

## Canada at a time of tectonic shift — opportunity knocks for Conservatives

Just six weeks before the Conservative leadership convention in Toronto, the auditor general's damning report on the sponsorship scandal demolished the conventional wisdom that the Liberals were cruising to an easy majority in a spring election. While the Liberals plunged in polls that pointed to a minority government, or even worse, for them, the Conservative surge meant that the new party's leadership was, suddenly and unexpectedly, an important job. Former Ontario Health Minister Tony Clement, then the least known of the three Conservative contenders but the only one with experience in government, sat down with *Policy Options* editor L. Ian MacDonald in Toronto in mid-February to discuss the political opportunity the Liberal scandals present Conservatives, and what he would do as prime minister — from the fiscal framework and health care to foreign and defence policies.

Six semaines avant la tenue à Toronto du congrès à la direction du Parti conservateur, l'accablant rapport de la vérificatrice générale sur le scandale des commandites a anéanti toute certitude quant à l'élection facile d'un gouvernement libéral majoritaire au printemps. Tandis que la chute des libéraux dans les sondages laissait entrevoir au mieux un gouvernement minoritaire, la montée des conservateurs donnait au poste de chef de ce parti une importance aussi subite qu'inattendue. L'ancien ministre ontarien de la Santé Tony Clement, alors le moins connu des trois prétendants au titre mais le seul ayant une expérience gouvernementale, s'est entretenu à Toronto avec le rédacteur en chef d'*Options politiques* L. Ian MacDonald. L'échange, qui a eu lieu à la mi-février, a porté sur l'occasion que ce scandale offrait aux conservateurs et sur l'action qu'engagerait M. Clement s'il devenait premier ministre en matière de fiscalité, de santé, de défense et de politique étrangère.

*Options:* What is your sense, traveling the country, of the impact of the auditor general's report? How angry are the voters?

*Tony Clement:* Well, Canadians are slow to anger. Canadians generally like to believe the best in people, even their politicians. But this has shaken them to their core, and I believe the reason it has shaken them to the core and touched a level of anger that I have not seen for a good long time is because the findings of the auditor general's report reflect that there was a system in place, that this was not

just a rogue bureaucrat in some office, or a rogue political chief doing some things that were untoward. There was clearly the breadth and depth of this, and by the sophistication of what was going on, clearly a systematic looting of the treasury, and a redirection of funds for illicit purposes...we are used to reading about that in other countries; we are not used to seeing it on our home soil.

*Options:* Do you have a sense that Canadians don't really believe Mr. Martin when he says he was out of the room when it all happened?

*Tony Clement:* Absolutely I get that sense, that this has started to be an issue that plays to his credibility. It does strain credulity for someone who served for many years as the chief financial officer, that is to say, the minister of Finance, who was a political chief in Quebec by virtue of his stature and his position, to say he knew absolutely nothing about this, that strains credulity. And therefore we, as Canadians, deserve to put the proof to him that he has got to show us that incredible assertion has a basis of fact. Secondly, we all know that this didn't come out of the blue, that this was as

a result of allegations that have been made over a two-year period, exposés that have occurred, various facets of it have occurred over a two-year period. There are many times in the House of Commons where Jean Chrétien stood up as the prime minister and said, "This is absolutely ridiculous, this is absurd, you are casting aspersions," and lots of MP's including Paul Martin stood up and applauded. And so they cannot then express outrage when these issues had already been canvassed in some manner. This is not a new story in that sense.

*Options:* As we talk, in mid-February, a week after the release of the auditor general's report, there has been an unprecedented meltdown in the polls for the Liberals between elections, down 10 points in a three-day polling period, 13 points in a week, down from 48 to 35 percent in two Ipsos-Reid polls. The Conservatives up 8 points, 19 percent to 27 percent; the NDP up. Some people have suggested that it may be a tipping point for the government in that it has brought into front of mind all the other issues such as the HRDC billion dollars, the CSL file, the gun registry, \$500 million helicopter cancellation fees, the Pearson Airport file — there seems to be some kind of cumulative effect.

*Tony Clement:* Indeed it is the accumulation of these things that will tend to wear them down, because if there was an isolated incident generally Canadians are good enough to give some of the benefit of the doubt. But this then becomes part of the pattern, if that is the case, then it is more difficult to think the best of someone rather than the worst of someone. The other thing is that Dale Carnegie once said, you never have a second chance to make a good first impression, and this has come at a particularly poor time for Martin who essentially has frittered away his entire honeymoon period even before he got to be prime minister, which is again another unprecedented aspect of this thing. But once he was

prime minister this was his chance to make an impression, he started with the Throne Speech, but the Throne Speech now has no legs because of the revelations in the AG's report.

