



COMMUNIQUE

BANFF, August 11, 2005 -- The Council of the Federation met today in Banff, Alberta in celebration of Alberta's Centennial. Premiers unveiled the first components of their comprehensive strategies to enhance the overall competitiveness and prosperity of Canada. The Council of the Federation's priorities for strengthening Canada include transportation and infrastructure development, energy and trade. Premiers also met with U.S. Ambassador David Wilkins to discuss Canada – U.S. relations.

Transportation / Infrastructure

Premiers announced today that they will be developing a comprehensive national transportation strategy. They observed that the Federation was built on a vision, expressed in a railway, to unite the country from coast to coast. This tangible expression of unifying the country continues to be reflected in our national transportation infrastructure, which now must include both east-west and north-south focus. Recognizing that Canada's provinces and territories have a range of differing infrastructure needs, Premiers identified Canada's transportation system as one of the most important foundations of our country's international competitiveness and noted that it is key to ensuring a better standard of living for all Canadians.

They expressed serious concern that absent or aging highway systems and congestion on key routes to airports, ports and border crossings are eroding Canada's ability to compete in the global economy.

Premiers Campbell, Hamm, and Handley will lead the development of the national strategy, which will be multimodal and inclusive of all regions. They will work with provincial and territorial Transportation Ministers and bring this strategy to all Premiers in November for further discussion. Premiers will invite the federal government to be a strategic partner in the implementation of this important national initiative.

In addition to the investments provinces and territories are currently making in regional and national transportation networks, reinvestment of the federal fuel taxes will be an integral part of a sustainable, predictable, long-term strategy.

Premiers noted that Canadians can learn from customers and competitors in the United States, where both federal and state governments invest heavily in transportation system infrastructure. For example, the new U.S. highway funding legislation signed

earlier this week provides over \$ 280 billion (US) in federal support for transportation initiatives over the next 6 years.

Premiers noted that the proposed Canada-wide transportation strategy should not affect the federal government's commitment in its 2005 budget to renew existing infrastructure programs that support the full range of infrastructure priorities.

Energy

During the course of their discussions, Premiers agreed that increasing energy supply and managing or reducing energy demand are the keys to giving Canada a sustainable energy future. Premiers underscored the global and continental nature of energy markets and the importance of positioning Canada as a secure supplier of energy to international markets.

Premiers have agreed to develop a pan-Canadian, Council of the Federation Energy Strategy. Premiers noted that provinces and Yukon have exclusive jurisdiction over their natural resources.

Premier Williams will chair a Council Committee on Energy. The Committee will also include Premiers Charest, Klein and Handley. It will work with provincial and territorial energy Ministers to examine energy issues and needs in consultation with all provinces and territories, industry and stakeholders. The Committee will specifically consider:

- The potential of all viable energy sources in meeting future demand and advancing environmental objectives;
- Enhancing domestic and international energy distribution and transmission systems,
- The role of new technologies in promoting efficiency, conservation and reducing emissions. The committee will consider the potential for inter-jurisdictional cooperation to encourage the development of new technologies. Means to raise awareness of Canada as a secure supplier of energy (oil, gas and hydro-electricity) to Canada, North America and international markets.

Premiers asked the Committee to conduct its work expeditiously and agreed to consider its report at their next meeting. They also recognize that nuclear generation continues to play an important role in certain jurisdictions and support refurbishment of existing installations.

As the owners of Canada's natural resources, provinces and territories must take a leadership role in creating innovative energy policies for Canada's future. Premiers reiterated the importance of and continued support for the Northwest Territories and Nunavut to successfully conclude devolution and resource revenue sharing agreements.

Premiers also called upon the federal government to acknowledge the constitutional jurisdiction of the provinces and territories and to formally involve provincial and territorial Energy Ministers in international energy discussions and negotiations.

International Markets

Premiers discussed the global economy and the rise of new and emerging economies that are competing intensely for export markets, investment, skilled human capital, and leading-edge technologies. Emerging economies are playing an increasingly influential role in the world economy and represent an opportunity for Canada.

Premiers welcomed the recent efforts by the Government of Canada, through the release of Canada's International Policy Statement and the negotiation of liberalized air transport agreements with China and India, to create opportunities for Canadians to benefit from the growth of China, India and other economies. More needs to be done, however. The federation needs to be aggressively re-positioned as an active participant in a shifting world economy in order to take advantage of strategic national assets such as our geographic location, our preferential access to the North American economic space under NAFTA, our strong and diversified economy, and our multicultural population.

Premiers agreed to implement this forward-looking vision by working individually, regionally and collectively to build stronger ties with Asia and other regions. The Council of the Federation will work towards positioning Canada as a global "location of choice" for trade, investment, skilled immigrants, tourists and international students. Planned activities include coordinated approaches to expanding opportunities such as Team West and Team Canada Atlantic, and missions abroad by several premiers and governments in the coming weeks and months to broaden and deepen important trading relationships.

