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VIA EMAIL

The Honourable Dalton McGuinty
Premier of Ontario
Legislative Building, Queen's Park
Toronto, ON
M7A 1A1

Dear Premier McGuinty:

I recently wrote urging you to support enhancements to the Canada Pension Plan and the Guaranteed Income Supplement program. These improvements could provide all Canadians with much greater security and dignity for their retirement at a minimal cost. We are very encouraged by the tremendous support these proposals have received from Canadians across the country. I sincerely hope your support will help to achieve this lasting legacy that will benefit all Canadians.

This is just one of the many important issues you will be discussing at the Council of the Federation meetings next week in Winnipeg.

I expect that the issue of health care funding will also be on your agenda, with the current federal-provincial funding agreements expiring in a few years. We share concerns about the sustainability of our health care spending. However, there's been far too much alarmism about our public medicare system becoming financially unsustainable in coming years as our populations age.

It's true that spending on health care has been consuming a larger share of provincial government budgets. However, these recent trends have developed more because overall government spending has fallen as a share of our economy, with large reductions in non-health care spending over the past two decades. In fact, provincial spending on medicare has been relatively stable as a share of our economy, fluctuating between 4 and 5 per cent of our GDP since 1975. There have been increases in this share during recession years as our GDP falls, but these have been temporary bumps with declines as the economy recovers. Canada's public medicare system has been a remarkable success story, delivering excellent quality care to all Canadians in a fiscally healthy and affordable manner.

We must continue to achieve better control of costs, particularly for prescription drugs, new and expensive technology, and more appropriate use of health care resources. Recent reforms to generic drug pricing brought forward by many provinces that will be saving hundreds of millions of dollars a year, are an excellent example of the types of initiatives required in this area.

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Population aging is a concern, but it is a relatively smaller driver of overall cost increases. Much of the public health care costs attributed to aging are in fact related to heroic measures in the last year of life that don't change much with rising life expectancies. At the same time, the health status of seniors continues to improve. The real concern about health care spending should be the fast-rising costs of health services not covered by medicare that have increased dramatically as a share of our national income. The best way to control these growing costs is not to allow further privatization of our health care system which would lead to further escalation of private health care spending. Instead, now is the time to build on our success and expand—not reduce—the scope of our effective and sustainable public medicare system.

Even according to the more pessimistic outlook of Canada's Parliamentary Budget Officer, our nominal GDP is expected to grow at an average rate of over 4% a year during the next decade. Federal transfers for health care should grow by at least this rate and preferably by 5% or 6% a year. Overall federal government spending is set to decline significantly as a share of our economy during the next five years.

Once the federal budget is balanced by approximately 2014, there will certainly be scope to allow further enhancement of the public medicare system. Growth at a rate of 5% a year would mean federal transfers for health care rise to 1.7% of our economy by the end of this decade, from approximately 1.6% now: an increase of only 0.1%. This type of enhancement would be easily affordable and would amount to less than half the annual cost of recent federal corporate income tax cuts.

Of more immediate concern, we agree that the federal government should remove the hard cap, or ceiling, on the Equalization program that ties funding to a three-year moving average of GDP growth. Instead of providing for greater stability, this provision is making Equalization more volatile, resulting in significant, unanticipated declines in funding in 2010/11 for all receiving provinces except Québec and Ontario (some provinces saw declines in Equalization entitlements by as much as 20%). While the one-time major transfer protection the federal government provided in 2010/11 helped mitigate the losses in provinces' combined major transfers, it is not a replacement for an adequately funded and stable Equalization program.

With the exception of Ontario, all receiving provinces will likely face reductions in Equalization in 2011/12. As a result of this decline in Equalization, most receiving provinces will also likely suffer an overall decline in combined major federal transfers. This will jeopardize the ability of those provinces to deliver core public services.

In addition, tying overall growth in Equalization funding to GDP growth makes the program function in a pro-cyclical manner, which doesn't contribute to stabilizing our economy. Compared to payments under the 2007 program, the GDP cap has removed almost $8 billion from national and provincial economies over the last two years. The federal government could provide much greater economic stability if it removed the ceiling on the Equalization program, or alternatively guaranteed no declines in major transfers from now until the programs are renewed in 2014.

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Procurement by sub-national government under CETA is a major concern. It will put pressure on provincial governments to further open up sub-national procurement and public service delivery, which are critical levers for community economic development. The conditions provinces or municipalities can now put on public spending in order to target community development, such as local content rules, environmental or ethical sourcing, or requirements to hire locally, may be discouraged or otherwise subject to the discipline of international trade regimes if CETA is signed.

At a provincial level, Ontario's signature Green Energy Act is an example of how provincial legislation can spur growth with local content quotas. Provinces need to be in a position to craft more legislation of this nature, and not fear that they will fall afoul of trade agreements in so doing.

We are troubled by the fact that the EU has prioritized access to service delivery in its trade proposals to Canada. European negotiators are clearly interested in privatization of our public water services and other utilities to gain access for major EU-based companies. Canada's social safety net depends on not-for-profit and universally-accessible public services, and such services cannot be delivered by transnational private corporations.

Frankly, we have seen no evidence that Canada will achieve any substantive gains from this agreement, while at the same time it will severely limit the ability of provincial and local governments to act in the best interests of their constituents. The Canadian side of these negotiations appears more driven by simple ideology than by any compelling national interest.

A trade agreement of this magnitude should not be negotiated without much greater transparency and public consultations. Provinces should take the lead by setting up public consultations with a broad range of civil society organizations as it is highly unlikely that the federal government will do so. CUPE would be happy to facilitate consultations with our members – your constituents and employees – on this proposed agreement.

I commend the initiative of Western Premiers to agree to a Water Charter at their meeting last month in Vancouver, for recognizing the essential and critical importance of clean water to human life and for emphasizing water conservation and protection needs. We urge you to support a more ambitious national water charter that recognizes the human right to safe and clean drinking water and sanitation, that recognizes water as a public resource, safeguards water from industrial pollution, and commits adequate funding for water protection and services. This is consistent with the declaration adopted by the "Blue Summit" last November in Ottawa. We have also urged the federal government to support a vote at the United Nations this month to recognize "the right to safe and clean drinking water and sanitation as a universal human right."

In relation to this, we support the establishment of stronger national harmonized wastewater standards, but are very concerned about the very large financial burden they will place on many small municipalities. The specific costs of these regulations are expected to exceed $10 billion for municipalities, while estimates for the total cost of upgrades to our overall water and wastewater system exceed $30 billion. We've called for the federal government to agree to establish a National Water Infrastructure Fund to provide funding for these growing needs.

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Canada is far behind other countries in its investments in "green infrastructure" and this would be an excellent way for us to achieve leadership in this area.

Finally, I commend those of you who have urged the federal government to retain the long form for the Census. While some organizations, such as the Fraser Institute, agree with the elimination of the mandatory long-form census because they see it as an inexpensive way for "vested interest groups" to obtain accurate data, I believe most sensible Canadians recognize the importance of accurate and reliable information as a public good, crucial as a foundation for good policy-making. Statistics Canada has maintained a reputation as the best statistical agency in the world. It would be unfortunate for all of us if the credibility of this national institution was destroyed by such a short-sighted move.

I wish you all the best for a productive set of meetings in Winnipeg.

Yours truly,

Paul Moist.

PAUL MOIST
National President

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