

John McCallum

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Dear Mr. Flaherty: Your first problem is that having lured hundreds of thousands of ordinary Canadians into income trusts by promising not to raise taxes, you then cut them off at the knees. On the day after you broke your promise, some \$25-billion of Canadians' savings went up in smoke. Since that black Wednesday, the income trust index has dropped a little more in relation to the total stock market.

Did any of your predecessors ever impose such a meltdown on their fellow citizens, or indulge in such confiscatory policy or bring Canadian capital markets into such global disrepute? I think not.

Your second problem is one of execution. For the sake of the tax base and tax fairness, you didn't have to drop a nuclear bomb on the industry. You could have used a more surgical approach.

On the broken promise, the deed is done. The toothpaste is out of the tube. Canadians will make their judgment at the next election. On the incompetent execution, it's not too late to reduce the damage to decent, hard-working Canadians who made the mistake of taking Stephen Harper at his word.

Your press release of Dec. 21 sets out draft income trust legislation and gives Canadians until Jan. 31, 2007, to make technical submissions to your department.

This process is no substitute for democracy. Particularly when the action in question had such a disastrous effect on so many Canadians, it is incumbent on any government, and especially a minority government, to move quickly to subject its proposals to parliamentary scrutiny.

That is why I am seeking your department's co-operation in public hearings by the House of Commons Finance Committee early in the New Year. I will also be writing to the committee chair, Mr. Brian Pallister, MP, asking him to move forward with such hearings.

The committee and the Canadian public need experts to answer key questions that you and your department have patently failed to answer.

- Why did the government choose a four year adjustment period, rather than the ten year period chosen by the United States, or some intermediate number of years? Had you chosen a longer period, Canadians' financial losses would have been reduced by many billions of dollars.

- You claim that a longer adjustment period would cost the government \$500-million per year. Yet you refuse to divulge the basis for these calculations, and many experts claim that the revenue loss would be a much smaller amount, possibly nothing at all. Where does the truth lie?

- The energy infrastructure trusts argue that your action puts them at a crippling disadvantage compared with their U.S. counterparts. Is there merit to this claim?

These are difficult questions, but billions of dollars of ordinary people's savings are at stake. That is why Canadians need expert public testimony as soon as possible. On the basis of that testimony, we and other opposition parties may urge the government to amend the draft legislation.

- John McCallum, PC, MP, Markham- Unionville, is the Liberal Finance Critic.