"An Opportunity to Develop a New Fiscal Partnership For Canada's Social Programs"

1999 Western Finance Ministers' Report

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May 20, 1999

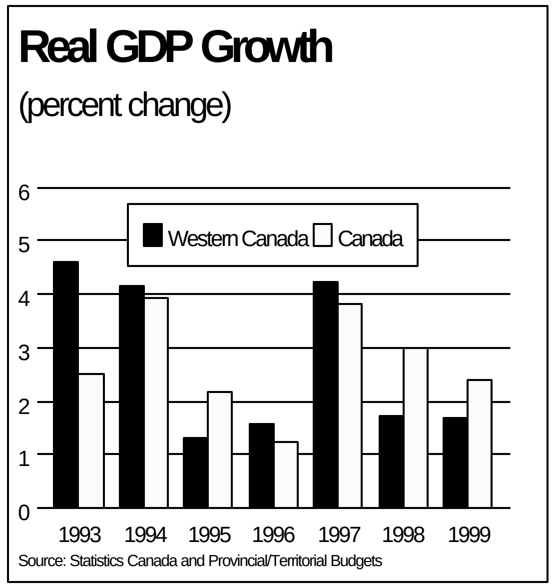
1999 WESTERN FINANCE MINISTERS' REPORT

A. ECONOMIC AND FISCAL PERFORMANCE

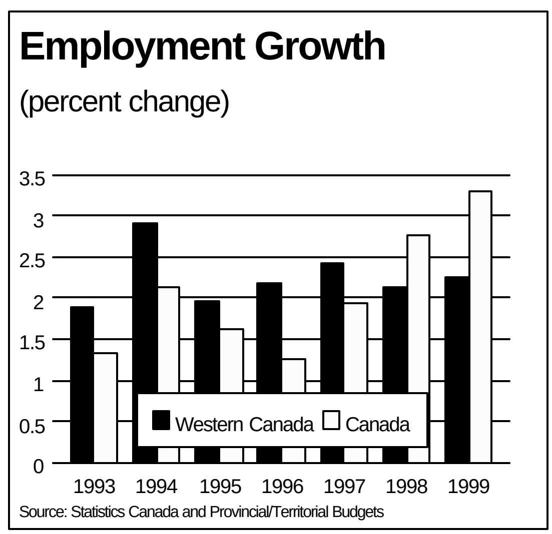
The West is a Major Economic and Fiscal Force in Confederation

1. ECONOMIC PERFORMANCE

Between 1993 and 1998, the West experienced average economic growth of 2.9%, slightly stronger than that for Canada as a whole. In 1998, most Western jurisdictions were hard hit by the Asian crisis and the subsequent weakness in commodity prices. For 1999, the outlook for economic growth in the Western provinces and territories remains below the national average.

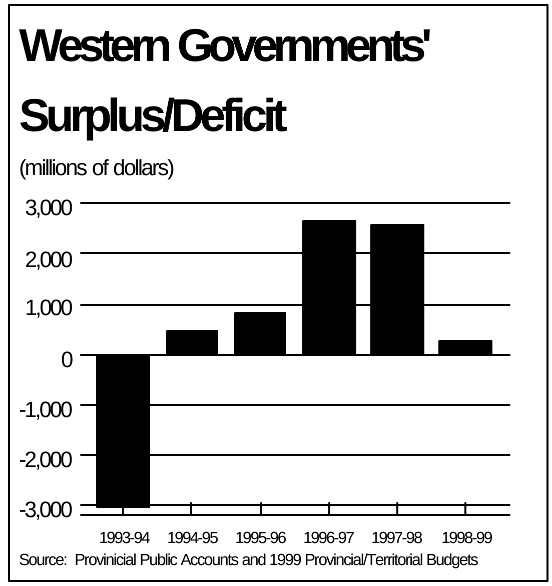


Despite the slowdown in economic growth in 1998 and 1999, the West continues to enjoy strong employment growth. In five of the past six years, employment growth in the West exceeded the national average. During this period, employment in the West grew by an average of 2.2% per year compared to the national average of 1.8% per year.



