Canada’s Liberal government outlines privatization plans

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5 November 2016

Canadian Finance Minister Bill Morneau presented the Liberal government’s Fall Fiscal Update on Tuesday, almost one year to the day the Liberals returned to power after a decade of Conservative rule. The update was a fitting way to mark the Trudeau government’s first anniversary, since it outlined plans to accelerate the privatization of public infrastructure and allotted additional funds for aggressive military interventions abroad.

The Canadian ruling elite’s traditional party of government, the Liberals returned to power last fall with the support of the trade unions and the social democratic NDP, who shamelessly promoted them as a “progressive” alternative to the Conservatives. Predictably, the new government has carried out little more than cosmetic changes, while using phony progressive rhetoric and the appointment of visible minorities to high-profile positions to provide a smokescreen for expanding Canada’s role in Washington’s military-strategic offensives and for pressing forward with the dismantling of public services.

Morneau acknowledged the deepening global crisis of capitalism and the souring of Canada’s economic prospects in his speech to the House of Commons. Total deficits were increased over the next six years by around $31 billion, with the goal of balancing the books by 2021-22 abandoned. Even after eliminating the $6 billion annual contingency fund adopted in last March’s budget, the Liberals are projecting a rise in additional government debt of $115 billion by the 2022 fiscal year.

These figures reflect the impact of the collapse of oil and commodity prices and the anemic state of Canada’s manufacturing sector despite a sharp drop in the value of the Canadian dollar. The Bank of Canada has repeatedly revised down its growth forecast over recent months, to 1.1 percent for this year and 2 percent for 2017. A number of concerns, above all the potential bursting of the housing market bubble, have led some observers to predict that still worse is to come. At its October meeting, the Bank of Canada reportedly considered the option of cutting interest rates to a historic low of 0.25 percent.

The government is responding by laying the groundwork for the widespread privatization of public assets, so as to boost corporate profits and open up new business opportunities. On the recommendation of the government’s Advisory Council on Economic Growth, which is being led by the managing director of the global consultancy firm McKinsey, Dominic Barton, the Liberals have announced that they will establish an Infrastructure Bank to involve Canadian and foreign investors in public infrastructure projects.

The bank is to be “seeded” by $35 billion in public money. $15 billion of this is to be drawn from infrastructure investments already announced and a further $20 billion will be raised via equities and government debt.

The bank’s goal will be to attract hundreds of billions in Canadian and foreign capital to invest in everything from the country’s airports and bridges to roads, water systems, electricity suppliers and sea ports. The result will be billions in profits for the corporate elite while working people are left to bear the burden of increased user fees and tolls.

Morneau also announced the government is deregulating foreign investment, with the threshold for government reviews of foreign takeovers to be increased to $1 billion in 2017.

Moves to privatize Canada’s eight largest airports are already well advanced. Credit Suisse, one of the world’s largest banks, has been hired by the government to present a report on how the sell-off should proceed by the end of the year.

On Thursday, Transport Minister Mark Garneau announced that the government is raising the foreign investment limit in domestic airlines from 25 to 49 percent, a step which is aimed at facilitating the creation of “ultra low-cost” (ULC) carriers. In the US and other parts of the world, the establishment of ULCs has been bound up with a massive restructuring of the airline industry on the basis of a devastating assault on the wages, working conditions, and jobs of airline workers.

Morneau and the Liberals are also touting Public Private Partnerships (PPPs) as the mechanism for cities and towns to undertake infrastructure investment projects. The involvement of private capital in the infrastructure bank will likely see municipalities forced to pay between 7 and 9 percent on funds borrowed so as to secure “suitable” returns for investors.

Significantly, the Trudeau government is receiving advice from Sir Michael Barber, a British academic who played a key role in the development of so-called “deliverology” by Tony Blair’s Labour government. Under Blair, Labour continued and intensified the right-wing, pro-business thrust of its Conservative predecessor, including by launching privatization drives in education, health care and other public services. Since then, according to CBC, Barber has presented his ideas to some 40 state and national governments around the world.

The Liberals' Advisory Council on Economic Growth released a brief report containing its first set of policy recommendations in the run-up to this week's fiscal update. It called on the government to concentrate on privatization, both in the form of PPPs and the outright sell-off of government assets. The Liberals, the report argued, should "create a flywheel of re-investment … by catalyzing the participation of institutional capital in existing assets."

The latest economic announcements thoroughly expose the Liberals' phony posturing as defenders of the "middle class." In Tuesday's update Morneau still sought to frame his proposals as a way of boosting the middle class by creating good jobs. But the reality is that the government's overriding focus is on finding a means of boosting returns for the business elite under conditions of economic stagnation.

The Liberals' program has been hailed by no less of an organization of the global financial elite than the IMF. Managing Director Christine Lagarde praised the Trudeau government in September saying she hopes Canada's economic policies "can actually go viral." "If you use [fiscal space] to invest in infrastructure, that will, in the medium to long term, improve productivity of the country and in the short term will actually boost growth because it will put people to work," she told CBC.

Talk of improving Canada's productivity, one of the central concerns of the Liberals' advisory council, is a euphemism for stepping up the exploitation of workers by reducing labour costs.

This is underscored by the involvement of McKinsey, which has advised governments around the globe on how best to increase corporate profitability and reduce the living standards of the working class. *Maclean ' s* magazine revealed in a recent article that McKinsey is providing support services for the Barton-led Liberal advisory council for free, because, as columnist John Geddes put it, this provides "a way of making sure the firm is in the room when big ideas are being hatched."

Black Rock, the world's largest asset management firm, is also deeply involved in the Liberals' plans. On November 14, it will host a meeting in Toronto with top government ministers and large institutional investors to discuss the rollout of the infrastructure bank.

One of the government's main concerns is how to sell this right-wing agenda to an overwhelmingly skeptical public. As former Bank of Canada Governor David Dodge, who played a key role in the Chretien-Martin Liberal government's unprecedented public spending cuts in the 1990s, wrote in an open letter to Morneau on behalf of the right-wing C.D. Howe Institute, "You need to have the political courage to explain to Canadians why it is in their interest that they should pay for the use of public use infrastructure."

As well as boosting the bottom line of global corporate giants and the banks and consultancy firms, the Trudeau Liberals intend to use the financial rewards reaped from privatization to boost military spending, so that Canadian imperialism can more aggressively assert its interests on the world stage.

Morneau's fiscal update included $348 million to fund the presence of 450 Canadian troops in Latvia through 2020. This deployment is part of NATO's aggressive policy of encircling Russia with 4,000 soldiers, led by contingents from the US, Britain, Germany and Canada. The financial support for the next four years makes clear that in spite of the rhetoric about rotating forces, the deployment to the Baltic state is for all intents and purposes a permanent deployment. Defence Minister Harjit Sajjan visited the Latvian capital Riga at the end of last month to discuss mission specifics with his NATO colleagues.

In addition, a further $465 million was committed to support the US puppet regime in Afghanistan, where Canadian imperialism participated for over a decade in a war of occupation. The funding will provide military and police training and other aid to the Afghan government until 2021.

In the days prior to the fiscal update, Sajjan and one of his advisers both indicated that Canada may soon reconsider re-engaging with combat operations in Syria, where the US and its Mideast allies have fomented a "regime-change" war against the Russian- and Iranian-backed regime of Bashar al-Assad. The Liberals have already expanded Canada's role in the latest US war in the Middle East, including by tripling the number of Special Forces' troops deployed in northern Iraq. The deployment of fighter jets or troops to Syria would draw Canada even deeper into a conflict that threatens to escalate into a direct clash between the world's major powers.