*Options:* The Throne Speech was essentially a 24-hour story.

*Tony Clement:* Essentially it was, and part of that I blame on their policy promiscuity, if I can use that term. I always was taught that if you had 20 priorities, it means you have no priorities, and that they had an opportunity to focus in on some important issues, be it health care, the military, Canada/US relations, and they chose to highlight basically well over a dozen, and probably two dozen priorities, and that is another reason why it was an unsuccessful Throne Speech.

*Options:* What is the enhanced opportunity for the new Conservative Party out of all this, and the run up to the convention, and realignment of the right, and why would Tony Clement be the best person to emerge from this as leader of the new party?

*Tony Clement:* Well this race counts now. This race is not about a federal election four or five years from now. All of a sudden this could be about a new government in the making. And so the leadership election and the choice to be made by Conservatives across Canada is not just an investment in the future, it is about winning an election and creating a truly national government in the next few weeks and months. It is as simple as that.

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*Options:* So that in the beginning where this race was about making Canadian democracy competitive again, it could now be actually about a change of government.

*Tony Clement:* Just so. And listen, the first aspect of the race, as you

have mentioned, is a noble cause, don't get me wrong.

*Options:* So who is Tony Clement, why does he want to be prime minister, and why would you be the best choice?

*Tony Clement:* Well, I am a husband and a father, I have three children. I am a resident of good old Brampton, Ontario, a town that resembles many towns in Canada. I am an immigrant to this country. My parents came here when I was four years old because they wanted a future for themselves, but they chased a particularly Canadian dream perhaps, it wasn't about themselves as about their child having a better future.

*Options:* You grew up in a political household, right? Your stepfather was in the Bill Davis government.

*Tony Clement:* Yes, my stepfather. So really through a lot of my formative years my Mum had been divorced and so I grew up with a single Mum, and when they got married I was already involved in politics because my mother had taken a job at the Queen's Park as an administrative assistant to an MPP, so I was already in that milieu a little bit. But it certainly is part of my background and part of who I am. So those are some of my attributes that I bring to the table. Then why am I the choice? I have been describing three reasons. Number one, I have some credibility born out of experience in government, as a minister of the Crown in Ontario, and most recently as a minister of health and long-term care managing a \$28 billion budget. I know

what it is like to make difficult but necessary decisions. I had to do it during the SARS crisis, basically when the federal government was AWOL, I was the one left providing the political leadership. But generally as a minister of health you are always making decisions affecting



The Gazette, Montreal

Tony Clement says there three reasons to vote for him, "number one, I have got some experience of government..."

the life, health, and safety of your constituents, Canadians. That is what a prime minister does whether it is choosing to send troops overseas, or more generally the security of Canadians inside or outside Canada is part of your job as prime minister. So that is something I am used to, I am used to the oversight, I am used to the scrutiny that comes along with senior governmental positions. So that is part of it.

The second part is I fully believe I'm the unity candidate, that this party, this merger has to work. It is a very fragile merger, so far, just because it is new, just because there was some controversy over it, and the fragility means that the leader has to be the right leader, the one that not only can speak to those who voted for him, but can also speak to those who did not. And I believe that I am in the best place to do that. I am also the person who can speak beyond our current core voters, God bless them for being with us through thick and thin, but we have to be a truly national party. We have to be a party that speaks not only to our strength in the west and the east, but speaks to Ontarians, speaks to Québécois in both French and English.

Speaks not only to rural Canadians, but speaks to urban Canadians. Speaks not only to fifth generation Canadians, but speaks to new Canadians, and I believe I can do that.

Finally, I believe I am the best contrast to Paul Martin. We are going to have to hold Paul Martin to account for the sponsorship scandals but also many other decisions on the health care file, on the security file, on the military and our foreign policy, there are a lot of things that he has to be held accountable for, and we need someone with some vigour and some passion, and some compe-



The Gazette, Montreal

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tence in order to do so. And that is what I offer.

*Options:* Let me take a bit of a survey of economic, social, foreign policy, federal/provincial relations, the key files on a PM's desk. Is the fiscal dividend, the idea of a balanced budget, is that a sacred trust, and within that how would you accommodate your \$250,000 tax-free holiday for people entering the labour force?

*Tony Clement:* Well I believe that part of our fiscal competency is a balanced budget, and spending within our means. That is a core concept among

Conservatives. I will be speaking on this about my goals with respect to paying down what remains of our debt, understanding incidentally that this is not just a federal issue, but it is also an issue with the provinces. When you have a fiscal imbalance you might have a wonderful surplus federally but if what you are doing is forcing the provinces to be in deficit, in debt, that all goes to GDP as well, that all goes to our economic viability and competitiveness as well. So you have to look at it from the grander scale.

