Canada:
The State
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Municipal-Federal-Provincial Relations in Canada

Edited by

*Robert Young and
Christian Leuprecht*

CONTENTS

FOREWORD

This year's *Canada: The State of the Federation* explores aspects of multilevel governance in Canada. As the introduction explains, it seems time to broaden the scope of intergovernmental scholarship in Canada to provide space for cities and municipalities more generally. The demography of the country is tilting rapidly towards the urban areas, substantial provincial-municipal restructuring has taken place, new global forces seem to be pressing cities to the forefront, and the advocates of city power are pressing for more resources and autonomy, with considerable success. The purpose of this volume is to present new research about these trends and to deepen our understanding of the complexities of municipal-federal-provincial relations in Canada. For those

Finally, I wish to thank my co-editor, Christian Leuprecht. He was a postdoctoral associate at the Institute and was assigned by Harvey Lazar to chase progress. As it turned out, his efforts and advice and collaboration as a colleague were invaluable.

Robert Young
February 2006

PREFACE

I am pleased to introduce

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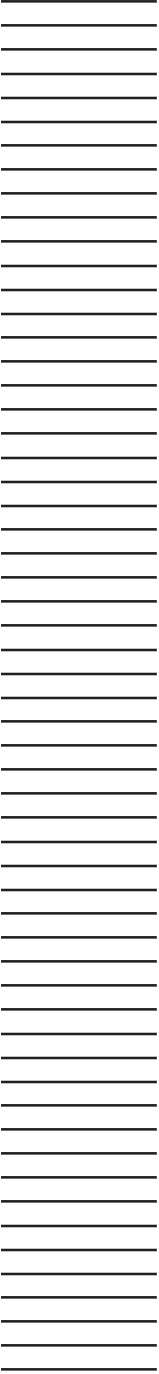
I

Introduction

Introduction: New Work, Background Themes, and Future Research about Municipal-Federal-Provincial Relations in Canada

Robert Young and Christian Leuprecht

Ce chapitre présente d'abord une introduction aux articles qui suivent, puisque ce ne sont pas tous les lecteurs qui connaissent bien les différents aspects des relations intergouvernementales lorsque celles-ci incluent les gouvernements municipaux. Puis, dans ce chapitre, on discute de plusieurs thèmes que l'on retrouve sous-jacent des analyses présentées. Ces thèmes incluent les raisons pour lesquelles on s'intéresse de plus en plus aux questions d'ordre municipal au Canada (tels que les changements démographiques, la mondialisation et l'apparition de nouvelles valeurs et de nouvelles technologies), l'impact des nouvelles méthodes d'administration publique, les façons dont la gouvernance à niveaux multiples en Europe a modifié nos idées préconçues, et le rôle de la défense des intérêts des municipalités par des organismes et des individus spécifiques. En dernier lieu, on explore quelques possibilités de recherches éventuelles sur la gouvernance à niveaux multiples, des recherches qui peuvent êtres effectuées dans le but de poursuivre le travail présenté dans ce volume.

INTRODUCTION

To those familiar with the work of the Institute of Intergovernmental Relations and with the *State of the Federation* series, the papers in this volume will represent something of a departure from the norm. "Intergovernmental relations" as normally construed implies federal-provincial relations. But here the emphasis is shifted to include cities, and municipalities more generally, as actors in the intergovernmental matrix. Not only do some of the chapters that

follow focus on relations between municipalities and provincial governments in their institutional, fiscal, and political dimensions, but others – the majority of the articles – are concerned with the complexities of municipal-federal-provincial relations. As the ordering in the last phrase implies, matters of special concern here are interactions between local governments and the central government. This is of increasing interest in Canada, though the last survey of the field was done more than ten years ago (Andrew 1994) and the last monograph on the topic dates from the 1970s (Feldman and Graham 1979).

The contributions collected here are ordered into four categories: the background to change in multilevel governance in Canada, municipal restructuring, municipal-federal-provincial policies, and the processes of complex intergovernmental relations. The first section of this introduction provides a brief resumé of each chapter. In the next section are explored more general issues about multilevel governance, ones that form the context for the Canadian case and are illuminated by the works presented here. Finally, there are suggestions for further research and reflection, suggestions that arise both from the wealth of information and ideas contained in this set of papers and from the continued evolution of the Canadian federation.

A caveat is in order first. For several decades, many (but not all) scholars interested in Canadian federalism have sought to affirm a certain constitutional egalitarianism by referring to the "orders" of the federation. This hearkens back to K.C. Wheare's definition of the federal principle as "a method of dividing powers so that the general and regional governments are each, within a sphere, co-ordinate and independent" (Wheare 1953, 22), and the usage may have originated somewhere not unadjacent to the Institute of Intergovernmental Relations – an honest broker in Canadian federalism if there ever was one. Hence, we refer to the provincial "order" of government, emphasizing not so subtly a co-sovereign status for provincial states that is equal to that of the federal order. But when municipal governments are concerned, this terminology breaks down. Under section 92.8 of the *Constitution Act 1867*, municipalities lie firmly within provincial jurisdiction as "creatures of the provinces"; that is, as "simply one of the powers given to the provinces to exercise as they see fit" (Tindal and Tindal 2004, 179). However much their leaders, advocates, and allies strive to win them more autonomy and status, in part through rhetorical spin, this fundamental fact has not changed; nor is it likely to. Moreover, the term is cumbersome when applied to three "orders." Finally, analysts and political actors throughout the world are content to refer

topic of the second section of this book. During the last decade, there were major realignments of boundaries and functions in almost every Canadian province (Garcea and LeSage 2005). Change on this scale had not been witnessed since the 1960s, when very complex systems of government involving counties and other intermediaries were reformed and there were experiments with metropolitan, two-tier, and special-purpose structures (O'Brien 1993; Young 1987). As in that decade, the contemporary restructuring has occasioned much more interest in local government by citizens and scholars alike.

while the first explores two policy fields, housing and immigrant settlement. Many other policy fields could have been included. Lacking here is work on hard policy areas, such as infrastructure and property development. Another notable gap concerns Aboriginals and the policies in place (or not) to assist them, especially in the major western cities, where they constitute a rapidly rising share of the population. But fortunately there is a growing body of work on First Nations people in cities generally (Graham and Peters 2002). Many other policy fields are touched on in the four chapters that deal with the processes of multilevel governance.

Christian Poirier's contribution examines the settlement and social integration of immigrants, a hugely important issue in Canada, especially in the metropolises where most immigrants settle. The study compares policy about "the management of ethnic diversity" in Ottawa and Montreal, and Poirier makes two intriguing observations. First, city governments have considerable autonomy in this field, because their administrations are linked into the local immigrant networks and they administer relevant services such as housing, policing, and recreation. Second, and somewhat contradictorily, while the federal government plays an important role in the field, it tends to work in formal partnership not with city governments but with grassroots non-governmental organizations (NGOs).

Housing policy is a field of similar complexity, according to David Hulchanski. He shows that there is a long tradition of municipal-federal relations in housing, dating back to the 1940s. Concluding direct intergovernmental agreements has not been difficult when there is a will to proceed on both sides. But Hulchanski sets changing housing policy within the larger context of the shape and evolution of the welfare state, and he argues trenchantly that dual housing policies exist. There is a policymaking consensus and a continuing pattern to policy such that most effort is directed towards the primary part of the system – owners and higher-end renters – rather than the secondary part – renters, the homeless, and the rural poor. This analysis has sobering implications for those concerned with social inclusion in the neoliberal state, be it federal, provincial, or municipal.

The final section contains papers concerned with the processes of municipal-federal-provincial relations; that is, how policies are formed in complex intergovernmental systems. Smith and Stewart begin with an analysis of Vancouver and focus on two issues. First, they argue that Canadian cities, apparently constrained constitutionally to merely beaver away at service provision, can nevertheless set the policy agenda and lever resources from other levels of government. Second, they are interested in a "whole of government" approach, which means that for hard and complex problems, the resources, expertise, and jurisdictional authority of all levels of government need to be deployed in a coordinated fashion. Studying homelessness and drug policy, they show that determined local leadership can indeed bring about change and intergovernmental cooperation.

Tom Urbaniak's chapter reinforces this point. He examines the goals and strategies of the municipal government of Mississauga, a very large "edge city" of the type that slips under most scholars' radar screens. The mayor of Mississauga, Hazel McCallion, is a uniquely successful and powerful politician who is currently serving her tenth term. Drawing on general theories about the limits to municipal action and the opportunities for leadership, Urbaniak examines the city's manoeuvring with Ottawa on three crucial dossiers: the Pearson airport, the waterfront, and homelessness. He demonstrates that local political pressure and the land-use planning expertise located only within municipal administrations have enabled the mayor to put effective pressure on other levels of government, especially Ottawa, so that they help drive economic development in the city.

Christopher Dunn paints a very different picture of the periphery – Newfoundland and Labrador – and indeed of the deep periphery of the province's rural areas. Local government here is relatively weak, and Dunn shows how the federal government's priorities and programs can shape and reshape the most vital local bodies – economic development organizations – as they struggle to access a wide range of funding opportunities. The provincial government inserts itself into these relationships selectively. It attempts to mediate them when the regional distribution of benefits is visible and salient, as it is in such fields as infrastructure funding and housing.

This demonstration of a widespread federal presence in municipal relations is reinforced by the work of Garcea and Pontikes, who study Saskatchewan. They document a multiplicity of programs that require municipal-federal cooperation, municipal-federal-provincial cooperation, or cooperation between sets of government actors and NGOs or business. In these relationships, the provincial government generally favours "dual bilateralism" so that it can play an important mediating role. However, Saskatchewan governments are resource-constrained and therefore pragmatic. Building on a very rich empirical base, Garcea and Pontikes suggest that there is a range of possible provincial roles, several different approaches to the municipal-federal relationship, and a variety of intergovernmental mechanisms in play. All of the papers collected here point to avenues for future research, but this one offers the most suggestions for scholars interested in pure intergovernmental relations within the complex world of Canadian multilevel governance.

BACKGROUND THEMES

The intent of this section is not to provide a comprehensive analysis of the context for the following chapters about multilevel governance in Canada, a task that would require more space and time than are available. Instead, the aim is to suggestively sketch some developments and forces that illuminate

the descriptive and analytic content of the papers collected here. In particular, we focus on features that have augmented the salience of urban problems and municipal governments. We look at four elements: the deep determinants of change, new public management, emerging views of multilevel governance, and the power of advocacy.

DEEP DETERMINANTS

Canada's urban centres are growing. Some increase is at the expense of rural and small-town Canada, where the demographic challenge is to cope with the effects of population decline on tax bases and service provision (Bourne 2003). Between 1996 and 2001, about 712,000 Canadians moved to one of the census metropolitan areas (CMAs) from non-metropolitan locales, a shift of a remarkable 2.4 percent of the population. At the same time, however, 672,000 people moved out of the CMAs to exurbs and smaller centres (Statistics Canada 2002a, 9). Most of the growth in Canadian cities is the result of immigration from abroad. In Toronto, for example, during this same period out-migration was just exceeded by in-migration and natural increase. The real growth came from about 374,000 foreign immigrants (Statistics Canada 2002a, 14–15; 2002b, table 4). And the urban concentration of immigrants is rising. Of those who came to Canada before 1961, 73 percent live in CMAs; but of those who arrived between 1991 and 2001, 94 percent live in CMAs (Statistics Canada 1992, table 1; 2003, 40). As well, there is a very substantial movement of Aboriginal people into cities, especially in the West (Peters 2002).

These flows place tremendous pressure on governments. Overall, rising population leads to environmental stress and pressure on infrastructure. New infrastructure is expensive, and the aging stock costs more and more to maintain. Municipalities must also strive to integrate immigrants into the local labour market and into society in general (Frisken and Wallace 2003), tasks that involve many tools under municipal authority. But the provincial governments are also necessarily involved, through social assistance and education policy and through credential certification, while Ottawa shares responsibility for the level and mix of the immigrant flow and has a pan-Canadian stake in multicultural policy (Jedwab 2001). The sea changes in the ethnic composition of cities make citizens interrogate the essence of their local community and focus attention on the level of government that serves it most directly.

The movement of people is only one component of globalization, which has profoundly affected governments and societies everywhere (Cable 1995; Scholte 2000). Concerns about competitiveness and government deficits have led to service cuts, reduced transfers, and the offloading of responsibilities, with the municipal level bearing the brunt of neoliberal restructuring. Increasing inequality and economic polarization are remarkable in Canada's urban centres (Séguin and Divay 2002). At the same time, the big cities are

increasingly regarded as the gateways to the world economy and as the engines essential for growth and competitiveness (Scott 2001; Sassen 2000). National states are constrained in their traditional economic functions by in-

use them to serve citizens and cement new connections. They have also profoundly affected the conduct of public administration, helping to open new avenues for cooperation in multilevel governance.

NEW PUBLIC ADMINSTRATION

The environment within which public servants function today is very different from that of a mere decade ago. New public management (NPM) principles have profoundly altered the process of public administration. At the federal level, change has been widespread (Pal 2006, 202–25). Less is known about the pattern of reform at the municipal level, but some exploratory work strongly suggests that local public service has changed too (Young 2003; Tindal and Tindal 2004, 287–97). Leaving aside the NPM precepts about privatization, cost recovery, and performance measurement, the relevant innovations are that administrative structures have been flattened, public servants have gained much more discretion, horizontal collaboration is encouraged, NGOs are involved, and the mission is to serve the citizenry through delivering public services thoughtfully (Pal 2006, 76; Rhodes 1996).

With respect to multilevel governance, this makes for a problem-oriented, fluid, entrepreneurial, and collaborative approach. First, as was seen most notably in the Vancouver Agreement (discussed by Smith and Stewart in this volume), public servants from all levels of government can adopt a citizen-centred orientation, identifying the various dimensions of complex problems and cooperatively allocating tasks to those with the resources and jurisdictional authority to accomplish them (Rogers 2004). Such collaborative initiatives require trust and, equally important, shared goals. In effect, public servants now often work in what international-relations scholars call "coalitions of the willing" – networks of like-minded individuals concerned with an issue or sector. In line with a core component of the notion of governance, these networks often include NGOs.

