



October 11, 2006

The Right Honourable Stephen Harper  
Prime Minister of Canada  
Langevin Block  
Ottawa ON K1A 0A2

Dear Prime Minister:

Thank you for your telephone call on my recent election as Premier of New Brunswick. Your congratulations are appreciated, and I am looking forward to working with you on issues of importance to our country and New Brunswick.

The Government of New Brunswick is committed to achieving self-sufficiency by 2025. In order to achieve this goal, there are a number of things we need to accomplish. We have set very focused goals for the province to increase our competitiveness and productivity by improving our education system, focusing on economic development and making New Brunswick the energy center for the region. We have set very ambitious goals, and an important part of achieving them is ensuring that our federal provincial fiscal arrangements are fair, adequate and predictable now and into the future.

I welcome the importance that you have accorded to this issue as well as the consultation process that your Ministers are engaging in with provinces and territories to seek views on the fiscal imbalance. I look forward to working with you in identifying ways of improving our fiscal arrangements and indeed our federation, with the hope of seeing some significant improvements to our fiscal arrangements in the next federal budget. New Brunswick believes that achieving fiscal balance requires addressing both the horizontal (equalization) and vertical (CST/CHT) imbalance in concert.

While there are a number of views on the best ways of improving our fiscal arrangements, I also believe that there is continued support in this country for a properly functioning equalization program, one which is based on sound principles and whose outcomes are formula determined based on a measure of fiscal capacity, and not arbitrarily determined.

From New Brunswick's perspective, this measure of fiscal capacity should be based on the following components: a ten-province standard with full revenue coverage, and no arbitrary measures that limit the formula. Only an equalization program based on full revenue coverage including all resources revenues and user fees, can address the fiscal disparity that exists between provinces. Resource revenues are among the most significant sources of fiscal disparities in the country, and this reality must be reflected in the program formula.

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With respect to vertical transfers, New Brunswick believes that reinvestments in the areas of post-secondary education and infrastructure are critical. These investments must be long-term and predictable and must respect the constitutional responsibilities of each order of government. I support the immediate restoration of the Canada Social Transfer to 1994-95 levels plus an appropriate escalator to ensure base cash funding grows annually, in support of post-secondary education and other social programs. My government's "Charter for Change" promised to work with the federal government to establish a dedicated transfer for post-secondary education that is adequate, stable, and predictable. This is consistent with the approach outlined in your 2006 budget that calls for a dedicated Canada Education and Training Transfer. Such a fund should include the CST restoration and additional amounts for training.

New Brunswick infrastructure needs are also broad, and though transportation infrastructure is an important component, there are also needs in the area of green, municipal, and sport and recreation infrastructure. New Brunswick is supportive of predictable long-term funding for infrastructure, and recommends that in future allocations, consideration be given to ways of addressing the needs of jurisdictions with small populations.

Central to all these decisions with respect to improvements to the transfers is the federal government's future use of its spending power. New Brunswick firmly believes that the federal spending power can be used in ways that complement provincial priorities. There have been many examples where the federal spending power has helped provinces reach agreed upon national objectives. New Brunswick supports an approach that ensures that provinces and territories have the necessary resources to deliver essential services to their citizens. Federal spending must be transparent and predictable, and just as importantly, appropriate notice provisions must accompany the withdrawal of federal programs and compensation to wind down or replace cancelled programs.

Given the importance of these issues to the federation, it is my hope that both Finance Ministers and First Ministers will be engaged this fall in discussing possible proposals and solutions. I personally look forward to discussing these issues with you in more detail in the near future and would respectfully request a meeting to further share my views. My officials will follow-up with your office to discuss some dates for such a meeting that are mutually convenient.

Yours truly,



Shawn Graham  
Premier

c. Honourable Victor Boudreau, Minister of Finance