Policy Editor L. Ian MacDonald in conversation with Finance Minister Joe Oliver in his boardroom at the James M. Flaherty Building on April 22. *Policy* photo, Melissa Lantsman

Q&A: A Conversation With Joe Oliver

Joe Oliver woke up on the morning of April 21st with the toughest job of any federal finance minister in decades ahead of him. It was six months before a federal election, five months after OPEC precipitated an oil price crash that drastically reduced Oliver's margin of maneuver, and he was filling the very large budget day shoes of the late Jim Flaherty. The morning after he tabled Budget 2015 and proclaimed a $1.4 billion surplus, Oliver talked to Policy *Editor L. Ian MacDonald about economics, politics and making history.*

Policy: Mr. Oliver, here we are the morning after the budget. How do you feel?

Finance Minister Joe Oliver: I feel pretty good. It's been a good couple of days. This is a good budget for Canadians right across the country from all walks of life so I'm very pleased we were able to present it in spite of the challenges of the dramatic decline in the oil price.

Policy: That was my next question. A year ago when you took office on the 19th of March, oil was $100 a barrel. When you did the fall update it was $81. You were forecasting $81 a barrel and here we are at $50 a barrel.

Joe Oliver: It's $56 right now, well stabilized from the bottom, $44.

Policy: Are we looking at structural as well as cyclical issues here with the price of oil in terms of balancing the books and forecast revenues?

Joe Oliver: We take our forecast from 15 private sector economists. If there are outliers we'll take them out. There weren't this time. We take the average so we've depoliticized the forecasting of economic growth and therefore we're pretty comfortable that we've got a sound basis for the forecast.

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The fact that oil has fallen as much as it has to some degree reduces the risk of commodity price change. In one sense, of course, you can say it fell so much who knows what will happen. One never knows what's going to happen to commodity prices.

I'm not in the business of making forecasts myself, but you have to have a forecast in there for a budget. The number we've arrived at for this year is $54. It's a bit lower than today's price but that's the average for the full year.

It certainly reduced our flexibility in a significant way and that's really what makes the balance remarkable because in addition to that matter, which is over $8 billion right out of the bottom line, we've still been able to bring taxes down to the lowest level they've been in 50 years. We've got a major family benefits program. We're reducing taxes. We have reduced taxes for businesses to the point they're lower than they are in the G7 according to KPMG, 46 per cent lower than the United States.

We've got the biggest and longest infrastructure program in the history of Canada. We're increasing investment in the military and we haven't done this on the backs of transfers to the provinces. To the contrary, they're up 63 per cent. You'd think from the complaints from Ontario that we've somehow done them ill.

The fact is the transfers since we came to office in 2006 are up 88 per cent for Ontario. I don't know where their problems are other than the fact they want to divert attention from their own financial issues.

Policy: How the world can change in a year. In Mr. Flaherty's last budget, the forecast surplus was $6.4 billion and here we are at $1.4 billion—and $32 billion over five years of surpluses and here we are at $13 billion. That's quite an impact, and all driven by oil, right?

Joe Oliver: It is a huge impact. Some people have said, well, are we spending too much attention to the resource sector? I don't know if they're suggesting we shouldn't have sold oil at higher prices. The fact is these are private sector decisions. We have a highly diversified economy in Canada but resources have been a strength.

They'll continue to be. We're blessed with tremendous resources and, historically, they've contributed something in the order of $30 billion to all levels of government. That's really significant. I should say, hearkening back to my old portfolio, that if we could get our resources to tidewater one of the things we'd do is eliminate the huge differential between the international price and the price we're getting because of constraints on bottlenecks in the United States.

In addition to that, we're confronting a real challenge because our only customer for energy exports is the United States and they've found vast amounts of their own resources so we're going to need to access new markets. Happily, the markets are there. Unhappily, we haven't got a way to deliver them. This issue is not going to go away. The decline in the price of oil has actually exacerbated the problem.

Policy: The *Globe and Mail* headline on the budget was "Balancing Act." It's interesting how you got there by dipping into the contingency reserve for $2 billion and using the proceeds of the GM stock sale for another $2.2 billion. Any thoughts on that? Is that unusual?

Joe Oliver: What's a bit different is we're in a surplus. When you're in a deficit, you need a bigger contingency because you don't have a surplus to provide a bigger cushion. When you're in a surplus as we are now, we have $1.4 billion plus a billion so the cushion is really $2.4 billion.

In addition, the fact the price of oil has fallen by 50 per cent has reduced one of the risks. It's not as if there's a contingency fund that lasts forever without dipping into anything. We've got to decide what the contingency should be. This was the decision that we made.

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Policy: The imperative of balancing the books.

Joe Oliver: Well, look, you could create a bigger contingency but if it's not drawn on it goes to reduce the debt as does the surplus, if it's not drawn on.

Policy: The other main headline of the day—and I'm sure your comms people are happy with it—in the *National Post* it's "Year of the Family".

Joe Oliver points out that seniors are among the main beneficiaries of Budget 2015. *Policy* photo

Let's talk about the family package and what this budget means for people in the 905's of Canada, in the suburbs.

This is clearly a pre-election budget. There's no doubt about that, but one of my friends was saying yesterday there's nothing here for singles with no children except for the TFSA contribution ceiling increase being doubled to $10,000 per year.

Joe Oliver: The TFSA is very important but we're doing other things. Single seniors are also going to benefit from the greater flexibility in respect to RRIF's. That's very important. We're providing a small business tax reduction. Not everyone who owns a small business has a family.

