



PREMIER OF ALBERTA

December 14, 2005

The Right Honourable Paul Martin
Leader, Liberal Party of Canada
400, 81 Metcalfe Street
Ottawa, Ontario
K1P 6M8

Dear Prime Minister:

Since December 2003, the Council of the Federation, which comprises the Premiers of all provinces and territories, has been working to address issues of mutual interest in a manner which enhances the strengths of the Canadian Federation.

The Council has identified a number of outstanding priority issues, and believes it is important for Canadians to be aware of where the federal political parties and their leaders stand on these critical issues. As Chair of the Council, I therefore ask you to respond to each of these five areas below.

Post-Secondary Education and Skills Training

As Canada faces increasingly competitive forces from around the world, building and maintaining a highly skilled workforce will be essential to ensure Canada's continued economic development and prosperity. To this end, the Council has identified post-secondary education and skills training, the cornerstones of Canada's future prosperity, as a priority area of collaboration. Premiers Charest and McGuinty have already co-chaired a special meeting of provincial and territorial ministers responsible for post-secondary education, skills training, and finance. The Council will also be hosting a Summit on February 23 - 24, 2006, which will engage a broad range of stakeholders as we consider the development of a Canada-wide strategy on the issue. It is our intention to invite each national party leader as an observer to the Summit. As part of our plan for moving forward, the Premiers would also like to meet with the Prime Minister in order to agree on a Canada-wide education and training strategy and an adequate level of federal funding through the Canada Social Transfer in order to collectively build a stronger, more prosperous future.

- Do you support convening such a First Ministers' Meeting on post-secondary education and skills training early in the new year?



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Transportation

The strategic importance of Canada's transportation system is key to provincial, territorial, regional, and national productivity and international competitiveness. Despite substantial ongoing investment in transportation infrastructure by provinces and territories, Canada is facing a massive infrastructure challenge. To address this challenge, Premiers Campbell, Hamm, and Handley have worked closely with all provinces and territories since August to develop a national transportation strategy. Under this strategy, the federal government would commit to timely action on policy and regulatory reforms which are needed in all transportation modes and reinvest unallocated federal fuel taxes to provide a stable and long-term core funding source for transportation infrastructure. A copy of the strategy, *Looking to the Future: A Plan for Investing in Canada's Transportation System*, is enclosed for your information.

- Do you support the Council of the Federation's proposal that the Government of Canada become a full partner with provinces and territories in the implementation of a national transportation strategy which is multimodal and inclusive of all regions?

Role of Provinces and Territories in Canada's International Activities

The federal government is responsible for the conduct of Canada's foreign affairs and signing international treaty obligations. Only the provinces and territories, however, can implement international obligations in areas of provincial and territorial jurisdiction. It therefore makes sense that provinces and territories have a significant and clear role in the development of Canada's international position on areas within provincial and territorial responsibility. In this regard, despite the federal government commitment made in 2004 towards developing a federal-provincial-territorial agreement framework, provinces and territories are still waiting for results.

Provinces and territories continue to support the development of a formal agreement with the federal government as a necessary step to provide clarity, certainty and continuity in their relationship with the federal government in Canada's international activities which affect provincial and territorial jurisdictions, responsibilities, and interests.

- What concrete measures would you take, and in what timeframe, to successfully complete the development of a formal federal-provincial-territorial agreement regarding the role of provinces and territories in Canada's international activities which affect provincial and territorial jurisdictions, responsibilities, and interests?

World Trade Organization (WTO) Negotiations

Canada's economy is significantly dependent upon international trade; our continued prosperity and well-being depends upon continued and improved access to international markets. Provinces and territories are united in their commitment to the Doha Round of WTO negotiations and will continue to push for an ambitious outcome to these negotiations to ensure greater market access and a level playing field so Canada can compete fairly and equitably in global markets. An ambitious outcome is the best way to ensure Canada, and all other WTO members, will derive the maximum benefit from the WTO negotiations in all sectors.

Provinces and territories recognize ambitious results in the WTO negotiations holds the possibility of significant gains for Canadian exporters in all sectors, including export oriented agriculture producers. Provincial and territorial agriculture ministers have also strongly confirmed their support for the right of producers to choose to use orderly marketing systems.

- What are your views on Canada's approach to the ongoing WTO negotiations and Canada's contribution to an ambitious outcome in these negotiations, including supply management?

Fiscal Imbalance

Significant structural deficits confront some jurisdictions while others have only recently shown progress in taming annual deficits. While the federal government will continue to run large surpluses in the years to come, provinces and territories will continue to be confronted with significant fiscal pressures. The Advisory Panel on Fiscal Imbalance has been tasked by the Council of the Federation to conduct an independent review of the factors underlying both the vertical and horizontal fiscal imbalances that exist in Canada and to recommend appropriate solutions.

- Do you recognize the existence of structural fiscal imbalances, both horizontal and vertical, in Canada, and will you commit to working with provinces and territories to address this issue and to implement the necessary measures to resolve these fiscal imbalances?

As Premiers, we believe each of these five areas represents an important issue for Canadians, and Canadians should know how your party intends to address these issues. Accordingly, the Council will be making responses publicly available.

By advancing these priority areas, we believe we are working to promote issues that are important to Canadians: a strong economy, a skilled work force, effective transportation, sound coordination of policies and effective representation of Canadians' interests on the international stage, and a fiscally balanced federation.

We look forward to your responses.

Sincerely yours,

A handwritten signature in black ink, appearing to be "Ralph Klein", written over a horizontal line.

Ralph Klein
Chair, Council of the Federation

RK/kvp

Enclosure

cc: All Premiers

Honourable Ed Stelmach
Alberta's Minister of International
and Intergovernmental Relations

December 23, 2005

Dear Colleagues,

I am writing, as Leader of the Liberal Party of Canada, to respond to the thoughtful intervention of the Council of the Federation in the current federal general election campaign. The continuing evolution of our intergovernmental arrangements in the service of all Canadians on matters of national importance is of vital concern to the Liberal Party and to all Canadians.

Canada works. Federalism works. It works for Canadians, and works as we present our country to the world. Our way of doing things begins with a strong federal government, strong provinces and strong partnerships among these governments. I believe in a robust federalism, one in which governments work hard, together, to prepare our citizens and our country for the exciting opportunities -- and real challenges -- that lie ahead.

Partnerships begin with shared priorities. We all recognize that our priorities are established by Canadians - those who elect politicians at all levels of government. Our voters want results. I agree wholeheartedly that the priority areas you have identified are very important issues for Canadians. I also understand the fiscal pressures your governments face in serving Canadians in your provinces. Our sense of each other's challenges, and the demands of citizens, informs a common desire to address the priority areas you have identified in your letter.

These shared priorities, which come to us from Canadians, set the agenda. What we can bring to the table as governments is a sense of urgency; our citizens are eager for us to get on with the work. We also bring creativity, expertise and deep experience in working together. This is why we have been able to accomplish so very much. I am very proud of our track record of working together to find meaningful solutions to the challenges facing Canada. The list of our accomplishments is impressive by any standard -- not only on the historic 2004 Health Accord, and the steps we have taken toward a national system of Early Learning and Child Care, but as well in negotiating a New Deal for Cities and Communities and the recent landmark agreement to bring Aboriginal Canadians into the mainstream of Canadian society. We have made great progress. Now, much remains to be done for Canadians.