For example, one Ontario municipality has a local Children's Services Funding Group that includes municipal, provincial, and federal officials, along with representatives from the United Way (Young 2003, 4). The networks may be enduring, like this one, or they may coalesce around particular initiatives, such as expositions or industrial developments. As well, new technologies and the liberty offered by NPM make horizontal collaboration across municipalities much easier and more widespread, and these relationships may engender more cooperation with other levels of government. Indeed, a remarkably thorough empirical study of collaborative government in the field of economic development in the United States found that horizontal and vertical collaboration are correlated (Agranoff and McGuire 2003, 99–124). In short, NPM facilitates complex intergovernmental relations. Now, it may be that the collaboration enabled by NPM structures and processes is most

widespread in the day-to-day management of minor programs and issues, while more formal mechanisms come into play for major intergovernmental initiatives. But routine matters are the stuff of government that affects many citizens most of the time. And big deals do not get made without lots of cooperative sherpas.

EUROPE AND MULTILEVEL GOVERNANCE

Thinking about complex intergovernmental relations has been greatly stimulated by scholarship about the European experience. In the European Union (EU), powers shift steadily upward to the common institutions; new subnational and supranational regions are created and reinforced, blurring the boundaries of nation-states; and considerable decentralization has occurred in the United Kingdom, Spain, France, and Italy. Hence, the emergence of the term "multilevel governance" (MLG), defined as "a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional, and local – as the result of a broad process of institutional creation and decisional reallocation that has pulled some previously centralized functions of the state up to the supranational level and some down to the local/regional level" (Marks 1993, 392).

Leaving aside the intense European debates about identity, citizenship, and constitutionalism, some matters remain relevant to the Canadian experience. One concerns the legitimacy of evolving institutions, a perennial issue in the EU. What forms of democratic participation are necessary to build public trust in new institutions such as our amalgamated cities? In complex MLG systems, can citizens participate effectively or at least hold policymakers responsible? More prosaically, the European experience shows some of the drawbacks of intergovernmental relations. One is the "joint decision trap," which opens up when formal or informal decision rules require unanimity: with many players, *immobilisme* can be a common result. Short of this, it remains true that when the number of actors involved increases, so do transactions costs – the resources expended in negotiating. When it is imperative to reach some form of agreement, these costs can be very high. Such drawbacks may be familiar to those observing the lack of progress on the Toronto waterfront and the negotiations that produced the Vancouver Agreement, for example.

Flowing from the European experience, and informed by the EU debates about community and variable geometry, is a blunt but useful distinction between two types of MLG. Hooghe and Marks (2003) posit a Type I governance, built around stable communities, where powers are bundled and assigned to a limited number of durable governmental levels. Jurisdictions are nested within one another and memberships do not intersect horizontally. This corresponds

to most of the Canadian intergovernmental system and to much of Europe, where *arrondissements* or neighbourhoods nest within municipalities, which nest within regions, which nest within provinces, national states, transnational regions, and the EU itself. In contrast is Type II governance, where authorities are designed around specific functions; they proliferate (like American special districts or Swiss intercommunal associations), have non-identical voluntary memberships, and are impermanent and flexible. In the Type II model, government bodies are formed to provide some limited set of services, with an emphasis on efficiency, economies of scale, and externalities, while Type I governments represent communities of interest – groups of people who are somewhat distinct and relatively homogeneous and who share common goals and some sense of identity.

This is a useful framework for thinking about many aspects of municipal governments and their relations with other levels of government (Young 2005, 5–9). In the present volume, it is clear that most contributions are embedded in the Type I model, where municipal amalgamation, for instance, simply creates larger communities of interest (in theory). But the models do help us reflect on government action, especially that of the federal government. First, Ottawa's relations with municipal governments break through the nesting arrangement, bypassing the provincial level. Second, as shown here by Christopher Dunn in particular, the federal government can help form special-purpose Type II bodies. Finally, Ottawa can bypass municipalities as well, within the nesting arrangement, by acting directly upon local communities. It is worth stressing this point once more. As Urbaniak puts it, "an urban agenda is not necessarily a municipal agenda." Both the federal government and pro-

The cities agenda has had powerful and skilled advocates. Some have been located in think tanks. In particular, as the references in Loleen Berdahl's paper demonstrate, the Canada West Foundation played an early role in researching and publicizing urban issues (see also Gibbins 2004). So did the Canadian Policy Research Networks (Bradford 2002; Seidle 2002). Many academics from a variety of disciplines have contributed to the debate (Wolfe 2003; Boothe 2003). But these were all relative latecomers, attracted to an issue that was rising fast.

Two of the most articulate and influential advocates for municipalities addressed the conference at which the papers collected here were presented.[1] One was James Knight, chief executive officer of the Federation of Canadian Municipalities (FCM). He has "made a career of urging the Government of Canada to take account of municipal and urban concerns and to adopt appropriate policy and program responses." Knight spoke to the conference about demographic and economic pressures and about the central role of cities in the new economy. But he also compellingly outlined the erosion that has occurred in municipal services and intrastructure because of the fiscal crisis created by inadequate resources. This is a note that the FCM has sounded for years, with considerable success. (For a typical position paper, see Federation of Canadian Municipalities 2001.) The organization, Knight noted, is active on multiple fronts, engaging federal agencies that range from the RCMP to Environment Canada, Transport Canada, Health Canada, Industry Canada, and several Crown corporations and regulatory agencies. But it is on finances and municipal services – especially infrastructure – that the FCM has concentrated, mobilizing the political clout of 1,050 municipalities representing 80

FUTURE RESEARCH

The papers gathered here provide a host of insights into complex intergovernmental relations in Canada and point the way towards many avenues for future work in MLG. Concentrating on municipal-federal relations, there is an evident requirement for much basic mapping of relationships. From work like that of Smith and Stewart, Urbaniak, and Hulchanski, we see that these relations are widespread and that cooperation and conflict both characterize policymaking in many fields. But the surface has only been scratched. First, much more information is needed about how these relationships operate in small and medium-sized municipalities; there, it seems likely that elected politicians rather than officials will be more central intergovernmental players. Some policy fields deserve more attention as well; urban Aboriginal policy (including urban reserves), the infrastructure programs, emergency planning, and issues around federal property in municipalities seem to offer rich opportunities. Finally, there are special-purpose (Type II MLG) bodies. Municipal-federal relations involving these deserve study both when they are federal, like the Atlantic Canada Opportunities Agency and the various regulatory agencies, and when they are primarily municipal, like development agencies such as Montréal International, the Greater Vancouver Housing Corporation, upper-tier authorities, tourism and sports organizations, and

generally, Garcea and Pontikes recognize in their contribution that the provincial role is not part of a zero-sum game; apart from monitoring and regulation, provincial governments can be involved as advocates, mediators, and partners. These authors also classify various provincial approaches to the relationship and mechanisms of interaction, along with some determinants of the overall provincial stance. But other considerations are relevant to the study of these tripartite relationships, including the province's political complexion, its policy capacity, and the nature of the policy in question – its locus of jurisdiction, visibility, stakes, and complexity (Young 2003). This area of research is one that lends itself to comparative work across provinces, fields, and cities, for cases can be carefully selected to control for confounding factors. This last possibility illustrates a general advantage of studying the intergovernmental relations of municipalities: unlike the federal-provincial

policy is very difficult when there are complex arrangements to transfer funds and when authority over programs or projects is diffused among many agents. But is this really a problem? Accountability is often raised as an issue by public-finance economists working with simple models of democracy. Their

literature on province building (Young, Faucher, and Blais 1984). We may find that structural factors conducive to city power crystallize into electoral promises made by provincial and federal politicians. Business pressure is clearly a factor as well, though the Toronto experience indicates that politicians' demands for autonomy will not be supported unconditionally by firms entrenched in particular cities (Lewington 2005). As Urbaniak shows here, shrewd political leadership is essential. More important, institutional change may have long-term power-enhancing repercussions. As David Siegel notes in his contribution, "the City of Toronto has twenty-eight members of parliament, twenty-eight members of the provincial legislature, and one mayor. It is not difficult to figure out who will speak with the greatest authority about the needs of the people of Toronto." This raises the question of citizens' identification. We know that the way and degree that citizens identify with European states has a very significant bearing on their support for European integration (Hooghe and Marks 2004). Is it similarly true that citizen identification with their city will ultimately lead to its drawing down more powers? Normally, determinists think that economic forces will drive institutional change, while citizen attachments will follow epiphenomenally. This view may be correct. But it may be that identification can drive the process. We know almost nothing about how Canadian urban residents identify with their cities. It could be worth finding out more, because this might help explain the migration of authority to this country's global city-regions.

But enough of future research opportunities. Let's turn to the interesting research that has already been done by our authors.

NOTES

1 Since this is a peer-reviewed volume, their speeches are not published here, but they are accessible at www.iigr.php/conference_archives/papers#conf_1. Quotations are drawn from this source.
2 Some of this work is being undertaken through a SSHRC Major Collaborative Re-

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II

Background

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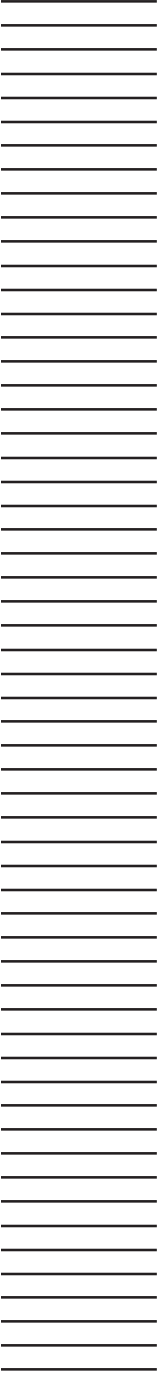
The Federal Urban Role and Federal-Municipal Relations

Loleen Berdahl

Ce chapitre permet d'explorer la situation de la politique urbaine fédérale et les interactions entre les gouvernements municipaux et le fédéral au terme de l'ère Jean Chrétien en 2003. À cette époque, les questions urbaines constituaient une préoccupation de plus en plus importante en matière de politique, et un des thèmes dominant l'ensemble du débat urbain était que le gouvernement fédéral devrait jouer un rôle explicite en politique urbaine. C'est sous cet effet de pression grandissante que le gouvernement fédéral a renforcé son intérêt dans les affaires urbaines. Ce chapitre soulève trois questions. En premier lieu, quel est le rôle du gouvernement fédéral dans les questions urbaines et est-ce que ce rôle implique des interactions fédérales-municipales ? En deuxième lieu, quel était l'état des interactions fédérales-municipales en 2003 ? Et en dernier lieu, quelle conduite le gouvernement fédéral devrait-il suivre pour améliorer sa capacité d'agir efficacement dans les questions urbaines ? On explorera la nature des interactions fédérales-municipales en exposant le cas de cinq villes des Prairies : Calgary, Edmonton, Winnipeg, Saskatoon et Régina. Un addenda conclura ce chapitre en soulignant les modifications apportées aux politiques urbaines fédérales entre le printemps 2003 (gouvernement majoritaire de Jean Chrétien) et l'été 2005 (gouvernement minoritaire de Paul Martin). Les assises de ce chapitre sont fondées sur une étude de recherche pluriannuelle continue, le Western Cities Project de la Canada West Foundation, qui explore une grande variété de sujets traitant des considérations urbaines, fiscales, sociales, environnementales et gouvernementales.

INTRODUCTION

Despite decades of urbanization, Canada's cities, urban policy challenges, and municipal governments have received relatively little national policy atten-

This was particularly true in the 1980s and 1990s. Debates about the division of political powers were discussions of federal-provincial centralization or decentralization, and discussions about fiscal capacity focused on vertical fiscal imbalance between federal and provincial governments, ignoring the municipalities. While the vast majority of Canadians lived in urban centres – and a solid majority in large urban centres – policy discussions and debates

the various forces raising the profile of urban issues – particularly the FCM,

the lack of a coherent federal urban strategy is the federal government's three-decade-old failed experiment with an urban strategy – the Ministry of State for Urban Affairs (MSUA), which operated from 1971 to 1979. MSUA was set up to coordinate federal urban activities, establish agreements among the three levels of government, and conduct research. The ministry failed to meet its goals partly because "the federal policy irritated the provinces, and they became increasingly vocal in their opposition" (Andrew 1994, 431). The legacy of MSUA's demise is that federal governments "continue to have federal policies enacted without regard to their urban impact" (Tindal and Tindal 2000, 231). To this day, MSUA is often given as an excuse for inaction rather than as a motivation to find a better model for managing the federal government's urban role.

However, tentative steps were taken to reopen the door shut by MSUA's demise when in May 2001 Prime Minister Chrétien established the Caucus Task Force to conduct public consultations to find ways in which "the Government of Canada can work more collaboratively, within our federal jurisdiction, to strengthen the quality of life in our large urban centres" (Liberal Party 2002b, iv). The Caucus Task Force released its interim report in April 2002 and its final report in November 2002. The reports acknowledged the federal role in urban areas, and the final report called for an increased federal urban presence in three areas: affordable housing, transportation/transit, and sustainable infrastructure. These recommendations suggested the potential for important expansion of the federal urban policy role, but they did not necessarily point to a more coordinated urban policy framework.

Another potentially important – albeit somewhat subterranean – development at the federal level was the establishment of the Task Force on Canada's Urban Communities within the Privy Council Office (Institute on Governance 2002). As the final report of the Caucus Task Force describes, "Within the Privy Council Office, an internal Task Force on Urban Communities was established to develop a profile of the federal presence in urban centres, research into best practices and to explore ways of integrating federal programs" (Liberal Party 2002b, iv). According to a biography of the PCO task force's director general, Adam Ostry, the task force's mandate was "to develop a vision of the Government of Canada's role with respect to Canada's urban centres as well as a coordinated strategy and action plan on urban issues" (Couchiching 2002). (It is interesting that this description goes beyond urban *issues* to consider urban *centres* as well.) The PCO task force's mandate was to focus on horizontal integration of federal urban interests by bringing relevant departments to the same table. This horizontal coordination could be very important to the federal government's urban strategy in the years ahead.

Does the federal urban role imply a federal-municipal relationship? As will be discussed in the next section, to date the federal-municipal relationship has been informal and limited in scope. The federal government does not have

there is no mechanism for providing sustainable federal funding to municipalities and no formal mechanism for consulting municipal governments on urban issues or on the many federal policies that affect urban areas. There is no federal body to provide a point of contact with municipalities. Communications with municipal governments tend to be ad hoc, and this ad hockery limits the ability of Canadian governments to work together to address urban issues.