*Options:* The national debt, the real national debt, federal and provincial, which is what people in Hong Kong, and London and New York think about, is still 70 percent of GDP.

*Tony Clement:* Exactly. It is not just the 40 percent at the federal level, and there is a lot of crowing about that going from 60 percent to 40 percent, and listen, that's better than the alternative. But if the nature of that occurring has been that you are forcing the provinces into a debt situation because of the fiscal imbalance it is really robbing Peter to pay Paul. So that is the first thing, and I will be talking about that.

*Options:* When the provinces say fiscal imbalance, or VFI, vertical fiscal



The Gazette, Montreal

"...Finally I am the best contrast to Paul Martin. We are going to hold Paul Martin to account."

imbalance, the Feds tend to say, you can almost hear the department of Finance bureaucrats writing the briefing notes. What fiscal imbalance?

*Tony Clement:* That's right. The tax point controversy from 1972 on and so on. No, but the reality is reality and unless we endeavour to recognize that it will weigh upon us.

We have to be a party that speaks not only to our strength in the west and the east, but speaks to Ontarians, speaks to Québécois in both French and English. Speaks not only to rural Canadians, but speaks to urban Canadians. Speaks not only to fifth generation Canadians, but speaks to new Canadians, and I believe I can do that.

*Options:* How would you alleviate that? For example Bill Robson of the C.D. Howe Institute has written a paper on this, and suggested that Ottawa could forego some tax points, transfer them to the provinces, the tax points rather than money, thereby avoiding issues of accountability, and begin to address the provinces' obvious, I wouldn't call it poverty, but they are certainly heading back into a clear deficit situation.

*Tony Clement:* It is not just one province. If it was one province you would be able to say, well that's unusual, but it is structural, no question about it. So I think, look, my own instinct is it is partially the tax points, it is partially the federal government living up to its responsibilities under the *Canada Health Act* as well. But if it started to do that, perhaps adopting the Romanow formula, then that alleviates a lot of the pressure on the fiscal balance sheets of the provinces. So it is accommodation of the two things plus what we are saying, that we have to take a number, that what is the size of government allowing for population growth and GDP growth, what is the size of government. Right now in Canada it is 40 percent, government represents 40 percent of the inflation. I am arguing that that's too high, that it should be 33 percent and we have to have a target in mind, and then review all of our programs including some things, maybe some

sacred cows like the CBC, and determine whether that is part of our core competency as the federal government. I am going to be saying that.

*Options:* Are you able to shrink the size of government as a percentage of GDP and still provide the needs of people in health care and other priorities such as defence?

*Tony Clement:* I am arguing yes, that properly understood, governments properly understood will see those as the priority, but that there are other extraneous things that we should get out of. So that is part of my argument. The second part of your question is, can we still have a tax policy that brings hope and jobs, and opportunity for young people. I would say emphatically, yes. My jump start proposal, which you referred to, the part which is tax-free income for the first \$250,000, is based on being a part of a lifetime Income tax regime that would be revenue neutral. What you are doing is you are taking some of your tax advantage and pushing it into the early years where a young person needs it the most. They are laden with student debt, they are trying to perhaps buy a house, or start a business, or open up their medical practice, get married, start a family, all of those things that we aspire to, and at that moment we choose to start taxing them on anything over \$8,000. To me you couldn't create a more unjust tax system if you tried. So this is about front-end loading the tax breaks, it means that later on in life you won't have your basic personal allowance, and therefore it becomes a revenue neutral plan over the generation of your...over the generation that you become a tax payer. But by creating a lifetime income tax regime, I think you are more fairly taxing a person based on their lifetime earnings

rather than any particular year. So I believe that the fairer system is a more competitive system. It definitely creates the right incentives to earn and to be productive, particularly in the early years of your life, and that provides benefits that will create some supply side benefits, even though there are people who don't believe in supply-side benefits, and that is why I am saying even regardless of that, this will be revenue neutral. Even if you look at the system holistically there are supply side benefits where you have got wealth-creating, eager persons in our economy willing to create jobs and opportunities. That creates revenue growth, that creates the kind of GDP growth that we have to be responsible for.

*Options:* There are several hundred billion dollars of unfunded liabilities for the provinces over the next decade, with the greying of the boomer generation. Clearly unless something is done about the VFI the provinces are not going to be able to meet their obligations in health care and education.