Meeting Canada's Post-Secondary Education and Skills Training Needs

You asked for my views as to how we can best move forward to meet Canada's post-secondary education and skills training challenges. In an age of emerging economic giants and rising education levels around the world, Canadians need access to post-secondary education ("PSE") and workplace skills training of the highest quality. This area is a fertile field in which the robust federalism I speak of is meeting the challenge.

My government has continued and accelerated support for PSE and skills training in the long tradition of federal Liberal governments. The federal government already contributes almost \$9 billion annually to support PSE through a range of programs and transfers to students, institutions, provinces (through the Canada Social Transfer or "CST"), and researchers. I am very proud that my government has taken the federal contribution to PSE to its highest level ever.

A re-elected Liberal government will increase this very substantial commitment and will invest in new resources through 2011 to ensure that Canadians of all incomes have access to first-class education opportunities. The centrepiece of this effort will be enhanced student financial assistance to ensure that students from low- and middle-income families are not prevented by financial barriers from pursuing post-secondary education. A Liberal government will continue as

announced to expand its support for provinces through the CST as well as direct funding to post-secondary institutions for research.

With regard to skills training, a Liberal government will work with provincial, territorial, business and labour partners to ensure that all Canadians have the opportunity to develop their skills so that they can obtain meaningful and enduring employment. The best social policy is ensuring citizens have good jobs. This is why my government has begun the process of negotiating with your governments new Labour Market Partnership Agreements. These collaborative efforts will include clear objectives, outcome-based performance measures and public reporting to your own citizens. We will invest \$3.5 billion over this fiscal year and the next five years, to implement partnership agreements focusing on six priority areas: apprenticeship; literacy and essential skills; workplace skills development; enhanced workforce participation of Aboriginal people; labour market integration of immigrants; and enhanced workforce participation of persons with disabilities and other under-represented groups. We believe that these vital initiatives have had an excellent start. Together, we can achieve even more.

You will be aware of the many ministerial-level federal-provincial-territorial meetings and consultations underway in a variety of policy areas, including post-secondary education and skills training. Indeed, the Council of the Federation will be holding a thorough consultation on PSE and skills training culminating in a public discussion on February 23 and 24, 2006. I thank you for your invitation, and look forward to sending observers as federal participants in this important event. In the area of skills training, a Liberal government would wish to take into account the work that has already begun with your governments in negotiating the Labour Market Partnership Agreements. As you are aware, my government has committed to annual First Ministers' Meetings. A Liberal government would prepare for calling such a meeting by taking stock of progress across the range of issues upon which our governments are collaborating, and identifying those areas that require the additional impetus that comes from a First Ministers Meeting. In this way, I am confident, we can make the very best use of the opportunity a First Ministers' Meeting offers. If re-elected, I will be pleased to commit to placing a discussion of post-secondary education and skills training as the first agenda item of our 2006 First Ministers' Meeting as an opportunity to discuss jointly coordinating our considerable efforts in this area.

Transportation

I agree with you that transportation infrastructure is another key national priority. Canada has before it tremendous opportunities that can be secured by enhancing our already-strong capacity to move goods and people efficiently. This is why the Liberal government in Ottawa has worked so hard to continuously improve the transportation sector's regulatory framework and to invest in infrastructure renewal. I am very proud of the federal government's leadership in the Pacific Gateway initiative, and our commitment of \$590 million to this end. My government is now in the process of developing a national gateways and corridors strategy, and I expect that other gateway initiatives will emerge. I am also proud of the work my government has done to address communications infrastructure, investing in the broadband networks that are as key to the economy of the 21st century as are more traditional, physical infrastructure networks such as road, rail, air and marine.

One of the main thrusts of our commitment to renewing Canada's infrastructure has been working together to implement the New Deal for Cities and Communities - one of my principal campaign commitments from the 2004 election. During the 17 months of the last government's tenure, agreements were concluded with twelve provinces and territories to enable the flow of funds from a portion of the federal excise tax on gasoline to cities and communities. This was done in collaboration with your governments and in accordance with the principles to which we agreed together. There is no finer example of dynamic, collaborative federalism in action than how we have come together to seize this opportunity for Canadians.

It takes hard work. These negotiations were conducted in the belief that infrastructure needs are complex, and that each provincial government has a different relationship with its municipalities with regard to infrastructure. Our work together in this vital field is always evolving, and a Liberal government will ensure that the items eligible for funding, the channels through which funds flow, and the level of funding continue to meet those complex requirements. In addition, the federal government will continue through three dedicated infrastructure funds, to collaborate with provinces on key infrastructure projects on a case-by-case basis. I am open to further discussions on additional mechanisms for funding infrastructure priorities.

The role of provinces and territories in Canada's international activities

You inquired as to the Liberal position on the role of provinces and territories in Canada's international activities. I believe that the world we live in absolutely requires continuous, vigorous engagement in both multilateral bodies and bilateral dialogue. This imperative and the robust federalism we are putting in place yields impressive results.

I have always said that when Canada participates in international fora, or conferences of international organizations, it is as one country with one voice. In international negotiations, a country simply must speak with one voice in order to maintain the integrity of its negotiating position. If different Canadian voices disagree, our position becomes untenable. At the same time, Canada's voice needs to be enriched with the expertise of provincial governments. This is why I am personally committed to involving provinces in such matters. A Liberal government will adhere to this approach. In international fora, provinces are from time to time invited to express themselves on one or more aspects of the Canadian position. In cooperation with other departments, the Department of Foreign Affairs is committed to working more closely with provinces and territories to strengthen current notification, information-sharing, consultative and participatory intergovernmental mechanisms.

For example, I have undertaken consultations with many of you in matters such as advance discussions before talks with the President of the United States on softwood lumber. Our efforts together have begun to yield impressive results on this contentious issue. In another example, prior to the recent UNESCO cultural diversity meeting, my government worked very closely with the Government of Quebec to prepare for our negotiations and secure international consensus for our positions. For the meeting itself, the Quebec minister – as a member of the Canada delegation – spoke to reinforce the Canadian position on cultural diversity. This approach helped Canada play one of the leading roles in crafting an important global initiative.

Perhaps the best example of what our governments can do together on the international stage was this month's UN Climate Change Conference in Montreal. The federal and provincial governments worked together very closely, within the framework set out above. Canada spoke with one voice. Canada chaired and guided this conference to a very successful outcome – one which significantly enhances the global response to climate change. Our country led on this issue in Montreal, setting an example of collaborative federalism on the world stage in the service of goals that are vital to all Canadians, and to people around the world.

World Trade Organization negotiations

You asked about World Trade Organization ("WTO") negotiations. With 70 percent of our gross domestic product and one in five jobs linked to trade, Canadian businesses and agricultural producers need transparent and predictable rules and increased market access. WTO negotiations are the forum in which this progress can take place. Ministers from Canada and 148 other WTO member-countries met in Hong Kong last week to advance negotiations on the ambitious global trade agenda negotiated in Doha, Qatar, in 2001.

Regular and open dialogue with provinces, territories, business groups and agri-food stakeholders on Canada's negotiating positions – before, during and after the Hong Kong Ministerial Conference – means a strong Canadian presence at the negotiating table. The advice received from these groups was essential to informing and strengthening our approach. Nine of ten provinces sent ministers to serve on the Canadian delegation. These efforts were vital in setting the stage for our very successful outing in Hong Kong.

