



COMMUNIQUE

Premiers Agree Canada's Fiscal Arrangements Must be Fixed

MONTREAL, April 11, 2006 – The Council of the Federation met today with the Council's Advisory Panel on Fiscal Imbalance. Premiers received a presentation from the Advisory Panel's co-chairs on the Panel's report and recommendations. Premiers also had the opportunity to ask questions of all Panel members.

The Council of the Federation established the Advisory Panel on Fiscal Imbalance in May 2005. The Advisory Panel's mandate was to review and examine the underlying causes of fiscal imbalance in Canada, review a range of mechanisms to address those imbalances, and to propose recommendations on ways to restore fiscal balance in Canada.

Premiers remain very concerned that a significant fiscal imbalance continues to exist in Canada. Provinces and territories are finding it increasingly difficult to maintain important programs and services under provincial-territorial jurisdiction, such as health care, education and social programs, while also continuing to invest in other important priorities such as agriculture, transportation, infrastructure, and economic competitiveness. Equalization is broken and needs to be fixed.

In Canada, each order of government has specific constitutional responsibilities. Premiers reiterated their shared view that there needs to be a balance between expenditure responsibilities and the ability to fund services resulting from these responsibilities.

Premiers also reiterated their support for the constitutional principle that provincial governments have access to sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. Premiers reinforced that the funding arrangements must ensure the territories have sufficient revenues to provide citizens with reasonably comparable levels of public services.

The Advisory Panel's report, *Reconciling the Irreconcilable: Addressing Canada's Fiscal Imbalance*, was completed on March 31, 2006. The report examined a number of very complex fiscal issues, including both the vertical and horizontal fiscal imbalances that currently exist in Canada.

Premiers wish to thank the members of the Advisory Panel on Fiscal Imbalance for their report and for their hard work in reviewing these challenging issues. Provinces and territories will now study the Advisory Panel's report in further detail.

Premiers also noted that the federal government's Expert Panel on Equalization and Territorial Formula Financing is expected to release its report later this spring. Premiers

look forward to reviewing the federal panel's report and recommendations. Premiers will ask to meet with the federal panel members in order to review their report and recommendations soon after their report is tabled.

Premiers will take into account the report of the Advisory Panel, and that of the federal Expert Panel on Equalization and Territorial Formula Financing, and other information sources and materials, to move forward on addressing Canada's fiscal imbalance, and on how to approach the federal government on this issue in the coming months.

Premiers have indicated that the fiscal imbalance between the revenues and responsibilities of the federal government and those of the provincial-territorial governments makes it increasingly difficult to improve crucial services such as postsecondary education and skills training.

Premiers understand the importance of ensuring that postsecondary education and skills training systems are able to equip Canadians with the skills they need to compete in the 21st century global economy.

Premiers emphasized that the provinces and territories have already made a substantial investment in postsecondary education and skills. But over the last decade federal transfers for post-secondary education institutions through the Canada Social Transfer (CST) have not kept pace with need. As a first step, as a down payment to address the fiscal imbalance, Premiers called on the Prime Minister to restore immediately the CST to 1994 -1995 levels.

Premiers stressed that postsecondary education and skills training are of critical importance to building the future prosperity of Canada. The Council is committed to establishing a funding partnership with the federal government to provide Canadians with the postsecondary education and skills training opportunities they need to thrive in the global economy.

The Council of the Federation reviewed the progress their ministers have made in producing a Canada-wide strategy on postsecondary education and skills. Premiers expressed their appreciation for the work done at a national summit by close to 300 representatives of students, colleges, universities, business and labour organizations and representatives from under-represented groups, including Aboriginal peoples, immigrants, and persons with disabilities. Premiers will review the strategy at the annual Council meeting in St. John's, Newfoundland and Labrador.

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