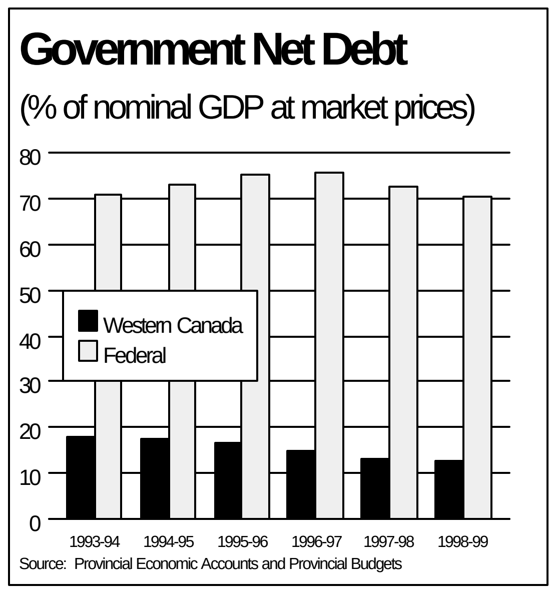
Strong labour market conditions have led to a steady decline in the West's unemployment rate, which was well below the national average during the 1993 to 1998 period. In 1998, the West's unemployment rate was 7.1%, compared to 8.3% for Canada as a whole.

2. FISCAL PERFORMANCE



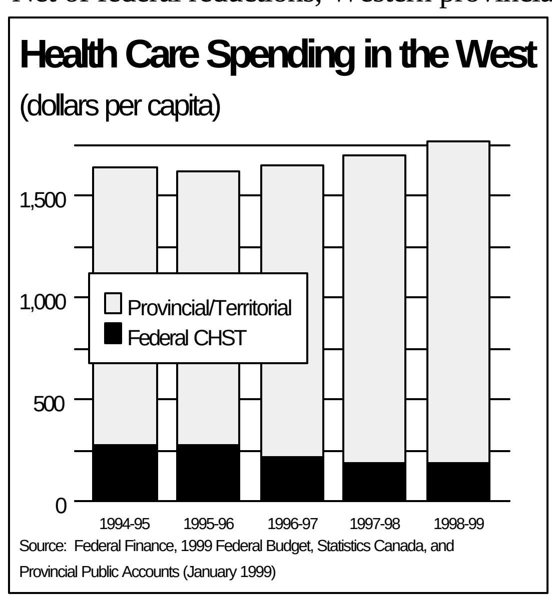
A commitment to sound fiscal management has allowed Western provincial and territorial (P/T) governments to increase spending in priority social programs, reduce taxes and repay debt in order to meet the needs of Western Canadians in times of variable economic activity. This meant difficult decisions and sacrifices in other areas.

Despite the Asian crisis, the collective budget surplus was $280 million in 1998-99. This is the fifth consecutive year that Western provinces and territories collectively achieved a budget surplus.



As a result, Western provinces and territories collectively have reduced their net debt as a percentage of gross domestic product (GDP) every year since 1993-94. The debt-to-GDP ratio fell from 17.9% to 12.8%, or five percentage points, over the last six years.

Between 1994-95 and 1998-99, the Western provincial and territorial governments increased their per capita health care spending by $130, from $1,636 to $1,766 per capita. This was despite the federal government cutting its per capita health care contribution through the Canada Health and Social Transfer (CHST) by $91, from $277 to $186 per capita. Net of federal reductions, Western provincial and territorial governments actually increased their health care spending by $221 per capita. As a result, the federal government's share of health care funding fell from 17 cents on every health care dollar in 1994-95 to just over 10 cents in 1998-99.



B TOWARDS A MORE EFFECTIVE FISCAL PARTNERSHIP

The *Social Union Framework Agreement*, signed on February 4, 1999, gives governments an opportunity to work together to respond to Canada-wide social policy priorities. The *Agreement* also provides the basis for improved financial arrangements through the following principle:

> *"Ensure adequate, affordable, stable and sustainable funding for social programs."*

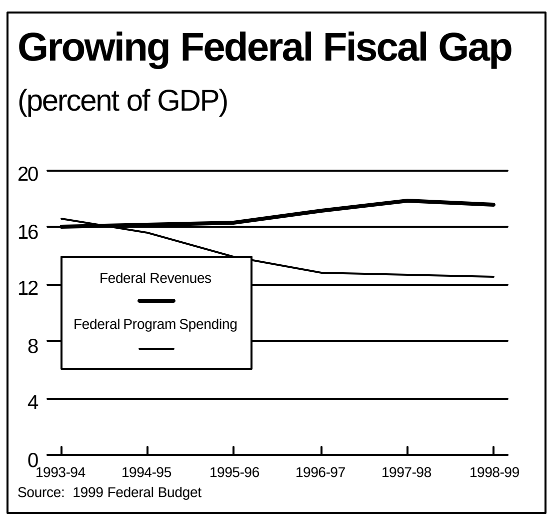
Consistent with the terms and spirit of the *Agreement*, Western provinces and territories look forward to working with the federal government to develop a new fiscal partnership that will ensure that governments have the resources necessary to fulfil their social policy commitments to Canadians.

