and that the Conservatives' costing of the initiative was grossly underestimated. I pointed out at the time that the complexity of following investment dollars through potentially dozens of investments over several decades would be a nightmare for the Canada Revenue Agency, and others suggested it was impossible.

Yesterday, when the [finance minister](#) tabled his third budget, it became more than evident that the capital gains pledge had sufficiently joined the ranks of other broken campaign promises, such as the promise never to tax income trusts.

 (1530)

There are, however, some other things for which I must take the government to task. Critical areas mainly involving social justice or support for disadvantaged Canadians are largely or totally absent. Among other areas, I refer to support for aboriginal Canadians, social housing, early learning and child care, the homeless, as well as a meaningful attack on poverty.

While all these areas are important to Liberals, our single most important commitment is that we will never again return to deficit. The speed with which a Liberal government would implement any or all of these commitments would depend on the state of the government's finances and our commitment to stay in the black and pay down debt.

The promise to create a crown corporation to manage the EI fund has potentially far-reaching consequences and the implications of the proposal remain unclear.

As our leader has indicated, the Liberals would have paid down \$3 billion of debt this year, rather than \$10 billion, and we would have committed the remaining \$7 billion as a down payment on Canada's massive infrastructure deficit, our crumbling bridges, roads filled with potholes, inadequate public transit, border infrastructure and Atlantic and Pacific gateways. This would have represented a major investment in future generations, every bit as important as paying down the debt. The budget instead devotes a paltry \$0.5 billion dollars rather than \$7 billion to infrastructure.

One could find another broken promise on page 17 of the last Conservative election platform in which the Conservatives promised to pay down a minimum of \$3 billion of debt every year. Yet we have a budget that pledges to pay down only \$2.2 billion of debt this year and \$1.3 billion of debt next year. As the Canadian Taxpayers Federation pointed out yesterday, "Gone is the promise to pay down debt by \$3-billion a year". This

broken promise should worry Canadians even more than the first because it shows how close to deficit this government is willing to skate.

When the previous government was in power, it maintained a \$3 billion contingency fund that was budgeted to deal with unforeseen events over the course of the year. Whether that was a natural disaster, or a dramatic slow down in the economy, an ice storm, SARS crisis, or 9/11, the previous government was always prepared to deal with whatever was thrown its way, without returning to deficit. With this budget, however, there is no contingency reserve and the government finds itself perilously close to deficit for the first time in more than a decade.

Just how close are we? Consider the fact that less than four months ago the [Finance Minister](#) delivered a fiscal update that projected Canada's gross domestic product would grow by 2.4% in 2008. Yesterday he downgraded that forecast to 1.7% growth. If in a few months from now it turns out the minister was once again wrong by the same amount, then that alone is enough to give the country a slight deficit this year and a bigger deficit next year.

That is not my prediction, this is simply a matter of running the [Finance Minister's](#) own numbers through the formula he has provided in his budget under the headline, "Sensitivity of the Budget Balance to Economic Shocks". Essentially Canada is now a SARS crisis away from deficit, or a mild American recession away from going back into deficit.

How did we get to this point? A brief look at Canada's recent fiscal history is in order.

When the previous government came to power in 1993, the *Wall Street Journal* was boldly predicting that Canada was on the verge of becoming a third world economic basket case because, despite having promised to do so, Brian Mulroney's Conservative government had failed to make a dent in the federal deficit. Luckily for Canadians, the Liberal Party, Canada's true party of fiscal prudence, came to power in 1993 and by 1997 Jean Chrétien and his finance minister, the right hon. member for [LaSalle—Émard](#), had eliminated a \$42 billion annual deficit.

 (1535)

[*Translation*]

On both sides of the border, history has shown that it is the Conservatives and the Republicans that run huge deficits, leaving the Liberals and Democrats to clean up the mess.

In the United States, Ronald Reagan's supply side economics led to record deficits in the 1980s, while Bill Clinton managed to generate an uninterrupted series of surpluses in the 1990s. Under Republican George W. Bush, the United States is again running up huge deficits and it will be up to the next president and Congress to clean up the mess.

In Ontario, the Eves government, including three ministers in the current federal government, campaigned on a balanced budget in 2003. However, when Dalton McGuinty won the election and brought in the auditors, he found that his Conservative predecessor had instead left him with a deficit of \$5.6 billion.

An hon. member: No!

Some hon. members: Who was it?

Hon. John McCallum: I am not allowed to name him, but he is a well known member in this House who is currently the [Minister of Finance](#).

Many Canadians will no doubt be surprised to learn that it is the [Prime Minister's](#) Conservatives, and not the Liberals, who are the biggest spenders.

Since the Conservatives came to power two years ago, federal program spending by the [Prime Minister's](#) government has increased by 6.4% compared to only 2.3% during the 13 years of Liberal reign. If we exclude years when there was a deficit, and tabulate only the eight years between 1997 and 2005, we arrive at an increase in program spending of 5.5% per year under the Liberals.

As Andrew Coyne of the *National Post* said when speaking of the [Minister of Finance](#)—and Andrew Coyne is not a Liberal to the best of my knowledge:

He [the Minister of Finance] has become the biggest spending finance minister in the history of Canada. It is an unfortunate but deserved reputation because Canada's new government has grown by 14% after two [name of the minister of finance] budgets .

While the Conservatives have generally spent more, this has not prevented them from making some foolish cuts, such as those in sectors that help Canada's competitiveness—for example, funding for universities—in sectors facing serious difficulties—for example, the Liberal forestry program—and, even worse, those affecting vulnerable populations—for example, programs targeting women and literacy programs.

 (1540)

[*English*]

We in the Liberal Party do not think this is a good budget. Nor do we think it is an egregiously bad budget. Therefore, we do not propose to bring down the government on this budget and to cause an election at this time, which, in our view, Canadians would not see as justified by a big expenditure over such a little budget.

What I find most disturbing in the budget is the fact that the government inherited the largest surplus in Canadian history a short two years ago. Now, through reckless overspending and economic management, which could only be described as in the style of the New Democratic Party, it has found itself with a fiscal cupboard that is largely bare and only a relatively mild SARS crisis or modest U.S. recession away from once more taking our country into deficit.

We are not voting on that issue. We do not think the budget is worthy of an election. However, I can assure members that we in the Liberal Party will be closely monitoring the fiscal management carried out by the government during these uncertain economic times.

[*Translation*]

I therefore move, seconded by the member for [Hull—Aylmer](#):

That the motion be amended by deleting all of the words after the word "That" and by substituting the following therefor:

this House recognizes that this Budget contains some initiatives that attempt to mirror sound and intelligent Liberal policy proposals, but regrets that the government has made significant economic policy mistakes over the past two years and shown an NDP-like lack of fiscal prudence that prevent it from dealing with a downturn in the Canadian economy.