As part of its consultations, the Caucus Task Force met with municipal government officials, and in its reports it identified a need for "all orders of government to coordinate resources, and consult and collaborate on a new approach to the challenges in Canada's urban regions" (Liberal Party 2002a, iv). However, the Caucus Task Force did not go so far as to recommend institutional structures (such as a ministry or formal consultation model) to manage federal urban issues and to allow for tripartite dialogue. Thus, while the Caucus Task Force recommended an expanded federal urban policy role, it did not recommend expansion of the federal-municipal relationship.

It is interesting to note that federal dialogue on urban issues deliberately refers to "urban communities" and "urban issues" rather than to "municipalities," "cities," or "city-regions." There are both advantages and disadvantages to this approach. The advantages are that it allows the federal government to look at urban communities in a broad sense (in effect, adopting a city-region model) and, perhaps more importantly, allows the federal government to sidestep the constitutional arguments that inevitably arise; it is one thing for the federal government to deal with (provincially controlled) municipal governments and quite another for it to examine urban areas. The disadvantages are that "urban communities" can be an overly broad definition, encompassing small towns of a few thousand and large city-regions of many millions; also, the emphasis on "urban communities" risks ignoring the relevance of municipal governments – and, indeed, of provincial governments. Another disadvantage, of course, to this "urban issues" approach is that at some point it will become fundamentally impossible for the federal government to effectively address urban issues without also coming to grips with municipal governments, because municipal governments are, by definition, engaged with a multitude of urban issues on a daily basis.

THE CURRENT FEDERAL-MUNICIPAL RELATIONSHIP IN PRAIRIE CITIES

Given that municipalities are a provincial responsibility, one might expect little formal federal engagement with municipal governments. To a large degree, this expectation has been met. Although the federal government has been involved in urban issues, this involvement has rarely been within an explicit urban policy framework that includes a relationship with municipal govern-

ments. (In many cases, the involvement does not even include explicit recognition that the policy field is primarily urban in nature.) Nonetheless, an informal or ad hoc federal-municipal relationship has evolved around three primary points of contact: political interaction, bureaucratic interaction, and joint and tripartite agreements.

There is a modest degree of political interaction between municipal and federal governments. In addition to the consultations associated with the Caucus Task Force, municipal officials report that there is occasional dialogue between mayors and federal ministers – both "ministers responsible" for a given program area and "regional ministers." As one municipal official described it, "The mayors are very prudent in dealing with ministers. They don't want to waste the time of the minister. A mayor meeting with a minister is the first stop in signaling the importance of an issue to the federal government." The importance of regional ministers was raised by a number of individuals. Stated one, "The presence of the Honourable Ralph Goodale as our Member of Parliament and senior Minister has been an immense help – we meet with him regularly." At the same time, one complication that was raised is that there is the potential for pressure for mayors to meet with both the minister responsible and the regional minister – a requirement that could slow the process considerably. (Given that only prairie municipalities were consulted for this paper, it is not clear if this is an issue outside western Canada.) It is noted

work can be accomplished, though municipal officials are more likely to point to the ad hoc nature of these interactions. In addition, both federal and municipal officials raise the issue of differing federal and municipal "organizational cultures." In general, municipal officials see federal action as being extremely slow, while federal officials see municipalities as being extremely impatient for action.

Federal-municipal interaction at the bureaucratic level appears to be growing, often in the absence of the provincial governments. In the recent past, there have been at least three interactions of note:

- In December 2002, the Saskatchewan Council of Senior Federal Officials held a meeting on Saskatchewan cities. Invited speakers included the city managers of Regina and Saskatoon (Bob Linner and Phil Richards, respectively), the vice-president of the Saskatchewan Urban Municipalities Association (Don Schlosser), and the president and CEO of the Canada West Foundation (Roger Gibbins).
- In February 2003, the Alberta Council of Senior Federal Officials dedicated its monthly meeting to "the cities agenda." Invited speakers included senior officials with the cities of Edmonton and Calgary (Bruce Duncan and Brenda King, respectively) and the president and CEO of the Canada West Foundation (Roger Gibbins). The agenda included discussion of both homelessness and urban Aboriginal issues.
- In March 2003, the Institute for Public Administration Canada held an intergovernmental dialogue in Vancouver entitled "Competitive Cities, Healthy Cities: Charting Collaboration." This two-day event brought federal officials together with provincial and municipal officials and local community

The third area of federal-municipal relationship is joint programs and agreements. Tripartite agreements and joint programs are the most formal aspect of

There are numerous examples of programs under the Infrastructure Canada-

formal mechanisms to receive municipal government feedback on federal action or inaction, and it lacks mechanisms to provide sustainable funding to municipal governments. The municipal representatives whom Canada West consulted indicated that the status quo poses a number of problems for cities. Important urban perspectives, they asserted, are not always brought to bear on federal policies that affect cities; issues of urban finance are ignored at the federal level; and municipal governments are faced with extensive de facto residual responsibilities, because if federal and provincial governments fail to adequately address policy issues in their own domains, municipal governments are left to address the policy gap, despite their lack of resources to do so. For these reasons, it is not surprising that Canada's big city mayors are increasingly vocal in demanding federal attention to cities and urban issues. Of course, attention and action are two very different things. Referring to the federal-municipal relationship, one municipal official commented, "After all is said and done, more is said than done." Considering the barriers impeding a stronger federal-municipal relationship, this may be an apt assessment.

IMPROVING THE FEDERAL URBAN ROLE

What steps could the federal government take to improve its ability to act effectively on urban issues? How can the federal government ensure that its own policy actions – be they explicitly urban policies or not – work for the betterment of Canada's cities? There are at least three options that should be considered:

First, the federal government needs greater coherence and coordination of its own urban policies and programs. Specifically, there is an ongoing need to coordinate horizontally. This may require a single ministry being made permanently responsible to ensure horizontal federal urban policies. Without a single ministry being responsible to coordinate the various federal urban policies, department-specific urban initiatives "might lead to overlapping programs and conflicting criteria for eligibility" (Wong 2002, 10). A single ministry responsible for urban affairs would encourage a holistic federal approach to cities. It must be stressed that the ministry responsible could be an existing ministry, such as the Privy Council Office, and that the scope of the responsibility would need to be carefully defined. A minister responsible broadly for "urban Canada" would have an impossible mandate; indeed, one could argue that this mandate would encompass most of the federal government's activities. The purpose is not to create an urban affairs ministry that would rival the mandate and scope of other ministries but simply to make one ministry responsible to ensure that all federal departments work together to coordinate their urban efforts.

Second, the federal government needs tools with which to evaluate the impact of federal action on urban areas and on municipal governments. One idea that is often raised is the adoption of an "urban lens" to evaluate existing and future federal policy. The Caucus Task Force asserts, "We need to apply an urban 'lens' to all policies and programs, both national and international that are directed at urban regions. An urban perspective will guide future legisla-

matter, provincial) governments do not adequately consider the impact of their policies on urban areas, despite the fact that many federal policies have significant urban dimensions and ramifications. Because the lack of formal consultation mechanisms, communications tend to be ad hoc, and this limits the ability of Canadian governments to work together to address urban issues.

Some form of federal consultation mechanism – such as the establishment of a federal standing committee on urban affairs – would institutionalize federal consultation with provincial and municipal governments. The mechanism would ensure that the federal government consults with provincial and municipal representatives on a regularly scheduled basis, allowing for a consistent urban perspective in national policymaking. The purpose of the consultations would not be to give provincial and municipal governments a role in federal decision making; rather, it would be to ensure that the perspectives of big cities are taken into account in federal decision making. The regular consultations would also create stronger tripartite relationships, increase the opportunity for vertical policy integration, and address the Caucus Task Force's desire for "all orders of government to coordinate resources, and consult and collaborate on a new approach to the challenges in Canada's urban regions" (Liberal Party 2002a, vi).

One challenge, however, is that while it is (relatively) easy to figure out who participates on the federal and provincial sides, determining municipal participation is not as easy. Assuming a federal "big cities" strategy with the focus on a small number of Canada's largest cities, municipal participation could be limited to those cities. This would help the federal government avoid the pressure to include all Canadian cities, which would result in an unworkable consultation process and a "watering down" of large urban concerns.

Overall, each of these options – greater coherence and coordination on federal urban policies and programs; tools to evaluate the impact of federal actions on urban areas and on municipal governments; and formal mechanisms for the federal government to consult municipal and provincial governments on federal urban policies and programs – would institutionalize the federal urban role. Such steps would likely improve the federal government's ability to act effectively on urban issues and would not necessitate an expansion of federal urban activity.

There are a number of advantages to institutionalizing urban affairs at the federal level: greater federal awareness of urban issues, improved coordination of federal urban programs, and the greater potential for increased federal consultation with municipal and provincial governments on urban issues. Of course, a number of political barriers would surface with any effort to institutionalize urban affairs at the federal level. For instance, could the federal government resist pressures to include all "urban areas," regardless of size, thus weakening the impact of a federal urban strategy? Would a ministry responsible for urban affairs be able to coordinate federal policies effectively? Would institutionalizing the federal urban role create greater pressure for an

expansion of the federal urban role, both within and outside federal jurisdiction? If so, would the federal government be extremely reluctant to increase its financial commitment to urban issues? (One can imagine a considerable price tag attached to expanded federal urban engagement!) And, perhaps most importantly, could the federal government create institutional structures without upsetting the provinces?

The provincial side of the federal urban role and the federal-municipal relationship needs to be considered closely, for it is the critical political barrier facing the federal government. In Canada, municipalities are neither constitutionally recognized nor given any specific powers or responsibilities. Instead, "Municipal Institutions in the Province" are assigned as one of a number of provincial responsibilities in section 92(8) of the *Constitution Act, 1867*. As noted earlier, the constitution does not restrict a federal role in urban affairs, just as the constitutional assignment of hospitals to provincial jurisdiction has not prevented active federal engagement in health policy. Nor does the constitution preclude a federal relationship with municipal governments, a conclusion supported by the experiences of two similar federal countries: Australia and the United States (Berdahl and Sapergia 2001). But while the Australian and American experiences demonstrate ample room within existing constitutional frameworks for new innovative relationships among the

Task Force came under discussion: "While there was recognition among prov-

an expanded bilateral federal-municipal relationship. Indeed, provincial re-sistance may prove to be the most critical – and perhaps an insurmountable – barrier to institutionalizing the federal urban role and ultimately achieving an effective urban strategy. Since the federal government needs to maintain posi-tive intergovernmental relations with the provincial governments, it is unlikely to risk damaging federal-provincial relations over urban issues. Thus, while the constitution does not restrict a federal role in urban affairs, political realties

Committee on Cities and Communities, chaired by former B.C. premier Mike Harcourt (Canada, Office of the Prime Minister 2004). This committee's mandate is to provide advice on federal policies related to cities and communities as they are being developed, to advise the federal government on how to en-

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3

Municipal Relations with the Federal and Provincial Governments: A Fiscal Perspective

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Ce chapitre permet d'examiner la situation fiscale des administrations municipales

affordable housing, and – more in the provincial context – amalgamation, funding changes, and responsibility realignment. The impact of all these factors could be explored further, but fiscal considerations are the focus here.

Fiscal matters have been a continuing concern of municipal governments.[3] Concerns typically focus on fiscal capacity and on fiscal arrangements with other governments. Matters dominating (but not unique to) recent discussions are the variability and uncertainty of intergovernmental transfers, the costs of offloaded or downloaded responsibilities, new (or the perception of expanding) local needs, a growing infrastructure deficit, and the constraints on own-source revenues imposed by reliance on a single major tax, the property tax.

The objective of this paper is to examine municipal governments' fiscal situation and their intergovernmental fiscal relations. The main directions are to outline what exists, to identify the forces shaping the structure, and to explore what might be. The paper begins with the fiscal picture. Included there is a search for evidence of the seriousness of the municipal fiscal problem. Municipal fiscal arrangements are briefly reviewed in the context of the lessons from fiscal federalism. Various suggestions have been advanced on how municipal finances and intergovernmental fiscal relations might be reformed. A number of these are outlined and assessed. Discussion and conclusions complete the paper. For a summary look ahead, this analysis suggests that the future of municipalities will largely be in their own hands (as it should be) but the municipalities' strength and dexterity could be improved.

THE FISCAL PICTURE

AN OVERVIEW

Municipal government expenditure represented 4.4 percent of GNP in 2001 and about 10.5 percent of total government outlays.[4] This percentage is slightly smaller than the 4.5 percent of GNP that it represented in 1988, the first year that independent municipal government data were available. Despite the slightly lower percentage, per capita real (GDP deflator adjusted) dollar expenditures by municipal governments increased 15 percent o6 Th6(of th15 4(v)18od tax.

contribute significantly to schooling (14.2 percent of municipal expenditures), and, at 4.5 percent, still finance more than the norm of social services, though that share has dropped dramatically (from 23.3 percent in 1988) and a final reduction was expected to occur in 2003.[5] Ontario municipalities are the highest spenders because one-quarter of their outlays go to fund social services. Otherwise, the Ontario outlay would be second to that of Alberta and its distribution closely parallel to the Canada average. Among the other provinces, the average share of expenditures going to social services is less than 1 percent. Ontario has a tradition of placing somewhat more expenditure responsibilities on its municipalities than other provinces, and the local government "reforms" introduced during the 1990s exacerbated that burden. The province assumed full responsibility for funding schools (with new provincial property taxes to contribute to the cost) and, in exchange with the local level, shifted a variety of responsibilities (notably, all social housing costs, the costs of maintaining previously provincial highways, and half of the cost of land ambulances) to the municipal governments.[6] This reassignment of responsibilities to the municipalities, particularly the social services component, contrasts with the prevailing pattern and is contrary to "best practices" recommended by students of fiscal federalism. There

Table 1: Level and Allocation of Municipal Government Expenditures by Province and for Canada, 2001

Table 2. Level and Allocation of Municipal Government Revenues by Province and for Canada, 2001

	Nfld	PEI	NS	NB	Que	Ont	Man	Sask	Alta	BC	Canada
Per capita revenue (dollars)	704	437	1,013	839	1,293	1,914	1,120	1,062	1,739	1,137	1,513
					Percent source						
OWN-SOURCE REVENUE											
Property and related taxes	54.3	62.3	73.7	55.1	64.3	48.3	46.7	54.3	44.4	53.0	52.2
(real property taxes)	(36.3)	(61.2)	(58.0)	(47.7)	(44.2)	(42.2)	(35.3)	(45.4)	(31.6)	(46.3)	(41.9)
Consumption taxes	0.1	0.0	0.0	0.0	0.0	0.0	1.4	3.6	0.0	0.2	0.1
Other taxes	1.0	0.5	0.1	0.5	0.3	1.3	1.1	0.8	1.6	2.4	1.2
Sales of goods and services[1]	16.4	26.9	16.4	25.3	16.5	23.9	23.4	24.3	26.1	29.3	23.0
Investment income	1.9	1.6	3.5	1.0	2.0	4.1	8.0	4.4	10.3	8.5	4.9
Other	0.6	1.5	0.2	0.5	2.3	1.7	0.8	1.0	1.6	0.6	1.6
Total own source[2]	74.3	92.8	94.0	82.4	85.5	79.3	81.5	88.5	84.1	94.2	83.0
TRANSFERS											
General purpose	6.3	3.3	2.7	12.4	1.9	2.3	7.9	4.6	0.9	1.1	2.4
Specific purpose	19.4	3.9	3.3	5.2	12.6	18.3	10.6	6.9	15.0	4.7	14.6
federal	2.9	0.3	0.5	1.0	0.2	0.3	1.1	2.1	0.5	0.5	0.4
provincial	16.5	3.6	2.8	4.2	12.4	18	9.5	4.9	14.5	4.3	14.2
Total transfers[2]	25.7	7.2	6.0	17.6	14.5	20.7	18.5	11.5	15.9	5.8	17.0
Total revenue[2]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1]Includes user fees, charges, etc.