In the past, Western Finance Ministers have raised a number of issues that are directly relevant to Canada's social programs. We are raising these issues again to identify where future federal-provincial-territorial (F/P/T) work should be concentrated in order to build an appropriate fiscal framework for social programs. Western Finance Ministers feel that particular attention must be paid to the CHST, the Equalization Program, and federal funding for programs and services for Aboriginal peoples. In building a more effective fiscal partnership, work should focus on:

- Correcting the current vertical imbalance between responsibilities and revenues;
- Reducing the inequities in the ability of the provinces and territories to raise adequate revenue in order to provide a comparable level of services to all Canadians, regardless of where they live; and
- Addressing the challenges facing Aboriginal peoples in a manner consistent with the federal government's responsibilities.

1. ADDRESSING THE IMBALANCE BETWEEN RESPONSIBILITIES AND REVENUES

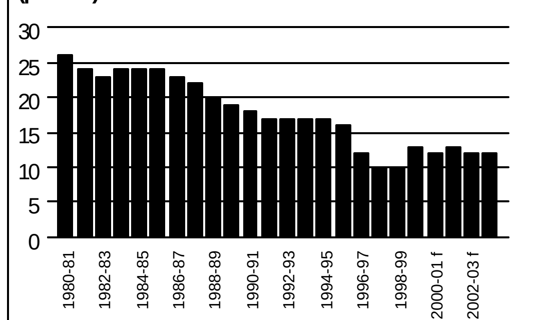
Throughout Canada's history, there has been an imbalance between the federal and provincial and territorial governments in terms of their mandates to provide services and the financial resources to meet them (also referred to as a "vertical fiscal imbalance"). This imbalance has favoured the federal government.



In recent years, the cost of servicing the large federal debt was used to justify this imbalance. However, federal debt servicing costs as a share of revenues are falling rapidly and cost pressures on provincial and territorial programs are increasing. At the same time, federal funding for provincial and territorial programs through existing transfer arrangements has been capped and other federal social program spending has been constrained. As a result, the vertical fiscal imbalance is expected to continue to grow rapidly in the coming years.

i. Report Card on Federal Transfers for Health Care

The CHST is the established fiscal mechanism to assist in the financing of provincial and territorial health, post-secondary education and other social programs. However, the federal government reduced its cash transfers in support of these important programs to provinces and territories by $6.2 billion, from $18.7 billion in 1994-95 to $12.5 billion in 1997-98 and 1998-99. Consequently, the federal share of funding those programs, which had been steadily declining since the late 1970s, fell dramatically after 1994-95. The federal government's decision to reduce its share of cash funding for social programs shifted a significant financial burden onto provinces and territories, all of which have had to make difficult program and policy decisions as a result.



Federal Government's Share of Health Care Funding

*Assume 4% health expenditure growth rate.
Source: Canadian Institute for Health Information, Federal Finance and 1999 Federal Budget

At their 1998 Annual Premiers' Conference in Saskatoon, Premiers affirmed that health care is the number one priority of Canadians and called on the federal government to restore health care funding. P/T Finance Ministers repeated the call for the restoration of federal health care funding at their October 1998 meeting with the federal Finance Minister. In a letter to the Prime Minister in January 1999, Premiers confirmed that any additional federal funds made available for health care through the existing CHST arrangements would be fully committed to core health services in accordance with health care priorities within their respective provinces and territories.

In its 1999 Budget, the federal government responded positively to the unanimous P/T position by announcing a one-time $3.5 billion CHST supplement, available for use by the provinces and territories over a three year period. The federal government also committed to restoring, over three years beginning in 2000-01, $2.5 billion of the $6.2 billion in annual reductions made to the CHST. Although the partial restoration of the CHST is only a modest increase in the federal share of health care funding, it does represent a reversal in previous federal policy and is an important first step in moving toward greater equity between the funding responsibilities and the revenue-raising capacities of governments.

