PUBLIC FINANCES IN QUÉBEC, CANADA AND OECD COUNTRIES

October 1996

Gouvernement du Québec
Ministère des Finances

ISBN: 2-550-30737-2

Legal deposit
Bibliothèque nationale du Québec, 1996

Published in October 1996

TABLE OF CONTENTS

INTRODUCTION

At the March 1996 Conference on the Social and Economic Future of Québec, the Québec government and its partners reached a consensus on the elimination of the budget deficit in 1999-2000.

In the 1996-1997 Budget Speech, the government announced a rigorous financial plan aimed at attaining this objective. The deficit-reduction plan centres first and foremost on a reduction in program spending. It also includes measures aimed at stepping up the fight against tax evasion, enhancing the profitability of government corporations and tightening up certain tax benefits.

The Québec government is not alone in undertaking a major initiative to put its finances in order. This is also true of all governments in Canada and in most of the industrialized nations.

The purpose of this study is to examine changes in public finances elsewhere in Canada and in OECD countries, and the measures undertaken by these governments to put their finances in order.

I. PUBLIC FINANCES OF THE QUÉBEC GOVERNMENT AND OTHER GOVERNMENTS IN CANADA

This section first examines the public finances of Québec, the other provinces and the federal government since the early 1980s. It then looks at the key initiatives undertaken by the provincial governments during this period to put their finances in order.

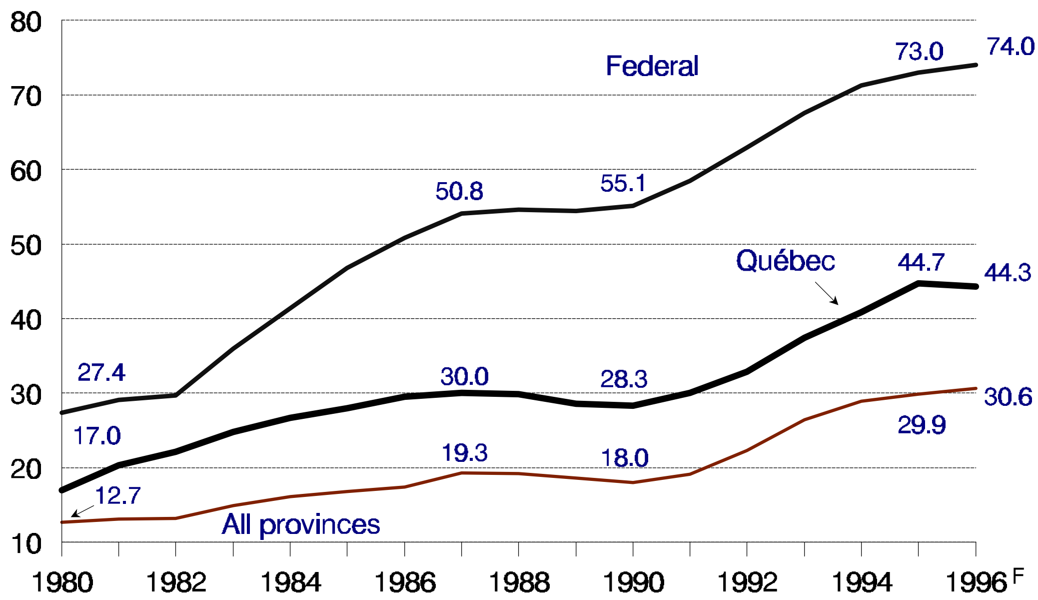
A. A general trend to more debt

Over the years, the financial position of the provincial and federal governments in Canada has gradually deteriorated. Since the early 1980s, the debt of the provinces as a proportion of gross domestic product (GDP) has more than doubled, from 12.7% as at March 31, 1980, to 30.6% as at March 31, 1996. In March 1996, the provinces' debt totalled $237 billion, equivalent to $7 928 per capita.

Québec has not escaped this general trend: during the period in question, its debt-to-GDP ratio also more than doubled. At present, Québec's per capita debt is equivalent to $10 393, 31% higher than the Canadian average.

The federal government's debt as a percentage of GDP rose from 27.4% in the early 1980s to 74.0% as at March 31, 1996. At that time, its debt totalled $574 billion, equivalent to $9 235 per capita.

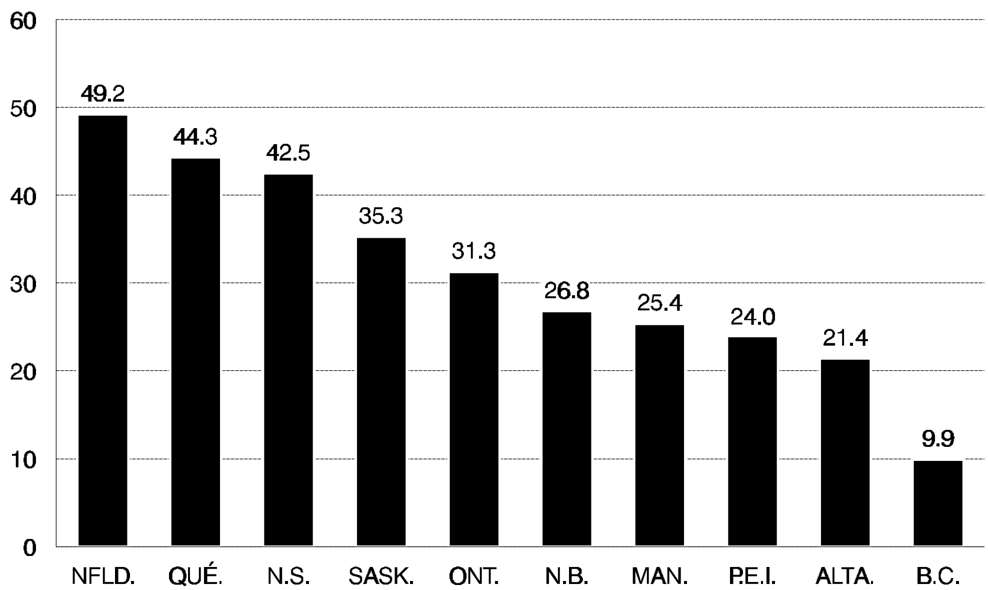
DEBT OF THE FEDERAL AND PROVINCIAL GOVERNMENTS AS AT MARCH 31 OF EACH YEAR
(as a percentage of GDP)



F: Forecast
Sources: Budgets, financial reports and public accounts of various governments.

In the early 1980s, Québec ranked fifth among the provinces with respect to its debt-to-GDP ratio. Today, it ranks second, after Newfoundland. The Québec government's debt totals $76.5 billion and is equivalent to 44.3% of GDP. Expressed in dollars per capita, Québec's debt ($10 393 per capita) is the highest in Canada.

DEBT OF THE PROVINCES AS AT MARCH 31, 1996
(as a percentage of GDP)



Sources: Budgets, financial reports and public accounts of various provinces.

Successive economic recessions have had lingering effects

The financial position of various governments in Canada has deteriorated significantly during each of the two most recent recessions.

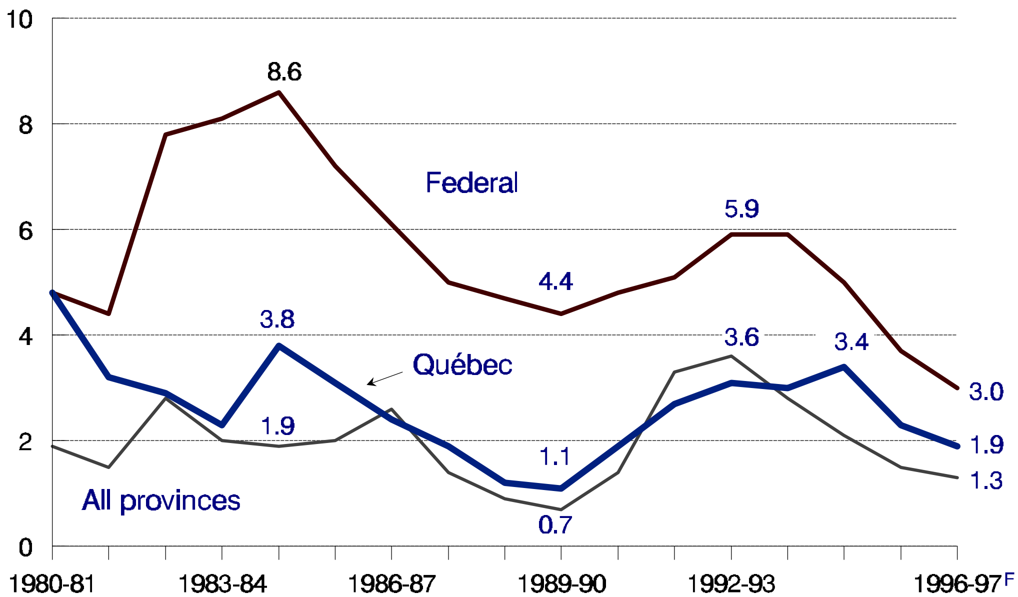
During the 1981-1982 recession, the provinces' budget deficit as a percentage of GDP almost doubled, from 1.5% in 1981-1982 to 2.8% in 1982-1983. It remained on average at 2.1% until 1986-1987. As a result, the ratio of the provinces' debt to GDP rose from 12.7% as of March 31, 1980, to 19.3% seven years later. The federal deficit also rose sharply, to 8.6% of GDP in 1984-1985.