The final Declaration from Hong Kong provides scope for Canada to achieve its objectives in key areas. A number of Canadian proposals and ideas are reflected in the Declaration, specifically on non-agricultural market access and domestic support for agriculture. The Hong Kong Ministerial Conference achieved real progress in the areas of market access for non-agricultural products, services, export subsidies for agriculture, and duty-free, quota-free market access for least-developed countries. Moreover, the conference advanced the Doha process considerably. As the CEO of the Canadian Manufacturers and Exporters, Perrin Beatty, stated: "these talks have restored hope for a more open and fair trading system."

At the same time, while challenges from other countries continue, we will protect supply management and the Canadian Wheat Board. Much remains to be done. We will work aggressively with WTO members and domestic stakeholders toward completing the negotiations by the end of 2006.

A Liberal government will continue working with these stakeholders as Canada and its trading partners head towards the successful completion of an ambitious agenda in the Doha round.

Fiscal Arrangements

Finally, to your broad question regarding the balances within the federation's fiscal arrangements, let's begin with a few facts.

Provincial governments are vital and valued contributors to our tremendous national success story in the crucial field of public finances. And while it is impossible to describe all provinces and territories in the same way, some analyses of the province and territories as a whole are helpful. Both the federal and provincial-territorial governments have contributed to the significant turnaround in Canada's fiscal situation over the last 12 years. The provincial debt-to-GDP burden is, on average, significantly lower than that of the federal government and falling at a not dissimilar pace. Furthermore, the rate of increase in recent federal government transfers to provinces has outstripped that of its revenues.

The federal government's share of national revenue - that is, the portion of the national income that is drawn into federal coffers, has dropped from approximately 18 percent in 1992-93 to approximately 15.5 percent in 2004-5. This decline is primarily due to the tax reduction measures announced in 2000, much of which benefited individual Canadians, as well as reductions in employment insurance premium rates every year.

Looking ahead to future federal budgets, it should be noted that the Government of Canada has announced significant funding initiatives in response to the priorities of Canadians and taking cognizance of the fiscal pressures provincial governments face. The 2004 Health Accord, and the steps we have taken toward a national system of Early Learning and Child Care, our commitments to PSE and skills training, the New Deal for Cities and Communities and our initiatives regarding aboriginal Canada are just some of the ways in which Ottawa has responded to the needs that citizens have presented to governments. My government has increased transfers to provinces as well as direct funding for the priorities we share.

The measures I have taken entail deploying a significant portion of potential budgetary surpluses going forward. Of course my policy is not to put at risk our overall positive financial position; I am absolutely determined we will not return to federal deficits in the foreseeable future. I remain committed to the prudent planning, cost-control and accommodation of the potential for the unexpected that have been the hallmarks of our successful financial approach. At the same time, however, the measures I have taken mean that I do not anticipate large surpluses of the kind that we have seen in recent years.

To ensure that future surpluses do not exceed the annual Contingency Reserve of \$3 billion, I have taken a further step. My government introduced legislation on October 7, 2005, that clearly spells out how the Government and Parliament would be able to allocate future surpluses above and beyond the annual Contingency Reserve of \$3 billion in a balanced way among the three categories of tax cuts, priority investments and debt reduction. Tax cuts will benefit Canadians who are residents of your jurisdictions, increasing their disposable incomes. Priority investments may well, depending on circumstances, be made in areas of emergent pressures felt by your governments. Continuing debt reduction, of course, keeps debt payments and interest rates low – for all Canadians and all governments in Canada.

Within this approach, investing in the specific programs that individual Canadians care about is a key thrust. Improved finances have allowed the Government to make these investments. The result has been a period of intense collaboration, one of the most successful bursts of intergovernmental activity in decades.

Canadians demanded action on waiting times and health care. The federal, provincial and territorial governments negotiated a \$41-billion Health Accord providing for sustainable funding, action to reduce waiting times, home care and pharmacare negotiations and accountability measures to ensure results.

Canadians in some provinces raised concerns about the Equalization program. That is why the federal government, the provinces and the territories worked hard to ensure that new, fair equalization arrangements were worked out to reflect current realities. A re-elected Liberal government would look forward to receiving the important input of the two expert panels, one commissioned by the federal government and one by your governments, who are studying the Equalization program.

Canadians wanted action on child care to create the spaces and options parents require. The federal, provincial and territorial governments worked to create a national system of early learning and child care, investing in affordable, quality care and teaching – to make sure future generations of Canadians will have the best possible chance to succeed.

Canadians wanted action on improved infrastructure for their cities and towns. The federal, provincial and territorial governments worked to implement our New Deal for cities and communities, investing to help ensure our municipalities are great places to live, work and raise a family.

Canadians wanted concerted action to bring Aboriginal Canadians into the mainstream of our society. The federal, provincial and territorial governments with the provinces, territories and national Aboriginal groups worked to create a detailed plan to help improve the lives of First Nation, Inuit and Métis people.

On labour markets, justice policy, parental leave, climate change response – a host of areas in which governments serve Canadians – the Liberal government is taking an open-minded approach, offering fiscal and other resources to an unprecedented degree in order to make collaboration with the provinces a living reality. Some have criticized this approach, saying it

offers too much to provinces and territories. I disagree. I believe that Canadians' needs must be addressed, and it is the role of the Prime Minister to marshal the resources of the whole society - especially governmental partners - to bring their collective energy and resources to bear.

Let me conclude by stating what a fruitful 17 months we have enjoyed working together so hard and so successfully on responding to the concerns of Canadians. We have reforged our federalism into a robust partnership that is delivering new and exciting results at an unprecedented pace. This is the kind of collaboration that Canadians expect from us, as the pace of change in their lives and around the world accelerates. Our strong partnership is keeping pace and more important, the delivery of results is keeping pace as well. If I am re-elected Prime Minister, I look forward with genuine excitement and enthusiasm to continuing to develop the highly successful partnership we have forged in addressing the issues that matter most to our electors.

Yours very sincerely,

Right Honourable Paul Martin, PC, MP
Leader
Liberal Party of Canada



PREMIER OF ALBERTA

December 14, 2005

Mr. Stephen Harper
Leader, Conservative Party of Canada
1720, 130 Albert Street
Ottawa, Ontario
K1P 5G4

Dear Mr. Harper:

Since December 2003, the Council of the Federation, which comprises the Premiers of all provinces and territories, has been working to address issues of mutual interest in a manner which enhances the strengths of the Canadian Federation.

The Council has identified a number of outstanding priority issues, and believes it is important for Canadians to be aware of where the federal political parties and their leaders stand on these critical issues. As Chair of the Council, I therefore ask you to respond to each of these five areas below.

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As Canada faces increasingly competitive forces from around the world, building and maintaining a highly skilled workforce will be essential to ensure Canada's continued economic development and prosperity. To this end, the Council has identified post-secondary education and skills training, the cornerstones of Canada's future prosperity, as a priority area of collaboration. Premiers Charest and McGuinty have already co-chaired a special meeting of provincial and territorial ministers responsible for post-secondary education, skills training, and finance. The Council will also be hosting a Summit on February 23 - 24, 2006, which will engage a broad range of stakeholders as we consider the development of a Canada-wide strategy on the issue. It is our intention to invite each national party leader as an observer to the Summit. As part of our plan for moving forward, the Premiers would also like to meet with the Prime Minister in order to agree on a Canada-wide education and training strategy and an adequate level of federal funding through the Canada Social Transfer in order to collectively build a stronger, more prosperous future.