Western Canada, along with other provinces and territories, will receive an equitable share of the health supplement and the increased cash floor, as these will be paid on an equal per capita basis. This is a constructive response to the 1996 Western Finance Ministers' call for a more equitable allocation of the CHST. This call was repeated in 1997 and was a key element of the 1998 P/T Finance Ministers' reform package for fiscal arrangements.

The federal government's funding increase now must be followed up by further actions to restore the level of federal contribution to Canada's health system. The federal government must recognize the following realities:

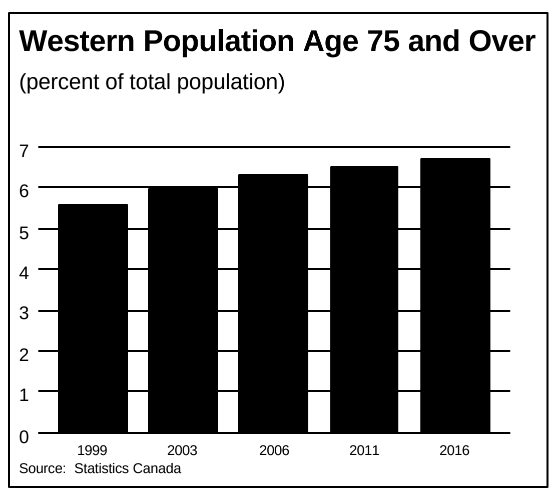
- The vertical fiscal imbalance is growing, because the federal government has the fastest growing revenue sources, and provincial and territorial governments have the fastest rising spending pressures.
- The federal government's own budget documents indicate that the per capita CHST cash transfer is essentially constant over the next five years, and will begin to decline by 2002-2003 in all provinces.
- The federal increase in health care funding will not keep pace with increased health care program costs of the provinces and territories, even in 1999-2000.
- There is virtually no allowance for the impact of demographic changes on health care program costs or the necessary investment in new medical technologies and procedures.

ii. Next Steps for the Canada Health and Social Transfer

a. Health Care

Recent provincial and territorial budgets have shown that all provincial and territorial governments are investing far more in health care than the amount of the federal government's increased support. Thus, while the partial restoration of federal funding was an important initiative, the federal government's proportionate contribution to health care funding will decline over the next five years.

Beyond the immediate cost pressures, there are emerging demographic and technological issues that the federal government must take into account if it wants to be a meaningful partner in health care funding through existing CHST arrangements:



- According to Statistics Canada, the proportion of the population age 75 years and over and, particularly, 85 years and over is rapidly increasing. Canadians are living longer and healthier lives, but the health care costs are increasing given the aging population and the exponentially accelerated health care costs towards the end of life. This trend is expected to accelerate over the next fifteen years.
- New medical technologies and procedures have been shown to improve the health and quality of life for Canadians and to improve the efficiency of the health care system. Yet the use of new medical technologies in Canada is lagging behind that of the United States. Therefore, there will be continuing pressures to increase investment in advanced

technologies and procedures. Since this technology tends to be very expensive, this will be a substantial source of cost pressures in the coming years.

There is no doubt that health care remains the number one priority for Canadians. In his February 17th, 1999, post-Budget letter to Premiers, the Prime Minister promised that,

> *"As the Government of Canada's financial flexibility improves in the years ahead, health will continue to be a key priority for further action."*

The federal government must continue to demonstrate that health care is its number one priority and ensure that its financial contribution to provincial and territorial health care funding is adequate to meet the challenges facing provincial and territorial governments.

a. Post-Secondary Education

The CHST is intended to provide support for more than just the health care system in Canada. In this new era of globalization and competitiveness, Canadians require improved access to post-secondary education and training to compete in the knowledge-based economy. Businesses are advising us that more university and college graduates are required to keep pace with changing labor market needs.

A well-educated population is not only a desirable goal in itself; it is a prerequisite for an improved standard of living for Canadians. The provinces and territories are doing more than their share to see that happen. Given population and economic growth, the federal government must recognize that its support for post-secondary education through the existing CHST arrangements must keep pace in order for Canadians to prosper in the twenty-first century.

As part of its CHST cuts, the federal government sharply reduced its support for post-secondary education. Even with the federal government's partial restoration of health care funding, the CHST will be $3.7 billion lower annually than it was in 1994-95. Instead of supporting post-secondary education through the CHST, the federal government created the Millennium Scholarship Fund that will pay out $300 million per year for student scholarships for ten years beginning in 2000. Western Finance Ministers urge the federal government to recognize its important role in funding post-secondary education and restore funding through the existing CHST arrangements.

