



Election 2011: The Shape of Things to Come

Providing guidance and useful insights

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On May 2nd, Canadians elected a majority Conservative government with 167 seats, Jack Layton and his NDP are the Official Opposition with 102 seats, and the Liberals finished third with only 34 seats. The Bloc Quebecois with four seats has almost disappeared, and the Green Party won their first seat. With this stunning electoral outcome, we provide below our analysis from our Conservative and Liberal pundits about the election and the shape of things to come. Unlike elections of the last few years, this is one for the history books.

For the Conservatives - Paul Brown

"Here Comes the Sun"

The overwhelming Conservative victory owes as much to the careful planning of Stephen Harper as to the collapse of the vaunted Liberal political machine. A campaign message of economic leadership and political stability rang true with voters, as the ever changing Liberal message rang hollow. Canada's success in weathering the economic storm and exhaustion with the endless series of elections were issues that Canadians readily understood.

However, Harper's electoral success goes back to the founding of the Conservative Party and the decision to build a national coalition around conservative policies and values. Instead of offering up promises manufactured to attract different groups as the Liberals had done, the Conservative leadership defined the party's direction and looked for voters who shared their views, values and policies.

The obvious audience was suburban Canada where people were dealing with the challenges of raising a family and paying taxes and mortgages. But the reality of

suburban Canada, particularly in BC and Ontario, meant breaking the Liberal lock on the multicultural communities. The key for Conservatives was reaching out to the second generation community leaders and conveying that, on economic, social and foreign policy issues, the Conservative Party was their natural home.

The success of the Conservative outreach saw a dramatic increase in seats in and around Toronto. As impressive, the winning candidates are from remarkably diverse backgrounds and bring skill sets not limited to the practice of law.

Of course the liberal media could not stomach the change. Whereas Liberals were said to be inclusive and open, Conservatives were characterized as pandering or creating wedge issues. Indeed, the media pundits consistently missed the boat on a range of issues. Their sanctimonious disdain for Conservative advertising missed the point: the ads worked not because they were negative but because they were true.

Even after the campaign the media started spinning new myths about the polarization of the electorate and split votes. Notions of polarization and vote splits are only real if you accept the assumption that the Conservatives are at one political extreme and that an NDP wave swept the nation. That the Conservative Party represents conservative values and policies is obvious, but that it is somehow outside the Canadian mainstream is nonsense. Simply take a look at the new Conservative caucus.

As for the NDP surge, it was very real in Quebec and yielded surprising results. But outside of Quebec, the real story was the Liberal collapse. It started mid-campaign (as projected in our March 2011 memo) and continued until the end. Conservative margins in suburban Ontario were huge and the shifts in urban ridings like Eglinton-Lawrence, York Centre, Don Valley West and Willowdale had nothing to do with the NDP and everything to do with expansion of the Conservative base and the contraction of the Liberal base.

Liberals allowed their visceral dislike of Prime Minister Harper and the Conservatives to guide their campaign. There was no philosophical core to the Liberals, just an anti-Conservative party trying to resurrect Pearson and

Trudeau with a checklist of policy offerings for every demographic. It's a party haunted by the ghost of Trudeau; first with the selection of Ignatieff as their new pseudo Trudeau and now with the callow Justin wandering outside of Quebec to save failing Liberal campaigns -- it never works.

With the Conservative majority in place, below are some of the issues that we can expect the Government will address early in their mandate:

Federal budget - once the House resumes, the Conservatives will reintroduce the federal budget they previously presented on March 22.

Wheat Marketing Board - the Board's monopoly has long been an issue in the Prairies among both farmers and Conservative MPs.

Copyright legislation -- The Conservatives are on record about the importance of better protecting intellectual property rights in the Internet age.

US Canada security perimeter - Since the election the President and the Prime Minister have already talked about moving this issue forward to making the movement of goods and people between our two countries easier.

New Cross-Border Routes - The Conservatives have been focused on adding new crossings between Ontario and the US.

Consumer Protection - The populist roots of the Conservatives shows up across a range of financial policy issues on matters of consumer protection and financial literacy.

