

# Where to now?

**As** I write this, Scott Brown has just confounded political pundits by winning Senator Kennedy's former seat in the U.S. Senate. Why is this relevant to Canadians? Because it will have a profound effect on American public policy and what happens in the U.S. impacts Canada.

I'm not sure most folks understand how important public policy is, how rare good public policy is, and its effect on the wealth, well-being and future of us all. I will devote this and my next two opinion pieces to public policy in Canada, the U.S. and China respectively. My goal will be to describe the sorts of policy options available to politicians and leaders in all three jurisdictions and how difficult it can be for the right long term choices to win out over what might be expedient or popular in the short term.

To Canada.

The Federal government is struggling with the public's appetite for a return to fiscal probity and the reality of determining where revenues can be raised and expenditures cut. Balanced, or close to balanced, budgets cannot be achieved absent a combination of both.

The only sensible area in which to raise revenues is to reinstate the two per cent GST cuts. As economists around the world agree, value-added taxes at the consumption level are the fairest form of taxation. When coupled with a break for low income earners, as we provide in Canada, the result is the cost falling on the shoulders of those who spend the most and by definition, those most able to afford it. It obviously avoids taxing investing and saving, two activities which should be encouraged.

However, the Government of Canada fears the political backlash from what it considers a key element in previous election promises. Perhaps, but it is up to the Prime Minister to explain to Canadians why conditions have changed (we were in surplus during the previous cuts) and why this is the right thing to do now.

As for cuts, they should reduce the growth in program spending to three per cent per year from the current plan of six per cent (or better yet, tie it to the growth of GDP). Raise revenue and cut expenditures, and we are a long way toward balanced budgets in Ottawa.

More important, however, is the role of the provinces. Their deficits outweigh, on a relative basis, those of Ottawa. Their single biggest problem, financially and politically, is health care.

Financially, the problem is that costs are growing faster than the economy and faster than the growth in other


provincial spending envelopes. Most provinces will see health care exceed 50 per cent of total spending by 2012-13.

Politically, politicians are reluctant to tackle the health care debate. They fear the public's response to change and they're worried the sacrosanct principle of universality will stimulate an emotional rather than a rational discussion.

But we need this debate, and the Canadian public is not stupid. People know change is needed. Most Canadians however, do not understand how uncompetitive or inefficient the current system really is. It is ranked 23rd out of 30 systems in terms of quality but our costs are the fourth highest on a per capita basis among that same group. Disgraceful. We are the only country to prevent the private sector from offering services for which the public purse pays. No one believes the government can deliver services as efficiently as the private sector. Why then do we give the government such a monopoly? It's counter-intuitive. We are also the only country to prohibit any form of user pay. It is hard to imagine we can achieve better quality and lower costs without embracing some form of both, while not in any way compromising the principle of universal access. No doubt the loudest opposition will come from the unions representing health care workers who presumably will consider their current control of the system to be in jeopardy.

Closer to home, Premier Williams needs to come to terms with Quebec over development of the Lower Churchill. No one expects the Premier to be able to redress the inequity of the current Quebec monopoly over the profits of Churchill Falls. That deal was not his responsibility and its legality is not in any question. He just needs to do a fair deal for Newfoundland and Labrador and one that is fair to Quebec. Otherwise,

we run the risk of giving up all the considerable returns of the development to expensive transmission options. Premier Graham's decision to sell his province's power generating assets to Quebec is a brave one and was undertaken solely to give his constituents access to more competitive power rates than were possible under the current system.

Businesses and individuals need to become engaged in such debates. Otherwise we risk the consequences of politicians running from the best possible policy options because the only voices being heard are those of the naysayers and doom merchants. What's the adage - you get what you deserve? 



John Risley

**MOST  
PROVINCES  
WILL SEE  
HEALTH CARE  
EXCEED 50 PER  
CENT OF TOTAL  
SPENDING BY  
2012-13.**

In addition to his international business interests as president of holding company, Clearwater Fine Foods Inc., John Risley regularly engages in policy debate as a member of the World Presidents' Organization, the Chief Executives Organization and as a director on the Board of the Canadian Council of Chief Executives. Mr. Risley is also a graduate of the Harvard University Presidents' Program in Leadership and Chair of the Canadian Youth Business Foundation. If you have suggestions for topics you would like the Devil's Advocate to address in future columns, send your ideas to: [dchafe@atlanticbusinessmagazine.com](mailto:dchafe@atlanticbusinessmagazine.com). The views expressed in this column are those of the author and not necessarily those of *Atlantic Business Magazine*.