

**STAND UP FOR CANADA**  
Conservative

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Minister of International and Intergovernmental Relations  
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Minister  
Exec. Asst.  
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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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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**