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Conservatives Vow Balanced Budgets

REUTERS 

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By Gilbert Le Gras

OTTAWA (Reuters) - Canada's Conservatives vowed on Thursday to balance the budget for the entire five years of their government if they win power in the June 28 election and dismissed talk that their plans for tax cuts and targeted spending increases would threaten that goal.

"We have a buffer which is to reallocate (spending) and we have a further buffer which is debt payment," said Conservative finance critic Monte Solberg.

"We feel that we are more than covered in terms of staying in the black over the next five years," Solberg told Reuters.

Liberal Prime Minister Paul Martin, who as finance minister nursed Canada's books back to surplus after years of deficits, said this week that the Conservative economic plan hides a C\$50 billion (\$36 billion) "black hole."

"This is simply more Liberal scaremongering," Solberg said, arguing that proposed Conservative business tax cuts would spur growth, attract foreign investment and boost productivity.

The Toronto Star on Thursday tipped Solberg as a possible finance minister if the Conservatives form a government.

But a Conservative government is far from a done deal.

Polls show the Liberals and Conservatives are tied and neither will get a majority in the 308-seat House of Commons, so Martin will probably have the first chance to try to form a government under constitutional rules.

TAX CUT TIME

The Conservatives, who were last in government 10 years ago, are promising tax cuts totaling C\$37 billion over five years, as well as C\$13 billion for health care and C\$1.2 billion a year for the military.

Martin says he will spend an extra C\$28 billion for health, cities and child care. But he is not promising tax cuts.

Analysts say both parties can deliver balanced budgets as long as they meet their spending goals -- spending growth of 3 percent a year for the Conservatives.

But they say Harper's plan, which implies cuts in areas of federal spending other than defense and health, is more vulnerable to an unexpected slowing of economic growth.

Solberg gave no hint of spending cuts, but said spending from some departments would be held at the rate of inflation, rather than growing at a faster pace. "It's doable," he said, referring to the balanced budget idea.

He said the government should not interfere on issues like bank mergers -- an unpopular topic that the Liberal government has wrestled with for years -- and said he agreed with analysts who likened the Liberal's handling of the sector to that of a public utility steered to offer low user fees.

"I think that's outmoded. I don't think the public would fear a process that judges bank mergers on their merits, ensuring the safety of people's deposits and removing politicians from the process," Solberg said.

He said Ottawa should allow higher levels of foreign investment in sectors of the economy like telecommunications. Foreign stakes in telephone companies are currently capped at 46.6 percent, while foreign investors can hold a maximum of 25 percent of Canadian airlines.

"In general, we're in favor of a more open border for foreign investment. Our capital markets in Canada are only so deep," Solberg said.

He added: "Capital taxes are far too high. We want to reduce them, in fact at some point of course we'd love to see them gone because they are such a disincentive to investment and productivity."

(\$1=\$1.37 Canadian)

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