In recent years, the federal government has announced such "boutique" programs without consulting the provinces or territories. The result is that the federal government is not doing business in the most cost-effective way. Furthermore, in order to maintain mutual trust and co-operation between orders of government, it is essential that provinces and territories be extensively consulted and given appropriate advance notice whenever the federal government is considering programs that may affect provincial and territorial programming.

b. Social Services

In the nineties, the federal government cut its support for social services by capping the Canada Assistance Program, by restricting employment insurance benefits beginning in 1996, and by cutting the CHST cash transfer by $6.2 billion starting in 1994-95. Western provinces and territories also faced particular challenges when the federal government off-loaded its funding responsibility for the costs of services for Aboriginal people residing off-reserve.

Provinces and territories have responded by backfilling federal cuts and wherever possible by adopting innovative approaches to dealing with social assistance and income support programs. These provincial and territorial social programs now focus less on passive income support and more on active measures to help families move from welfare to work. They address the health, education, training and employment, and social service needs of those who live in poverty. They also attempt to serve the needs of Aboriginal peoples.

As a result, provinces and territories shoulder most of the risk of providing the social safety net for those affected by adverse economic circumstances. The recent changes to the CHST did not recognize this enhanced role for the provinces. There was no increase in the CHST to support core provincial and territorial programs that address poverty. In the spirit of the *Social Union Framework Agreement*, all governments must work together to jointly identify the problems in this area and develop mechanisms to ensure the most effective use of F/P/T resources.

c. Joint Co-operation

Increased health care funding was the result of a three-year collaborative process among provinces and territories, and with the federal government. This process also culminated in the signing of the *Social Union Framework Agreement*. It was signed in the spirit of joint F/P/T co-operation and on the good faith that the federal government will meet its expected commitments to the provinces and territories.

In the spirit of this *Agreement*, Western provinces and territories look forward to the federal government working openly and closely and sharing information in advance of any major transfer program changes, particularly those that affect provincial and territorial health and social programs.

A Model for Joint F/P/T Co-operation

The National Child Benefit, a program to help the children of low-income families, is held out by both orders of government as a model of cooperative federalism. Provincial and territorial governments have taken a leadership role in the development of new child action strategies to assist those most in need. Provinces and territories have called for the full implementation of $2.5 billion for the National Child Benefit by the year 2000, and the federal government has so far committed to $1.7 billion.

In their October 1998 paper, *Federal Re-Investment in Canada's Health Care System*, the P/T Finance Ministers also called for a regular review process for the CHST. Western Finance Ministers believe that, like the Equalization Program, the CHST should be the subject of a full F/P/T review process to ensure that this federal program is meeting its objectives.

Western Finance Ministers believe that discussions on the future of the CHST should not wait until the apparent deadline for new legislation approaches in 2004. The time to discuss priorities and challenges is now.

Action Plan: Western Finance Ministers welcome the federal government's decision to place the CHST on a five-year renewal cycle, like the Equalization Program, and call for a joint F/P/T CHST review process to begin promptly.

Western Finance Ministers call for the federal government to restore the remainder of the $6.2 billion cut to the CHST cash transfer to bring the transfer back up to 1994-95 levels, and to work with the provinces and territories to establish a CHST cash escalator.

Western Finance Ministers call on the federal government to work with provinces and territories to design a formula that regularly and systematically adjusts the CHST cash transfer so that its real per capita value is not eroded over time. Such a formula must ensure adequacy, stability and predictability for health and other social program funding.

2. EQUALIZATION REFORM

The second pillar of Canada's fiscal arrangements is the federal Equalization Program. This program attempts to ensure that all provinces are able to provide comparable levels of services at comparable levels of taxation so that Canadians everywhere can enjoy the benefits of social programs.

All provinces are committed to the principle of equalization and to ensuring that the Program remains capable of living up to its objectives. We must continue the joint F/P/T work in the next renewal process so that the Equalization Program is better able to function as the sole equalizer in fiscal arrangements.

Western Finance Ministers note that the latest renewal of the Equalization Program includes a $10 billion ceiling on entitlements for 1999-2000, a decrease from the $10.3 billion ceiling for 1998-99. Western Finance Ministers are concerned that the Equalization ceiling will be triggered for the current fiscal year. As past experience has shown, the triggering of the ceiling in one year usually means that it is triggered in the other years of the renewal period.