In the wake of the recession, the provincial and federal governments did not sufficiently improve their budget situation. Despite average annual economic growth of 4.2% between 1984 and 1989, governments did not succeed in eliminating their deficits and failed to lower their debt-to-GDP ratios to the levels prevailing at the beginning of the 1981-1982 recession. As at March 31, 1990, the combined debt of the provinces amounted to 18.0% of GDP, compared with 13.1% as at March 31, 1981.

Moreover, the federal government's debt stood at 55.1% of GDP as at March 1, 1990, compared with 29.7% nine years earlier. The various governments in Canada were not in a favourable position when the 1990-1991 recession occurred.

An analysis of financial ratios during the most recent recession reveals a significant deterioration in public finances at that time, both at the provincial and federal levels. The deficits of the provincial and federal governments reached 3.6% and 5.9%, respectively, of GDP in 1992-1993, signalling a new increase in government debt.

PROVINCIAL AND FEDERAL GOVERNMENT DEFICITS
(as a percentage of GDP)



F: Forecast
Sources : Budgets, financial reports and public accounts of various governements

The deterioration in the federal government's financial position was less pronounced during the latest recession than during the previous one, notably as a result of major spending cuts. Among other things, the federal government initiated major reforms of unemployment insurance and substantially raised contribution rates. Moreover, it cut transfers to the provinces, in particular by freezing, then reducing, its contribution to Established Programs Financing, and by imposing a ceiling on its contribution to the Canada Assistance Plan in respect of the wealthier provinces, and then by reducing it. These measures enabled the federal government to limit the increase in its deficit in relation to the increase noted at the time of the previous recession.

Slower economic growth

In addition to the effects of the last two recessions, governments in Canada have had to face a gradual slowdown in economic growth and in tax revenues, while pressure on spending has remained constant. Growth in the Canadian economy fell from 5.9% a year during the 1960s to 4.2% in the 1970s, and to 3.0% during the 1980s. Between 1990 and 1995, average annual economic growth reached only 1.2% in Canada.

GROWTH RATE OF REAL GDP
(as a percentage)

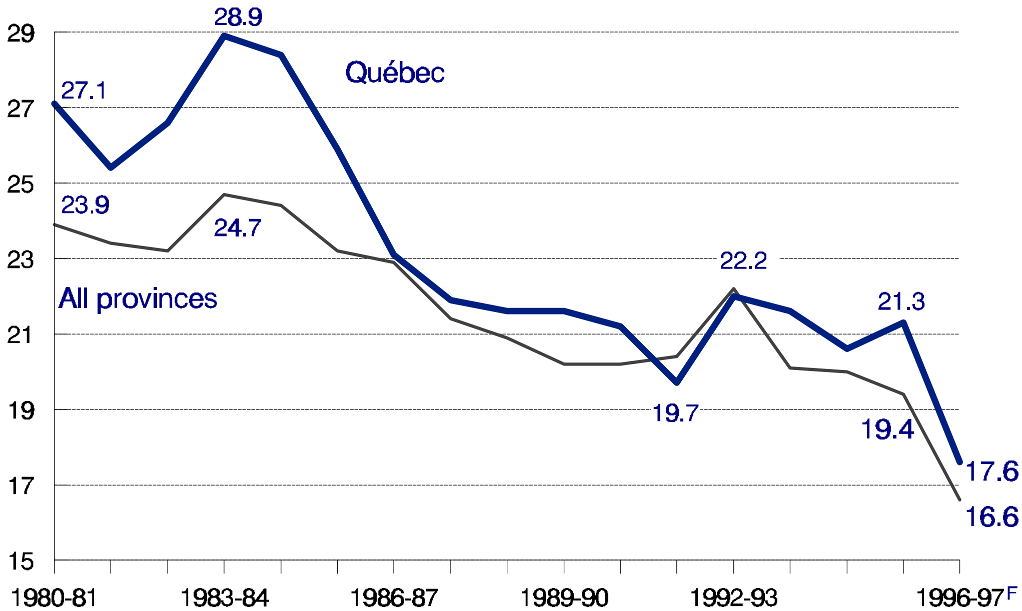
	1960s	**1970s**	**1980s**	**1990 to 1995**
Newfoundland	5.8	5.0	1.5	– 0.3
Prince Edward Island	2.9	5.2	2.3	1.6
Nova Scotia	4.1	3.6	2.6	0.5
New Brunswick	5.0	4.1	3.5	1.0
Québec	**5.5**	**3.9**	**2.4**	**0.9**
Ontario	6.2	3.7	3.7	0.6
Manitoba	5.1	3.0	2.2	0.8
Saskatchewan	5.5	2.8	2.0	1.9
Alberta	6.4	6.7	2.5	2.8
British Columbia	7.2	5.0	3.2	2.7
Canada	**5.9**	**4.2**	**3.0**	**1.2**

Source : Conference Board of Canada.

The reduction in federal transfers is exacerbating the provinces' problems

The massive cuts that the federal government has made in its cash transfers to the provinces since the early 1980s is another factor that has exacerbated the problem of public finances in the provinces. Federal cash tranfers account for only 16.6% of the provinces' budgetary revenues in 1996-1997, compared with 24.7% in 1983-1984. In the case of Québec, such transfers have fallen even more markedly, from 28.9% to 17.6% of budgetary revenues during the same period.

FEDERAL CASH TRANSFERS
(as a percentage of budgetary revenues)



F: Forecast.
Sources : Budgets, financial reports and public accounts of various governments.

B. Québec has lagged behind in putting its finances in order

The Québec government's budgetary problems are not attributable solely to slow economic growth and cuts in federal government transfers. They have also arisen because Québec has lagged behind in putting its public finances in order.

Some provinces made substantial reductions in their deficits starting in 1992-1993, and most provinces embarked upon such a course the following year.

Québec continued to record substantial deficits in 1993-1994 and 1994-1995, which reached 3.0% and 3.4%, respectively, of GDP, compared with 2.2% and 0.7% in the other provinces. Furthermore, the Québec government lowered taxes in 1994-1995.

QUÉBEC DEFICIT

	1992-93	1993-94	1994-95	1995-96
Québec deficit				
. in millions of dollars	4 932	4 894	5 710	3 966
. as a percentage of GDP	3.1	3.0	3.4	2.3
Québec deficit if it represented the same proportion of GDP as the average in the other provinces				
. in millions of dollars	4 932	3 532	1 168	346
. as a percentage of GDP	3.1	2.2	0.7	0.2
Difference (millions of dollars)	—	1 362	4 542	3 620

It is only in 1995-1996 that Québec began to reduce its deficit-to-GDP ratio, two years after the other provinces had done so.

Had Québec's deficit-to-GDP ratio been equivalent to the average for the other provinces, its debt would be nearly $10 billion lower than it is now. As a result of its additional debt, the government must assume higher debt service costs, which in turn means that it must initiate further budgetary measures to attain its financial objectives.

Growth in program spending has been much higher in Québec than in the rest of Canada

One key factor that explains why Québec lags behind is that the province has continued, in the wake of the last recession, to spend at a higher rate than the other provinces[1].

Saskatchewan led the way in 1991-1992 by reducing program spending by 3.4% that year and 3.7% the following year. In 1993-1994, most of the provinces had followed suit. Seven of the provinces recorded a drop in program spending.

In the fall of 1993, Alberta Premier Ralph Klein announced a reform that led to an average annual reduction in program spending of 7.9% between 1993-1994 and 1995-1996.