*Tony Clement:* Yes, we are truly in a structural challenge. I am an optimist about it, because the crunch, although it is starting now, if you look at it from a demographic point of view, we have got about eight to ten years to sort this out. The true rush of boomers retiring and taking a huge percentage of the health care budget really is about eight to ten years away. So if we have politicians with some vision and some perspicacity in government right now we can, we have enough time to solve these issues, but we have to be on it right now.

*Options:* In your speech to the Canadian and Empire Clubs in Toronto in mid-February you refer to yourself as a bit of a Pearsonian in terms of foreign policy and Canada punching above its weight in the world. I wonder if you are a bit of a Pearsonian in terms of cooperative federalism as opposed to confrontation with the provinces, and how do you view the relationship in

the federation between Ottawa and the provinces and territories?

*Tony Clement:* The muscular federalism over the last couple of decades has torn at the fabric of our country, and we have to understand as national politicians that not every idea emanates out of the federal government. There are lots of good ideas that reflect, I believe, the appropriate aspirations of Canadians that come out of the provincial dialogue. And I will give you a couple of examples, and it is partially out of understanding western alienation in its proper context. Western alienation to me is not just about historical grievances, that is what Paul Martin thinks it is. He thinks that if you just throw a few bones at the west on some historical issues that have been there for a while, that will mollify them in time for the next election and that everything will be rosy. But I believe that one of the primary sources of western alienation is a misunderstanding of their aspirations. They actually have some good ideas about our country, whether it be parliamentary reform, in the Senate or in the appropriate way to have accountability in the House of Commons, or specific issues. Albertans have some really good ideas about continental energy strategy, and British Columbians have some really good ideas about the environment.

*Options:* But you have said specifically on Senate reform that you would, in terms of appointing senators who had been delegated or won elections organized at the provincial level, that you would appoint them and that you would somehow endeavour to move forward to a constitutional amendment, which is of course is a 7/50, requiring the approval of Ottawa and seven provinces representing 50 percent of the population.

*Tony Clement:* That's right, but you can accept obviously...it is easier to accept as your list those who are directly elected, that is an easy reform to do, the rest takes a 7/50 and that is fine,

and my only point is I would be very encouraging of that, but I understand it has to be representative of seven provinces, representing 50 percent of the population. So that is my position on that. But the aspirations are there. Atlantic Canadians aspire to have greater control over their non-renewable energy resources, or nonrenewable resources generally, natural resources. So these things are there, there are lots of good ideas out there, and yet they always wonder is Ottawa, is anyone in Ottawa listening? Does anyone in Ottawa care? They are at the periphery geographically and we make them at the periphery politically. It shouldn't be

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that way, and it tears at the fabric of the federation. So you need someone who understands that, who has seen it in action, because I have seen it in action in my tour of duty of federal/provincial conferences, and it can be better, I honestly believe that.

*Options:* On the issue of same sex unions, or same sex marriage. Is there some kind of Canadian compromise that can be found that would on the one hand affirm the quality of rights under the Charter, say through civil unions while protecting the sanctity of marriage as between a man and a woman?

*Tony Clement:* I think so. I have gone on record saying that I do believe in the

traditional definition of marriage, that I believe that marriage is for a man and a woman, but I do recognize that there might be other unions that are, that can be called something else and can be recognized. But probably that is not good enough for everybody, there is a group of people that would say, no, I want the term marriage to apply to same sex unions. And I understand their position, I disagree with it, but I understand their position, and that is why it can't be just left to me and my own principles and thoughts on the matter. There has got to be a full debate. I know it will be a difficult debate, I know that the country is split on it, but just because the country is split, it is no reason not to have the debate in the House of Commons.

*Options:* Would you bring it back to the House of Commons on a free vote?

*Tony Clement:* Absolutely.

*Options:* And if necessary would you look at using the notwithstanding clause to override the courts interpretation of the Charter?

*Tony Clement:* Well, that is going a bit far because I believe in the interaction between the deliberative branch of our government, and the judicial branch. So to me the issue is that we as parliamentarians should be the custodians of parliamentary intent, and if we

don't give the signal of parliamentary intent to the judiciary, then of course they are going to read in their own interpretation. So my point is, in the first go around show some parliamentary intent through a resolution in the House of Commons. The Court will play its perfectly acceptable and notable role in interpreting the Constitution, at least having regard to parliamentary intent, and then we will see where we are. And it may be that is the end of it, depending on how they rule. If they rule in such a way as that the notwithstanding clause is not a viable ground for discussion, then that is the end of the matter.