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- Do you support the Council of the Federation's proposal that the Government of Canada become a full partner with provinces and territories in the implementation of a national transportation strategy which is multimodal and inclusive of all regions?

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- What concrete measures would you take, and in what timeframe, to successfully complete the development of a formal federal-provincial-territorial agreement regarding the role of provinces and territories in Canada's international activities which affect provincial and territorial jurisdictions, responsibilities, and interests?

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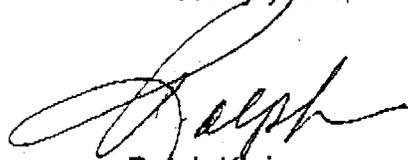
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We look forward to your responses.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Ralph", written over a thin horizontal line.

Ralph Klein
Chair, Council of the Federation

RK/kvp

Enclosure

cc: All Premiers

Honourable Ed Stelmach
Alberta's Minister of International
and Intergovernmental Relations

STAND UP FOR CANADA
Conservative

RECEIVED
Minister of International and Intergovernmental Relations
JAN 13 2006
Minister
Exec. Asst.
Date: January 12, 2006

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Ralph Klein
Chair, Council of the Federation
Premier of Alberta
Edmonton, AB
T5K 2B7

Dear Premier Klein,

I am replying to your letter of December 14, 2005 on behalf of the Council of the Federation. Before answering your specific questions, let me say a few words about the approach to "open federalism" that I will take if elected as Prime Minister.

Unfortunately, despite the promise of a new era in federal-provincial relationships, recent months have seen a return to federal attacks on various provinces and premiers and an increasing resort to one-off deals with individual provinces, rather than dealing with federal-provincial relations at a common table.

It is my hope as Prime Minister to initiate a new style of open federalism which would involve working more closely and collaboratively with the provinces and the Council of the Federation to develop Canada's economic and social union, to clarify appropriate federal and provincial responsibilities, and to resolve the fiscal imbalance between the federal and provincial-territorial governments (an issue I will return to below).

1. Do you support convening such a First Ministers Meeting on post-secondary education and skills training early in the new-year?

I agree with the view of the premiers that building and maintaining a highly skilled workforce will be essential to ensure Canada's continued economic development and prosperity. During the mid-1990s, Mr. Martin's budgets cut billions of dollars in transfers to the provinces, which limited provincial investment in post-secondary education and caused dramatic increases in tuition costs. These tuition increases have resulted in heavy student debt for many Canadian students and graduates. Unfortunately, this has also prevented some bright and talented young Canadians from pursuing post-secondary education.

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ALBERTA INTERNATIONAL & INTERGOVERNMENTAL RELATIONS		

In order to help Canadian students to meet the financial challenges of attending universities, colleges, and technical schools, I have recently announced a number of initiatives that a new Conservative government will undertake. We will encourage more young Canadians to enter the skilled trades through a \$1,000 Apprenticeship Incentive Grant for two years for apprentices in approved programs; and we will offer an Apprenticeship Job Creation Tax Credit of 10 per cent of an apprenticeship's wages for two years to a maximum of \$2,000 per year, as well as a Tools Tax Deduction for all trades people – employed or self-employed – for up to \$500 spent on tools.

We will also assist students and their parents by introducing a tax credit on spending of up to \$500 to help cover the costs of textbooks. We want to work cooperatively with the provinces to improve the existing student loan programs, including increasing family income thresholds for student loan eligibility. We will exempt the first \$10,000 of student scholarship or bursary income from personal income tax. We believe that our proposals are an important first step towards increasing Canada's productivity and competitiveness in the global marketplace.

Additionally, a Conservative government is committed to bringing balance to the fiscal relationship between the federal government and provincial, territorial, and municipal governments. We understand that federal support for post-secondary education and skills training through the existing Canada Social Transfer needs to be improved. In order to ensure greater accountability for the federal contributions to post-secondary education and skills training, our new government would like to initiate, in collaboration with the provinces, a dedicated Canada Education and Training Transfer to ensure ongoing, stable financial support for these areas.

Our priority here is to meet with the premiers and municipal representatives to resolve the overarching issue of fiscal imbalance as this will provide a framework for addressing many of the challenges facing post-secondary education and other areas where provinces, territories, and municipalities are experiencing fiscal pressure. The matter of the fiscal imbalance is further addressed in answer to the fifth question.

2. Do you support the Council of the Federation's proposal that the Government of Canada become a full partner with provinces and territories in the implementation of a national transportation strategy that is multimodal and inclusive of all regions?

Again, I agree with the premiers' view that Canada's transportation system is a key to our international productivity and competitiveness. I supported the New Deal for Cities and Communities initiative to transfer up to five cents per litre of federal fuel excise tax to support municipal infrastructure priorities. But I also recognize that this transfer, as important as it is, does not respond to all of Canada's transportation infrastructure needs. I am aware that as far back as 1998, the premiers estimated the investment gap for the National Highways System at \$17 billion.

To ensure an adequate level of funding for our transportation system, a new Conservative government will maintain and extend the existing strategic infrastructure programs currently in place. Also, on January 11, 2006, I announced a \$2 billion Highways and Border Infrastructure Fund, designed to upgrade Canada's National Highway System and improve border crossings. When fully implemented, the fund will provide \$600 million per year in federal investment for highways and border crossings.

I would also be happy to engage in further dialogue with the provinces to discuss the development of a multimodal, pan-Canadian transportation strategy.

3. What concrete measures would you take, and in what timeframe, to successfully complete the development of a formal federal-provincial-territorial agreement regarding the role of provinces and territories in Canada's international activities that affect provincial and territorial jurisdictions, responsibilities and interests?

A Conservative government would be supportive of increased cooperation with the provinces and territories on international matters affecting provincial and territorial jurisdiction. The Conservative Party of Canada recently announced it plans to recognize the special cultural and institutional responsibilities of the Quebec government and to open the door for Quebec to participate in international institutions such as UNESCO, according to the model currently used for the Francophonie summit.

A Conservative government would be interested in discussing with the provinces and territories proposals for greater participation at the international level on matters where provincial jurisdiction is affected, including greater provincial participation in developing the Canadian position for international trade agreements. We believe that this kind of cooperation will not only ensure improved relations between the federal and provincial governments, but will strengthen Canada's position in international negotiations and improve Canada's ability to implement treaty obligations which may fall within provincial jurisdiction. We look forward to receiving proposals from the Council of the Federation setting forth mechanisms through which this cooperation can be achieved.

4. What are your views on Canada's approach to the ongoing WTO negotiations and Canada's contribution to an ambitious outcome in these negotiations, including supply management?

A new Conservative government will support the development of strong international rules governing free and fair trade. It is only under such a rules-based system that Canada's agricultural producers will be able to get a fair price in and fair access to markets around the world. To that end, we note the partial progress in the latest round of WTO negotiations, including the commitment to eliminate agricultural export subsidies by 2013.

We also believe it is in the best interest of Canada and Canadian agriculture that the industries under the protection of supply management remain viable. We will support supply management and its goal to deliver a high quality product to consumers for a fair price with a reasonable return to the producer. Canada needs efficient production planning.

market-based returns to producers, and predictable imports to operate domestic supply management systems.