In addition, Western Finance Ministers expect that serious consideration will be given over the course of the next five-year renewal period to changing the Equalization standard to the national average level. This should be accompanied by a full restoration of the CHST as was called for by most P/T Finance Ministers in 1998. A ten-province standard would better ensure that all provinces could provide Canadians with comparable levels of services at comparable levels of taxation.

Action Plan: With the increased reliance on the Equalization Program as the primary equalizing element in fiscal arrangements, Western Finance Ministers call on the federal government to reconsider the equalization ceiling for 1999-2000.

3. FEDERAL FUNDING FOR ABORIGINAL PEOPLES

Federal off-loading of costs of services and support to Aboriginal peoples has been of particular concern to Western provinces and territories in recent years. *The Report of the Royal Commission on Aboriginal Peoples* spoke of the magnitude of the social and economic challenges facing Aboriginal peoples in Canada, challenges which are exacerbated by the federal government's refusal to accept its fiscal, historical, fiduciary and constitutional responsibility for Aboriginal peoples both on and off-reserve.

Western Finance Ministers have noted with deep concern Ottawa's reluctance to work in a comprehensive manner with Aboriginal peoples, and provinces and territories to address the growing needs of Aboriginal peoples. They have also observed that the federal government's off-loading of costs of services for Aboriginal peoples has put heavy budgetary pressures on provinces and territories with large Aboriginal populations.

Action Plan: Western Finance Ministers call upon the federal government to renew its responsibility to Canada's Aboriginal peoples and enter into consultations to ensure that provinces and territories are supported by adequate levels of federal funding to address the needs of Aboriginal peoples residing off-reserve.

4. REFORM OF FISCAL ARRANGEMENTS IN THE NORTH

The Government of Canada is currently negotiating the transfer of responsibility and authority for non-renewable resources to the Yukon Territory. This transfer would bring the Yukon Territory in line with provincial responsibilities and authorities in this area. The Government of the Northwest Territories has long sought a similar transfer. Previous initiatives with the same goal have not been successful, in part due to the concerns raised by Aboriginal peoples in the context of self-government and land claim negotiations. However, the fact that control of northern resources does not rest with northerners has hindered the development of the Northwest Territories mineral, oil and gas potential. In addition, northerners receive only minimal fiscal benefits from development since the royalties accrue to the federal government.

Decisions made about the development of northern resources should be made by northerners. The Government of the Northwest Territories is committed to working with Aboriginal governments to determine how control of resources can be equitably shared by northerners. Western Finance Ministers support the fundamental principle that control of resource development within a jurisdiction should rest with that jurisdiction. Western Finance Ministers support negotiations between the federal government, the territorial government, and aboriginal parties to restructure the fiscal arrangements in the north to provide northern parties with the resources to address northern issues.

C. OTHER CURRENT ISSUES

1. ACCOUNTABILITY AND PERFORMANCE MEASUREMENT

i. Transparency of Federal Transfers and the Tax System

Accountability to the public can be enhanced in the area of fiscal arrangements through greater transparency. At present, most Canadians appear to be unaware of the respective federal and P/T roles in fiscal arrangements due to the complexity of the F/P/T relationship. Canadians need to know what program and services each order of government is providing in order to hold governments accountable for their actions.

There are two main areas in need of improved transparency: intergovernmental transfers and tax collection. The area of intergovernmental transfers has come under a great deal of public scrutiny in the last few years. With the completion of the *Social Union Framework Agreement* and the commitment of governments to "publicly recognize and explain the respective roles and contributions of governments," the on-going financial relationship between the federal government and the provinces and territories should continue to be clearly explained to all Canadians. Western Finance Ministers agree that future reforms to fiscal arrangements should strive for the greatest possible transparency in their impact on Canadians.

Under the Tax Collection Agreements, the federal government collects income taxes for most Canadians in exchange for provincial and territorial agreement to tax on the basis of federal tax. This arrangement, while simplifying the collection of income taxes, has often masked the degree to which each order of government is increasing or lowering taxes. Recently, the federal government announced its willingness to collect provincial and territorial taxes that are levied on the basis of a common definition of taxable income. This flexibility will allow provinces and territories to disconnect their tax rates from the federal government's and will enhance the level of transparency in the income tax collection system without sacrificing the benefits of a single collector.

ii. Performance Measurement

Measuring the performance of government programs relative to clearly defined objectives is another important way to achieve accountability of governments, as well as to assessing the effectiveness and efficiency of government programs. Canadians must be assured that they are receiving the best value for their tax dollars. Provinces and territories are leaders in developing new approaches to measuring and reporting publicly on the outcomes of their programs, including developing performance standards and involving the public through a range of consultation processes.