Had growth in Québec government program spending changed at the same pace as in the other provinces from the beginning of the 1990s, such spending would have been $2.7 billion lower in 1995-1996 than the level recorded that year.

[1] Appendix 1 shows growth in program spending by province since 1990-1991.

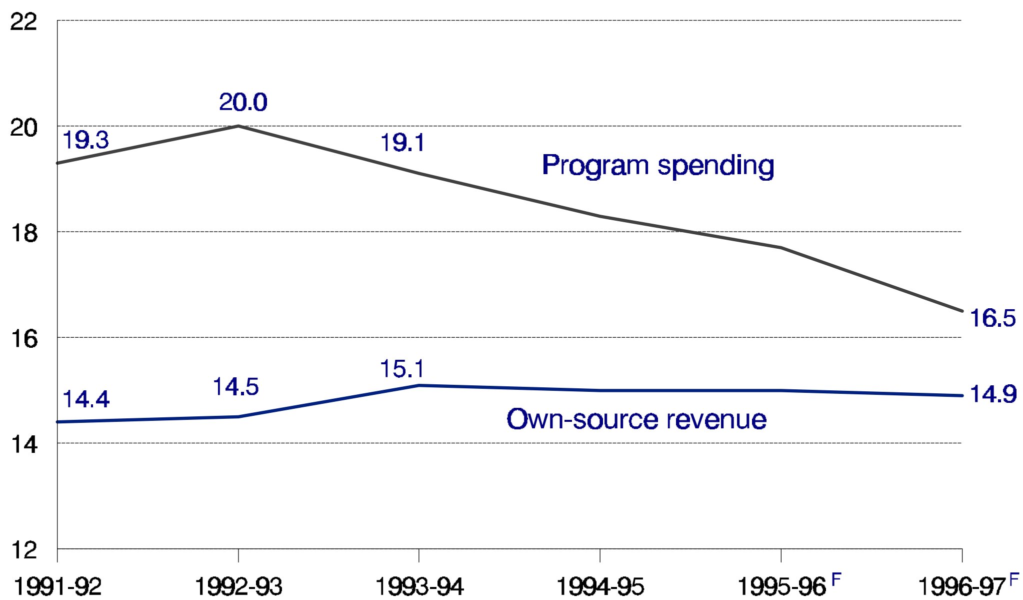
PROGRAM SPENDING

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Québec program spending						
. in millions of dollars	31 602	33 975	35 591	35 634	36 273	36 174
. percentage change	8.1	7.5	4.8	0.1	1.8	– 0.3
Québec program spending had it grown at the average rate noted in the other provinces						
. in millions of dollars	31 825	33 416	34 118	33 333	33 433	33 500
. percentage change	8.9	5.0	2.1	– 2.3	0.3	0.2
Difference (millions of dollars)	– 223	559	1 473	2 301	2 840	2 674

C. Measures adopted by the provincial governments to put their finances in order

An examination of changes in the main budgetary aggregates since 1992-1993 reveals that the provinces have, in attempting to put their finances in order, focused above all on reducing program spending rather than increasing the tax burden. The ratio of program spending to GDP has been reduced, while the ratio of own-source revenue to GDP has remained more or less stable.

REVENUE AND PROGRAM SPENDING, ALL PROVINCES
(as a percentage of GDP)



F: Forecast
Sources : Budgets, financial reports and public accounts of various governements.

The main measures that the provincial governments have adopted to put their finances in order are indicated below.[2]

Payroll

All of the provinces have adopted measures pertaining to public sector payroll. Most of them have frozen the salaries of one category or of all of their employees. Certain provinces have limited salaries growth. Other provinces have even reduced them. The reductions have sometimes been geared to the level of salaries paid. For example, the rate of reduction in Prince Edward Island was 7.5%, except for those employees earning $28 000 or less, who were subject to a 3.75% reduction.

In order to reduce their payrolls, the provinces have also put a freeze on hiring and reduced staffing levels. For example, in Alberta and Ontario, several thousand positions have been eliminated. Moreover, certain provinces have implemented voluntary departure or early retirement incentives.

2 Appendix 2 contains summary tables showing the key measures that the provinces have adopted since 1992-1993 to put their finances in order. The measures have been grouped by major expenditure categories. The appendix also presents measures designed to increase own-source revenue by type of revenue.

Unpaid leave has also been imposed to employees, executives and senior public servants, e.g. up to 10 days a year in Ontario.

Health

Several provinces have undertaken a major reorganization of their health care systems. In particular, the length of hospital stays has been shortened and greater emphasis has been placed on recourse to community health services. In some instances, streamlining measures have made it possible to eliminate numerous hospital beds. For example, health care spending in Alberta has been reduced by 11.3% over four years and nearly 2 000 hospital beds have been eliminated.

Other measures have limited and even reduced the cost of services provided by physicians. For example, in Manitoba, the government has reached a five-year agreement with the province's physicians that will make it possible to reduce the cost of services and limit increases in physicians' fees.

Some measures have been implemented to restrict access to or reduce the cost of drug insurance programs. Moreover, the contributions of program beneficiaries have been increased. For example, in Manitoba, the contribution was increased by 10% a year for two consecutive years.

Several provinces have opted for partial elimination of insurance for dental or eye care, depending on the age of the patients.

Education

Since 1992-1993, several provinces have trimmed spending on education. Operating grants to educational institutions have been frozen or reduced. For example, between 1992-1993 and 1996-1997, Alberta cut its grants to school boards by 6.2% and its grants to post-secondary educational institutions by 15.3%. In Newfoundland and Manitoba, bursaries have been eliminated and financial assistance is now available solely in the form of loans.

Several provinces have reorganized their education system in order to bolster efficiency. For example, a number of provinces have reduced or restructured school boards. New Brunswick has reduced the number of school boards to two, i.e. one for the French-speaking community and one for the English-speaking community.

Income security and social services

Most of the provinces have restricted access to social aid benefits. For example, British Columbia has introduced a provision stipulating that applicants must have resided three months in the province before becoming eligible for benefits. Ontario has excluded beneficiaries attending college or university. Other measures have been adopted to control costs, including more stringent verification of eligibility, the prevention of fraud, and the obligation for beneficiaries to participate in training and job-hunting programs.

Several provinces have reduced or frozen social assistance benefits. Since October 1, 1995, such benefits have been reduced on average by 21.6% in Ontario. Other provinces have curtailed assistance for home care or day care grants.

Measures to increase own-source revenue

Since the last recession, the provincial governments have also resorted to tax increases, although to a lesser extent than to cuts in program spending, to put their finances in order.

In 1992 and 1993, all of the provinces adopted measures aimed at increasing budgetary revenue. All the provinces, with the exception of Prince Edward Island and Alberta, increased personal income tax, either by increasing the rate applicable to the basic federal tax, by increasing or adding a surtax, or by reducing certain tax credits. A number of pro-vinces have increased corporate income tax or payroll taxes. Nova Scotia and Saskatchewan have increased the rate of the sales tax, from 10% to 11% in the case of the former, and from 7% to 9% in the case of the latter. Several provinces have also raised their tobacco and fuel taxes during this period.

Since 1994, few provinces have increased taxes. To the contrary, some of them have announced a reduction in the tax burden, notably with a view to stimulating the economy. For example, Ontario reduced the personal income tax rate from 58% to 54% of basic federal tax in July 1996, and will lower it to 49% on January 1, 1997, and to 40.5% by 1999.

D. Financial objectives of the provinces

Several provinces have begun to reap the benefits of the measures they have adopted since the last recession. Six of them achieved budget surpluses in 1995-1996. Only three provinces anticipate a deficit in 1996-1997. The improvement in the public finances of some of the provinces is such that their governments are in a position to start repaying their debt or reduce taxes. For example, Alberta, British Columbia and Manitoba have adopted debt retirement plans and New Brunswick is contemplating doing the same. The Ontario government has announced a reduction in personal income tax rates.

FINANCIAL OBJECTIVES OF THE PROVINCES
(in millions de dollars)

	1995-96	1996-97	1997-98	1998-99	99-2000	2000-01
Newfoundland	4	-45	N/A	N/A	N/A	N/A
Prince Edward Island	3	3	N/A	N/A	N/A	N/A
Nova Scotia	-181	1	8	9	13	N/A
New Brunswick	51	93	19	15	65	N/A
Québec	-3 966	-3 275	-2 200	-1 200	0	0
Ontario	-8 726	-8 178	-6 600	-4 800	-2 600	0
Manitoba	157	22	18	138	323	N/A
Saskatchewan	1	358	22	71	140	N/A
Alberta	1 132	324	296	526	N/A	N/A
British Columbia	– 235	87	295	488	944	N/A

Note: A negative (positive) sign indicates a budget deficit (surplus).