[2]May not sum exactly, due to rounding

Source: Data from Statistics Canada, Public Institutions Division, Financial Management System (as of fall 2002); author's calculations

of data for different classes of municipalities comparable to the Statistics Canada Financial Management System data utilized for this paper.

As already noted, considerable concern has been expressed about Canadian municipalities, especially cities being squeezed fiscally between downloaded responsibilities, rising expectations, and a slowly growing tax and revenue base. This issue is examined in this section. Initially, only national data are considered, but then a revealing subnational perspective is taken.

A National Perspective

Intergovernmental transfers to municipalities have declined during the past decade as upper-tier governments cut transfers to fight their deficits. Figure 1 shows federal and provincial transfers to the municipalities as a percentage of expenditures from 1988 to 2001. Transfers declined after 1995 and again after 1999. Between 1988 and 2001, they fell from 22.4 to 16.6 percent of expenditures.[8] In fact, because of an anomaly relating to Quebec (to be explained below), transfers in the other provinces fell to 14.2 percent or by more than one-third on average rather than by one-quarter. The actual impact was even somewhat greater because transfers had amounted to about 25 percent of expenditures during the first half of F3 1tf0sn.

spending also barely changed; as it moved only from 4.11 to 4.19 percent of GDP.[10] Finally, municipal program expenditures as a percentage of consolidated provincial and local (subnational) program expenditures also showed no trend, starting at 16.1 and ending at 16.3 percent. If municipalities have been burdened by downloading and if they responded by spending to meet those new responsibilities, one might have expected these shares to have become larger.

Generally speaking, it appears that municipal expenditures have kept pace with standard economic indicators over the 1988–2001 period. The municipal expenditure burden does not seem to have increased or, at least, to have resulted in larger relative expenditures. At the same time, note that real (inflation adjusted) per capita municipal total expenditures have risen about 15 percent, from $1,262 to $1,453.[11]

What has been happening on the revenue side of the municipal picture? Again, a number of series of indicators were calculated for the 1988–2001 period. Figure 3 shows the trends in municipal revenues. As a result of diminished transfers, own-source revenues increased from 76.9 to 83 percent of total revenues. As a percentage of personal disposable income, an indicator of burden, own-source revenues increased from 5.27 percent to 5.87 percent, an 11.4 percent increase over the fourteen years.[12]

The increase in own-source revenues primarily came from increased real property taxes. Real property taxes rose from 32.2 to 41.9 percent of total revenue – a 9.7 percentage point change representing a 30.1 percent increase in the real property tax share. Meanwhile, property-related taxes grew little over the period and declined from 16.2 to 10.3 percent of total revenue. Sales, fees, and charges increased from 20 to 23 percent; this was the only other major category to show an increase. Other own-source revenue declined. The contribution of transfers declined by almost six percentage points and the decline of property related taxes was of a similar magnitude. Thus, while sales, et cetera, made a contribution to the increase in own-source revenue, the real burden fell on the real property tax.

Between 1988 and 2001, real property taxes increased 26.8 percent as a percentage of GDP, 30.6 percent as a percentage of personal income, and 33.9 percent as a percentage of personal disposable income (PDI). The constant (1992) dollar per capita tax rose from $418 to $544, or by 30.1 percent. These are substantial increases in what is often regarded as a less popular tax.

Events of the 1988–2001 period lead to a number of observations and tentative conclusions. The municipalities managed to maintain their expenditures relative to GDP, PDI, and total subnational government spending. Real dollar per capita expenditures even rose by about 15 percent. Any new downloaded expenditure responsibilities do not show up as higher relative aggregate expenditures. This observation is not to deny their existence. However, downloads may have been small or accommodated by reductions elsewhere, but trouble-

infrastructure may be temporarily masking the problems. There is a lack of information on capital spending at the municipal level. For local government in total, however, real per capita capital acquisition held steady throughout

downloading and the squeeze on municipal government during the past dec-

A Subnational Perspective

Nationally aggregated data can be helpful, but because municipal affairs come under provincial policy, they can mask as much as they reveal. Hence, it is also useful to consider a more provincial or at least subnational perspective. A province-by-province review cannot be done here, but it is useful to focus to some extent on Ontario, because it has followed a rather different approach with its municipalities and also with its 1990s reforms, and because the province is so large that its numbers can skew the national averages.

Subnational data indicate that Ontario is different. It has a relatively large municipal sector – 25.5 percent of consolidated provincial local expenditure, compared with 14.1 percent in the other provinces. Furthermore, unlike elsewhere, this sector has actually grown since 1997 (from 22 percent); see figure 4.

As in the other provinces, Ontario municipalities have become more reliant on their own revenues. However, the burden of own-source revenue as a percentage of PDI increased in only five other provinces, but the increases in them were swamped by the 1.6 percentage point increase (to 6.62 percent of PDI) in Ontario. The average burden of own-source revenue elsewhere actually

Figure 4: Program Expenditure Trends: Ontario and Other Provinces

declined marginally to 5.34 percent of PDI. The municipal real property tax burden (as a share of PDI) has increased in all provinces to meet rising own-revenue requirements, but this is especially so in Ontario, where it rose from 2.14 to 3.52 percent between 1988 and 2001, compared with an average increase from 2.25 to 2.57 percent in the other provinces.[14] Figure 5 shows the time paths of the own-source and real property tax burdens in Ontario and in Canada less Ontario. The sharp and significant changes in Ontario are obvious.

An interesting difference also appears in Quebec. Provincial data indicate that Quebec was the only province not to reduce transfers to its municipalities. Between 1988 and 2001, total transfers to Quebec municipalities increased from 8.0 to 14.0 percent of municipal expenditures. However, this growth was not entirely smooth. The latest data show that for the two years 1999 and 2000, transfers were at least 20 percent below their previous level but then

Figure 5: Municipal Own-Source Revenue and Real Property Taxes as a Percentage of Personal Disposable Income, Ontario and Canada less Ontario, 1988–2001

—◆— Ontario: Own-source revenues as a percentage of personal disposable income

—■— Canada less Ontario: Own-source revenues as a percentage of personal disposable income

—▲— Ontario: Real property taxes as a percentage of personal disposable income

—✕— Canada less Ontario: Real property taxes as a percentage of personal disposable income
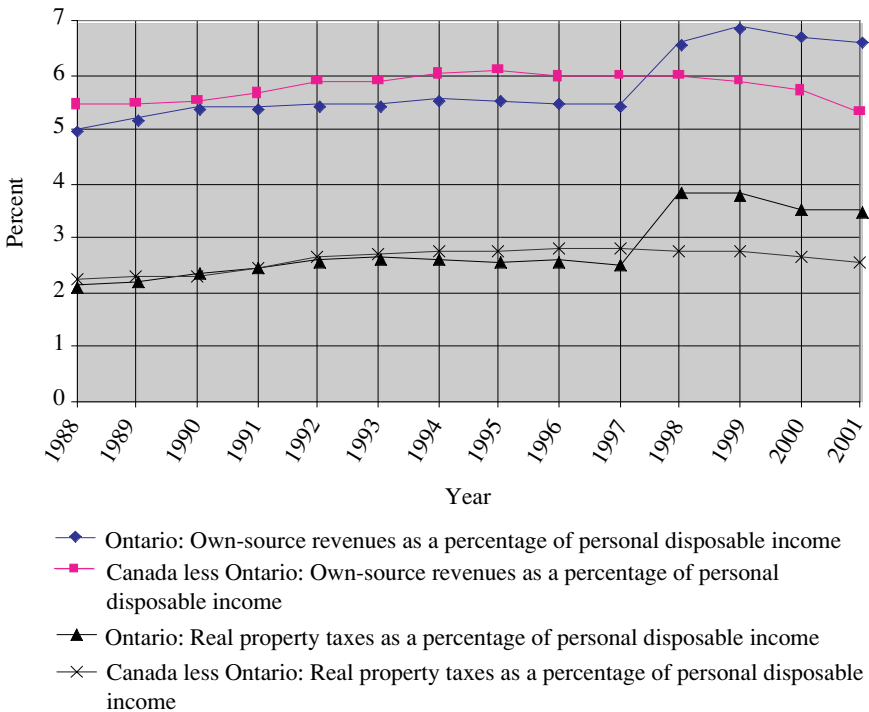
Sources: Statistics Canada, ibid.

recovered quickly to levels now at about 13 percent of expenditures. Also unique, as part of Quebec's fiscal restraint effort, the province required an annual contribution of $356 million by its municipalities for three years (1998–2000) to a Local Activities Special Financing Fund as part of their contribution to the province's fiscal restraint effort (Quesnel 2000, 119).[15] The $356 million annual contribution was equivalent to about 30 percent of the transfers then in place.[16]

Changes in social service financing in Nova Scotia also deserve comment. During the last half of the 1990s, social service outlays fell from one-quarter of municipal expenditures in 1995 to 4.5 percent in 2001 as the province assumed greater responsibility for social services. Because provincial transfers funded about three-quarters of municipal social service outlays, transfers to

one-sixth of municipal spending on housing, but by 2001 it had fallen to only 2.3 percent. Beyond housing, only for resource conservation/industrial development and for "other" did federal transfers account for more than 1 percent of municipal outlays in the area. Currently, the federal contribution is very minor in all areas of municipal expenditure. Still, it may be significant to certain small subprograms not recognized at this level of aggregation.

The provincial transfers are much larger – about 16 percent of municipal expenditures overall (down from a peak of more than 24 percent). The magnitude and allocation of provincial grants vary considerably among the provinces. In 2001 provincial grants amounted to only about 5 percent of expenditures in British Columbia and Nova Scotia but amounted to about 20 percent in Ontario and Newfoundland. The per capita dollar amounts range from $40 in Prince Edward Island to $389 in Ontario. While the provinces do make unconditional transfers, the conditional (or specific purpose) grants dominate in all provinces except New Brunswick, and nationally they account for 13.9 of the 16.2 percent of municipal expenditures met through provincial transfers.

There is also considerable variation in the distribution of provincial grants. Ontario devotes almost 80 percent of its grants to social services. Outside Ontario, municipalities have very small social service responsibilities or none at all. Transfers for transportation, typically a major grant category, range from 4.9 percent of conditional transfers in Nova Scotia to 75 percent in Alberta. Large variations can also be found among the provinces in transfers to aid other categories of spending – for example, health, environment, and debt changes.

The contribution of transfers to municipal spending in the various areas is also of interest. In general, provincial transfers tend to be relatively large in comparison to expenditures in those areas for which municipalities normally have limited responsibilities (social services, health, housing, and conservation); but, with the exception of transportation and recreation, they are of less importance for those purposes that are major municipal expenditure areas. Even for transportation, specific purpose transfers exceed 12 percent of category expenditures in only four provinces.

THE MUNICIPAL SITUATION FROM A FISCAL FEDERALISM PERSPECTIVE

Thus far, this paper has outlined what exists. Very little has been said about why it is this way, what the positive and negative features are, or how improvements might be made. To be normative, standards or criteria are needed. Work by economists and political scientists on fiscal federalism provides a model useful for understanding and assessing intergovernmental fiscal relations. Although the main features can only be highlighted here, they are detailed elsewhere.[17] This assessment of the municipal situation is based on the fiscal federalism model.

The assignment problem is at the heart of fiscal federalism. The assignment problem is how to assign among governments (a) expenditure and service

eight provinces) as a municipal responsibility. Ontario makes concessions towards social spending via transfers, but those directed specifically at social spending offset just over half of its costs. Thus, Ontario municipalities are still left with an unusually large share of social costs relative to the other provinces and to recommended practice. Ontario's reforms of the 1990s ag-

since fuel taxes and licence fees are the realm of the provincial and federal governments. Tolls have been limited to a few specific projects and to public transit.

The adequacy and appropriateness of the property tax can be questioned when municipalities are being asked or expected to meet significant social expenditures (without compensating transfers). Ontario is the obvious concern. There, social expenditures are now 33.2 percent of municipal budgets – at least half again as much as they were in 1988. In other provinces, social expenditures by municipalities have risen only marginally, if at all. A notable concern in the case of Ontario is not only that social expenditures have actually increased markedly but also that the responsibility for social spending has increased at the municipal level in the face of provincial and federal cutbacks.

The assumption of full financial responsibility for schooling by more provinces (for example, Alberta, British Columbia, and Ontario) has been a feature of recent local-provincial finance. The parallelling feature is their failure to fund schooling from traditional provincial revenue sources, instead choosing to convert the local school property tax to a provincial property tax. The school property tax, which does not relate well to school benefits or ability to pay,

Because grant programs often appear to be aimed at meeting more than a single objective, assessment is complicated.

