

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