According to the financial plans adopted by each of the provinces, only Québec and Ontario will record significant deficits in 1996-1997. The two provinces do not anticipate achieving a balanced budget until three and four years from now, respectively.

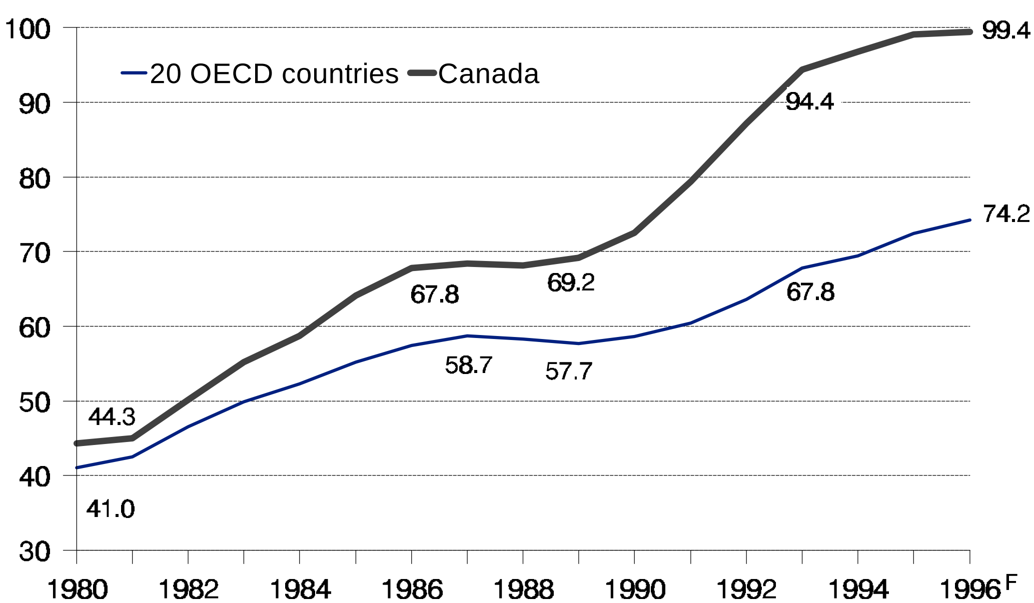
II. PUBLIC FINANCES OF THE OECD COUNTRIES

Governments in Canada are not alone in experiencing a deterioration in their financial position over the past 20 years. The same situation has been noted in most of the OECD member countries. This section examines the public finances of OECD countries and the measures adopted by some of them to put their finances in order.

A) An increase in debt

Since the 1980s, the debt of the OECD countries has increased. According to data compiled by the organization in respect of 20 member countries, the gross debt of public administrations stands at 74.2% of GDP in 1996, as against 41.0% in 1980.

GROSS PUBLIC DEBT IN CANADA AND 20 OECD COUNTRIES
(as a percentage of GDP)

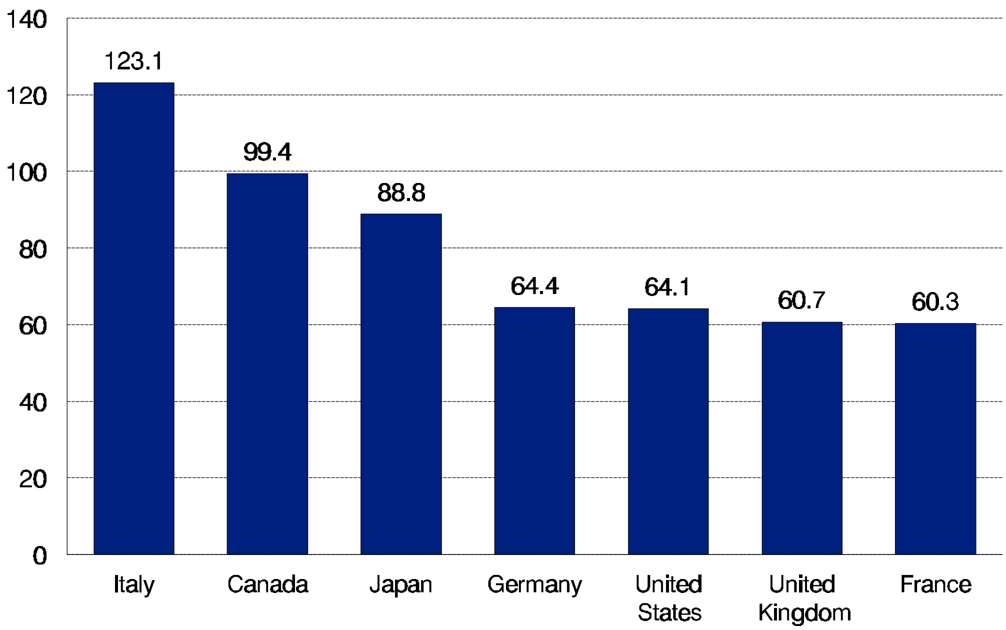


Source: *Perspectives économiques de l'OCDE*, June 1996.
NOTE : The 20 countries considered are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, the United Kingdom and the United States.

The same trend has been noted in Canada, but with much poorer results. The deficits of public administrations in Canada have, generally, been much more pronounced than those of the OECD countries, between 1982 and 1996. The ratio of gross public debt to GDP rose from 44.3% in 1980 to 99.4% in 1996.

Canada now ranks second, among the seven leading industrialized nations (G-7), from the standpoint of its debt-to-GDP ratio.

GROSS PUBLIC DEBT IN THE G-7 NATIONS
(as a percentage of GDP)



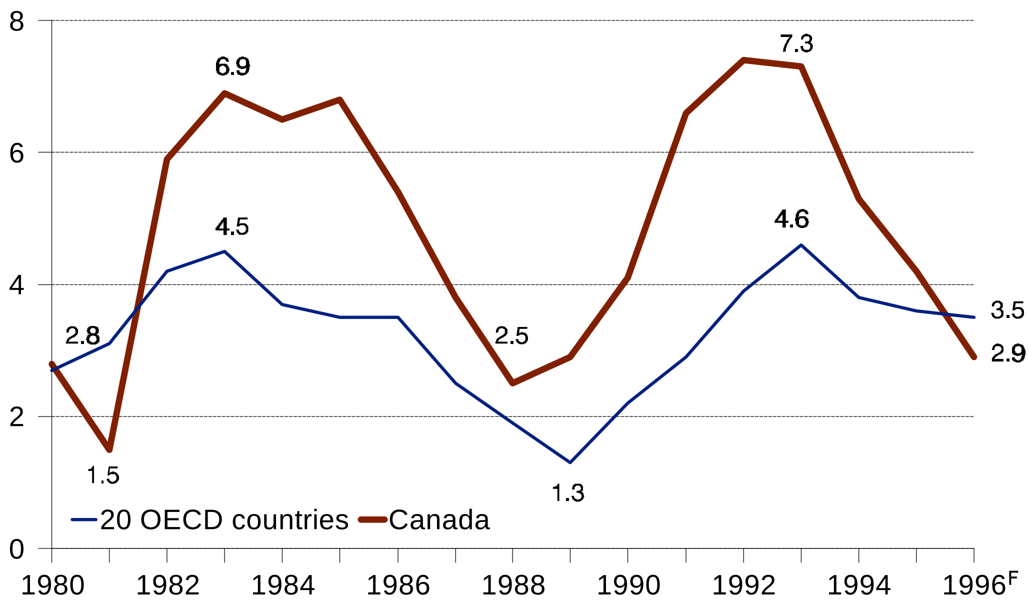
Source: Perspectives économiques de l'OCDE, June 1996.

Successive recessions have exacerbated the deterioration of public finances

The public finances of the OECD countries have deteriorated significantly as a result of the two recessions in the early 1980s and 1990s. Each recession was accompanied by a striking increase in public spending, notably with respect to income security and unemployment insurance. At the same time, government revenues rose less rapidly, thus leading to higher budget deficits and, consequently, higher government debt.

In 1983, the budget deficits of public administrations in the 20 countries considered by the OECD amounted to 4.5% of GDP, compared with 6.9% for the deficits of public administrations in Canada. During the latest recession, the deficit-to-GDP ratios of the OECD countries once again reached high levels.