Unconditional grants to municipalities are provided only by the provincial governments and, typically, in relatively modest amounts. For Canada as a whole, unconditional assistance averages 2.4 percent of municipal revenues, with the largest relative contributions coming in Manitoba (7.9 percent) and New Brunswick (12.4 percent). These funds normally come from provincial general revenues, but in Manitoba they come from a well-established revenue-sharing program. These grants are distributed by formulae on some type of equalizing basis. Often, the available funds are not sufficient to meet the equalization requirements implied by the distribution mechanisms. Typically, some funds are allocated to every municipality; hence, the unconditional transfers may be motivated partly by fiscal gap-closing objectives. Given the modest size of these grants, the provinces must see the municipal fiscal gap problem as minor.

Conditional transfers in most provinces are for transportation, environmental services (water and sewerage), and recreation and culture. The externality element in transportation is obvious (external users) and also in the case of public transport and environmental considerations; but for the others, it is more obtuse.[20] Funding is predominantly for capital projects (or for debt service costs). Uneven subsidies for capital versus operating expenditures raises questions about potential misallocations between capital and operating costs.

A striking feature of conditional transfers is the variation in their relative contribution to municipal spending for a particular purpose. For example, transfers for transportation meet 2.9 percent of expenditures in Ontario but 42 percent in Alberta. However, spillovers are usually not easily determined and priorities can vary. It is interesting that the transfers for policing, a service probably involving significant externalities for most (if not all) municipalities, make only very small contributions to costs, yet for recreation, which is

The analyst would expect federal transfers to be in areas involving national externalities or in areas of federal jurisdiction that benefit from municipal input and cooperation. Efforts to alleviate poverty – such as social housing, immigrant settlement, and off-reserve Aboriginal uplift – seem logical. Typically, as seems reasonable, these programs operate under federal-provincial-local agreements. However, it is debatable whether the allocation of responsibilities and cost sharing under these agreements, as well as the burdens that the underlying problems now impose, are appropriately distributed. Although housing has been identified as a component of the federal urban strategy, the levels planned will not notably enhance the federal role. The fiscal priority of

INTERGOVERNMENTAL TRANSFERS

Although recent developments may suggest otherwise, it is difficult to hold much hope for substantial fiscal relief emerging from the federal government. In part, this view emerges simply because the federal transfers have traditionally been so small; even at their mid-1990s peak, they amounted to only 1.35 percent of municipal expenditures. However, there has been some expansion in federal infrastructure programs for municipalities. More notable has been the emergence of Prime Minister Paul Martin as the champion of a "New Deal" for municipalities, a cause he initiated during his campaign for leadership of the Liberal Party and one that is mostly associated with a sharing of federal fuel tax revenues (Martin 2003). Towards this initiative, the federal budget of 2004 provided municipalities full (versus the partial 57 percent) relief from the federal goods and services tax (GST). This measure was estimated to provide municipalities with $580 million in sales tax relief in its first year. The 2005 federal budget announced the New Deal for Cities and Communities program, which is to provide $5 billion in funds for municipalities over the next five years, starting with $600 million in 2005–6. The 2005 budget and the New Deal proposal are now mired in the uncertainties of minority government. Assuming that the program materializes, $600 million translates into about $18.75 per capita today, or about 1.2 percent of 2001 municipal expenditures. Immediate potential funding from the New Deal, plus the added savings from the GST, is equivalent to about 2.4 percent of 2001 municipal expenditures. Clearly, this is a healthy increase from recent levels

negative trend, the latest (2003) data show no notable evidence of a recovery in transfers to municipalities (relative to their revenues and expenditures). Bearing in mind that health care and other demands place continuing pressures on provincial treasurers, perhaps the changes are yet to come. Some of

occurred in Alberta, for example). If so, it could start municipal government

some have suggested that municipalities be permitted to levy their own vehicle gas taxes. While superficially attractive, the logic for individual municipal gas taxes is weaker. Vehicles are mobile, and drivers in many municipalities could easily make the choice of avoiding or minimizing this tax. Multijurisdictional communities afford the greatest opportunity to avoid local fuel taxes, and undoubtedly some municipalities would find gas stations a more attractive alternative to fuel taxes. Even for large municipalities (or where regional associations of municipalities agreed to cooperate) where the travel costs necessary to avoid a fuel tax would be larger, border problems would persist. To illustrate, near the City of Lloydminster on the Alberta-Saskatchewan border, the higher Saskatchewan fuel tax is graduated with distance from the border. In addition, in the regional context, while border problems diminish, the accountability problem is exacerbated. In the multijurisdiction environment with fuel tax levies collectively determined, who is held accountable for increased fuel taxes? Finally, even without the border problem, gas tax bases will vary greatly. Consider the major pit stops along the main intercity highways. Of the few places where local fuel taxes are in place in Canada (for example, the Greater Vancouver Regional District), they are provincially determined. Because of the potential social costs of tax avoidance efforts, the distortions to business location, and the uneven base, vehicle fuel taxes become a candidate for revenue sharing. The fuel taxes which the federal and provincial governments already collect could be shared, or an additional (dedicated municipal tax) could be collected for sharing. While administratively convenient and avoiding the noted distortions, revenue sharing poses problems of determining the appropriate amount of revenue to be raised, its

Roadway congestion charges are virtually nonexistent in Canada, so a local vehicle registration fee would be neutral on that front. However, the case for and appeal of congestion charges is increasing, and it deserves further attention, though it can be considered only briefly here.

Tolls geared to traffic volume are suited for controlling congestion in urban areas, and technology is making their use more and more feasible. Note, for example, the developments in throughway tolling in California, the well-

United States, which more closely parallels the Canadian situation, about 3,700 local governments levy local personal income taxes (compared with 6,500 using the sales tax), and those taxes generate 5.9 percent of local tax revenue

strong benefit-cost linkage at the municipal level. Intergovernmental trans-
fers account (on average in 2001) for 17 percent of municipal funding.

the municipal real property tax burden rose elsewhere, Ontario shifted to a new, higher plateau after 1998, which resulted in an increase from 2.14 to 3.52 percent of PDI between 1988 and 2001, while the average of the other provinces rose from 2.25 to 2.57 percent. The consolidated provincial and local property tax had a parallel shift. Ontario municipalities have experienced a substantial fiscal squeeze from both the expenditure side and the revenue side. In the other provinces, the squeeze was a revenue squeeze and was more modest.[30] Overall, while there has been a municipal fiscal squeeze across the country, the squeeze is the biggest in Ontario, and it appears to be primarily an Ontario problem.

FUTURE DIRECTIONS

Conventional Transfers

Reduced transfers have been the source of many of the municipalities' recent

be argued, will better reflect regional needs, interests, and priorities. However, if they are not emerging because of differences in the fiscal pressures on the federal and provincial governments or because of different priorities, greater federal transfers might be an acceptable alternative (although it could be argued that it might be more appropriate for the federal government to address provincial fiscal capacity and let decisions regarding municipalities be made there). At projected levels, added federal transfers will not undermine the reliance on local revenues and the local benefit-cost linkages relative to what they were a decade or more ago. Also, if modest and well designed, they are unlikely to distort local priorities or encourage inefficiencies – at least, not any more than provincial grants do. On the other hand, an expanded federal grant system adds complexity to intergovernmental relations. Perhaps worthy of note is that federal-municipal fiscal relations vary widely among federations, and the minimal interaction found in Canada is unusual.

Sustainability of the Status Quo and Some Direct Implications

If the prospects for a reinstatement of the conventional transfers must be viewed cautiously, can municipalities function effectively under the current situation with the heavier reliance on the property tax? Improved economic and fiscal conditions have raised PDI and diminished the relative burden of the property

its distribution) in the hands of the sharing government. Municipal governments might be reluctant to endorse this option, given their recent experience with transfers, and the sharing governments might want municipal governments to take (greater) responsibility for the taxes from which they benefit.

There are other taxes that may be better suited to municipal government. Individual municipalities should levy a municipal vehicle registration fee (rather than fuel taxes), and congestion tolls deserve consideration, especially in large cities. A municipal personal income tax surcharge is another option. Like the vehicle registration fee, it could be collected through the existing collection systems. Both these taxes are residence based, and because residence is less mobile than consumption, they are less subject to distortion than taxes based on sales.

There is relatively little evidence to suggest that the provinces are inclined towards these less conventional options. In 2003 the City of Winnipeg advanced a carefully crafted New Deal Initiative that, among a variety of measures, included innovative proposals for a municipal general sales tax of 1 percent and a municipal fuel tax of $0.05 per litre.[32] The province, however, was unwilling to give the city new taxing powers. In Alberta, in 2002, the minister of municipal affairs created a high-level Provincial/Municipal Council on Roles, Responsibilities and Resources. This council was exposed to a wide range of alternatives across the three areas, and some innovative recommendations were advanced, including some for expanded municipal tax bases.[33] However, the council kept a very low profile, never issued public reports, and seemed to come to a close in 2004 with no resolution. The Canada West Foundation (Gibbins et al. 2004) issued a report that appeared to be aimed at outlining the council's unfinished agenda. Flush with energy revenues and facing an election, the province opted for reverting to a very large expansion

the bulk of total government infrastructure investment, and it is often argued that they suffer an infrastructure deficit. Hence, municipal capital warrants further attention.

Finally, there are many dimensions to municipal intergovernmental fiscal issues. Money matters, but it is not the only consideration, though it often overlaps with others. Fortunately, other aspects are considered elsewhere in this volume.

NOTES

8 The most recent data on municipal revenues and expenditures have revised the 2001 numbers, and that revision affects the 2001 values reported here. Note that the updated data show transfers to municipalities as accounting for 15.4 percent of municipal expenditures and revenues in 2001 (not the 16.6 and 17 percent reported here). The important implication of this is that the reduction in transfers to the municipalities is actually greater than indicated in the text of the paper. The volume of calculations using the earlier data prevent recalculation of all the numbers, so other changes are not noted (nor is the above change made in the text). More than marginal changes are not expected for most figures.

9 Due to the slow growth in GDP during the economic funk of the early and mid-1990s, the ratio in intermediate years rose because of the adverse effect on the denominator of the ratio. This affected several of the series examined. Fortunately,

directed more to local government include Bird 1993 and McMillan, forthcoming, a and b.

18 A variation on these points is (i) decentralized decision making, (ii) local autonomy, (iii) effective provision, (iv) interjurisdictional and interpersonal equity, and (v) adequate resources.

19 The leading exceptions are federal and provincial government payments in lieu of property taxes, which are included under own-source property and related taxes. These payments, however, are intended to approximately parallel taxes on similar private property.

20 Subsidies for environmental outlays are about half as large relative to the relevant municipal expenditures as those for transportation. Part of the reason for this may be that there is greater public acceptance of the idea that the polluter should pay the cost of avoiding (reducing) pollution (i.e., to meet environmental standards) than that road users should pay for local roads or for (and thus reduce) the congestion costs that they impose on others. Resistance to congestion pricing is diminishing, as is evidenced by the congestion tolls introduced recently in Lon-
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4

Citistates and the State of Cities: Political-Economy and Fiscal-Federalism Dimensions

Thomas J. Courchene

Les villes, plus particulièrement les villes-régions internationales, sont devenues les plaques tournantes de l'ère de l'information. Bien que ces villes-régions aient actuellement une fiscalité fragile et n'aient pas de référence constitutionnelle en matière juridique, leur ascension est telle qu'elles deviendront entièrement et formellement intégrées au sein de la structure et du processus fédéral politique et institutionnel. Par conséquent, les objectifs de ce chapitre sont, en premier lieu, d'expliquer l'ascendance des villes dans ce nouvel ordre global, et en deuxième lieu, de se concentrer sur différentes solutions qui permettront aux villes de développer leurs compétences, leur autonomie fiscale et l'élargissement et l'intensification de leurs rapports avec les autres paliers de gouvernement. En développant ces thèmes, ce chapitre s'inspire de l'expérience internationale similaire qui se rapporte aux états tant fédérés qu'unitaires, en se donnant la possibilité d'imiter le système allemand où certains länder sont des villes-états (Berlin, Brême et Hambourg), comme le titre « villes-états » de ce document le sous-entend.

The world, economically and in management terms, has become a network of prosperous regions, prosperous city-regions.

Kenichi Ohmae, 2000

It is certain that the future of democracy as the capacity of people to act on their own future, at the juncture of social identities and personal subjectivities, will be at the local level.

Michel Autès, 1997, citing A. Touraine, 1994

INTRODUCTION

These quotations speak directly and dramatically to the economic, political and democratic ascendancy of cities in the knowledge-based economy (KBE), and especially to the ascendancy of what have come to be referred to as citistates or global city-regions (GCRs). In line with this vision, the role of the ensuing analysis is essentially twofold. The first is to elaborate on why and how GCRs have become the new and dynamic motors of the information era. This is a global development, not unique to Canada. The second role of the paper is, however, quintessentially Canadian: Given that our GCRs are fiscally weak in a comparative context and jurisdictionally constitutionless in the Canadian context, how might they evolve so that they can indeed fulfill their promise as the empowering engines of our local, national, and global economies?

The paper ends with a brief conclusion that highlights the prospects for Canada's GCRs to achieve the lofty societal heights articulated in the opening quotations.

While this paper is intended, in principle, to have general application across Canada and across all GCRs, most examples will be drawn from Ontario. Readers will have to judge for themselves how much this impinges on its intended generality.

GLOBAL CITY-REGIONS IN ASCENDANCY

GCRs AS THE DOMINANT EXPORT PLATFORMS IN THE SPACE OF PLACES

Were one to parse the new societal order into its globalization component and its KBE component, in terms of the former the most straightforward rationale for the enhanced role of GCRs is that they are in the forefront of regional and global economic integration. All Canadian regions (and at last count, all but one of Canada's provinces) are more integrated with the United States in terms of aggregate trade flows than they are with the rest of Canada. This led Colin Telmer and me to proclaim that Ontario (and perhaps by now several other provinces as well) had donned the mantle of what we labelled a North American economic region-state (Courchene and Telmer 1998). Yet it is patently evident that the evolution of Ontario's region-state status is, for all intents and purposes, about the evolution of Toronto and the Greater Toronto Area (GTA) in the direction of becoming a global city-region (Courchene 2000). More generally, Vancouver, Edmonton/Calgary, Winnipeg, Toronto, Montreal, and Halifax, among others, are the driving force behind their respective regions' and provinces' integration in NAFTA economic space. Hence, cities and, in particular, global city-regions have achieved pride of place in conventional economic geography – or what Manuel Castells (2001) refers to as the "space of places."

