Friday, September 28, 2001.

Hon. Paul Martin
Minister of Finance
Department of Finance
L' Esplanade Laurier
Ottawa, Ontario
K1A 0G5 By Fax

Dear Minister Martin:

On behalf of the 83,000 supporters of the Canadian Taxpayers Federation, I write to you today to express our fundamental concern and profound disappointment that the Government of Canada has continually refused to table a full budget before next February. While the world has understandably changed in the post-September 11th aftermath of the terrorist attacks on the United States, it should be noted that economic conditions before this tragedy also warranted the tabling of a budget.

Consider the following pre-September 11th signals:

- Economic growth had slowed to its lowest level in six years according to Statistics Canada;
- Unemployment had reached 7.2% in August, the third straight month where this rate had risen;
- The Federal Open Markets Committee (FOMC) of the U.S. Federal Reserve Board had already dropped its "target rate" for federal funds (a.k.a. the U.S. prime rate) on seven separate occasions since the beginning of 2001 for total reduction of 300 basis points in eight months:

  January 3rd -- a 50 basis point reduction from 6.50% to 6.00%
  January 31st -- a 50 basis point reduction from 6.00% to 5.50%
  March 20th -- a 50 basis point reduction from 5.50% to 5.00%
  April 18th -- a 50 basis point reduction from 5.00% to 4.50%
  May 15th -- a 50 basis point reduction from 4.50% to 4.00%
  June 27th -- a 25 basis point reduction from 4.00% to 3.75%
  August 21st -- a 25 basis point reduction from 3.75% to 3.50%;

- The Bank of Canada had already lowered the Bank Rate on six separate occasions since the beginning of 2001 for a total reduction of 175 basis points in eight months:

  January 23rd -- a 25 basis point reduction from 6.00% to 5.75%
  March 6th -- a 50 basis point reduction from 5.75% to 5.25%
  April 17th -- a 25 basis point reduction from 5.25% to 5.00%
  May 29th -- a 25 basis point reduction from 5.00% to 4.75%
  July 17th -- a 25 basis point reduction from 4.75% to 4.50%
  August 28th -- a 25 basis point reduction from 4.50% to 4.25%;

- The release of U.S. Department of Labor statistics showing U.S. worker productivity rose by over 2.1% during the 2nd quarter of 2001 whereas estimates derived from Statistics Canada figures showed a decline of 0.6% for Canada during the same period;
- The average total CPI inflation for the five-month period from April to August inclusive was 3.2% per month; and
- It was estimated that the Government had authorized between $3 billion and $4 billiion of new and unbudgeted expenditures for the current fiscal year.

Even before the murderous and unspeakable acts perpetuated on our American friends on September 11th, it was clear the U.S.-led global economic slowdown was having a measurable impact on our domestic economy.

Now let us consider what has transpired since September 11th:

- The FOMC of the U.S. Federal Reserve Board dropped its "target rate" further by another 50 basis points (from 3.50% to 3.00%) on September 17th bringing the total reduction to 350 basis points over nine months (more than half of its starting value of 6.50% on January 3rd);
- Than Bank of Canada followed suit on the same day by dropping the bank rate by a further 50 basis points (from 4.25% to 3.75%) bringing the total reduction to 225 basis points over nine months and the Bank of Canada has also pushed back its Canadian economy recovery projections to the final two quarters of 2002 (at the earliest);
- The Conference Board of Canada has predicted that for each 1% decline in real U.S. GDP growth, Canadian export volumes will now decline by an equivalent amount;
- Economic growth in Canada is now forecast to stagnate or even enter negative territory for this quarter and possibly the next which has prompted two major Canadian banks to predict a recession for the remainder of this year;

Moreover, your government is in the process of devising plans so Canada will effectively contribute to the international effort to prosecute the "war on terrorism."

Public indications from your Cabinet colleagues point to:

- Increased expenditures in public security (the RCMP, CSIS, etc.);
- Further devotion of financial resources to Immigration and customs exercises conducted through the Canada Customs and Revenue Agency;
- Accelerated modernization of National Defence capabilities;
- Further official development assistance (ODA) to Afghanistan and other contiguous countries in this region; and
- A potential cash infusion to Canada's airlines, perhaps as high as $2 billion.

Minister, this list is by no means exhaustive. Yet, this list in and of itself could total upwards of $5 billion. Combine this amount with the unbudgeted spending by your government already of at least $3 billion and simple math yields an $8 billion figure which would wipe out the projected $7.2 billion surplus (including the contingency reserve) for the current fiscal year.

To compound matters, due to the over 100,000 layoffs announced in Canada since January 1st, personal tax collections will probably be off from their forecasted mark. Corporate tax rebates (due to the overpayment income taxes already) will place a further strain on the consolidated general revenue fund.

Minister we have enjoyed a productive working relationship over the past four years. But allow me to be blunt. Your plans for an Economic Update on October 29th are insufficient given the current economic climate. Canadians will not stand for a glitzy, dog-and-pony, PowerPoint driven, public relations exercise. Instead, you should take the time, gather the data and plan to present a full Budget document in early to mid-November. Canada faces an unprecedented fiscal situation and such times call for leadership. You can and you must show fiscal leadership by tabling a full Budget.

Anything less will be considered by the CTF as a blatant exhibition of contempt for Parliament and Canadian taxpayers. I trust that you will agree with sentiment of unparalleled concern and sense of urgency that this letter conveys. I look forward to the announcement of a budget date from your office in the near future.

Regards …
Walter Robinson
Federal Director