DEFICITS OF PUBLIC ADMINISTRATIONS
(as a percentage of GDP)



Source: Perspectives économiques de l'OCDE, June 1996.

Countries such as Japan, the United Kingdom, New Zealand, Australia and Sweden achieved budget surpluses between 1984 and 1989, which enabled them to reduce their debt. However, most of the other countries did not perform as well and were thus in a more vulnerable position on the eve of the last recession.

Slower economic growth since the early 1960s

The public finances of the OECD countries have been affected by the gradual slowdown in economic growth since the early 1960s. From 5.2% a year, on average, during the 1960s, the pace of economic growth fell to 3.4% during the 1970s and to 2.7% during the 1980s. It has averaged 2.0% since the beginning of the 1990s. The OECD countries are having to adapt to this situation, which is gradually curtailing growth in tax revenues.

REAL GDP OF THE LEADING INDUSTRIALIZED NATIONS
(Average annual growth rate as a percentage)

	1960s	1970s	1980s	1990 - 1995
United States	4.3	2.7	2.5	2.3
Japan	10.4	5.2	4.0	1.8
Germany	4.4	3.1	1.8	2.8
France	5.5	3.7	2.2	1.5
Italy	5.8	3.9	2.4	1.4
United Kingdom	2.9	2.4	2.4	1.1
Canada	***5.9***	***4.2***	***3.0***	***1.2***
Total: G7*	**5.6**	**3.4**	**2.7**	**2.0**
OECD*	**5.2**	**3.4**	**2.7**	**2.0**

* According to 1990 prices and exchange rates.
Sources: OECD, Conference board of Canada and ministère des Finances du Québec.

B) Budget consolidation is now a priority

Putting the finances of public administrations in order is now a priority in most OECD countries. As a result of initiatives undertaken since 1993, the overall deficit of public administrations has been reduced in 1996 to 3.5% of GDP in the 20 countries considered, and to 2.9% in the case of Canada.

Efforts have focused mainly on a reduction in expenditure

An analysis of changes in expenditure and revenue in relation to GDP suggests that more emphasis has been placed on reducing expenditure than on increasing revenue. Between 1993 and 1997, the total expenditure of public administrations as a percentage of GDP is expected to decline by 1.1 percentage point, while revenue is expected to increase by only 0.5 percentage point.

Financial data for public administrations in 20 OECD countries
(as a percentage of GDP)

	1990	1991	1992	1993	1994	1995	1996[F]	1997[F]
Revenue	36.6	36.9	36.9	37.0	37.0	37.2	37.3	37.5
Expenditure	38.8	39.7	40.8	41.6	40.8	40.8	40.8	40.5
Balance	-2.2	-2.9	-3.9	-4.6	-3.8	-3.6	-3.5	-3.0
Gross public debt	58.6	60.4	63.6	67.8	69.4	72.4	74.2	75.4

F: Forecast
Source: *Perspectives économiques de l'OCDE,* June 1996.

C) Measures adopted by certain countries to put their finances in order

It is useful to analyse the methods adopted by certain OECD member countries that have significantly improved their finances or are attempting to do so. The countries in question, by descending order of budget improvement, are Sweden, Greece, New Zealand, the United Kingdom, Belgium, Denmark, Australia, France and Germany.

Overall, budget consolidation in the nine countries considered centres mainly on reductions in spending.

In virtually all of the nine countries, budgetary restrictions have focused first and foremost on the machinery of government. Most of the governments have reduced the size of the public administration and several have frozen or even reduced employee remuneration. Some countries have also undertaken reforms in key areas such as education, health, unemployment insurance and pension plans. Measures have also been adopted to enable the unemployed to re-enter the labour market. Numerous government enterprises have been privatized.

In order to increase revenues, a number of governments have broadened certain tax bases. In some instances, contribution rates to social security funds have been increased along with the rate of the value added tax. Certain public administrations have adopted as their objective the elimination of tax avoidance and black market labour.

The following section briefly examines the budget consolidation measures adopted by each of the nine countries.

Sweden

Sweden is striving to reduce the overall deficit of public administrations from 12.3% of GDP in 1993 to 3.1% in 1997.

It will achieve this objective mainly by means of reduced spending. Various benefits paid to individuals have been reduced. For example, a waiting period has been introduced before claimants obtain unemployment insurance and benefits have been trimmed from 90% to 79% of the beneficiary's salary, workers' compensation benefits have been tightened up, the child care allowance has been withdrawn, and family allowances and old age security pensions have been cut. Moreover, grants to industry and for housing have been reduced, along with military spending. Two days a year of annual leave have been abolished in the public service and the occupational training program for young people has been eliminated. These measures should enable the government to reduce spending as a proportion of GDP from 71.0% in 1993 to 63.9% in 1997.

Measures adopted with respect to revenue include increases in health insurance premiums and energy and tobacco taxes, and the obligation for all workers to participate in the unemployment insurance plan.

Greece

In 1994, Greece introduced a plan aimed at reducing the overall deficit of public administrations in the country from 14.2% of GDP in 1993 to 6.8% in 1997. This consolidation should be achieved as much by lower spending as by higher revenue. The government's strategy centres notably on a broadening of the tax base and the more efficient collection of taxes. Since 1993, personal income tax tables have not been indexed to inflation. The maximum marginal tax rate has been increased from 40% to 45% and measures have been adopted to eliminate tax evasion in this country where the underground economy represents between 20% and 30% of GDP, according to government estimates. The government is also attempting to control growth in public spending, in particular by replacing only 30% of employees who retire. A number of government enterprises have been privatized, including those that distribute electricity.

New Zealand

During the 1980s, the New Zealand government achieved striking budget consolidation and restructured the machinery of government. In 1992, it launched a new budget consolidation plan that enabled it to completely eliminate the budget deficit and even achieve a surplus equivalent to 3.1% of GDP in 1995. This turnaround was accomplished essentially by means of lower spending. It should be noted that reforms were initiated in the health and education sectors and the universality of certain health and social services programs was eliminated. One-third of the best paid wage earners must now pay the entire cost of medical consultations and university tuition fees. Moreover, the government continued the privatizations instituted in the 1980s and pursued the restructuring of the machinery of government.

United Kingdom

The reform process was initiated during the 1980s in the United Kingdom. The government privatized over 50 major enterprises, thus transferring nearly 1 million jobs to the private sector. More recently, the government has established numerous government agencies to provide services formerly offered by various government departments. In 1994, the UK entered a new phase of budget consolidation aimed at reducing the overall deficit of public administrations from 7.8% of GDP in 1993 to 3.7% in 1997.

Spending reductions have mainly affected defence, housing assistance and transportation. The administrative expenses of the public service were reduced by 10%. A reform of unemployment insurance was undertaken and measures were adopted to counter social security fraud. Measures aimed at increasing revenue include a 1% increase in contributions to the national insurance plan and an increase in the fuel tax. A 3% tax has been imposed on insurance premiums and on rights of aerial way.

Belgium

Belgium is seeking to reduce the total deficit of public administrations from 7.1% of GDP in 1994 to 3.2% in 1997. This improvement in the country's public finances should result as much from an increase in government revenue as a reduction in spending. Measures aimed at increasing revenue include a new tax on energy, higher taxes on tobacco and gasoline, and an increase in VAT from 19.5% to 20%. Moreover, the government intends to step up its fight against tax fraud. Austerity measures include a freeze on salaries in the public service in 1995, more stringent control over health spending, and a determination to balance the social security fund. A reform of the public pension plan was announced this year with a view to taking into account the impact of the ageing population on the plan's long-term viability.

Denmark

Under the financial plan adopted by the Danish government, the deficit will drop from 3.9% of GDP in 1993 to 0.8% in 1997. The improvement will be achieved primarily by means of measures aimed at cutting spending. Specifically, the government has undertaken a reform of unemployment insurance (reduction of the salary replacement rate from 80% to 60%, reduction by half of the duration of benefits paid to parents who take sabbatical leave to educate their children, the abolition of unemployment insurance benefits for workers over the age of 50 who take early retirement), a reduction in investment expenses and restrictions on local government spending. As a result of these measures, Denmark should reduce its spending-to-GDP ratio from 63.7% in 1993 to 61.9% in 1997.

Denmark's budget strategy also relies on a gradual increase in government revenue. The key measures aimed at bolstering revenue include broadening the personal and corporate income tax base, higher gasoline taxes, higher deductions at source and taxes levied by local governments.