GCRs AS NATIONAL NODES IN THE GLOBAL SPACE OF FLOWS

More recently, however, cities have also come to be viewed as the paramount jurisdictional players in terms of the KBE component of the new societal order – or what Castells calls "the space of flows." One facet of this is that in the KBE, knowledge and human capital are progressively at the cutting edge of competitiveness. Another facet is that the network, powered by the Internet, has become the dominant space-of-flows organizational form (Castells 2001, 1). In tandem, these hallmarks of the information era come to the fore in global cities, since it is in these cities that one finds the requisite dense concentrations of human capital, research and development, high-value-added services, et cetera, that allow GCRs to become the key coordinating and

integrating networks in their regional economies while also performing as dynamic national nodes in the international networks that drive growth, trade, and innovation in the global economy. While this resulting space-of-flows or networked geography is a new form of space, it is not placeless. Indeed, as Lever (1997, 44) notes, underpinning the importance of these global cities is that they assume the (network) role of a command, control, and management centre for their domestic and international economies. Phrased somewhat differently, the GCRs breathe life into the emerging regional-international interface that is replacing the traditional nation-nation interface as the dominant integration linkage. Perhaps the role of GCRs – embracing as it does both the space of places and the space of flows – is best described as the "space of networked places" (Castells 2001, 235).

Thus, in this framework, GCRs assume two economic roles – as dynamic export platforms and as learning and innovation platforms – which in tandem attract industry clusters, which in turn attract talent (human capital) in search of rewarding and remunerative work. Yet this people-to-jobs or people-to-tf-

be an advantage to have a world-class university in your midst, or to be sitting on a major resource deposit, or to have access to the full range of high-value-added business services, the new reality is that initial endowments are no longer as determining, let alone as predetermining, and that by positioning themselves high in the quality-of-life features GCRs can come out on top in the competitiveness sweepstakes. In Florida's words:

> It's often been said that in this age of high technology, "geography is dead" and place doesn't matter any more. Nothing could be further from the truth: Witness how high-tech firms themselves concentrate in specific places like the San Francisco Bay Area or Austin or Seattle. Place has become the central organizing unit of our time, taking on many of the functions that used to be played by firms and other organizations. Corporations have historically played a key economic role in matching people to jobs, particularly given the long-term employment system of the post World War II era. But corporations today are far less committed to their employees and people change jobs frequently, making the employment contract more contingent. In this environment, it is geographic place rather than the corporation that provides the organizational matrix for matching people and jobs. Access to talented and creative people is to modern business what access to coal and iron ore was to steelmaking. It determines where companies will choose to locate and grow, and this in turn changes the ways cities must compete. As [former] Hewlett Packard CEO Carly Fiorina once told this nation's governors: "Keep your tax incentives and highway interchanges; *we will go where the highly skilled people are*." (Florida 2004, 6, emphasis added)

In *A State of Minds: Toward a Human Capital Future for Canadians* (2001), I asserted that the knowledge/information revolution would do for human capital what the Industrial Revolution did for physical and financial capital. Florida expands this analogy to go beyond human capital to embrace "human creativity." His core message is that "human creativity is the ultimate source of economic growth. Every single person is creative in some way. And to fully tap and harness that creativity we must be tolerant, diverse, and inclusive" (2004, vi). This is part and parcel of the emerging reality that citizens, individually and collectively, are not only the principal beneficiaries of the KBE but are also the driving force underpinning the burgeoning of the KBE itself. Florida's insight is that successful GCRs, as well as providing an inviting environment where the creative class can cluster, will also supply an organizational spatial and network matrix for matching talent and jobs.

CANADA'S GCRs AND FLORIDA'S "3 Ts"

Given the multicultural nature of Canadian society, it should come as no surprise that Canadian GCRs, especially major immigration-receiving cities such

than holds its own with the rural United States, but this is not the case for Canadian cities versus U.S. cities. Closing this gap, according to Martin and Milway, requires redressing four factors: attitudes (for example, lower university enrolment in Ontario); investments (private investment to enhance productivity and public investment in education and human capital); incentives/motivation (higher tax rates in Canada); and fiscal and governance structures.

While GCRs can and must play key roles in creating a learning and innovative environment, addressing the talent and technology shortfall, whether defined by Gertler et al. or by Martin and Milway, requires a societal commitment to what might be termed "policy infrastructure," and this clearly transcends the boundaries and powers of the GCRs. Arguably, the most important component of this policy infrastructure relates to the creation of human capital. In

GCRs VERSUS OTHER URBAN CENTRES

Obviously, many of the forces privileging GCRs are also privileging other cities. For example, the falling cost of information allows for the delivery of more services to be assigned, in accordance with the principle of subsidiarity, to the jurisdiction that is "closer to the people," as it were. Whereas the term "decentralization" in the Canadian federation has typically meant passing powers from Ottawa to the provinces, the implications of the subsidiarity principle in the KBE would suggest that selected powers can and should be devolved from both Ottawa and the provinces to GCRs and, for many services, to cities generally. Likewise, the need to increase the fiscal autonomy of GCRs in order to improve efficiency, accountability, and citizen participation would also apply to the entire municipal sector.

However, as already noted, the raison d'être of this paper is that the GCRs are different, not only because of their size per se but because of the critical roles they play in the KBE. Some of these roles have already been outlined – export platforms, dense nodes of human capital, and centres of concentration for business services, research and development, and information technology – all of which combine to drive KBE innovation and competitiveness. Moreover, GCRs typically have infrastructure, transit, and logistics challenges of a magnitude not shared by smaller urban areas. And as the principal immigrant and refugee receiving areas, GCRs are saddled with very substantial settlement costs (language and skills training, income support, housing, etc.). Finally, but hardly exhaustively, GCRs are large enough to employ a critical mass of civil servants so that for many of the functions they have the analysis and design capacity to compete in terms of policy formation with federal and provincial bureaucrats.

Simon Fraser's Richard Harris has aptly captured the essence of all of this when he asserts (2003, 50) that the collective future of Canadians depends on how our global cities will perform relative to U.S. global cities. Indeed, over the last decade Canada's six biggest urban areas have enjoyed a 30 percent increase in total employment, double the percentage advances for smaller metropolitan areas and for Canada's towns and rural areas (Little 2004). Moreover, international research shows that a doubling of city population leads to a 4–5 percent increase in productivity as measured by output per capita (Strange 2003).

Having thus made the case for special treatment for Canada's GCRs in order that they may achieve their information-era potential, the remainder of this analysis identifies the two Achilles' heels of Canada's GCRs. The first is their lack of fiscal autonomy and the associated view that they are ideal places from which to redistribute revenue, whereas the emerging KBE reality is that GCRs ought to be able to retain a much larger share of the revenue generated from within their boundaries. The second, and related, challenge facing GCRs is that they are constitutionless – they are creatures of their respective provinces. The next section will identify and document, often in comparative

context, these fiscal and federal challenges. The section following that will address the range of alternative policies, instruments, and processes that would allow the GCRs to become more fiscally and federally integrated into our KBE future.

THE FISCAL AND FEDERAL CHALLENGES FACING CANADA'S GCRs

THE FISCAL CHALLENGE

The fiscal reality facing the GCRs is that they rely almost exclusively on property taxation and provincial transfers for their revenues, which means that

are nonetheless in order. In an earlier paper, McMillan (1997) compares data for selected cities in the mid-1990s. He notes that Melbourne spends only US$723 per capita (in large measure because police and schooling are the

revenues (and 63 percent of own-source revenues). Note that since Ontario's cities are the highest per capita spenders, this should imply (all other things being equal) that property taxes account for a smaller proportion of revenues for Ontario cities. Sales of goods and services (including fees and charges) are the other major component of own-source revenues, averaging 28 percent (and 23 percent of overall revenues). Transfers from other levels of government account for 17 percent of overall revenues. For the most part, these are in the form of conditional transfers (14.6 percentage points of the 17), which may not relate to the internal priorities of cities. The remaining 2.4 percentage points take the form of unconditional grants. Note that the overwhelming proportion of these transfers are provincial-municipal transfers; direct federal-municipal transfers in 2001 were less than 3 percent of total transfers and only 0.4 percent of overall municipal revenues.

By way of international comparisons, Frankfurt obtains much of its revenue from a 15 percent share of federal and Länder income taxes, whereas 35 percent of Stockholm's significant revenues come from a sharing of Sweden's personal income tax (McMillan 1997). It is true that cities in some provinces also have access to shared taxes. For instance, Manitoba municipalities receive a share of provincial personal and corporate income taxes; Alberta cities receive a capital grant for roads and transit based on fuel consumption in each city; and Vancouver, Victoria, and Montreal have access to a share of gasoline taxes). Nonetheless, the resulting tax sharing does not loom large in terms of the overall fiscal needs of cities. However, these examples are important in that they provide excellent models of appropriate tax sharing, which needs to be broadened, enriched, and, of course, replicated elsewhere.

As a bridge between this section on the fiscal gap and the following one on the jurisdictional gap, it is appropriate to note that Canada's cities frequently suffer from "unfunded mandates," or fiscal downloading from both levels of government. For example, Ottawa's decisions with respect to immigrants and refugees will duly commit Toronto to a range of settlement services, which Ottawa only partially funds (especially in light of what Ottawa transfers to Quebec for such services). Likewise, Queen's Park has devolved responsibility for social housing onto Ontario's cities, but not with sufficient funding, at least from Toronto's perspective. In the years immediately following the huge cuts in the Canada Health and Social Transfer (CHST) in the 1995 federal budget, the provinces could legitimately make the case that they were merely transferring to the cities part of what Ottawa had downloaded onto them. While this is small comfort to the cities, their current situation is even less encouraging, because the provinces have become trapped in what I have elsewhere referred to as "hourglass federalism" (Courchene 2004). This will be part and parcel of the following discussion of the GCRs' fiscal and political role in the federation.

THE JURISDICTIONAL CHALLENGE

Ottawa, Nation Building, and Cities

In the prime of the resource-based economy and paradigm, much of nation building tended to be bound up with resources and megaprojects – oil, hydro, pipelines, railways, mining, potash, the Seaway, and the like. In the KBE, nation building has much more to do with human capital and therefore with citizens. Moreover, what now sells electorally are such issues as health, quality of life, democratic participation, and, of course, developing skills and human capital to be successful in the KBE. Whereas megaprojects were likely to be resource-based and rural, nation building in the KBE is predominantly citizen-based and, perforce, largely urban.

    As already highlighted, knowledge and human capital are at the cutting edge of competitiveness in the information era. And where competitiveness is at stake, Ottawa *will* become involved, regardless of what the written constitutional word may say. For present purposes, it is sufficient to note that cities and especially the GCRs are the principal repositories of human capital and therefore of KBE competitiveness, which in turn implies that Ottawa will necessarily become strategically as well as politically involved in city matters.

Hourglass Federalism

Ottawa has, of course, grasped the enormous significance of this marked shift in the determinants of nation building, competitiveness, and political salability. However, cities fall under provincial jurisdiction, as do many of the policies relating to citizens and to competitiveness in the KBE. Not surprisingly, the result has been and will continue to be a jurisdictional tug-of-war between Ottawa and the provinces in terms of addressing KBE-related city issues. For the federal government, the challenge is how to make inroads into these areas of provincial jurisdiction. "Hourglass federalism" is the label that in my view rather aptly describes the way in which Ottawa has unwittingly gone about doing this.

    As part of the adjustment to the dictates of the KBE, Ottawa transferred aspects of old-paradigm nation building (forestry, mining, energy, etc.) to the provinces, presumably in part to make room on the federal policy plate for new-paradigm policies and programs. The key initiative, however, was the set of deep cuts in the CHST transfers to the provinces contained in Paul Martin's 1995 federal budget as part of a series of measures to eliminate the deficit. To be sure, these cuts were part of Canada's remarkable fiscal turnaround and its emergence, in the words of the *Economist*, as the "fiscal virtuoso" of the G7. However, there were some rather dire consequences for the provinces associated with these CHST cuts. Specifically, as Ottawa shifted away from direct

transfers to the provinces (by abolishing the Canada Assistance Plan and reducing the CHST), it began to replace them with direct transfers to citizens (such as millennium scholarships, Canada Research Chairs, and the Canada Child Tax Benefit) and with direct transfers to cities (such as homelessness grants, the GST exemption, and the proposed federal gas tax sharing).

As the federal deficit downloading to the provinces began increasingly to constrain the provinces' fiscal position, an even more problematic fiscal dynamic came into play. Because of the electoral salience of medicare, the provinces have been unable to reduce expenditures on health care. Indeed, all provinces have increased health-care expenditures. But this meant that they were forced to starve virtually every other provincial policy area in order to feed medicare's voracious appetite. Not surprisingly, Canadians and cities alike began to be very receptive to new federal initiatives in these policy-starved areas.[1]

Thus, as Ottawa bypasses the provinces to deal directly with Canadians and with cities in areas typically viewed as falling under provincial jurisdiction, the provinces find themselves as the squeezed middle of the division-of-powers hourglass – hence, hourglass federalism. Intriguingly, with health-care spending heading towards 50 percent of program spending, the provinces will continue to find themselves trapped in this squeezed middle unless they can either download aspects of medicare to citizens or upload aspects to Ottawa. The Ontario Liberal government did the former when it delisted several previously insured items (eye examinations, physiotherapy, and chiropractic services) and introduced a dedicated and income-tested health-care levy. At the July 2004 meeting of the Council of the Federation at Niagara-on-the-Lake, the premiers proposed a two-tiered strategy to combat the challenges posed by hourglass federalism: (1) upload pharmacare to Ottawa, and (2) request dramatic increases in health and equalization funding. At the fall 2004 first ministers' meetings, Ottawa took a pass on the first option but agreed to provide nearly $75 billion new transfer money to the amounts already committed over the next ten years. While this may go a long way to alleviate much of the medicare cost overhang, it is not clear that it will be enough for the provinces to redress their spending deficits elsewhere in their budgets, including municipal funding. In any event, the message here is that the politics and economics of hourglass federalism have served to worsen the fiscal position of Canada's cities and to pave the way for the federal government to embark on a series of initiatives designed to foster a closer relationship with the cities.

