



PRESS RELEASE

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STEPHEN HARPER MUST PRODUCE RESULTS AND DELIVER THE GOODS

Québec, Wednesday, June 21, 2006 – “In order to resolve the fiscal imbalance as he promised, Stephen Harper must first of all reduce the financial pressure on Quebec and the provinces by enhancing equalization and increasing federal transfers. But Mr. Harper must not stop there; he will also have to review the division of the tax pie and put an end to the spending authority that Ottawa has given itself over the years,” said Bloc Québécois Finance Critic **Yvan Loubier**.

On the eve of three major meetings on the fiscal imbalance, the Bloc Québécois Critic argued that the Harper government, which is now trying to downplay the importance of the fiscal imbalance, must be called to order. Stephen Harper has gone so far as to claim that his campaign pledge refers only to postsecondary education and infrastructures.

“The fiscal imbalance is not linked to the federal surpluses as Stephen Harper claims. The fiscal imbalance relates to the fact that Quebec and the provinces do not have the revenues they need to fulfill their responsibilities, while Ottawa still has considerable leeway,” **Mr. Loubier** said

The 2005-2006 surpluses are estimated to be \$12 billion, and the Council of the Federation, with a new study from the Conference Board in hand, continues to predict significant surpluses in the future. That is to say nothing of the fact that Ottawa is foregoing revenue, in particular from the oil companies and tax havens.

In order to end the fiscal imbalance, the Harper government must, to start with, deal with the emergencies by enhancing equalization and restoring the transfers for postsecondary education, social programs and health.

Secondly, Ottawa must withdraw from the GST and leave that tax space and part of the federal income tax, equal to the amounts required for the federal transfers, to the government of Quebec. These proposals echo the recommendations of the Séguin Report.

“It is not normal for the federal government to occupy tax spaces that serve in part or in whole to fund Quebec’s exclusive jurisdictions. The only way for the Harper government to put an end to the fiscal imbalance is to cede to Quebec independent revenue sources, of equal value to the increased federal transfers, and to enhance equalization. It goes without saying that the federal government will also have to put an end to its spending authority,” **Mr. Loubier** explained.

Quebec faces an annual shortfall of between \$3.9 billion and \$4.5 billion, including \$1.2 billion for post-secondary education and social programs alone. Enhancing equalization by introducing the “ten provinces” rule should add between \$2.1 billion and \$2.8 billion to Quebec’s revenues, according to available sources.

“In addition to the campaign pledges made in the January election, the Harper government made a firm commitment to correct the fiscal imbalance as of 2007. The Harper government will thus be judged on its ability to keep that commitment. That is why we are here to let them know the only way to put an end to the fiscal imbalance that still affects Quebec in a large number of services and sectors,” **Mr. Loubier** concluded.

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