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PRIME MINISTER STEPHEN HARPER Q & A
ST. CATHARINES

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MODERATOR: We will start with Andrea Hopkins from Reuters, please.

ANDREA HOPKINS (Reuters): Prime Minister, the Bank of Canada's sudden rate cut yesterday, does it indicate that the economy is worse than you previously suggested, and does it indicate a need for further stimulus?

THE RIGHT HONOURABLE STEPHEN HARPER (Prime Minister of Canada): Uh, no. In short, if you actually look what the bank said yesterday on the economy, they did say the economy will grow somewhat slower than previously anticipated but they do anticipate growth for the coming year and that's what virtually every analyst has said about the Canadian economy—that it will grow in the year to come and its growth prospects for the years in the future remain extremely strong.

I think the...well first of all I should say this: the Bank of Canada as you know, conducts monetary policy independently of the government but I should say that the government has complete confidence in the Bank of Canada and the actions that it has taken. They are appropriate, but in terms of fiscal policy, the appropriate action is to make sure that as long as the economy continues to grow, we balance our budget.

MODERATOR: Ike Rai from Sun News.

IKE RAI (Sun News Network): Yes, Prime Minister. The Bank of Canada lowered interest rates in part to help prevent and reduce job losses so what fiscal policy tools will you use if we see unemployment growing, and on a related matter, is the government's three billion dollar contingency fund available to balance the books and keep your tax cut promises?

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RT HON STEPHEN HARPER: Well look, the contingency fund is obviously available for unforeseen circumstances. But what the government will continue to do to build jobs, to create jobs, and protect jobs, is follow our Economic Action Plan. That is things we're doing today: cutting red tape, programs to aid the creation of small business and small business jobs, programs to aid innovation, programs to ensure the manufacturing sector is strong and growing and revitalized, programs to operate and obviously negotiations to open new markets for trade, and keeping our taxes low. Keeping our taxes low and having sound public finances. This is the formula that has made the Canadian economy one of the most stable and solid in the world. It's the formula that has given us 1.2 million net new jobs in a time of incredible volatility. So we're going to continue on that general course. Obviously we'll look at particular effects.

But let me just say this about the drop in oil prices. Obviously significant. Obviously significant for the government's finances, not as significant as Alberta but it's significant. It's obviously significant for the Canadian economy, particularly certain sectors and regions. But the oil industry isn't remotely the entire Canadian economy. There are much...there are many benefits to other parts of the economy because of these developments, and although the oil industry in those regions are going to face some pretty significant adjustments, the fact of the matter is that this is a resilient industry that knows that prices go up and down.

I've been through many of these price cycles in my political and economic career and I've every confidence that that industry will weather the storm—I say with some difficulty, there's no doubt about it, there'll be some pain—but they will emerge very strong for the long term. So, we live in a world of volatility. These things are creating some shocks that will impact us but they're

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not going to throw us off our fundamental growth path or underlying the very strong fundamentals of the Canadian economy.

MODÉRATEUR: En français sur l'économie Monsieur le premier ministre.

TRÈS HONORABLE STEPHEN HARPER (premier ministre du Canada): En français sur l'économie. Juste pour résumer, le gouvernement à poursuivre son plan d'action économique. Ça veut dire que nous ciblons les petites entreprises. Comme je viens d'annoncer aujourd'hui, nous augmentera (sic) nos appuis et notre programme pour l'innovation pour les infrastructures pour le secteur manufacturier. Nous continuerons à ouvrir des marchés avec les nouvelles... avec les nouvelles accords... des nouvelles ententes de libre-échange et nous garderons nos taxes et nos impôts à ces nouveaux niveaux bas. Ces choses sont la raison... les raisons pour que dans une période de volatilité, de l'incertitude économique mondiale, l'économie canadienne a créé 1,2 million de nouveaux emplois. Et on va poursuivre cette... cette course.