For their part, the cities have obviously welcomed the federal initiatives and overtures. Indeed, via the Federation of Canadian Municipalities and other associations such as the C5 (Toronto, Montreal, Vancouver, Winnipeg, and Calgary), cities have actively lobbied for these federal initiatives. Fundamentally, it is arguably preferable from the cities' point of view to have two patrons

rather than just one. And on the more substantive side, Canada's GCRs look with a combination of competitive concern and envy at their sister GCRs in the United States which have direct access to Washington for infrastructure funding. This is a levelling-the-playing-field argument, important in its own right, but it takes on added importance in the current context where the provinces are squeezed by hourglass federalism. As we shall see below, Ottawa has clearly heard and heeded the cities' call.

By way of a final challenge facing Canada's cities, attention is now directed briefly to issues relating to democracy and accountability.

DEMOCRACY AND ACCOUNTABILITY

The growing influence of the GCRs has generated an increasing interest in big city politics, as evidenced by the star status of former Winnipeg mayor Glen Murray, Vancouver's Larry Campbell, and the excitement associated with the election of Toronto mayor David Miller. Indeed, Canada's GCR mayors

provincial-GCR interface and the federal-GCR interface, as well as considering a range of creative, albeit sometimes controversial, options that may be open to GCRs if other avenues remain blocked. This analysis begins with the revenue challenge facing municipalities generally.

DIVERSIFYING REVENUE SOURCES

Increasing Reliance on Existing Sources

While addressing options for providing cities with new revenue sources remains uppermost in policy circles as well as in the media, attention needs to be focused initially on cities' existing but frequently unused or overlooked revenue sources. Canadian cities would do well to cast their eyes internationally to recognize their untapped revenue opportunities. Thankfully, Winnipeg and its former mayor Glen Murray have been leading the way in recognizing them. A recent *Saturday Night* feature entitled "The City Statesman" elaborates as follows on Murray's views and proposals:

> Under the Canadian Constitution, cities aren't designated as a separate order of government; they operate under provincial jurisdiction. In effect, they are glorified utilities. Their means of raising revenue are limited, with property taxes being the main source. Winnipeg relies on property taxes for over 50 per cent of its revenue. But property taxes in Winnipeg are already high, and they are a flat tax: they don't rise as economic activity increases. For cities to prosper, Murray argues, they need a piece of the growth revenues, including sales tax, GST, income tax and corporate tax.
>
> He [Murray] proposes a complete overhaul of an antiquated tax system, which would reflect a closer relationship between taxation and behaviour. Thus, a fuel tax would punish SUVs and trucks and have a marginal effect on fuel-efficient vehicles. According to Murray, 80 per cent of police calls are alcohol-related, and so a liquor tax would go toward the police budget. A fee for garbage pickup would have the greatest impact on those who fail to recycle. (Gillmor 2004, 40)

Leaving the sharing of sales and income taxes to the following section, it can be seen that each of Murray's specific tax or user-fee proposals would (as well as raising revenue) fall into one or more of the following categories: accountable, pro-environment, transparent, efficient. Thus, it is surprising that Canadian cities have not followed their sister cities internationally in being more actively engaged in these user-fee and optimal-pricing approaches. Part of the problem here may be that Canada does not have a tradition of "pricing" the outputs of the public sector generally – for example, the lack of peak-load pricing for electricity and lack of incentive pricing for conserving water. (Perhaps the real, but unstated, fear here is that the imposition of user fees in

these municipal service areas would open the door to thinking about applying them elsewhere in the provincial domain, in particular in the health-care area.)

Well before Glen Murray aired his proposals, Berridge (1999) provided a framework capable of incorporating and even expanding on these Winnipeg proposals:

> [Toronto and the GTA] have to decide what activities the city-region should not finance off the tax base, scrutinizing all the operating municipal services businesses – electricity, water and waste water, garbage, transit – and creating new organizations largely able to meet their own needs. Toronto is one of the few world cities that still operates these services as mainline businesses. The ability to use the very substantial asset values and cash flows of these municipal businesses is perhaps the only financial option to provide the city-region with what is unlikely to be obtainable from other sources: its own pool of re-investment capital. Such an urban infrastructure fund would have remarkable leverage potential, both from public-sector pension funds and from other private-sector institutions.

Hence, it is important to underscore the fact that there is much that cities can do to increase their revenue (and, by extension, their expenditure) autonomy by drawing on the revenue opportunities within their own jurisdiction. Creative experimentation along the lines of the Winnipeg mayor's proposals would be most welcome.

Despite the potential for raising revenue within current jurisdictional constraints, this avenue will fall short of meeting cities' expenditure requirements. As a result, current attention is focused primarily on ways in which the senior levels of government can share their revenues with, or devolve new revenue bases to, the cities.

Finding New Revenue Sources

The increasing awareness of the strategic economic importance of GCRs and the serious challenges they face is exemplified by three (thus far) ambitious policy reports on the future of Canada's cities published by the TD Bank. The titles of these reports are of interest in their own right: *A Choice Between Investing in Canada's Cities or Disinvesting in Canada's Future* (22 April 2002); *The Greater Toronto Area (GTA): Canada's Primary Economic Locomotive in Need of Repairs* (22 May 2002); and *The Calgary-Edmonton Corridor: Take Action Now to Ensure Tiger's Roar Doesn't Fade* (22 April 2003). This series is a clarion call for a new way of thinking about Canadian cities so that they will become more robust and vibrant and will also become an integral part of the TD Bank's overarching vision for Canada, namely that Canada surpass the United States' standard of living within fifteen years.

As part of this new way of thinking about Canadian cities, the TD Bank argues for a national approach to this challenge, one that provides cities with the administrative and financial power to move forward without increasing the overall regulatory or tax burden for Canadians. Toward this end, the TD report's recommendations stress that "Canadian municipalities should be granted additional taxation powers to ensure that they have access to independent sources of revenues – sources that enhance accountability, transparency, efficiency and equity. The best option is a new excise or sales tax collected on behalf of cities by the provincial or federal governments. Provinces should also allow municipalities the flexibility to levy property taxes, user fees and development charges" (2002a).

While Frankfurt and Stockholm have, as noted earlier, access to a significant share of their countries' income taxes, most of the attention in Canada has focused on cities gaining a share of sales or excise taxes – the federal GST, provincial and/or federal excises on gasoline, and provincial sales taxes (PSTs). But given that both the provinces and Ottawa now have access to the personal income tax (PIT) base, sharing the PIT should also be included in the set of choices. This option is especially relevant if the aim is to privilege the GCRs, because sharing the PIT on a derivation basis will provide the GCRs with a larger per capita value than typically would be the case for smaller cities.

The TD report went on to note that while federal and provincial grants can be used to address cities' accumulated funding shortfalls, such grants are the wrong vehicles for financing cities' ongoing financial needs; the preferable way to finance ongoing needs is by sharing the revenues of a growing tax base. A discussion of the pros and cons of tax sharing versus intergovernmental grants, as well as the variety of ways that tax bases can be shared, can be found in the appendix to this paper.

Summary

The core message here is that Canada's cities need enhanced fiscal autonomy. While much of the ongoing public debate has focused on cities gaining access to new revenue sources via tax sharing, it is important to reiterate that there also exist significant but unutilized revenue opportunities that are fully within the cities' own jurisdiction. In any event, the underlying rationale for enhanced revenue autonomy is to allow cities greater expenditure autonomy. At one level, this will serve to activate the principle of subsidiarity at the city level. At another, the traditional emphasis on competitive federalism and the importance of provincial experimentation in terms of the financing, design, and delivery of public goods and services will in effect be "decentralized" to cities. In this regard, it is instructive to recall that the seminal "Tiebout model" of competitive federalism was in effect a "competing-local-governments" model.

Moreover, enhancing the link between revenues and expenditures is a way to improve accountability, as well as allowing cities more flexibility in responding to their citizens' policy wishes. This has the potential not only for increasing the static and dynamic efficiency of Canada's cities but, also for drawing citizens into greater civic involvement, since much more will now be at stake in city governance.

   These dynamic efficiencies arising from enhanced fiscal autonomy and competition among cities are appropriate for all cities, small and large. However, since Canada's employment growth, competitiveness, and living standards

Of even more significance in the 2004 budget were the various jurisdictional measures:

wastewater, community energy systems, and treatment of solid waste. In smaller municipalities, eligible funding will be considered more broadly to provide flexibility to meet priorities. In all municipalities, some funds may also be used for

relating both to accessing benefits and to the duration of payments. Indeed, as discussed later, Ottawa's New Deal as it relates to the gas tax is, in effect, yet another equalization program, this time effectively transferring funds from GCRs to municipalities. The reality remains that Ottawa continues to view GCRs as an ideal place from which to redistribute.

Other Federal Linkages

will find support in the environmental community as well. Ottawa benefits because the gas tax transfer enhances the visibility of the federal government; and in the process, some progress has been made towards increasing the revenue autonomy of cities. Plaudits all around, or so it would appear.

However, as already noted, Ottawa's New Deal for communities is not the creative federal-GCR relationship that Canada's largest cities had in mind. The best light that the GCRs can put on this is that federal politics are such that Ottawa probably had to begin its relationship with cities by treating all cities in a similar manner. The reasoning would presumably be that only when the federal-city relationship develops further could the GCRs expect to receive special treatment. Yet pinning too much in the way of effort and aspirations on an improving federal-GCR relationship may be a questionable gambit for at least two reasons. The first is that while the Plunkett assertion that some provinces "are not much interested in [their] cities" may be traditional wisdom, the mere fact that the GCRs are actively lobbying Ottawa will hardly be lost on the provinces. Apart from the fact that the provinces may now be more receptive, the second reason is that the constitutional reality is such that the GCRs are eventually going to have to deal with or through their respective provinces. This being the case, we now turn our attention to the provincial-GCR relationship.

RETHINKING THE PROVINCIAL-GCR INTERFACE

provinces to privilege their GCRs by allocating a share of sales taxation or personal income taxation to cities on a derivation basis. Yet the reality is that the very opposite has occurred. As the earlier evidence indicates, Canadian cities are among the most fiscally constrained cities in the world. Indeed, it was this reality that encouraged cities to take their concerns to Ottawa in the first place.

The further reality is that the provinces have been backed into a fiscal and

2005b). This caveat aside, some province will surely at some time be enticed (or forced) into sharing its growth taxes with its cities and municipalities, perhaps with an accompanying municipal equalization program if per capita differences become too large. The game will then be afoot.

For this to occur, let alone be sustained, there need to be structures and processes to facilitate such privileged status for the larger cities. That this may not come easily is clear from the ongoing Ontario experience. Recently, the Ontario government signed a memorandum of understanding with the Association of Municipalities of Ontario (AMO) to consult with it on any legislation, regulations, and negotiations with Ottawa that affect municipalities. Toronto mayor David Miller objected to this because Toronto, as the sixth largest government in Canada, should be consulted directly and not via the AMO which, Miller points out, is not even a government (Campbell 2004). Indeed, Toronto has threatened to withdraw from the AMO, and the AMO in response is threatening to move its upcoming conference out of Toronto. From the perspective of the foregoing analysis, two observations are in order. First, it was only a maunicipali-

policies. Finally, given that Ottawa looks after medicare as well as income support for children and the elderly, Canadian GCRs have much more room than their American counterparts to manoeuvre on the allocative or efficiency front without compromising the social fabric. So why not attempt to follow in the footsteps of the German city Länder (Berlin, Bremen, and Hamburg) and seek to become Canadian city-provinces with full constitutional powers? Toronto has not quite gone this far, at least not yet. But it has adopted a blueprint

Charter has been endorsed by business leaders, community activists, former politicians, journalists, and academics and was enthusiastically received by the Committee of Greater Toronto Mayors and Regional Chairs. While city charters are not particularly novel in Canada – Vancouver, Winnipeg, Montreal, Saint John, and Newfoundland's two major cities all have them – the timing and breadth of the Toronto charter are significant; its timing coincides with the resurgence of cities and particularly the GCRs, and clearly the starting point of the charter is to view Toronto (or the GTA) as an order of

revenue sources that lie within their jurisdiction. By wanting to run before they learn to walk, the GCRs are in effect calling their own bluff in terms of their aspirations to become charter cities, let alone citistates or city-provinces. Nonetheless, the very presence of the charter, as well as the existence of the German city Länder, may serve to propel GCRs' actions more in line with their aspirations.

CONCLUSION

The tandem of globalization and the information revolution have catapulted global city-regions into the policy limelight. Because of their role as the dynamic export and innovation platforms of the new economy, their future is Canada's future. Hence, we need to find ways – politically, institutionally, and perhaps eventually constitutionally – to accommodate our GCRs' needs in the KBE. As Bradford points out, this may not be easy: "The concern here is that Canada's national policy machinery and intergovernmental system remains ill-adapted to changing policy realities and spatial flows. While governments at all levels are active in cities, there is little evidence of a coherent agenda, systematic coordination, or even appreciation of the importance of place quality to good outcomes" (2004, 40). Among other things, Bradford sees this challenge as involving "new thinking … that respects provincial constitutional responsibility for municipal governments while fully recognizing that metropolitan policy issues, from the environment and housing to employment and immigration, transcend the jurisdictional compartments" (ibid., 41). More optimistically, Bradford goes on to note that "using a mix of principles, programs, and networks, the EU in the 1990s developed multi-level governance to implement more place-sensitive policies and programs" (ibid., 43). The lesson that we ought to draw from this is that if the European Union can accomplish this multijurisdictional relationship within a multinational and even supranational context, it should be all the more easy to accomplish in a national context. Ottawa's most important role will be to provide the leadership so that the issue of what needs to be done is sorted out before attention turns to turf warfare or who does what.

   The good news here is that Canadians have traditionally excelled at the art of federalism. We were able to centralize our fiscal system during wartime and then decentralize it again. We were able to create decentralized yet national programs in health, education, and welfare. We were able to accommodate Quebec's interests in terms of several national programs, including personal income taxes and the Canada/Quebec Pension Plan. Through

1867. Rather, we did it through creative instruments and processes – the federal spending power, opting out, altering the nature of federal-provincial transfers, cost sharing, delegation of powers, and the like. Jean Chrétien's Team Canada missions and the provinces' Council of the Federation are more recent examples of these creative instruments and processes at the national and provincial levels, respectively.

In short, if there is a societal will, there is a federal way. Since our collective future economic and social well-being depends on the success of our GCRs, Canada and Canadians will find a way to ensure that our global city-regions become more fully and more formally integrated into the operations of Canadian fiscal and political federalism.

