

PRESS RELEASE
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A new study confirms the existence of fiscal imbalance

Ottawa, March 8, 2004 — The Treasurer of Prince Edward Island, Mr. Mitch Murphy, the Québec Finance Minister, Mr. Yves Séguin, the Manitoba Finance Minister, Mr. Greg Selinger and the New-Brunswick Finance Minister, Mr. Jeannot Volpé, on behalf of all Provincial and Territorial Ministers of Finance, released today a new study of the Conference Board of Canada that confirms the existence of fiscal imbalance in Canada. The study clearly underlines the fact that widening fiscal prospects between Federal and Provincial-Territorial governments will dampen Provinces' and Territories' efforts to balance their budgets now and moving forward.

In the absence of significant policy changes, the Federal government's fiscal surplus will rise steadily over the next 17 years, reaching \$78 billion by 2019-20. Over the same period, the Conference Board calculates that a structural imbalance between revenues and expenditures would result in Provinces and Territories facing continual deficits. Provinces and Territories would collectively post budgetary balances in red ink throughout the forecasting period, rising sharply over the next five years and remaining stuck in the \$10-11 billion range through 2019-20.

Healthcare costs, driven by a growing and ageing population, will continue to be the leading expenditure growth challenge for the Provinces and Territories. Healthcare costs are expected to grow at approximately 5.2 % each year over the forecast period, driving total provincial and territorial healthcare costs from \$72,5 billion in 2002-03 to over \$170 billion by 2019-20. Ministers indicated that they find this a prudent assumption for health care growth.

Finance ministers expressed confidence that the Conference Board's forecast of large and growing deficits among Provinces and Territories over the coming years can be avoided if all governments work together, within their means, to meet the financing challenges.

Finance ministers noted that last week, in Vancouver, Premiers called on the federal government to announce in its March 23rd budget that the \$2 billion supplement to healthcare funding would be made permanent starting in 2004/05, and that the federal government would provide sufficient funds to increase its share of Provincial and Territorial health and social program spending to 25 percent by 2009/10. Premiers also underlined the fact that the Equalization program must be strengthened.

The study, titled *Fiscal Prospects for the Federal and Provincial/Territorial Governments*, is an update of the Conference Board of Canada's 2002 study and is available at www.councilofthefederation.ca.

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