*Options:* Let me ask you about Canada-US relations and Canada's role in the world. Take the first part first: what do you think needs to be done to restore Canada-US relations to say where they were in the Mulroney/Reagan-Bush period, or even the Chrétien/Clinton period?

*Tony Clement:* Yes, well Canada is a sovereign nation, but we have to understand again going back to Pearson that we are most effective and most helpful in a multilateral and a bilateral context. In the bilateral context we have to understand that our neighbour to the south perceives a threat to its security as perhaps at no other time in its history since the Civil War. That this threat to its security in the form of international terrorism is something that they have declared to be in their primary interest to eradicate, and so Bush has made it very clear, you are either part of the solution, or part of the problem. We have spent the last three years being part of the problem, we have not come to the table with any solutions of any meaning, and we have not, in my estimation, acquitted ourselves well in partnering with the Americans in their legitimate security concerns. So that has to change. I am told that our prime ministerial/presidential relations keep getting off on the wrong foot because we keep rubbing their noses in our sovereignty. We keep trying to make a point of our sovereignty. Truly sovereign countries don't have to make a point of it, it exists, and is self evident, but we have this, in the Prime Minister's Office.

*Options:* Such as Mr. Martin for example, pointedly inviting Kofi Annan to Ottawa before President Bush?

*Tony Clement:* Right, and being invited to the White House, but choosing instead to meet him at the hemispheric conference on so-called neutral ground in Mexico. These might sound like little things to Canadians, but in the diplomatic world they are big things. And so we have shown, I believe, that we are not surefooted, and that this is having an

impact on our ability to deal with all the other bilateral issues, whether it is softwood lumber or BSE, because of the stand that the Government of Canada is taking. So that is a problem that has to be fixed.

*Options:* There is a school of thought that Canada's standing in the multilateral context, and our influence in the multilateral context, is influenced and shaped largely by our perceived influence in the bilateral, that is to say our influence with the United States. What is your sense of where we are?

*Tony Clement:* I think that is a very good point and that we have been the intermediaries of the Americans to the world because we are perceived as being so close geographically and culturally. And we are no longer seen in that, because that has been declared by many that we are no longer seen in that light and that is a problem as well.

*Options:* Now, finally, Canada's role in the world through foreign and defence policy. You have said that it is time that we punch above our weight again, and you would like to see us punch above our weight again in our standing and role in the multilateral framework, and in multilateral forums and through the contribution of our military. But what is your view about sending men and women out in 40-year-old helicopters and 20-year-old jeeps, putting them in harms way without giving them the right equipment?

*Tony Clement:* It is tragic, and that is why we are in some of the missions where we cannot be part of the solution, because we are incapable of doing so. So my suggestion is, number one, the principle has to be living up to our military commitments under NATO, the fact that I have to make that statement shows how far down we are.

*Options:* What about in NORAD, are you in favour of MDS?

*Tony Clement:* Yes, absolutely, NATO was just an example. But I have chosen a goal, and we can argue about the goal, but my goal is that military spending has to be at least 3 percent above GDP growth for the foreseeable future until we have the

personnel and the equipment to protect the personnel.

*Options:* Right now our defence spending at 1.1 percent of GDP is the lowest excepting Luxembourg in NATO.

*Tony Clement:* That's right, and it has been that way, be fair, it has been that way for many years, that we are now at the point where it is showing all over the world.

*Options:* Whereas they say, as Jack Granatstein and others have written, that our forces are actually rusting out, helicopters are falling from the sky, jeeps do not have floors in them, they have cardboard floors.

*Tony Clement:* All this infatuation with soft power, I resolutely believe that you cannot have soft power unless you have hard power. Joseph Nye coined the term soft power, he was talking about the United States saying that not only use your hard power, but also have soft power. But it was a precondition of the phrase that you had hard power, but somehow this has been more in the Canadian debate to mean, well we don't have any hard power, so just let's have soft power. That is a mirage, it is a mirage. That is not the way the world works, and we are just fooling ourselves, and no one else.

*Options:* Do you have a sense at the retail level as a politician that something fundamental may be going on in the country. I mean a yearning for competitive democracy again, and a desire for change because of the revelations that Canadians have been seeing recently.

*Tony Clement:* Well something tectonic is happening, I really do believe that. This happens once a generation, or maybe it skips a generation sometimes. But I believe there is a fundamental and tectonic shift happening in Canadian politics, that they are looking for a renewed vision. Martin on one level understands that, that is why he has been so intent on trying to be the agent of change. His problem is he is captured by his past, and so he cannot be the appropriate agent of change. He understands what has to be done, he just can't do it, but I can do it.