Pour l'industrie pétrolière, évidemment c'est une industrie importante, c'est une industrie bien importante pour l'ouest canadien, pour... pour certains secteurs, mais ce n'est pas tout l'économie can... toute l'économie canadienne. L'économie, les bases fondamentales de l'économie canadienne restent très... très fortes. Et les analyses prédisent la croissance cette année la croissance plus forte pour les années et à venir et nous resterons optimistes. Moi je suis de l'Alberta, je connais très bien... je sais très bien qu'il y aura des... des pertes et des changements difficiles pour ce secteur et pour notre province. Mais en même temps, c'est un secteur qui comprend très bien que nous sommes toujours dans des

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cycles des prix, qu'il y aura des changements et franchement pour le long terme, les possibilités pour ce secteur restent... restent très fortes.

Et moi je suis...je suis encore optimiste. Comme je viens de dire, les bases de l'économie canadienne, de la société canadienne restent presque plus solides que n'importe quel pays du monde. Et nous... nous aurons des ajustements, des changements pour cette année à venir mais nos possibilités sont bien fortes à l'avenir.

MODERATOR: We will continue with Cheryl Krawchuk from the CBC.

CHERYL KRAWCHUK (CBC Toronto): Sir, if you could also answer this one in English and French. Do you anticipate more of a combat role for Canadians in light of their recent exchange with ISIS fire...firefighters... fighters?

RT HON STEPHEN HARPER: No, I do not. The government's position is that what we're doing and what we want to see: we want to help, we want to advise and assist Iraqi forces—particularly the Kurdish forces—to lead the combat themselves and that's what they are doing. But, and let me be clear...but let me be clear this is a robust mission. We're there to make those guys effective so they can take on the Islamic State and deal with them. And if those guys fire at us, we're going to fire back and we're going to kill them just like our guys did—and we're very proud of the job they're doing in Iraq—and we expect...

[Applause]

Je peux le répéter. We expect obviously the mission to continue but just...pour répéter ça, notre objectif est d'assurer que les forces

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irakiennes, surtout les (inaudible) les forces kurdes, peuvent mener leur propre campagne de combat, c'est ce qu'ils font. Nous sommes là pour conseiller, pour donner de l'aide. C'est une émission militaire robuste et si on se tire dessus, à nos troupes, on va répliquer. Et nous sommes là pour contrer l'État islamique de façon robuste et on va continuer de le faire.

[Applause]

MODERATOR: We will continue with Olivera Stojanovic from CTV.

OLIVERA STOJANOVIC (CTV Toronto): Hi, this question is also about interest rates...with the big drop in interest rates. Any concerns about household debt rising even higher than it already is, you know, likely now that already heavily indebted consumers will want to borrow more?

RT HON STEPHEN HARPER: Well, first of all I would just say, I think we have to put this in perspective just to correct the preamble of the question. It was actually a small drop in interest rates. Interest rates have been low for some time, in fact, I would just note as an observation that even after the Bank of Canada's actions yesterday, Canadian monetary policy remains the most restrictive of almost any western country—certainly more restrictive than every single other G7 country. That said, as you know, the government has expressed the concern that Canadians think carefully about their financing decisions. Interest rates are low but we don't anticipate the kind of low interest rates we've had for the past few years to last forever. They're bound to go up at some point so Canadians should make sure they're undertaking...they're taking debt that they can carry in the long term. But that said, let me just put this in perspective, once again. The evidence is that the vast, vast majority of Canadian households can carry the debt

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that they have. In fact, the debt burden—the debt servicing burden—for Canadian households has continued to fall in recent years but obviously there are some people who are over-extended because of low interest rates so we would just urge caution on their part.

MODERATOR: We will finish with Miss Walter from the St. Catharines Standard, please.

KARENA WALTER (St. Catharines Standard): I think you've already answered this one but we all want to know if the real reason you made this announcement in Niagara today is because you are going to the prospects game at the new Meridian Centre in St. Catharines.

[Laughter]

RT HON STEPHEN HARPER: It's an absolute, pure coincidence.

[Laughter]

Yeah, I'm looking forward to the prospects game tonight. I'm meeting some people while I'm there. Look, it's a chance to see once again those great young Canadian teenagers who won a gold medal just a couple of weeks ago and we're all so proud of them, and I look forward to seeing them play tonight.

[Applause]

MODÉRATEUR: Merci beaucoup tout le monde.

RT HON STEPHEN HARPER: Merci. Thank you everybody.

(Words: 1625)

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