Australia

The Australian government is seeking to gradually reduce the budget deficit of public administrations from 4.0% of GDP in 1994 to 1.6% in 1997. This budget consolidation will be achieved notably through a series of measures aimed at increasing revenue, e.g. an increase in the corporate tax rate from 33% to 36%, an increase in health insurance deductions from 1.4% to 1.5%, a 10% increase in excise taxes on gasoline and tobacco, and an increase in contributions to the public pension plan. Moreover, the Australian government is seeking to limit growth in spending to the pace of growth in GDP. Some government corporations will be privatized, including electricity distribution enterprises.

France

France is also seeking to put its public finances in order. The French government is attempting to reduce the budget deficit of public administrations from 5.8% of GDP in 1994 to 3.0% in 1997. To this end, a sweeping reform of the health and social security system was announced in the fall of 1995. The government is trying to pay off the accumulated debt of the social security system, then limit the annual deficit to 2.5% of total expenditure. In order to receive a pension at the full rate, beneficiaries will have to contribute to the plan for 40 years instead of 37.5 years, family allowances will become taxable in 1997, a measure will be implemented to automatically adjust the methods of remunerating physicians to limit growth in spending to the inflation rate, and an incentive program will be introduced to encourage physicians between the ages of 56 and 65 to retire.

In 1997, the government plans to abolish the positions of civilian employees who retire, curtail growth in the payroll and reduce the government's operating expenditures by 5%. According to the OECD, the entire range of measures adopted since 1995 should reduce the ratio of public spending to GDP from 54.2% in 1994 to 53.7% in 1997. Measures aimed at increasing revenue include an increase in the VAT rate from 18.6% to 20.6%, an increase in corporate income tax from 33.3% to 36.6%, the elimination of the tax reduction for tuition fees, and the abolition of the tax reduction for interest on loans contracted for the purpose of purchasing a family home.

Germany

The budget deficit of public administrations in Germany stood at 3.5% of GDP in 1995 and will probably reach 4.0% this year. This situation is attributable to sluggish growth in revenues, which in turn has resulted from a slowdown in economic growth, higher unemployment, and the large deficits recorded by the retirement insurance and health insurance funds.

The government's determination to reduce the deficit of the social security plan has already led it to increase the rate for retirement contributions from 18.6% to 19.2% and to raise the health insurance premium rate by roughly 0.5% of gross wages. Furthermore, legislation has been adopted to limit increases in hospital budgets to those in net public sector wages and to shorten the period of eligibility for unemployment insurance benefits.

Given the slow economic recovery forecast for 1997 and with a view to reducing the deficit of public administrations to 3.0% of GDP, the German government recently announced a series of measures aimed above all at reducing public spending. The federal government will cut spending by 2.5% in 1996. Agreement has been reached on a smaller increase in public sector wages. Various measures will be adopted to reduce the cost of the pension plan, including raising the retirement age. Sickness benefits will be cut and other measures will make it possible to better control health spending. Additional revenue will be generated as a result of an increase in the contribution rate of the public pension plan.

CONCLUSION

Measures to put public finances in order are now a priority for all governments in Canada and in most industrialized nations.

Several provinces in Canada undertook budget consolidation measures before Québec did. They are now benefiting from this consolidation: six provinces eliminated their budget deficits in 1995-1996. In 1996-1997, seven provinces are on the road to recording a surplus.

An examination of the budget consolidation plans adopted by the provinces reveals that the provincial governments have focused by and large on cutbacks in program spending. The measures adopted affect the remuneration of public sector employees and key expenditure areas such as health and social services, education and income security.

Moreover, most of the OECD countries have adopted a similar budgetary strategy, centred primarily on cutbacks in spending.

At present, the financial position of certain Canadian provinces has improved sufficiently to enable them to start repaying their debt or reduce taxes. Under the circumstances, it is necessary for the Québec government to pursue the rigorous financial plan that it has adopted this year with a view to balancing its budget by 1999-2000.

APPENDICES

APPENDIX 1:

— Growth in program spending of the provinces

APPENDIX 2:

— Summary of measures adopted by the provinces to improve their public finances

APPENDIX 1

GROWTH IN PROGRAM SPENDING OF THE PROVINCES
(as a percentage)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Québec	**8.1**	**7.5**	**4.8**	**0.1**	**1.8**	**-0.3**
Newfoundland	6.8	2.2	2.6	-3.4	4.1	-1.8
Prince Edward Island	6.4	4.7	2.9	1.0	0.8	-5.4
Nova Scotia	5.9	3.7	3.2	-2.8	-1.4	2.2
New Brunswick	7.6	4.6	1.6	-1.1	1.0	1.5
Ontario	12.9	12.7	3.1	-5.2	1.2	1.0
Manitoba	6.4	5.4	2.6	-3.1	1.1	3.1
Saskatchewan	13.2	-3.4	-3.7	-3.5	3.4	3.6
Alberta	7.0	1.4	3.0	-7.8	-12.8	-3.0
British Columbia	13.7	14.0	3.7	5.1	5.7	0.8
Simple average, excluding Québec	8.9	5.0	2.1	-2.3	0.3	0.2

APPENDIX 2

Summary of measures adopted by the provinces to improve their public finances

TABLE A.1
SUMMARY OF PROVINCIAL SPENDING REDUCTION MEASURES

MEASURES	NEWFOUNDLAND	PRINCE EDWARD ISLAND
PAYROLL		
Freeze on wages or limited wage increase	• Since 1991, freeze on wages of all employees, executives, senior public servants and members of the Legislative Assembly. • In 1992, freeze on overall remuneration of physicians.	• In 1993, freeze on wages of employees, executives and senior public servants.
Wage reductions	• From 1993 to 1995, government contribution to pension plans reduced by 6.6%. • In 1996, allowances and benefits of members of the Legislative Assembly reduced by 11%.	• On May 17, 1994, the wages of employees, executives, senior public servants and members of the Legislative Assembly were reduced by 7.5% (in the case of employees with income of $28 000 or less, the reduction was 3.75%). • In 1995, benefits relating to teachers' pension plans were reduced.
Unpaid leave	• In 1995, a day and a half of unpaid leave for employees, executives and senior public servants.	
Freeze or reduction in staff level	• In 1992, a hiring freeze. For subsequent years, hiring freeze, other than for exceptions. • In 1995, 475 positions cut. • In 1996, the number of members of the Legislative Assembly was reduced and 1 000 positions were cut.	• In 1993, a voluntary departure incentive program was introduced.

NOVA SCOTIA	NEW BRUNSWICK
• In 1992 and 1993, physicians' fees were frozen and the increase in 1994 was limited to 3%. • In 1994, one-year freeze on merit pay and scale increases of employees, executives and senior public servants.	• In 1992, limited pay increase for employees, executives and senior public servants. • From 1991 to 1995, salaries of members of the Legislative Assembly frozen. • In 1994, freeze on wages of employees. • In 1994 and 1995, salaries of executives and senior public servants frozen.
• In 1993, MLAs' retirement allowances were reduced. • On November 1, 1994, the wages of all employees, with the exception of those earning less than $25 000, executives, senior public servants, members of the Legislative Assembly and physicians, were reduced by 3%.	
• In 1993, five days of unpaid leave for all employees earning more than $22 000.	• Since 1994, three days of unpaid leave, except for employees in essential services.
• In 1993, hiring freeze in non-essential services. • In 1994, introduction of an early retirement incentive program for public servants and teachers.	• Since 1992, almost 3 000 full-time equivalent positions have been eliminated. • In 1996, introduction of an early retirement and voluntary departure incentive program.

TABLE A.1 (cont'd)
SUMMARY OF PROVINCIAL SPENDING REDUCTION MEASURES

MEASURES	ONTARIO	MANITOBA
PAYROLL		
Freeze on wages or limited wage increase	• In 1992, wage increase for employees limited to 1%. • From 1992 to 1995, freeze on salaries of executives, senior public servants and members of Legislative Assembly. • From 1993 to 1995, freeze on wages of employees and merit pay.	• Since 1993, freeze on salaries of employees, executives, senior public servants and MLAs frozen.
Wage reductions	• In 1992, application of pay equity measures postponed. • In 1995, the government limited the cost of pay equity measures to $500 million. • In 1996, 5% cut in allowances to members of the Legislative Assembly and elimination of their pension plan.	• In 1993, remuneration of members of the Legislative Assembly, members of commissions and councils, and provincial court judges reduced by 3.8%.
Unpaid leave	• From 1993 to 1995, unpaid leave of from 5 to 10 days per year for employees, executives and senior public servants.	• In 1993 and 1994, ten days of unpaid leave for employees, executives and senior public servants.
Freeze or reduction in staff level	• In 1992, reduction of 2 500 positions over two years. • In 1993, elimination of 5000 positions. In addition, 10% reduction in senior public service positions and 7% reduction in other management positions. • In 1996, announcement of the elimination of 10 600 positions over two years.	• From 1992 to 1995, elimination of 1 424 positions. • In 1996, elimination of 350 positions.