At the same time, in future rounds of trade negotiations, a Conservative government will vigorously pursue reduction of international trade barriers and tariffs, and we will seek to enhance export opportunities for all agricultural products with special emphasis on markets for processed and finished commodities. In this area, we are disappointed with the results at Hong Kong for the ninety percent of Canadian producers are who export-oriented. The present government failed to work successfully on behalf of pork, beef, grain, and oilseed producers, among others, who need greater access to markets in order to get a fair return on their product.

A Conservative government would see no value in pitting producer versus producer, or region versus region. Our party, with its deep understanding of agriculture issues and rural Canada in all provinces and regions of Canada, has designed a multi-faceted agricultural policy to ensure that all Canadian farmers will be better off under a Conservative government. Our approach towards future WTO negotiations will be guided by this understanding.

5. Do you recognize the existence of structural fiscal imbalances, both horizontal and vertical, in Canada, and will you commit to working with provinces and territories to address this issue and to implement the necessary measures to resolve these fiscal imbalances?

Immediately upon being elected, my government will begin consultations with the provinces and municipal representatives with the intention to reach a long-term, comprehensive agreement, addressing both the vertical and horizontal fiscal imbalance. This will be a major priority of our government and has to be resolved so that other levels of government can operate without the accumulation of debt. The fiscal imbalance problem has allowed federal mismanagement of taxpayers' money totaling billions of dollars.

The Conservative Party of Canada has long recognized the existence of a fiscal imbalance between the federal and provincial governments. The present government denies the existence of the fiscal imbalance, despite the fact the provinces are struggling to deliver essential services such as health and education while the federal government accumulates record surpluses through over-taxation. The current imbalances are not fair and not right, and are incompatible with the healthy evolution of our federation. In this regard, we look forward to hearing the views of the Advisory Panel on Fiscal Imbalance commissioned by the Council of the Federation.

We are committed to restoring balance to the fiscal relationship between the federal government and the provincial and territorial governments through a number of means, including such possibilities as increasing transfer payments to the provinces, reducing federal taxation in order to leave more tax room to the provinces, and transferring tax points to the provinces to ensure a fair distribution of new revenues.

A Conservative government would also support changes to the equalization program to ensure that all provinces and territories have the opportunity to develop their economies and sustain important core social services. We believe that a new equalization formula should exclude non-renewable resource revenues for all provinces, but also that no province should be adversely affected during the transition to any new equalization formula. We look forward to hearing the suggestions of the expert-panel review currently underway on the equalization formula, and to working collaboratively with the provinces and territories to develop a renewed equalization formula that is fair and acceptable to all provinces and territories.

Sincerely,



*Hon. Stephen Harper, P.C., M.P.
Leader of the Opposition
Leader of the Conservative Party of Canada*

cc. All premiers



PREMIER OF ALBERTA

December 14, 2005

Mr. Jack Layton
Leader, New Democratic Party of Canada
300, 279 Laurier Avenue West
Ottawa, Ontario
K1P 5J9

Dear Mr. Layton:

Since December 2003, the Council of the Federation, which comprises the Premiers of all provinces and territories, has been working to address issues of mutual interest in a manner which enhances the strengths of the Canadian Federation.

The Council has identified a number of outstanding priority issues, and believes it is important for Canadians to be aware of where the federal political parties and their leaders stand on these critical issues. As Chair of the Council, I therefore ask you to respond to each of these five areas below.

Post-Secondary Education and Skills Training

As Canada faces increasingly competitive forces from around the world, building and maintaining a highly skilled workforce will be essential to ensure Canada's continued economic development and prosperity. To this end, the Council has identified post-secondary education and skills training, the cornerstones of Canada's future prosperity, as a priority area of collaboration. Premiers Charest and McGuinty have already co-chaired a special meeting of provincial and territorial ministers responsible for post-secondary education, skills training, and finance. The Council will also be hosting a Summit on February 23 - 24, 2006, which will engage a broad range of stakeholders as we consider the development of a Canada-wide strategy on the issue. It is our intention to invite each national party leader as an observer to the Summit. As part of our plan for moving forward, the Premiers would also like to meet with the Prime Minister in order to agree on a Canada-wide education and training strategy and an adequate level of federal funding through the Canada Social Transfer in order to collectively build a stronger, more prosperous future.

- Do you support convening such a First Ministers' Meeting on post-secondary education and skills training early in the new year?



.../2

Transportation

The strategic importance of Canada's transportation system is key to provincial, territorial, regional, and national productivity and international competitiveness. Despite substantial ongoing investment in transportation infrastructure by provinces and territories, Canada is facing a massive infrastructure challenge. To address this challenge, Premiers Campbell, Hamm, and Handley have worked closely with all provinces and territories since August to develop a national transportation strategy. Under this strategy, the federal government would commit to timely action on policy and regulatory reforms which are needed in all transportation modes and reinvest unallocated federal fuel taxes to provide a stable and long-term core funding source for transportation infrastructure. A copy of the strategy, *Looking to the Future: A Plan for Investing in Canada's Transportation System*, is enclosed for your information.

- Do you support the Council of the Federation's proposal that the Government of Canada become a full partner with provinces and territories in the implementation of a national transportation strategy which is multimodal and inclusive of all regions?

Role of Provinces and Territories in Canada's International Activities

The federal government is responsible for the conduct of Canada's foreign affairs and signing international treaty obligations. Only the provinces and territories, however, can implement international obligations in areas of provincial and territorial jurisdiction. It therefore makes sense that provinces and territories have a significant and clear role in the development of Canada's international position on areas within provincial and territorial responsibility. In this regard, despite the federal government commitment made in 2004 towards developing a federal-provincial-territorial agreement framework, provinces and territories are still waiting for results.

Provinces and territories continue to support the development of a formal agreement with the federal government as a necessary step to provide clarity, certainty and continuity in their relationship with the federal government in Canada's international activities which affect provincial and territorial jurisdictions, responsibilities, and interests.

- What concrete measures would you take, and in what timeframe, to successfully complete the development of a formal federal-provincial-territorial agreement regarding the role of provinces and territories in Canada's international activities which affect provincial and territorial jurisdictions, responsibilities, and interests?

World Trade Organization (WTO) Negotiations

Canada's economy is significantly dependent upon international trade; our continued prosperity and well-being depends upon continued and improved access to international markets. Provinces and territories are united in their commitment to the Doha Round of WTO negotiations and will continue to push for an ambitious outcome to these negotiations to ensure greater market access and a level playing field so Canada can compete fairly and equitably in global markets. An ambitious outcome is the best way to ensure Canada, and all other WTO members, will derive the maximum benefit from the WTO negotiations in all sectors.

Provinces and territories recognize ambitious results in the WTO negotiations holds the possibility of significant gains for Canadian exporters in all sectors, including export oriented agriculture producers. Provincial and territorial agriculture ministers have also strongly confirmed their support for the right of producers to choose to use orderly marketing systems.

- What are your views on Canada's approach to the ongoing WTO negotiations and Canada's contribution to an ambitious outcome in these negotiations, including supply management?

Fiscal Imbalance

Significant structural deficits confront some jurisdictions while others have only recently shown progress in taming annual deficits. While the federal government will continue to run large surpluses in the years to come, provinces and territories will continue to be confronted with significant fiscal pressures. The Advisory Panel on Fiscal Imbalance has been tasked by the Council of the Federation to conduct an independent review of the factors underlying both the vertical and horizontal fiscal imbalances that exist in Canada and to recommend appropriate solutions.

