

# From the Hill



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## HST passes in Ottawa

The proposed Harmonized Sales Tax (HST) in BC and Ontario has resulted in heavy political opposition from the provincial NDP in both BC and Ontario and also the PC Caucus in Ontario. This past week at Queen's Park, two PC MPPs (Randy Hillier and Bill Murdoch) were suspended from the Legislative chamber for the remainder of the session. It is theoretically possible that neither will be allowed back until after the 2011 election assuming re-election. The suspensions occurred after Bill Murdoch (Bruce--Grey--Owen Sound) was asked to leave the chamber for using unparliamentarily language and refusing to withdraw his remark. As the Sergeant-at-Arms attempted to remove Murdoch, PC members formed a human chain around him to prevent him from being escorted out. As Tories banged their desks and shouted "call public hearings", the Speaker attempted to regain order and eventually suspended outspoken maverick Randy Hillier (Lanark, Frontenac, Lennox and Addington) along with Bill Murdoch for failing to come to order. This resulted in a 48 hour protest where Bill Murdoch and Randy Hillier refused to leave the Chamber and spent the night at Queen's Park. The situation was similar to a 1995 incident that took place involving Liberal MPP Alvin Curling. The situation with Bill Murdoch and Randy Hillier was resolved through negotiations when the three parties agreed to additional days for public hearings to be held this week and next.. On Friday December 4, the PC Caucus dropped off via forklift 500,000 amendments to Bill 218 (*Ontario Tax Plan for More Jobs and Growth Act*) relating to the HST.

The HST has seriously undercut the approval rating of the McGuinty government. An Angus Reid poll showed:

- PC's 41%, Liberals 29%, NDP 20% and Greens at 11%
- 76% are very or moderately familiar with the HST
- 75% oppose the establishment of the HST in Ontario
- 83% believe the HST will make goods and services more expensive
- 70% say their opinion of the McGuinty government has worsened over the HST

An IPSOS poll finds that 74% in Ontario and 82% in BC oppose the HST with 90% agreeing that "The HST is a tax grab that is good for government and bad for consumers".

After holding a massive lead over the opposition parties for the past six years, this Angus Reid poll now indicates Tim Hudak would lead the PC Party to a majority government if an election were to take place today.

While most of the drama has taken place in Ontario and BC, the HST requires passage of federal legislation as well. Ontario will receive \$4.3 billion in assistance to help transition to the HST. BC will receive \$1.6 billion. The deal between the Ontario and the Canadian governments also requires Ontario

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and BC to pay that money back to the federal treasury in the event a future government repeals the HST prior to 2015. This “poison pill” has prevented Tim Hudak from promising to repeal the tax should he be elected in 2011. It was also a major factor in Michael Ignatieff’s decision to whip his caucus into supporting the tax despite opposition from some of his caucus in Ontario and especially BC.

On Thursday December 3, federal MPs voted on 192-32 in favour of the tax at first reading. 84 MPs did not vote or were paired. For all parties the vote was “whipped” resulting in the Conservatives, Liberals and Bloc Québécois supporting the bill while the NDP was the only party to vote against the HST. The NDP believes their HST opposition helped them hold onto a BC seat in the recent by-elections and plan to position themselves as the only party consistently opposed to the harmonized sales tax. The Bloc voted in support of the Bill because they would like to see a similar financial incentive given to Québec. Liberals were divided in caucus but in the end decided to support the HST. Ignatieff and the federal Liberals take the more principled position that it’s up to BC and Ontario to decide to implement the HST and the federal government should only facilitate the provinces decision. In addition, Ignatieff and the Liberals would be hard-pressed to vote against an initiative requested by Liberal governments in BC and Ontario.

Saskatchewan was the first province to introduce an HST but it was later reversed by Roy Romanow’s government. In 1996, New Brunswick, Newfoundland and Nova Scotia agreed to create a Harmonized Sales Tax with the federal government and it remains in effect today. Alberta has no PST and therefore no reason to harmonize its taxes. The remaining provinces collect a PST and GST separately. To make matters more confusing, Quebec (7.5%) and Prince Edward Island (10%) charge their PSTs on the GST. Federally the Conservatives would like to see all provinces harmonize the PST with the federal GST.

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