FOR IMMEDIATE RELEASE

Minister Marceau Comments on the Federal-Provincial-Territorial Meeting of Finance Ministers of December 17, 2012

Meech Lake, December 17, 2012 – At the conclusion of the federal-provincial-territorial meeting of Finance Ministers held today at Meech Lake, the Minister of Finance and the Economy, Nicolas Marceau, commented on the main points on the meeting’s agenda.

Federal transfers
The federal government did not announce any change to the equalization program for 2013-2014 and only technical changes as of 2014-2015. “These technical changes will be minor and have only a slight impact on our public finances. As a result, they will not jeopardize Québec’s efforts to restore fiscal balance,” Minister Marceau pointed out.

However, the Minister reminded the federal government that in the longer term, “Québec's efforts to balance its finances are made more difficult by the unilateral decisions the federal government made last year concerning health, in particular the decision to stop including the value of tax points in the Canada Health Transfer (CHT)”. This one change will cost Québec $172 million as of 2014-2015. Together with limiting CHT growth to nominal Canadian GDP, this loss will amount to $321 million by 2017-2018. By 2024-2025, these losses will total $8.6 billion.

Minister Marceau mentioned that the federal share of funding provincial health spending currently stands at 21%, which is well below the initial share of 50% when the health systems were implemented in Canada. Québec’s position on this issue is for the federal share of health funding to gradually rise to 25% over the next ten years.

In addition to the impact stemming from the federal disengagement from health, the federal government has not considered withdrawing the caps on the equalization formula, i.e. returning to the 2007 formula.

“The 2014 renewal of federal transfers could have been an opportunity for the federal government to roll back certain decisions to avoid returning to the fiscal imbalance created by the unilateral changes to federal transfers in recent years, in particular regarding the caps on equalization and the reduction in the growth of the federal health contribution,” the Minister said.

End of the Canada-Québec Labour Market Agreement in 2014
Discussions were held concerning adequate workforce training. Minister Marceau pointed out that the Canada-Québec Labour Market Agreement (LMA) will expire in
March 2014. This agreement has an appreciable impact on the funding of employability measures intended for those who do not qualify for employment insurance. The LMA is of strategic importance for labour market integration as well as for supporting business competitiveness. The federal government must therefore renew funding for the LMA to ensure the stability and continuity of these measures.

**New federal infrastructure plan**
Concerning the new federal infrastructure plan announced in 2011, the Minister noted that in the past, Québec has experienced many difficulties implementing federal infrastructure programs and that consequently, his government wants its share of the federal funds under the new infrastructure plan expected as of 2014 to be paid as a “block” transfer, in compliance with its priorities and jurisdictions.

**Improving the retirement income system**
The Finance Ministers also continued their discussion on the retirement income system, in particular concerning a possible improvement to the public plans and the new voluntary retirement savings plans.

As far as a gradual improvement to the Canada Pension Plan and the Québec Pension Plan is concerned, Mr. Marceau pointed out that “Québec favours improvements to public retirement plans. In this regard, we will continue to work with the other provinces and the federal government to find sustainable and realistic solutions, taking the current economic situation, marked by a tentative recovery, into account.” To that effect, work will be started to define the scope of the improvements to be considered as well as the time frame for their implementation.

Until then, Mr. Marceau advised his counterparts that the Québec government will table a bill to implement the new voluntary retirement savings plans in the spring of 2013. “Implementation of voluntary retirement savings plans will encourage saving and enable all workers to have access to a group retirement plan,” the Minister added.

**Economic and budgetary situation**
Lastly, the Ministers discussed the difficult international economic situation, marked by the slow recovery of the American economy. Québec's most recent economic growth outlook is conservative, with real GDP growth expected at 0.9% in 2012 and 1.5% in 2013.

Minister Marceau told his counterparts that despite the fragile economic situation, Québec is staying the course on restoring fiscal balance. In that regard, the Minister indicated that his government has limited program spending growth to 1.8% for 2013-2014 and 2.4% for 2014-2015. “The set of measures announced in last November’s budget will enable us to achieve our budgetary objectives as scheduled and to maintain them thereafter,” the Minister concluded.

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