Foreign ownership limits in the telecommunications sector - With the Conservative focus on increasing competition and lowering prices, changing ownership limits is sure to arise.

Free trade agreements - Over the past two years the Government has moved forward on a number of new trade agreements. We can expect this effort to accelerate.

Clearer foreign ownership rules - Following the potash debate, the Government committed to clarifying the rules.

National Securities Commission - This matter is now before the Supreme Court. It's part of a larger Conservative agenda of the federal government taking responsibility for trade and economic issues, while stepping out of areas of provincial jurisdiction.

Package of law and order reforms - This will involve combining legislation that had died when the election was called.

Senate changes - Expect the introduction of term limits as this does not involve any constitutional wrangling with the Provinces.

National health care funding accord - The Conservatives have committed to providing 6% increases in health transfers to the provinces.

First Nations - With two caucus members from Canada's First Nations, redefining how the federal government operates in Canada's north will likely be the focus of some attention.

Infrastructure funding - While the Conservatives are cautious about intruding on provincial territory, the new urban Conservative base will create pressures for the federal government to invest in infrastructure.

For the Liberals - Barry Campbell

"There has to be a morning after - Liberals face the music"

When they awoke after election night, like the fans of the old television series "Dynasty", Liberals were hoping it was all just a dream. It wasn't. On Election night, Liberals suffered their worst election performance ever not just measured in seat count alone; but by a humiliating third place finish and the loss of official opposition status. The great Liberal Party of Canada, the Party of Laurier and Mackenzie King, and St. Laurent and Pearson and

Trudeau and Chretien and Martin is broke and broken. It will take time to recover.

How did the Liberals find themselves the biggest loser on Election night? Technically, Michael Ignatieff ran a good campaign and all the signs on the road were positive. But attack ads had painted Ignatieff negatively in the minds of many and while he developed passion he never exuded much warmth or made much of a connection with Canadians in his demeanor or his confused message.

Liberals may also have been fighting the last war, thinking their enemy to be the Tories. It wasn't, it was the NDP. They also assumed that their concern about parliamentary process was what Canadians were concerned about. They were not. Worse, the Liberal platform looked like a rehash of old Liberal ideas: expensive, big ticket, even if admirable programs. In any event, the public never paid much attention. Liberals underestimated the appeal of Jack Layton - everyone did. His hope, trumped Liberal and Tory messages of fear. His promise of a pain free future resonated.

The Liberal caucus is now a rump with more Senators than MPs. There are more members from the Atlantic than from Ontario and make no mistake that will have a huge impact on the Party's policy ideas and leadership. Two leadership hopefuls, Scott Brison and Dominic Leblanc were both elected from the region. A third of the caucus will want to defect to the Conservatives, a third to the NDP and the remaining third will be running for Leader. Liberals can take heart however: the Party still has a big reach based on a rich history. While the Conservatives garnered an historic forty per cent of the popular vote, sixty per cent of voters choose someone else. This is still a centre-left country.

However, Canada's 'first past the post' system permits a 'majority' government with only a plurality of the votes cast. The problem is that Canada is a multi-partisan reality jammed into a bi-partisan system. Expect to hear calls again (which the Conservatives will ignore) for Canada to move to a proportional or mixed proportional representation system like in Australia. In such a system, governments need to be coalitions-which tempers the violent swings that occur (and could occur here too) if we

have two parties (one to the left and the other to the right) trading places at each election with a majority of voters not represented.

The Liberals face a fork in the road: stay independent or merge with the NDP. As Woody Allen famously said "mankind faces a crossroads. One path leads to despair and utter hopelessness. The other, to total extinction. Let us pray we have the wisdom to choose correctly." In flirting with merger, the Liberals face the "Prisoner's Dilemma" a fundamental problem of game theory which explains why people might not cooperate even if it is in their mutual best interests to do so.