SASKATCHEWAN	ALBERTA	BRITISH COLUMBIA
• Since 1992, freeze on the remuneration of members of the Legislative Assembly and on pay scales of senior public servants and executives. • On October 1, 1993, 2% increase in wages of employees. • In 1994, 2% increase in salaries of professionals and managers. • Increase of 1% in employees benefits in April 1996, October 1996 and October 1997, respectively.	• Freeze on executive salaries between 1991 and 1994. • In 1995 and 1996, freeze on the salaries of employees, executives and senior public servants.	• Starting in 1992, freeze on the remuneration and allowances of members of the Legislative Assembly. • Starting in 1993, freeze on the remuneration and allowances of deputy ministers and senior public servants earning more than $100 000. • In 1996, freeze on the remuneration and fringe benefits of employees and physicians.
• In 1992, remuneration of ministers reduced by 5% and permanent 25% cut in allowances of members of the Legislative Assembly with additional duties.	• In 1992, elimination of the pension plan for MLAs. • Effective January 1, 1994, 5% cut in remuneration of MLAs and health sector workers. • Effective April 1, 1994, reduction of 5% in salaries of other public servants, executives and senior public servants (negotiated agreement).	• In 1993, 5% reduction in the remuneration of the premier and other ministers. • In 1996, elimination of the pension plan for members of the Legislative Assembly.
• In 1992, 500 positions cut. • In 1996, 582 positions cut.	• Hiring freeze in 1992. • From 1992 to 1995, 6843 positions cut. • In 1996, another 3160 positions cut.	• In 1993, elimination of 5% of senior public service positions. • In 1995, elimination of 450 management positions. • In 1996, 2 200 positions cut.

TABLE A.2
SUMMARY OF PROVINCIAL SPENDING REDUCTION MEASURES

MEASURES	NEWFOUNDLAND	PRINCE EDWARD ISLAND
HEALTH		
Reorganization	• In 1994-1995, the number of hospital boards of directors was reduced from 25 to 8; 50 short-term care beds eliminated by reducing the length of hospitalization and increasing day-surgeries.	• In 1993-1994, spending reduced by creating the Community and Health Services Agency, which combines the activities of the Department of Health and Social Services, the Hospital and Health Social Services Commission and Addiction Services.
Elimination of insurance for dental or eye care	• In 1992-1993 and 1994-1995, partial elimination of dental insurance for children. The program now covers only essential care. • In 1994-1995, restrictions imposed on obtaining assistance for eye-glasses.	
Drug program restrictions	• In 1995-1996, restrictions applied to the drug program. For example, reimbursement is no longer provided for some drugs. • In 1996-1997, drug formulary revised so that some drugs are insurable only in certain circumstances.	
Reduction in the basket of medical or hospital services		

NOVA SCOTIA	NEW BRUNSWICK
• In 1993-1994, reform of the health system and redeployment of resources for home nursing care.	• In 1996-1997, reform of the health system over a three-year period. For instance: - limit on funds allocated for services provided by physicians; - elimination of 220 full-time equivalent positions.
• In 1992-1993, routine eye examinations for persons between 20 and 64 no longer covered by insurance.	
• In 1992, contribution by senior citizens corresponding to 20% of the cost of drugs. • Since 1993, increase in the annual contribution ($150 to $400) from senior citizens who do not qualify for the guaranteed income supplement. • In 1994-1995, introduction of an annual premium ($215) and a deductible ($200).	• In 1992-1993 and 1993-1994, reduced reimbursement of the price of insured drugs and control over the quantity of prescription drugs distributed. • In 1996-1997, increase in the deductible paid by senior citizens and social assistance recipients for prescription drugs.

TABLE A.2 (cont'd)
SUMMARY OF PROVINCIAL SPENDING REDUCTION MEASURES

MEASURES	ONTARIO	MANITOBA
HEALTH		
Reorganization	• In 1993-1994, tighter controls on health insurance cards. • In 1994-1995, merger of certain administrative services of hospitals within the same region. • In 1996-1997, budgets maintained but rearranged to meet new needs (new technologies, aging of the population, etc.).	• Since 1992-1993, major reform of the health system: decentralization and greater use of community health services; almost 1 000 hospital beds either closed or assigned to different uses. • In 1994-1995, five-year agreement with physicians to reduce the cost of services and limit the increase in fees unless targeted savings are achieved.
Elimination of insurance for dental or eye care		• From 1992-1993 to 1995-1996, reduction in dental and eye care. • In 1996-1997, elimination of insurance for eye care for persons from 19 to 64.
Drug program restrictions	• In 1993-1994, tighter management of the free drugs plan (notably, review of pharmacists' fees, contribution by consumers to payment for drugs). • In 1996-1997, other changes to the drugs program.	• In 1992-1993, restrictions applied to the drugs program and 10% increase in the contribution from consumers with a further 10% increase in 1993-1994. • In 1996-1997, introduction of a drug program eligibility criterion based on family income.
Reduction in the basket of medical or hospital services	• In 1993-1994, reduction in the reimbursement of the cost of non-emergency medical services received outside the country; cancellation of coverage for temporary residents; freeze on expenditures for commercial laboratories.	• Since 1992-1993, elimination of home maintenance services; increase in charges for personal care at home.

SASKATCHEWAN	ALBERTA	BRITISH COLUMBIA
• Reorganization of the health system : 400 boards consolidated into 30 regional boards.	• Since 1992-1993, reorganization of the health system on a regional basis and 11.3% reduction in expenses; among others, reduction in the number of short-term care beds and reduction in the length of hospital stay; elimination of 2 000 hospital beds and closure of certain establishments; reduction in rates of reimbursement of expenses paid for care received outside Canada.	• In 1995-1996, reorganization of the health system on a regional basis.
• In 1992-1993, elimination of free eye examinations for those 19-64 (except low-income families) and reduced access to dental care program.	• Since 1992-1993, elimination of insurance for eye care for adults from 19 to 64 and change in the coverage of dental and eye care for senior citizens.	
• In 1993-1994, reduced access to the prescription drug program and increase in the contribution from recipients, except low-income families and during emergencies.	• Drugs reimbursed on the basis of lowest cost.	• In 1995-1996, prices set on the basis of a standard price; certain drugs no longer reimbursed.

TABLE A.3
SUMMARY OF PROVINCIAL SPENDING REDUCTION MEASURES

MEASURES	NEWFOUNDLAND	PRINCE EDWARD ISLAND
EDUCATION **Reorganization, reduction or elimination of funding, decrease in financial assistance, etc.**	• Since September 1994, student financial assistance available only as a loan. • In 1995-1996, funding for Memorial University reduced by 2.2%. • In 1996-1997: - funding for Memorial University reduced by $8 million with a further reduction of $3 million over the next two years; - number of school boards reduced from 27 to 10; - college level restructured: number of boards reduced from 5 to 1 and administration centralized.	• In 1993-1994, duplication reduced and management efficiency improved in the education system.
INCOME SECURITY AND SOCIAL SERVICES **Reorganization, benefits freeze or reduction, restrictions on access, etc.**	• In 1993-1994, social assistance benefits and assistance for home services frozen; decrease in transportation assistance; pilot project to reduce fraud and extension of this project until 1996-1997. • In 1996-1997, reduction in certain benefits (for instance, restrictions applied to the financial assistance program for furniture purchases).	

NOVA SCOTIA	NEW BRUNSWICK
• In 1995-1996, number of school boards reduced from 22 to 7.	• In 1992-1993, number of school boards reduced from 42 to 18. • In 1996, number of school boards reduced from 18 to 2 (one for francophones and one for anglophones).
• In 1993-1994, reduced access to benefits. • In 1995-1996, reform of social assistance introduced. The local level of administration will be eliminated, leaving only the provincial. There are two pilot projects, in Cape Breton County and Halifax Regional Municipalities.	• Since 1992-1993, major reform of social assistance: changes focus on encouraging recipients to be self-sufficient through training, upgrading and training in the workplace. • Between 1995-1996 and 1997-1998, reduction of 75 full-time equivalent positions.