- Do you recognize the existence of structural fiscal imbalances, both horizontal and vertical, in Canada, and will you commit to working with provinces and territories to address this issue and to implement the necessary measures to resolve these fiscal imbalances?

As Premiers, we believe each of these five areas represents an important issue for Canadians, and Canadians should know how your party intends to address these issues. Accordingly, the Council will be making responses publicly available.

By advancing these priority areas, we believe we are working to promote issues that are important to Canadians: a strong economy, a skilled work force, effective transportation, sound coordination of policies and effective representation of Canadians' interests on the international stage, and a fiscally balanced federation.

We look forward to your responses.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Ralph Klein', written in a cursive style.

Ralph Klein
Chair, Council of the Federation

RK/kvp

Enclosure

cc: All Premiers

Honourable Ed Stelmach
Alberta's Minister of International
and Intergovernmental Relations



January 15, 2006

Honourable Ralph Klein, Premier
Government of Alberta
Legislature Building
Edmonton, Alberta
T5K 2B7
FAX: (780) 427-1349

Dear Premier Klein:

Thank you for your letter dated December 14, 2005 that you sent as Chair of the Council of the Federation. As requested, below are the responses from the New Democratic Party of Canada on five outstanding priority issues.

You asked: Do you support convening a First Ministers' Meeting on post-secondary education and skills training early in the new year?

Yes. The NDP joins the Council in acknowledging that post-secondary education and skills development are the cornerstones of Canada's future prosperity. That's why the NDP fought for and got \$1.6 billion dedicated to post secondary education and skills development in our Spring Budget. And that's why we've made a \$3.5 billion commitment to education and skills training. We look forward to working in the next Parliament to ensure that not only a First Ministers' Meeting is convened, but that the Federal Government once again treats post secondary education and skills training as priorities.

You asked: Do you support the Council of the Federation's proposal that the Government of Canada become a full partner with provinces and territories in the implementation of a national transportation strategy which is multimodal and inclusive of all regions?

Yes. New Democrats agree that a national transportation strategy is key for allowing all parts of the country to become prosperous. As you know, the NDP was successful in securing \$800 million over two years for public transit in the 2005 federal budget. In the next Parliament, we will continue working to make sure the Federal Government becomes a full partner in developing a national transportation strategy.

.../2

Canada's New Democratic Party / Nouveau Parti démocratique du Canada

300-279 Laurier West/Ouest, Ottawa, ON K1P 5J9 ■ Tel: (613) 236-3613 ■ Fax/Télécopieur: (613) 230-9950
Email/Courriel: ndpadmin@fed.ndp.ca ■ www.ndp.ca / www.npd.ca

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You asked: What concrete measures would you take, and in what timeframe, to successfully complete the development of a formal federal-provincial-territorial agreement regarding the role of provinces and territories in Canada's international activities which affect provincial and territorial jurisdictions, responsibilities, and interests?

As strong supporters of Canadian federalism, New Democrats recognize the importance of involving the provincial and territorial governments as we promote and advance the interests of Canada on the world stage. While the federal government must and should continue to fulfill its constitutional responsibility to represent Canada in our bilateral and multilateral relationships, the fact that issues in provincial and territorial jurisdiction are often at stake in these representations makes it essential that the provinces and territories are meaningfully involved. We need only think of recent issues such as border security, cross-border water management, or the closure of the Canada-US border to cattle exports to understand the significant impact of Canada's international relations on the provinces and territories.

For these reasons, New Democrats support developing the provincial and territorial role in Canada's international activities.

You asked: What are your views on Canada's approach to the ongoing WTO negotiations and Canada's contribution to an ambitious outcome in these negotiations, including supply management?

New Democrats agree with the need to reduce trade distorting subsidies to help level the playing field for our agricultural producers, but are confident Canada can achieve this without sacrificing the supply management systems that have served our producers so well. It is as critical for our producers to have the ability to use orderly marketing systems such as the Canadian Wheat Board, as it is for them to have a level playing field with farmers across the globe.

The ongoing and repeated refusal of the US government to abide by signed trade agreements underscores the importance of a rules-based trading system for a small trading nation such as Canada. However, New Democrats also strongly believe that the next round of WTO negotiations must ensure that the development of a more comprehensive rules-based trading system does not undermine the ability of governments to deliver public services and regulate in the public interest. A truly balanced negotiating position at the WTO will provide the most effective counterbalance to Canada's faltering bilateral and regional trading arrangements.

You asked: Do you recognize the existence of structural fiscal imbalances, both horizontal and vertical, in Canada, and will you commit to working with provinces and territories to address this issue and to implement the necessary measures to resolve these fiscal imbalances?

Yes. The Canadian federation is not working well. The 1990s saw the Liberal government walk away from its responsibilities for national programs in housing, health and income security and support for provincial priorities in post-secondary education and public infrastructure.

The result has been a fiscal catastrophe for provincial governments and a disaster for many Canadians who depend on those shared-cost programs. Standards and services have deteriorated as funding cuts were passed on down the line to communities and service providers.

The federal government's disengagement in the 1990s was a monumental mistake. And recovering from that mistake has proven to be extremely difficult, because of the depth of the fiscal hole created by the cuts in the 1990s, and because of the federal government's record as an unreliable funding partner.

The ad-hoc series of deals cut by the Prime Minister in recent months has done little to address this. New Democrats propose another approach. We commit to:

- Developing a framework for national standards in areas of provincial jurisdiction that fully respects the autonomy of the people of Quebec and of their National Assembly, within its jurisdiction. For example, the Quebec Pension Plan; the province's childcare network; its network of public community clinics; and its prescription drug program are national models – not targets for federal interference under our plan.
- Committing the federal government to long-term consistent funding of shared cost programs with the provinces, territories and local governments, so that the federal government's funding partners do not face the threat of arbitrary and abrupt changes in federal policy.
- Restoring fairness to equalization with a level playing field for all Canadians within the equalization system. In the short term, for example, the ad-hoc adjustments implemented by the Martin government have produced a gross anomaly in Saskatchewan that needs to be addressed. For the long term, we favour working with provincial and territorial governments to develop a consistent rules-based system of fiscal equalization designed to equalize basic services rather than simply revenue-raising capacity.

Finally, on behalf of New Democrats, I want to thank the Council of the Federation for its efforts in promoting a strong economy, a skilled workforce, effective transportation, sound coordination of policies and effective representation of Canadians' interests on the international stage, and a fiscally balanced federation.

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I can assure you that New Democrats will work hard in the next Parliament to advance these priority issues on behalf of all Canadians.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Layton". The signature is stylized with a large, sweeping initial "J" and a long horizontal line extending to the right.

Jack Layton
Leader of Canada's New Democratic Party

cc., Leader of the Alberta NDP



PREMIER OF ALBERTA

December 14, 2005

Mr. Gilles Duceppe
Leader, Bloc Québécois
307, 3750 Cremazie est
Montréal, Québec
H2A 1B6

Dear Mr. Duceppe:

Since December 2003, the Council of the Federation, which comprises the Premiers of all provinces and territories, has been working to address issues of mutual interest in a manner which enhances the strengths of the Canadian Federation.