The Council also encouraged the federal government to significantly improve its performance in this critically important area by:

- allocating federal resources to move more aggressively to strengthen Canada's trade relations with Asia and other emerging markets;
- concluding, by the end of this year, the agreement with China announced in January to obtain approved destination status for Canada;
- developing initiatives with Asian countries aimed at liberalizing trade to allow Canadian businesses to better compete for trade and investment opportunities;
- ensuring immigrants have the information and supports they need to integrate into Canadian society; and
- making the ongoing investments required to maintain heightened security at our gateways and borders while ensuring free flow of trade.

The federal government should provide provincial-territorial trade ministers with a report on planned trade or investment negotiations with Asia and other emerging markets,

including any work conducted to date that identifies the related opportunities and challenges.

The Council of the Federation urged the federal government to work more cooperatively with provinces and territories to promote Canada and address market access issues important to Canadian businesses and industries.

Finally, Premiers recognized the importance of a timely, effective and balanced conclusion to the current WTO negotiations, as they are expected to deliver significant new market access and a level international playing field for Canadian exporters in emerging and mature markets alike.

Canada-U.S. Relations

Provinces and territories have a clear, legitimate and increasingly important role to play in enhancing Canada-US relations by strengthening their own cross-border relationships. Premiers discussed the work of the governments of Canada, United States and Mexico through the new "Security and Prosperity Partnership" to enhance the North American economy. Premiers believe that provinces and territories must have full participation in the further development and implementation of the Security and Prosperity Partnership work plans of interest to provinces / territories, and in all measures to strengthen the NAFTA, particularly related to trade remedies and dispute resolution mechanisms. They agreed to ask their Trade Ministers to:

- look at options that could address the problematic use of trade remedies in the integrated North American market and the efficiency of the NAFTA panel process;
- develop a targeted strategy to strengthen the role that provinces and territories play in promoting trade with the U.S organizations;
- explore ways in which Canadian provinces/territories and U.S. states, along with Mexican states, can work together to expand the North American economic relationship; and
- develop a plan for a joint provincial/territorial approach to advocacy in the U.S. on key Canada-U.S. issues.

In the wake of the horrific events of September 11, 2001 in the United States and the senseless attacks in London and other parts of the world, Premiers acknowledged the urgent and ongoing need to ensure the safety and security of their citizens against terrorism. Premiers, however, express concern that the U.S. announcement that all travelers entering and leaving the United States will have to have a valid passport will significantly impact long-standing cross border trading patterns and the movement of legitimate travelers across the border.

Softwood Lumber

Premiers discussed recent developments in relation to softwood lumber. On August 10, the NAFTA Extraordinary Challenge Committee ruled in Canada's favour that no duties should apply to softwood lumber imports to the U.S. from Canada. The panel decision was unanimous and is binding as provided by section 1904.9 of the NAFTA agreement, which states:

The decision of a panel under this Article shall be binding on the involved Parties with respect to the particular matter between the Parties that is before the Panel.

Under NAFTA rules, such an ECC decision should mean the end of the case, the Department of Commerce should revoke the order and Canadian deposits would be returned in full, with interest, as required by U.S. law and NAFTA.

Premiers stressed that the Government of Canada must respond vigorously and at the highest levels against the decision of the Government of the United States not to comply with the panel's decision. The Government of the United States must be immediately challenged for its unprecedented decision not to comply with the panel's decision.

Meeting with Ambassador David Wilkins

Premiers met today with David H. Wilkins, newly appointed United States Ambassador to Canada, to share perspectives and priorities in regards to Canada – U.S. relations. Premiers expressed their view that Canada's provinces and territories have a full, meaningful, and vital role to play in strengthening Canada – U.S. relations and enhancing North American trading relationships.

Premiers noted the critical importance of the Canada – U.S. relationship. Trade in goods and services between the two countries is valued at over \$1.8 billion per day, and over 300,000 individuals cross the border each day. The United States is the number one destination for Canadian exports. Canada is also the United States' largest export market. Canada's economic prosperity is thus strongly tied to the United States and is highly dependent on free and open access to the U.S. marketplace.

Premiers observed that the trading relationship between the two countries is generally positive and operates smoothly. Premiers and the Ambassador, however, acknowledged that problems do exist and used the meeting as an opportunity for a dialogue on a number of items of concern to provinces and territories including, softwood lumber, NAFTA, security of energy supply, BSE and border crossings. Premiers expressed their desire to achieve a dispute resolution mechanism under NAFTA that is expeditious and non-political in nature.

Premiers congratulated Ambassador Wilkins on his appointment and commended him for traveling across Canada early in his posting to meet Canadians and learn more about their issues and perspectives. Premiers look forward to a positive and productive working relationship with Ambassador Wilkins as they continue to work to strengthen existing Canada – U.S. bilateral relationships.

Premiers also appreciated the opportunity to meet with Mr. Colin Robertson of the Canadian Embassy who attended on behalf of Ambassador McKenna.

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