TABLE A.3 (cont'd)
SUMMARY OF PROVINCIAL SPENDING REDUCTION MEASURES

MEASURES	ONTARIO	MANITOBA
EDUCATION **Reorganization, reduction or elimination of funding, decrease in financial assistance, etc.**	• Starting in 1992-1993, student financial assistance available only as a loan. • In 1995-1996, 3% cutback in the education system and 7% in post-secondary education institutions. • In 1996-1997, reduction in transfer payments to school boards (-$400 M); colleges (-$120 M) and universities (-$280 M); kindergarten will be optional in rural areas; reduction in the number of school boards and implementation of a four-year program at the secondary level.	• In 1993-1994, 2% reduction in operating grants to universities and student financial assistance henceforth available only as a loan. • In 1994-1995, operating grants to colleges and universities reduced by 2.6 and 2.7% respectively. • In 1996-1997, school grants reduced by 2%; operating grants to universities reduced by 2%; amalgamation and reorganization of training programs.
INCOME SECURITY AND SOCIAL SERVICES **Reorganization, benefits freeze or reduction, restrictions on access, etc.**	• In 1993-1994, compulsory direct deposit of social assistance benefit cheques, fewer forms, stricter checks on eligibility and lower benefits for certain groups. • In 1994-1995, benefits frozen at the 1993-1994 level. • In 1996-1997, average reduction of 21.6% in social assistance benefits; exclusion of recipients attending college or university (17000 persons excluded); rent charged for certain low-rental housing units raised to market prices.	• Since 1992-1993, many changes have been made to the social assistance system, including lengthening the period for reducing benefits to new recipients by $30 per month from three to six months; reducing benefits relating to drug programs, dental and eye care; eligibility restrictions; reduced funding for day care expenses; strategy to increase the employability of social assistance recipients.

SASKATCHEWAN	ALBERTA	BRITISH COLUMBIA
• Between 1991-1992 and 1996-1997, funding to the education sector has been reduces: — by 4.9% at the primary and secondary levels; — by 5.9% at the university level; — by 0.9% for technical colleges.	• In 1992-1993, creation of regional school board divisions. • From 1992-1993 to 1996-1997, reduction of 6.2% in grants to school boards and private schools. • From 1992-1993 to 1996-1997, grants to post-secondary education institutions reduced by 15.3%. • In 1994-1995, number of school boards reduced from 181 to 66; financing centralized at the provincial level and funding for the transportation of pre-school age handicapped children reduced.	• In 1995-1996, restrictions on student financial assistance. • In 1996-1997, number of school boards reduced to cut spending by $120 million over the next four years.
	• In 1993, introduction of a major reform of social assistance. • From 1992-1993 to 1996-1997, budgets reduced by 19%. • In 1993-1994, benefits reduced.	• In 1994-1995, measures to combat fraud and encourage recipients to return to the labour market. • In 1995-1996, restriction on eligibility by introducing a three-month residency requirement before becoming eligible for the plan. In addition, recipients must participate in training and job search programs.

TABLE A.4
SUMMARY OF MEASURES TO INCREASE OWN-SOURCE REVENUE

MEASURES	NEWFOUNDLAND	PRINCE EDWARD ISLAND
PERSONAL INCOME TAX	• From July 1, 1992 to January 1, 1993, three consecutive increases in the rate applied to basic federal tax, from 62 to 69%. • In 1996, introduction of a surtax of 10% on income in excess of $60 000.	
CORPORATE INCOME TAX AND PAYROLL TAX	• In 1992, payroll tax rate increased from 1.5 to 2% and base broadened. • In 1996, the rate of the tax on capital of banks and financial institutions raised from 3 to 4%.	
SALES TAX		• In 1993, base broadened to include sports equipment and clothing, athletic shoes, domestic pets, etc.
TOBACCO TAX AND FUEL TAX	• Between 1992 and 1994, tax raised from 6.78 to 10.28 cents per cigarette and from 4.52 to 6.85 cents per gram on fine tobacco. • Between 1992 and 1994, increase of 2.8 cents per litre of gasoline and of 0.9 cents per litre of diesel.	• In 1993, gasoline tax raised by one percentage point, from 23 to 24%.
OTHER REVENUE		

NOVA SCOTIA	NEW BRUNSWICK
• In 1993, introduction of a surtax of 20% on tax payable between $7 000 and $10 499 and of 30% on the excess.	• On January 1, 1993, basic federal tax raised from 60 to 62% and from 62 to 64% on January 1, 1994.
• In 1996, introduction of a tax of 0.25% on the capital of banks and financial institutions with capital in excess of $5 million.	
• Effective October 1, 1993, sales tax rate increased from 10 to 11% and the base broadened to include commercial services, etc.	• In 1993, base broadened to include certain clothing and footwear.
• On October 1, 1993, tax raised from 11.1 to 13.5 cents per litre of gasoline and from 13.3 to 15.4 cents per litre of diesel.	

TABLE A.4 (cont'd)
SUMMARY OF MEASURES TO INCREASE OWN-SOURCE REVENUE

MEASURES	ONTARIO	MANITOBA
PERSONAL INCOME TAX	• From July 1992 to July 1993, basic federal tax raised from 53 to 58% and surtax increa-sed (to 14% of tax payable in excess of $5500 and to 20% of the excess over $8000).	• In 1993, reduction in the property tax credit from $325 to $250 and elimination of the school property tax refund for retired persons. • In 1996, elimination of property tax credit and of the tax credit to reflect the increase in the cost of living for social assistance recipients.
CORPORATE INCOME TAX AND PAYROLL TAX	• In 1993, introduction of a minimum tax for large companies.	• In 1994, elimination of the exemption from the tax on capital enjoyed by Manitoba Hydro and Manitoba Telephone System. • In 1996, elimination of the payroll tax exemption for training expenditures.
SALES TAX	• Since May 1, 1993, base broadened to include insurance premiums.	• In 1993, base broadened and imposition of a tax on the fair market value of passenger vehicles.
TOBACCO TAX AND FUEL TAX		• In 1993, increase from 10.5 cents to 11.5 cents per litre of gasoline and reduction of the preferential fuel tax rate from 3.5 cents to 2.5 cents per litre.
OTHER REVENUE		

SASKATCHEWAN	ALBERTA	BRITISH COLUMBIA
• In 1992, introduction of a 10% surtax on personal income tax to reduce the deficit (since 1995, it is applied to reduce the debt).		• In 1992, rate on basic federal tax raised from 51.5 to 52.5% and surtax raised to 20% of income tax between \$5 300 and \$8 999 and to 30% on the excess. • In 1993, surtax raised to 30% of income tax between \$5 300 and \$8 999 and to 50% on the excess.
• In 1992, general corporate tax rate raised from 16 to 17%. • Between 1992 and 1993, the rate of the surtax on the capital of large corporations operating in the resource sector raised from 2 to 3.6%.		• In 1992, corporate income tax rates on small and large businesses raised from 9% to 10% and from 15% to 16% respectively; tax on capital broadened to all corporations and increased from 2 to 3% on the capital of banks.
• In 1992, sales tax rate raised from 7 to 8% and from 8 to 9% in 1993. • In 1992, base broadened to include tobacco products, clothing and shoes.		• In 1992, base broadened to include all legal services, except legal aid, and non-voice telecommunications. • In 1993, sales tax rate raised from 6 to 7% and base broadened to certain services.
• In 1992, increase from 10 to 13 cents per litre of gasoline and another increase from 13 to 15 cents per litre effective March 19, 1993. • Tax on propane raised fom 7 to 9 cents per litre effective March 19, 1993. • In 1992, tobacco tax increased from 6.68 to 8.0 cents per cigarette and from 4.4 to 5.3 cents per gram of loose tobacco.		• In 1992, tax on aviation fuel raised from 2 to 5 cents per litre. • In 1993, tax on natural gas raised by 0.8 cents; tax on gasoline and diesel raised by 1 cent per litre; tax on cigarettes raised from \$21 to \$22 per carton and the tax on loose tobacco from 8.0 to 8.4 cents per gram.
• In 1993 and 1994, fee increases (drivers licenses and registration fees).	• From 1992 to 1995, increase in health insurance premiums for single persons and for families of from \$26 to \$34 and from \$52 to \$68 respectively.	• In 1993, average 3% increase in health insurance premiums.