Each government, within its areas of responsibility, reiterates its commitment under the *Agreement* to monitor and measure outcomes on its own programs, and report regularly to its constituents on results it has achieved in priority areas. Moreover, in fulfilling their commitments under the *Agreement*, Western provinces and territories are also committed to working with other governments to identify outcome measures and suitable reporting mechanisms.

2. CANADA PENSION PLAN

Western Finance Ministers believe that the provinces, as equal partners with the federal government in the CPP, should play a larger role in the governance of the CPP and that greater accountability to the provinces is required. The memorandum of understanding, signed on January 15, 1999 by the federal government and the provinces and territories, guaranteeing to provincial and territorial governments equal and unimpeded access to the services of the CPP Chief Actuary, represents a first step in this direction. We recommend that the option of moving the responsibility for CPP financial management to a single arm's length agency that is accountable to federal and provincial Finance Ministers be fully examined. We need to restore public confidence in the CPP by enhancing the plan's transparency and accountability.

Action Plan: Western Finance Ministers want to consider the March 31, 1999, recommendations of the CPP Actuarial Report Review Panel at the next Finance Ministers' meeting with a view to reviewing the role and independence of the CPP Actuary.

D. FUTURE INITIATIVES

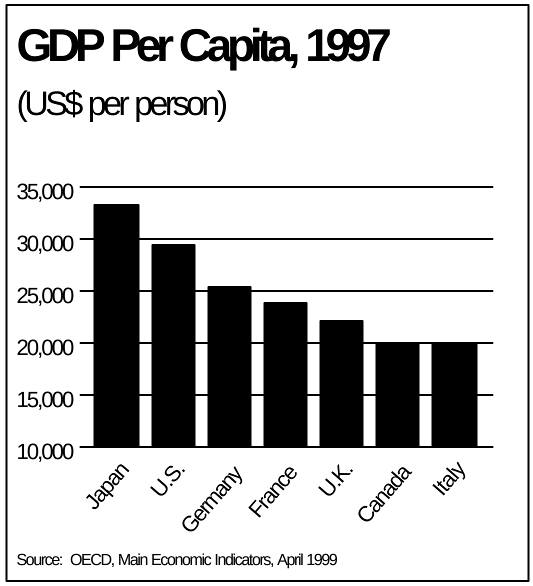
1. IMPROVING CANADIAN STANDARD OF LIVING

One of the primary goals of government is to improve the standard of living of its citizens. Canada has one of the highest standards of living in the world. However, our relative standard of living has fallen in recent years. The most basic and common measure of an economy's standard of living is real GDP per capita. The following table outlines the growth in real GDP per capita for the periods 1980-89 and 1990-99 for the G-7 countries. In both periods, Canada experienced the slowest growth in real GDP per capita. Even Japan, with its extended recession, outperformed Canada in the 1990-99 period.

Table 1: Real GDP Per Capita
(percent, compound annual rate of change)

	1980-89	1990-99
United States	1.8	1.4
Japan	3.1	1.2
Germany	1.7	1.9
France	1.8	1.4
Italy	2.3	1.5
United Kingdom	2.2	1.3
Canada	1.7	0.7

Source: International Monetary Fund, World Economic Outlook, October 1998



In level terms, Canada's 1997 GDP per capita in U.S. dollars ranked second lowest among G-7 countries, marginally ahead of Italy. This is a dramatic change from 1984, when Canada ranked second highest, behind only the United States.

Western Finance Ministers believe that governments need to work together to develop initiatives to reverse this decline. There are basically two ways to improve Canada's standard of living – one is to get more people employed and the other is to pay them more. In order for the latter to be sustainable and non-inflationary, productivity must be increased. Possible policy choices that could be studied include:

i. Increase Employment and Other Labor Force Initiatives

- Provide a fiscal and monetary environment that encourages economic growth and prosperity.
- Improve the quality of the Canadian labor force through literacy improvement and training programs, expand access to post-secondary education and through encouraging partnerships between educational institutions, the private sector and government.
- Continue moving, in the field of social assistance, from being merely providers of passive income support to offering active training measures, including life skills and jobs skills. Individuals and families still require income support while they are participating in active training measures. Provincial and territorial governments must have adequate resources to offer both passive and active income support measures.