The choice for the Liberals is stark - find a new leader, a new message or merge with the NDP. Either course is fraught with challenge. It will take years to sort out the future. Liberals should do nothing urgently to precipitate a merger they will regret - a merger where now they could only be a junior partner. Their better course is to wait a bit and see if the NDP implodes when their life in a gravity free zone encounters reality. The NDP caucus is a volatile mix of old labour stalwarts, whip smart socialists and now baristas, bakers and cabinet makers. But basing your future on that implosion is also a dangerous course. And what about a new leader? Four leaders in a half dozen years? Maybe a better plan would be to get the Liberal message for the 21st century figured out and then find a leader who can best express it.

For Canada, the political future could look like most of the rest of world. The centrist Liberal Party (if that's what we were) was an anomaly. Canada may start to look like many other countries with two dominant parties (excuse the expression) two groupings or coalitions of parties - one on the left, one on the right.

Canada's migration to that kind of world began in 1993 with the destruction of the other great centrist, big tent party, the Progressive Conservatives. After the 1993 election, many conservatives moved sharply right culminating in the merger with Reform. It remains to be seen if in this brave new world that is upon us, whether orphan 'Red Tories' and centrist Liberals who remain can come together and sustain themselves as some new political agglomeration. Or has the centre been squeezed

out of existence in Canada forever? In other words, at the centre there may be no there, there.

If this is our future, our politics will be perpetually contentious and cantankerous and the country could lurch every few years from one side to the other. As Chantal Hebert has pointed out, "Canadians have traded a dysfunctional Parliamentary system for a more polarized one... There is less common ground across party lines than ever in our history." The presence at the Federal scene of two centrist parties in the good old days assured Canadians of some predictability that not too much would change come election time. What this new reality means for social cohesion and economic planning no one can say.

The question for the Liberals is where did their votes go? They will be asking themselves: "How could we lose our supporters to a supercilious and irresponsible left or a mean and angry right? Did trying times economically and a growing ugliness and selfishness among Canadians take voters right and left and 'off centre' - right "to protect what is mine" and left to "get someone else to pay for what I want."

One cautionary note - on Quebec... what else? While the decimation of the separatist Bloc Quebecois is heartening to say the least, trouble lies ahead.

Jack Layton is not in a position to deliver the constitutional change he promised. Quebec really is different. They also voted for Jack because they were comfortable with the NDP social policy agenda. With a majority formed without Quebec, Stephen Harper need not feel any pressure to re-open the Constitution or any inclination to respond on the social agenda. The PQ will form the next Quebec government. The stage has been set for yet another "humiliation" of Quebec at the hands of Federalists and that, chers citoyens will be used to fan the flames of separatism yet again.

On the policy front, the election of a majority should break the logjam on stalled conservative policy initiatives and bring coherence. With a strong Conservative majority, the opposition NDP will be mostly irrelevant and unable to spike the Conservative agenda. However, as the Official

Opposition the NDP will have a platform to espouse stark alternatives both in process and policy.

For the governing Conservatives the only real constraint will be the one that all majority governments face-the need to choose between and mollify competing regional interests. In that regard, think oil sands or hydro, cities or the rural agenda, a national securities commission. Being a majority means the power to choose and responsibility for those choices. But its axiomatic in politics, when you choose, you lose.

Some Myths Debunked by Election 2011

Canadians are 'not engaged' - In this election, it turns out the electorate was very engaged and turned this into one of the country's more interesting elections.

Thomas Mulcair (NDP) warned "you can't stuff a poll in a ballot box" suggesting that poll results for the NDP might turn out not to help them on election day. Happily for the NDP he was wrong.

It's all about the ground game - getting out the vote. Again the NDP turned that adage on its head - Quebec voted NDP even in ridings where there was no organization, indeed no candidate campaigning.

The Bloc and the Liberals have spent 20 years trying to kill each other in Quebec - both died at the hands of the NDP.

You can't win a majority government without significant support in Quebec. The Tories just did.

Negative advertising offends Canadians. It doesn't - and it works.

Canadian voters are fundamentally centrists. They're not any longer.

The Liberals are the natural governing party. Not anymore.

The NDP surge. It was very real in Quebec but elsewhere the story was the Liberal collapse.

Conservatives won because of vote splits. True, but the reason for the vote splits was the collapse of the Liberal vote.

Social media would lead to a dramatic increase in voter turnout. It didn't happen. Voter turnout was up by a mere 2%.

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