

St. John's Board of Trade Questions and Answers

Fiscal and Debt Plan

Under the last Liberal government, Canada had a healthy budget surplus. We paid down the public debt and reduced taxes. In fact, from 2000 to 2004, Liberals reduced the large corporate tax rate from 28 per cent to 21 per cent. Liberals also made major investments in research and development, and committed to long-term federal funding for health care – all of which helped make Canada competitive. Those balanced policies, and the hard work of millions of Canadians, gave our economy the strength to cope with the global downturn. In 2005-06, the federal budget *surplus* was \$13.2 billion. In 2009-10, the *deficit* was \$56 billion, the largest in Canada's history.

From 2006 to 2008, the Harper government increased spending at three times the rate of inflation, eliminated the contingency reserves included in previous budgets, and went from surplus to deficit *before* the recession hit. Coming out of the recession, Canadian families carry more debt than most others in the developed world, including the United States. Every dollar of disposable income in the average household is offset by nearly \$1.50 in debt.

This is why it is more important than ever that our economy becomes more productive more quickly. Unfortunately, Canada's productivity growth lags well behind the United States, and most of our competitors. The jobs of tomorrow will require more skills and knowledge. So investing more in learning is one of the most important things governments, businesses and individuals can do. We also know that productivity and our standard of living are driven by innovation. Businesses and entrepreneurs have the responsibility here, but governments can shape incentives. Further, as the global economy becomes ever more competitive, and new economic powers like China and India influence how wealth is created and where jobs are located, it is crucial that the federal government work effectively with partners in other governments, the private sector and civil society to strengthen Canada's presence in the world.

Deficit Reduction

A Liberal government will commit to reducing the deficit to one percent of GDP within two years, down from 3.6 percent in 2009-10. We will set subsequent, rolling targets to continue decreasing the deficit every year after that until the country is returned to surplus. Unless Canada is faced with an unexpected second recession, all fiscal planning will be consistent with this anchor. We will restore a two-year budgeting framework to increase transparency and make steady, measurable progress in deficit reduction. That progress will be driven by rolling, near-term targets that are firm and achievable. By its second year, our plan frees up \$7 billion through better choices. We will put some of that money aside in a \$3 billion Prudence Reserve, to manage any unforeseen events without missing our targets. If the reserve is not needed, it will go toward the deficit. These unshakable commitments – rolling deficit reduction targets, a realistic budgeting timeframe, and a tangible commitment to prudence – worked the last time a Liberal government had to clean up a fiscal mess left by Conservatives.

Competitive and Affordable Tax Rates

The Liberal Party would implement measures to make our tax system fairer and preserve revenues. The funds from these measures will support a prudent plan for eliminating the deficit and several investments in the priorities of Canadian families that will also have long-term benefits for our economy. We will hold corporate tax cuts to the 2010 level. That will still maintain a 25 per cent advantage over the United States, and one of the lowest rates in the G8. Given that Canada's corporate tax rate is very competitive, using borrowed money to cut it further is not a prudent policy. These actions will yield over \$5 billion by the second year of our plan, rising to nearly \$6 billion within four years.

A Liberal government will promote innovation and entrepreneurship with new incentives and programs. A new Innovation and Productivity Tax Credit (IPTC) will grant Canadian investors a 15 per cent tax credit for investments in small, early-stage start-ups that do not yet have the track record to seek financing from more traditional sources, such as banks and the stock market. Liberals will also implement an extension of the popular "Flow-Through Shares" tax model to start-ups in the clean resources, health and biosciences, and digital technology sectors. This tax incentive will allow venture companies with little or no revenue to pass on tax deductions to investors, creating a significant incentive to invest in Canadian entrepreneurs from promising sectors where Canada can become a world leader.

Spending Discipline

The Liberal Platform will cost less overall than the course the Harper government is on. That difference will allow for an ample Prudence Reserve. The platform identifies all the funds needed to pay for all its new initiatives, without adding to the deficit. A Liberal government will review all federal program spending, and implement smart, sustainable savings. We will seek the best analysis and ideas from the professional public service, and provide direction based on a positive and realistic vision of modern government. We will cut wasteful spending that has ballooned under the Harper government. This would include, but not be limited to taxpayer-funded promotional advertising, the over-sized Cabinet, PMO staff and skyrocketing spending on consultants. We anticipate saving at least \$500 million by the second year of our plan, consistent with the C.D. Howe Institute's assessment of potential cost savings that should be achieved in the federal government.

Overall, these measures will define a fiscal policy that is balanced, progressive and responsible. We will restore prudence to management of the nation's finances, and make steady, measured progress toward a balanced budget while investing in the priorities of Canadian families in a manner that strengthens the economy for the long-term.

Fisheries Management

The Liberal Party believes in the sustainable and responsible development of our natural resources. We believe in protecting our oceans and the livelihoods of our coastal communities, through a science-based approach to oceans management.

A Liberal government will ensure that fishing policies are designed in consultation with people involved in the industry. We will implement programs that restore fish stocks and the fishing industry. The Conservatives have failed to listen to the fishers and work with them to find real

solutions to the challenges they face. Five years ago the Conservatives promised real action and have not delivered.

Liberals will work to ensure fishing activities are based on sound science that maintains the long term viability of Canada's fisheries and support the hard-working families that rely on the industry. Liberals will also create new maritime protected areas off of Canada's Atlantic and Pacific coasts to protect Canada's marine ecosystems and fisheries. Additionally, A Liberal government would work to re-assert Canada's participation on the international stage as a country prepared to work towards positive collaboration and negotiation rather than thwarting progress as done by the Conservatives. Regaining respect on the international stage will facilitate negotiations in the long-run.

The Liberal Party of Canada opposed the amendments made to the Northwest Atlantic Fisheries Organization (NAFO) convention by the Harper Conservatives. We are determined that this convention is not in the best interest of Canada, based on hearing expert witness testimony during March, May, and October 2009. The actions of the Conservative government, with regards to proposed amendments to the NAFO convention, have been disgraceful. They reneged on their promise to bring about custodial management and to cover their incompetence and deceit, and they have tried to argue that this step backward is actually progress.

The Liberal Members in the House of Commons and the people of Newfoundland and Labrador did not support these changes. The Premier of Newfoundland and Labrador, in September 2009, wrote a letter to the Prime Minister stating that proposed amendments further erode the health and sustainability of fish stocks, and institutionalize the ability of other nations to impose their management over stocks inside Canada's 200-mile limit. Premier Danny Williams implored the government to withdraw the proposed amendments to the NAFO Convention from the House of Commons and to refuse ratification.

A National Power Plan

At the start of the campaign, Mr. Ignatieff emphasized the need for a strong vision for the future of Canada's energy resources. He pledged the Liberal Party's support for the Lower Churchill development and also mentioned the idea of seeing more east-west hydro-electricity selling. The Liberal Party of Canada recognizes that different provinces have different energy potential, and both exports and imports of various energy products play major roles in provincial economies. Furthermore, there exist common issues, shared challenges, and opportunities. A pan-Canadian process for collaboration on such shared challenges is essential for the long-term transition to the clean, energy-efficient economy of the future. A Liberal government will launch the Canadian Clean Energy Partnership involving provincial and territorial governments, the private sector, and stakeholders to work on several Canada-wide objectives.

A national policy on electricity energy infrastructure will be a priority for a Liberal government, focused on building the cleaner energy economy of tomorrow. Renewable energy should have a growing position in Canada's energy mix and a Liberal government will help achieve it.