The Council has identified a number of outstanding priority issues, and believes it is important for Canadians to be aware of where the federal political parties and their leaders stand on these critical issues. As Chair of the Council, I therefore ask you to respond to each of these five areas below.

Post-Secondary Education and Skills Training

As Canada faces increasingly competitive forces from around the world, building and maintaining a highly skilled workforce will be essential to ensure Canada's continued economic development and prosperity. To this end, the Council has identified post-secondary education and skills training, the cornerstones of Canada's future prosperity, as a priority area of collaboration. Premiers Charest and McGuinty have already co-chaired a special meeting of provincial and territorial ministers responsible for post-secondary education, skills training, and finance. The Council will also be hosting a Summit on February 23 - 24, 2006, which will engage a broad range of stakeholders as we consider the development of a Canada-wide strategy on the issue. It is our intention to invite each national party leader as an observer to the Summit. As part of our plan for moving forward, the Premiers would also like to meet with the Prime Minister in order to agree on a Canada-wide education and training strategy and an adequate level of federal funding through the Canada Social Transfer in order to collectively build a stronger, more prosperous future.

- Do you support convening such a First Ministers' Meeting on post-secondary education and skills training early in the new year?



.../2

Transportation

The strategic importance of Canada's transportation system is key to provincial, territorial, regional, and national productivity and international competitiveness. Despite substantial ongoing investment in transportation infrastructure by provinces and territories, Canada is facing a massive infrastructure challenge. To address this challenge, Premiers Campbell, Hamm, and Handley have worked closely with all provinces and territories since August to develop a national transportation strategy. Under this strategy, the federal government would commit to timely action on policy and regulatory reforms which are needed in all transportation modes and reinvest unallocated federal fuel taxes to provide a stable and long-term core funding source for transportation infrastructure. A copy of the strategy, *Looking to the Future: A Plan for Investing in Canada's Transportation System*, is enclosed for your information.

- Do you support the Council of the Federation's proposal that the Government of Canada become a full partner with provinces and territories in the implementation of a national transportation strategy which is multimodal and inclusive of all regions?

Role of Provinces and Territories in Canada's International Activities

The federal government is responsible for the conduct of Canada's foreign affairs and signing international treaty obligations. Only the provinces and territories, however, can implement international obligations in areas of provincial and territorial jurisdiction. It therefore makes sense that provinces and territories have a significant and clear role in the development of Canada's international position on areas within provincial and territorial responsibility. In this regard, despite the federal government commitment made in 2004 towards developing a federal-provincial-territorial agreement framework, provinces and territories are still waiting for results.

Provinces and territories continue to support the development of a formal agreement with the federal government as a necessary step to provide clarity, certainty and continuity in their relationship with the federal government in Canada's international activities which affect provincial and territorial jurisdictions, responsibilities, and interests.

- What concrete measures would you take, and in what timeframe, to successfully complete the development of a formal federal-provincial-territorial agreement regarding the role of provinces and territories in Canada's international activities which affect provincial and territorial jurisdictions, responsibilities, and interests?

World Trade Organization (WTO) Negotiations

Canada's economy is significantly dependent upon international trade; our continued prosperity and well-being depends upon continued and improved access to international markets. Provinces and territories are united in their commitment to the Doha Round of WTO negotiations and will continue to push for an ambitious outcome to these negotiations to ensure greater market access and a level playing field so Canada can compete fairly and equitably in global markets. An ambitious outcome is the best way to ensure Canada, and all other WTO members, will derive the maximum benefit from the WTO negotiations in all sectors.

Provinces and territories recognize ambitious results in the WTO negotiations holds the possibility of significant gains for Canadian exporters in all sectors, including export oriented agriculture producers. Provincial and territorial agriculture ministers have also strongly confirmed their support for the right of producers to choose to use orderly marketing systems.

- What are your views on Canada's approach to the ongoing WTO negotiations and Canada's contribution to an ambitious outcome in these negotiations, including supply management?

Fiscal Imbalance

Significant structural deficits confront some jurisdictions while others have only recently shown progress in taming annual deficits. While the federal government will continue to run large surpluses in the years to come, provinces and territories will continue to be confronted with significant fiscal pressures. The Advisory Panel on Fiscal Imbalance has been tasked by the Council of the Federation to conduct an independent review of the factors underlying both the vertical and horizontal fiscal imbalances that exist in Canada and to recommend appropriate solutions.

- Do you recognize the existence of structural fiscal imbalances, both horizontal and vertical, in Canada, and will you commit to working with provinces and territories to address this issue and to implement the necessary measures to resolve these fiscal imbalances?

As Premiers, we believe each of these five areas represents an important issue for Canadians, and Canadians should know how your party intends to address these issues. Accordingly, the Council will be making responses publicly available.

By advancing these priority areas, we believe we are working to promote issues that are important to Canadians: a strong economy, a skilled work force, effective transportation, sound coordination of policies and effective representation of Canadians' interests on the international stage, and a fiscally balanced federation.

We look forward to your responses.

Sincerely yours,



Ralph Klein
Chair, Council of the Federation

RK/kvp

Enclosure

cc: All Premiers

Honourable Ed Stelmach
Alberta's Minister of International
and Intergovernmental Relations

TRANSLATED VERSION OF LETTER SENT BY GILLES DUCEPPE ON DECEMBER 26, 2005

Montreal, Monday December 26, 2005

Mr. Ralph Klein
Premier of Alberta and
Chair of the Council of the Federation,
Council of the Federation Secretariat
350 Sparks Street, Suite 1207
Ottawa, Ontario K1R 7S8

Dear Mr. Premier:

I have considered the five questions raised by the Council of the Federation on Monday, December 19.

In the course of the current election campaign, you asked the federal party leaders for their opinions on various issues that concern the governments of Québec and the other provinces, notably the fiscal imbalance.

I am pleased to provide you with the positions of the Bloc Québécois on these issues.

Fiscal imbalance

Do you recognize the existence of structural fiscal imbalances, both horizontal and vertical, in Canada, and will you commit to working with provinces and territories to address this issue and to implement the necessary measures to resolve these fiscal imbalances?

Response of the Bloc Québécois

I believe that it is important to remember that the Bloc Québécois was the first party in the House of Commons to denounce the fiscal imbalance. We did so by relaying the National Assembly's consensus on this question to Ottawa, and by taking a series of steps to force the federal government to recognize this imbalance and rectify it.

In October 2004, for example, we formalized our position on fiscal imbalance in the Speech from the Throne by adopting a sub-amendment notably requiring that, in the implementation of this speech, all measures brought forward "fully respect the provinces' areas of jurisdiction and that the financial pressures the provinces are suffering as a consequence of the fiscal imbalance be alleviated."

More recently, in the winter of 2005, the Bloc Québécois chaired the Subcommittee on Fiscal Imbalance of the Standing Committee on Finance, which studied this issue before proposing certain corrective measures in a report tabled in the House of Commons in June 2005.

Unfortunately, the federal Liberals, contrary to the opposition parties, have always refused to recognize fiscal imbalance and its harmful effects on Québec and the other provinces.

However, the many initiatives undertaken by the federal government since the 2005 federal budget have shown us that Ottawa has means far in excess of its obligations. The release of the most recent Economic and Fiscal Update shows financial leeway of at least \$96.8 billion over the period from 2005-06 to 2010-11, which is much more than the \$58 billion projected by the Conference Board over the same period.