i. Encourage Higher Productivity

- Implement regulatory reform, including both better regulation and deregulation. Opportunities exist in areas such as transportation, telecommunications and interprovincial trade. While the Agreement on Internal Trade (AIT) came into effect in July 1995, much remains to be done to implement it fully.
- Retain highly educated and skilled people in Canada, particularly in the knowledge and technology-based industries. Issues highlighted by analysts include tax disparities between Canada and United States, quality of public services, and better employment opportunities and income levels.
- Encourage increased private sector research and development in Canada.
- Reduce employment costs for business, such as payroll taxes.
- Move to bringing about needed infrastructure improvements, including a national highways program and improved public transportation.

Action Plan: Western Finance Ministers call for provincial and territorial governments to work together to develop possible strategies that would promote productivity and improve Canadians' standard of living for consideration by Premiers.

1. TAX REFORM

Personal tax cuts are currently on the fiscal agenda of many provinces and territories and, perhaps, the federal government. This is needed to be more competitive with lower tax jurisdictions like the United States. However, cutting other taxes should not be ignored. Payroll taxes, for example, have been called the silent killer of jobs.

i. Reduce EI Premiums

Effective January 1, 1999, Ottawa reduced EI premiums from $2.70 to $2.55 per $100 for employees (employers pay 1.4 times this amount, currently $3.57 per $100). This reduced federal revenues by $1.1 billion.

However, the federal government has also sharply cut EI benefits, while resisting all calls to reverse this direction. EI premiums remain excessive and must be reduced further. Premiers have called for EI premiums to be reduced to an actuarially sound level of $2.20 per $100 of income. This should occur as soon as feasible, particularly given that the 1998 EI annual surplus is $7.6 billion and the accumulated surplus has risen to $21 billion as of January 1999.

Action Plan: Western Finance Ministers reiterate the call by Premiers for EI premiums to be reduced to $2.20, as soon as is feasible.

ii. Federal-Provincial-Territorial Co-ordination In Reducing Taxes

The federal, and provincial and territorial income tax structures are interlinked in most of Canada. This linkage has provided benefits to Canadians, including the maintenance of a common tax base and the efficiency of a single tax administration. It has also created the need for better F/P/T co-ordination of tax policy. One example of tax co-ordination that would be of general benefit to Canadians is the EI premium reductions, as discussed above. An EI premium reduction, for example, increases the resources available to provinces and territories for higher spending on priority programs or lower provincial and territorial taxes, by lowering employer EI premium obligations voluntarily paid by provinces and territories and by the municipalities/universities/schools/hospitals sector. As well, EI premiums are deductible for PIT calculations so reducing EI premiums would result in higher provincial and territorial PIT revenues, which can be used for tax cuts or funding priority social programs.

On the other hand, a cut in basic federal tax reduces the resources available to the nine provinces and three territories that calculate their income taxes as a percentage of basic federal tax. As a result, federal PIT reductions have significant negative impacts on provincial and territorial revenues as provincial and territorial taxes are calculated as a portion of the federal take. Western Finance Ministers believe that greater tax policy co-ordination will not only serve the interests of individual governments, but will enhance social and economic policies for Canada.

Action Plan: Western Finance Ministers call for more co-ordination between the two orders of government in terms of tax reductions so that Canadians can benefit from a lower overall tax burden.

E. CONCLUSION

The Western Finance Ministers are proud of their success in working co-operatively with each other and with other provinces and territories on important issues and challenges on fiscal, taxation and F/P/T fronts over the past three years. In recent months, this work has culminated in the federal government taking the first step to restoring the federal health care cuts. It is important to recognize this accomplishment as a consequence of a strong P/T dialogue on social policies in Canada, and use it as a positive step to building on the social cohesion of this country.

Western Finance Ministers are looking to ensure that the long-term fiscal needs of provincial and territorial social programs are met. Provinces and territories need to look at future cost pressures and the performance of their health, post-secondary and other social programs. Important P/T fiscal agenda items include reviewing the fiscal accountability of our partners involved in funding social programming and considering options, like a tax field realignment or a fully equalized tax point transfer, for the long-term fiscal sustainability of the Social Union.

With one eye on unfinished fiscal business, Western Finance Ministers are also looking at future economic opportunities in this era of globalization and knowledge/information revolution. Governments need to continue to encourage increased employment opportunities for Canadians and to ensure that all Canadians benefit from higher productivity.