Some are starting out. That's very significant because 50 per cent of the working population in the private sector works for small businesses. The initiative for our transit fund is going to benefit people in the 905. (Toronto Mayor) John Tory has made it known to everybody that he'd like to see Smart Track go ahead. We're not going to make decisions based on the mayor but Smart Track is the type of project that would be actively considered.

Policy: Let's just go through them one by one. Income splitting—the critique is that it's a tax break for the "rich" that will benefit only 15 per cent of Canadians but that's still 2.2 million families, is it not?

Joe Oliver: Well, yes, but they're not all wealthy at all. If you compare a couple where one person is making $120,000 to another couple where they're both making $60,000 each, these aren't wealthy people but because of the different tax brackets one is paying considerably more. The first is paying considerably more than the second.

We listened to what Jim Flaherty said. We put a $2,000 cap on it and we think it's very fair. But it's part of an overall family package. When you look at the totality of it, two thirds of the benefits go to lower—and middle-income families and 25 per cent to families earning less than $30,000 a year.

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Just let me make another point in this regard. Most policies are designed to achieve a tax benefit for certain groups of people. You have seniors' income splitting. It doesn't affect people who aren't seniors. That doesn't mean it's a bad policy.

We have disability incentives. Most people aren't disabled. That doesn't mean it's a bad policy, to the contrary. We're adhering to the Marrakesh Treaty. We're going to provide people who are visually impaired with more access to printed materials. Well, most people aren't going to directly benefit. It's still a good policy.

With income splitting, we're dealing with the issue of horizontal equity. You have to look at the totality of our policies and say is it balanced—not fiscally balanced but is it balanced in terms of providing benefits to the people who need it overall? I feel very strongly that we've got it right. When you look at the total picture, we've got it right.

Policy: Then there's the universal childcare benefit, the extra $420 that's coming in July in a one-time payment.

Joe Oliver: I know there are cynics but we couldn't get it done earlier. People will be made aware.

Policy: The other family-driven items, the child care cost deductions, the child fitness credits, the Conservative backbenchers that I talk to all say this stuff plays extremely well as a retail game at the door and the driveway. It's quite 905-driven, this stuff.

Joe Oliver: Obviously we're doing things for Canadians. When you do things for people they appreciate it. That's why I was kind of shocked that Justin Trudeau wants to roll back the increases in the TFSA's. This is a middle class benefit. Why he wants to do that, he'll have to explain that.

Policy: And it's the one thing in the budget for singles, that's for sure.

Joe Oliver: His spinners are out there but I haven't heard. The other thing he wants to roll back apparently is the decrease in small business taxes. What's that about?

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Policy: Let me ask you about two things for seniors, who are people who vote—the compassionate leave for people with dementia and the home care accessibility tax credit.

Joe Oliver: The home accessibility tax credit is really very important because seniors and disabled people …

Policy: In effect you can put a mobile staircase in your house.

Joe Oliver: Exactly. This isn't…we're not talking about getting new carpets here. We're talking about things that are really important—guard rails when you're in a shower, getting out of the bath. These are practical issues that are going to make life better and allow people to stay in their homes longer. That's a really good thing.

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Policy: In terms of your outlook for the economy, the Governor of the Bank in an interview in London said that growth in the first quarter was going to be "atrocious", a choice of words he might have regretted a little bit later because it certainly made headlines. What's your sense of the first half of the year?

Joe Oliver: He's basically saying no growth in the first quarter and then it's going to pick up. I'm not going to predict the quarter after that but our forecast is for 2 per cent for the entire year. Obviously, there's pickup. What he was saying is the impact of the oil price wasn't going to be greater but it was going to be quicker. That's what he said.

Policy: Speaking of Mr. Flaherty, we're sitting in the James M. Flaherty Building and as you know persons with disabilities was the great cause of his life, including autism. Full disclosure, my five-year old daughter has Asperger's syndrome. There's $2 million in there the autistic community was asking for networking. It doesn't sound like a lot of money but they're very happy.

Joe Oliver: They're very happy. That's what they wanted. It's always a challenge to make decisions of this kind because there are so many worthwhile causes but this one we really wanted to provide some help. I have relatives whose son has autism. It really takes a toll on families. We're trying to help and we're trying to find out more about how to cope with it. That's what this is about. It's important.

Policy: Finally, on a personal note, you said in the budget speech that you'd be forever grateful to your grandparents "for their fateful decision to immigrate to Canada more than a hundred years ago. Like so many others, they chose liberation over oppression, opportunity over stagnation and a bright future over a gathering storm." What does it mean to you personally to be Canada's first Jewish Finance Minister?

Joe Oliver: I don't focus on that very much. Some people in the community think it's a wonderful thing.

Policy: It wouldn't have happened 50 years ago.

Joe Oliver: Probably not. And a number of things that happened in my career might not have happened a few decades before. I think the fact that it's not really commented on very much is very positive because what you want is things to be … some of the past practices or discrimination, just to be gone.

Policy: The fact that it's not news.

Joe Oliver: I think it's simply a good thing. We're still making progress. We now have the first Toronto police chief who's black. People are commenting a lot about that. At a certain point it won't be a big deal. That will be a good thing. This country has been a tremendous opportunity for people from all over the world.

When my grandparents came, there was no social safety net or anything. They didn't expect necessarily to be treated without discrimination but they certainly knew they weren't going to be persecuted. That's an important distinction because that's what they confronted and not knowing how bad it would ultimately have been had they stayed. I guess one reflects back on decisions that weren't made—I had nothing to do with it. It wasn't easy and they're not the only ones. It wasn't easy for people to come here and how wonderful it is that they did for those of us who are here and how much they've contributed to Canada. It's a great story. I felt I wanted to make note of that without dwelling on it too much. P