To correct this imbalance, which undermines the ability of Québec and the provinces to properly assume their responsibilities, I have committed the Bloc Québécois to continue advocating the proposals put forward by the Séguin Commission on Fiscal Imbalance. This is why we ask the federal government to

- use its financial leeway to gradually increase its transfers for post-secondary education (collegial and academic sector) and for social programs, from \$4.7 billion to a total of \$11.6 billion over the next three years;
- modify the equalization formula by basing it on the “ten-province standard” and by amending the calculation of resource wealth so as to empower the mechanism to effectively bring about wealth redistribution.

But it is also necessary to get to the bottom of the problem. This is why it seems essential to me that the federal government, Québec, and the provinces negotiate a new division of fields of taxation as soon as possible to provide Québec and the provinces with sufficient sources of independent income to finally meet the needs of their populations.

Post-secondary education and skills training

Do you support convening such a First Ministers' Meeting on post-secondary education and skills training early in the new-year?

Response of the Bloc Québécois

I certainly support convening a First Ministers' Meeting on education at which it will be possible to discuss an increase in federal funding. I have maintained for a long time that it is necessary to increase the federal contribution to post-secondary education in order to be able to meet the challenges of globalization.

However, I would like to point out that Paul Martin did not keep his promise to earmark between \$7 billion and \$8 billion for transfer payments to education, as he pledged during the last election campaign.

Moreover, since the Liberals came to power, transfers to education and social programs have been cut drastically. While the federal government allocated 7.9% of its revenue to these concerns in 1994-95, this proportion was cut back to 4.2% in 2005-06.

Ottawa prefers to create programs targeting areas of jurisdiction that are not federal, thus ignoring the unique qualities of Québec's education system.

My party will therefore continue to push for an increase in federal transfers. I estimate that the federal contribution to the expenditures of Québec and the provinces in the areas of post-secondary education and social programs must be gradually raised from \$4.7 billion to a total of \$11.6 billion over the next three years.

As for skills training, I hope that the federal government will supplement the transfer of trainee resources lost to Québec as a result of the agreement of 1997 and that it reinvest in this sector without infringing on Québec's oversight in matters of workforce development.

Role of provinces and territories in Canada's international activities

What concrete measures would you take, and in what timeframe, to successfully complete the development of a formal federal-provincial-territorial agreement regarding the role of provinces and territories in Canada's international activities that affect provincial and territorial jurisdictions, responsibilities and interests?

Response of the Bloc Québécois

First of all, allow me to recall that all governments of Québec since Jean Lesage have defended Québec's expertise in the areas that are recognized by the constitution, as well as its resolve to

participate in any international forums where agreements are negotiated which involve its political, social or cultural jurisdictions.

To guarantee Québec and the provinces a seat at the bargaining table if a question arises involving their exclusive jurisdictions, my party tabled Bill C-260 during its last mandate. This bill would oblige the government of Canada to consult the governments of Québec and the provinces before negotiating or concluding a treaty in

- a sector of provincial legislative jurisdiction;
- any field touching a sector of provincial legislative jurisdiction.

Moreover, the bill reaffirmed the right of Québec and the provinces to enter into international agreements within their areas of jurisdiction. Since the provinces are only entitled to implement treaties that fall within their legislative responsibility, nothing justifies their exclusion from the negotiation process, as is currently the case. Negotiating, signing and implementing an international agreement are three stages of the same process. The Bloc Québécois insists that Québec be present at all of these stages. Only Québec can speak on behalf of Québec.

The Liberal Party of Canada, the Conservative Party and the New Democratic Party opposed this bill. But this did not diminish our determination, and we will once again table this bill after the next general election.

World Trade Organization Negotiations

What are your views on Canada's approach to the ongoing WTO negotiations and Canada's contribution to an ambitious outcome in these negotiations, including supply management?

Response of the Bloc Québécois

As the agricultural issue is at the heart of this round of negotiations at the World Trade Organization, I worry mainly about the protection of the supply management system.

I note that the federal government is lax in its defence of the supply management system in the face of criticisms made by several WTO member states enjoining Canada to put an end to supply management and to open its borders.

For example, in the last few years, the federal government was unable to slow down the influx of dairy products specifically designed to circumvent tariff quotas.

On November 22, 2005, we tried to reassure agricultural producers by unanimously passing a motion before the House of Commons requiring full protection of supply management.

However, concerned that the Canadian government may yield to pressure from other countries seeking broader access to our domestic market, I asked my International Trade critic, Mr. Pierre Paquette, to take part in the WTO's ministerial conference, which recently took place in Hong Kong.

He reminded ministers Andy Mitchell and Jim Peterson that if they did not effectively defend supply management, the federal Liberals would have to live with the harmful consequences of their position.

Fortunately, delegates agreed not to include in the final text the proposals which aimed to weaken supply management. This achievement is of course a reason for rejoicing, but the battle is not over and we must remain vigilant.

Transportation

Do you support the Council of the Federation's proposal that the Government of Canada become a full partner with provinces and territories in the implementation of a national transportation strategy that is multimodal and inclusive of all regions?

Response of the Bloc Québécois

With regard to transportation, the federal government has made several serious errors in recent years.

Suffice it for me to point out the Mirabel Airport fiasco, an extremely expensive and detrimental failure for Québec, while the Toronto area was systematically favoured over Montréal in the attribution of international lines.

In the same way, while the St. Lawrence plays a key role in Québec's economy, the federal government adopted policies that have been disastrous for the competitive position of the St. Lawrence Seaway. The federal government reduced its services, increased the charges levied on the marine industry, and did not ensure adequate maintenance of the harbour infrastructure placed under its jurisdiction.

It is for these reasons that my party asks the federal government to start by assuming its fair share with regard to transport and leave Québec and the provinces some latitude to establish their own transportation policies.

In this respect, I particularly wish that the federal government would assume its responsibilities regarding maintenance of the inland St. Lawrence Seaway and that it will expedite the establishment of the program of transfer of federal ports over the next few years, and finance it adequately.

I also undertake to remind the federal government that Section 5 of the Canada Transportation Act states clearly that transport must be recognized as "a key to regional economic development."

The Department of Transport, for example, must stop penalizing Québec's airports with excessive rent. My party proposes a rent exemption for small airports that have traffic of less than two million passengers annually, as well as the abolition of the air safety tax for regional flights.

I believe that the federal government must also do more to promote the use of rail lines in trade with the United States, and I maintain that Via Rail should be obliged to maintain current rail links for passengers.

In addition, the federal government must support accessible rail transport for the carriage of goods and passengers, particularly in remote areas such as the Gaspé Peninsula. The federal government should also improve the rail link between Montréal and Québec, in order to increase the number of travellers between the two cities and thus reduce traffic congestion and pollution on the highways.

I finally ask the federal government to create a new program of municipal and strategic infrastructure that will be able to count on recurring investments. In terms of municipal infrastructure projects, the federal government, which has the most resources, would assume 50% of the cost, while the provinces would assume 35% and the municipalities 15%.

Naturally, it goes without saying that any federal financing for the municipalities will have to be done with respect to the areas of jurisdiction of the government of Québec, which remains the administrator of infrastructure programs.

The foregoing, Mr. Premier, are the positions of the Bloc Québécois on the issues of concern to the Council of the Federation.

Sincerely yours,

Gilles Duceppe
Leader of the Bloc Québécois