APPENDIX: ANALYTICAL PERSPECTIVES ON TAX SHARING

SHARING TAX REVENUES

There are at least three features of tax sharing that need elaboration. The first has to do with whether the cities are *sharing the revenues* from a given tax base or whether they are *sharing the tax base*

not only is the GST a broad-based tax but it is growing faster than GDP, so aggregate state revenues are rising as a percent of GDP. One of the themes of this paper is that Canada's cities too need access to a growing tax base.

Now compare this to another example. Suppose the federal government were to initiate annual grants to the cities of, say, $4 billion, escalated annually by the rate of growth of federal GST revenues. Assume that these grants would be unconditional and allocated to cities on an equal per capita basis. Since $4 billion annually is roughly equal to one percentage point of the GST (and over time would remain at roughly one percentage point given the nature of the indexing), this is not all that different from the above Australian revenue-sharing example. In other words, there would appear to be enough flexibility in terms of the design of intergovernmental transfers to replicate most features of sharing the revenues of a tax base. This is especially the case if creative ways are found to ensure that these transfer arrangements could not be altered arbitrarily by the donor government.

NOTES

1 In a recent *Globe and Mail* column, Jeffrey Simpson (2005) noted that government spending in British Columbia over the last four years and the next four is forecast to increase by $2.7 billion. Health-care expenditures over the same eight years are also forecast to increase by $2.7 billion. This is hourglass federalism at its finest!

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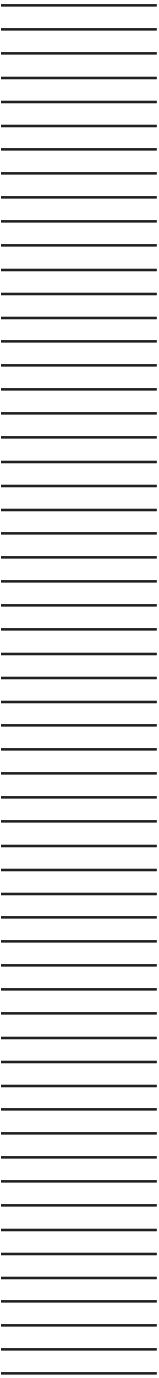
III

Restructuring

5

Why Municipal Amalgamations?
Halifax, Toronto, Montreal

Andrew Sancton

Entre 1995 et 2001, trois provinces de l'est du Canada, soit la Nouvelle-Écosse, l'Ontario et le Québec, ont légiféré pour la fusion des municipalités au sein de leurs grandes métropoles. Il y a trois raisons qui peuvent expliquer l'adoption de politiques similaires dans ces provinces : (1) les gouvernements provinciaux faisaient face, directement ou indirectement, à la pression du mouvement de mondialisation (2) les gouvernements provinciaux répondaient aux demandes de forces politiques internes, qui pouvaient être ou ne pas être similaires dans chaque province, mais qui étaient clairement indépendantes du mouvement de mondialisation; ou (3) les gouvernements provinciaux agissaient de façon autonome, avec peu d'égard aux pressions politiques internes. Le point majeur soulevé par ce chapitre est que la troisième explication semble celle qui concorde le mieux aux faits. Ce point est développé en donnant plus de précisions d'abord sur chacune des deux autres explications, et en examinant ensuite plus en profondeur les raisons politiques des fusions municipales à Halifax, Toronto et Montréal.

Between 1995 and 2001 legislation was passed in three eastern Canadian provinces – Nova Scotia, Ontario, and Quebec – to implement major municipal mergers within the largest of their respective metropolitan areas. There have been three types of explanation for the adoption of these similar policies: (1) provincial governments were responding, directly or indirectly, to pressures caused by globalization; (2) provincial governments were responding to demands of internal political forces, which may or may not have been similar in each province but were clearly independent of globalization; or (3) provincial governments were acting "autonomously," with little regard to internal political pressures. The main argument of this paper is that it is the third type of explanation that best fits the facts. This argument will be advanced first by

exploring each of the other two types of explanation and then by examining, in more detail, the political causes of municipal amalgamation in Halifax, Toronto, and Montreal.

DID GLOBALIZATION CAUSE AMALGAMATION?

Globalization involves the increasing interconnectedness among different regions of the world, involving trade, rapid communication (especially through the internet), and the formation of social and economic networks – some very powerful – that transcend national boundaries.[1] Different analysts emphasize different characteristics of globalization, and as a result the whole concept is deeply contested. It has been considered at one time or another as a possible cause of almost any significant development in various societies around the world. Municipal amalgamations are no exception. By definition, however, globalization is widespread. If it has a direct impact on the structure of governmental institutions, we should expect to see similar changes everywhere. But, contrary to what many in Canada have assumed, the recent round of municipal amalgamations in eastern Canada has not been part of any world-wide trend (Sancton 2000). Since 1990, municipal amalgamations in the Western world outside Canada have occurred only in New Zealand, parts of Australia, a very few local authorities in England, post-apartheid South Africa, and, most recently, Denmark. If globalization causes municipal amalgamations, surely there should be many more cases than these. In particular, we would expect to find them in the United States.

    If anything, pressure in the United States has been for municipal secession, not municipal amalgamation. In the early 1990s, there was a movement on Staten Island to have it secede from New York City, but the plan was blocked in the state assembly (Benjamin and Nathan 2001, 80). On the eve of the centennial of the New York consolidation in 1898, the Brooklyn borough president saw no reason to celebrate. He wrote, "If consolidation had not taken place ... continued independence for Brooklyn, Long Island City or Queen's and New York would have fostered intense competition among the municipalities, resulting in dynamic economic growth and an even stronger metropolitan region than we have today" (ibid.).

    It has been in Los Angeles, however, where the issue of municipal secession has been most prominent. In the end, as a result of local referenda, the City of Los Angeles continued with its same boundaries, but only after secession had been impartially evaluated by a government agency and only after all the plans for its implementation had been made. The case of Los Angeles is

Although there were various other proposals for breaking up Los Angeles (including the establishment of a new City of Hollywood), the main one involved the establishment of a new city in the San Fernando Valley. The valley had been incorporated into the City of Los Angeles in 1915. By 2002 its population was over 1.3 million, while that of all of Los Angeles was 3.7 million. For almost ninety years, the valley had been part of the city. At various times during this period, secessionist movements had appeared, but none was stronger

all kinds of factors: high spending by opponents of secession; fears of in-creased electricity costs in an independent city; and a poor campaign strategy by the secessionists. In any event, the proposal also had to be approved by voters in the entire city, and here it lost by 67 percent to 33 percent.

The results of the referendum in Los Angeles will no doubt be analysed by students of urban politics in Los Angeles for many years to come. Meanwhile, the secession movement provides plenty of opportunity for theorizing about what was really going on (Hogen-Esch 2001; Haselhoff 2002). The most crea-tive of such attempts has been by Roger Keil, who has explicitly compared developments in Toronto and Los Angeles and linked both cases to globaliza-tion. The heart of his argument is: "Both current developments, the amalgamation of government in Toronto and the push towards secession in Los Angeles, are reactions to new urban realities created by globalization. Ideologically, there are many similarities between the secessionists' desire for smaller government, fairer taxation and better services on the one hand, and the Ontario Tories' neoliberal agenda of more accountable, streamlined government on the other" (Keil 2000, 776).

Creative as such theorizing may be, it relies primarily on linking globaliza-tion to the obvious ideological similarities between San Fernando Valley secessionists and Mike Harris's Conservatives. But it does not help much in understanding the practical politics of the two cities. Globalization, accord-ing to Keil's line of argument, can explain everything, even plans for institutional change that are the opposite of each other. If globalization ex-plains the rise of the secessionist movement, does it also explain the fact that the secessionist movement has, temporarily at least, been defeated? Does it explain why there was a binding referendum in Los Angeles and not in Toronto? And what about the impact of globalization on the vast majority of North American metropolitan areas (including Vancouver), where dozens or hundreds of munici-palities continue to exist and where there have been no significant movements for either secession or consolidation? Finally, how do we explain the consolidation of New York City in 1898? Was it caused by globalization? (Answer: Possibly.) How do we explain the creation of Unicity in Winnipeg in 1971? Or the many European municipal amalgamations of the 1960s and 1970s?

Globalization is indeed having a profound effect on the physical, societal, and economic characteristics of our metropolitan areas. These changes have been well documented by scholars from a wide variety of disciplines in the social sciences (Scott 2001). Many of these changes in turn lead to pressures for new governmental arrangements of one sort or another. There is abso-lutely nothing new, however, in the claim that municipal structures need to be changed to meet changes in the pattern of urbanization, changes caused by streetcars, automobiles, new methods of (fordist) industrial production, or globalization. Such claims have been made for at least a century and a half. Just because the occasional politician claims that globalization requires amal-

gamation – or secession – does not mean that academic analysts should accept such a claim as being empirically true (Boudreau 2003, 180–3).

Some credence to the claim that globalization requires amalgamation has recently come from Thomas J. Courchene. As part of his argument about Ontario becoming a North American region-state, he applauds the Harris government for implementing market-value assessment for Ontario's property-tax system. He claims that, for the new system to be workable,

> there needs to be some restructuring of boundaries to internalize the externality arising from the fact that there is a divergence in terms of where citizens earn their incomes and where they consume services. Hence the rationale for amalgamation, not only for the megacity of Toronto but for other Ontario cities as well. And as an added bonus from the province's vantage point, the creation of the megacity merged the high-business-tax preferences of the former city of Toronto with the more competitive-oriented policies of the other five former municipalities. Arguably the new megacity is now more attuned to a global city-region mentality and more attuned to the larger vision of Ontario as a North American region-state. (Courchene 2001, 180)

Arguments about internalizing externalities and equalizing taxation levels have nothing to do with globalization. Such arguments have been made in the literature on metropolitan government for at least a century. Given that Courchene is trying to situate Ontario in its North American (rather than Canadian context), it is mystifying that he thinks municipal amalgamation is at all relevant to anything with which he is concerned. Why is the new mega-city any more attuned to its global or North American reality than the former municipalities were? The American reality is that municipal amalgamations have not taken place for a century. The global reality is that they have had nothing to do with the public-sector reforms that have swept all industrialized countries since the time of Margaret Thatcher and Ronald Reagan.[3]

WAS THERE POLITICAL PRESSURE FOR AMALGAMATION?

Pluralist, corporatist, and Marxist views of the state all assume that forces in civil society ultimately determine state actions; they reject the notion that the state itself is an autonomous actor (Nordlinger 1981, 44). Marxist views are consistent with the notion that economic forces associated with globalization have caused central governments to restructure municipalities in particular

chamber believes that the CUM is an important level of decision-making and of fiscal redistribution and that its mandate should be enlarged to manage on a truly metropolitan basis common services relating to transport, land-use planning, and perhaps waste management and the environment, even though it appears difficult to reach consensus on jurisdiction" (author's translation). This does not look like pressure from the business sector to amalgamate all the municipalities within the CUM. Unlike the cases of Halifax and Toronto, the central city of Montreal promoted amalgamation long before the provincial government did. But there is no evidence that any particular interest groups ever adopted the city's position.

AUTONOMOUS POLICYMAKING BY THREE PROVINCIAL GOVERNMENTS

The main argument of this paper is that recent municipal amalgamations in Canada can only be explained by a state-centred account of policymaking. Provincial leaders sponsored amalgamations because they thought this was the right policy in the circumstances, even though there was little or no societal demand for such a policy and even though there were many other possible courses of action. This is not to say that the actions of one provincial government did not have an impact on others; it is especially evident that the actions

Everyone who has addressed Savage's decision accepts that it was his alone, taken at a time when he was convinced that dramatic action needed to be taken to reduce public spending and promote economic development. Debate continues on what exactly he was trying to accomplish (Stewart 2000), but no one has argued that he was in any way pressured to implement amalgamation. The Halifax Board of Trade had supported Cameron's initiative and also supported Savage's, but it always appeared to be following rather than leading.

The best explanation for Savage's action is that he was convinced that Nova Scotians had to understand that major sacrifices were needed to extract the province from its fiscal and economic problems. Things could not go on as before. What better way to demonstrate this than for Savage, recently mayor of Dartmouth, to sponsor legislation merging his former municipality with its arch-rival, Halifax, especially when one of the municipal critics of his Cape Breton merger legislation had claimed, "Fish will fly when this happens in metro Halifax" (quoted in Stewart 2000, 206). Savage no doubt genuinely believed that money would be saved, that economic development would be easier, and that his policy of "service exchange" would be facilitated by sharing the central city's tax base with the outlying areas (Vojnovic 1999). But amalgamation was either of dubious value in achieving such objectives, or the objectives could be accomplished in other ways. Amalgamation for Halifax was implemented primarily for its symbolic value. It was something dramatic that Savage could do without affecting most people in any direct way. Amalgamation was implemented not because there were societal pressures to do so but because there were no significant societal pressures on either side. It was the perfect opportunity for autonomous state action.

The Toronto case was quite different. It turned out that there were significant societal pressures against amalgamation in Toronto, though these were

of its global role if the San Fernando Valley had seceded? As a relatively

reasons to take instructions from local business elites. On the other hand, they do have electoral reason to listen to homeowners whose taxes are going up largely because of commercial tax freezes.

As noted previously with respect to the Golden Task Force, business groups in Toronto had little interest in promoting amalgamation until after it became government policy. In fact, it is much more plausible to suggest that business supported the government's policy on amalgamation as a trade-off for getting tax relief by other means than it is to suggest that business supported amalgamation as an end in itself. Provincial governments in Canada (and the national government in the United Kingdom, as concerns England) have unlimited legal authority with respect to municipalities. Since the mid-1960s, any informal political conventions about the sanctity of established local governments have been almost completely eroded, a development that has not occurred in the United States. There appeared to be no constraints on what a determined Harris government could do to its municipal political enemies in the old City of Toronto.[8] In the absence of such constraints, the Harris government acted. It was precisely because the amalgamation policy was such an obvious attack on the established and articulate middle-class political interests within the old city that the reaction was so quick and effective (Horak 1998). But the Harris government realized that it would lose too much by backing down, and it pushed the measure through at considerable short-term political cost.

The other state-centred explanation relates more to the "state" (of Ontario) as a whole than to the political interests of its leaders. Both the Golden Task Force and Harris himself, when in opposition, were leaning towards eliminating the Metro level of government, not the lower-tier municipalities. Metro was to be replaced by some new form of authority for the entire Greater Toronto Area. This plan did have political costs for Harris, because it brought the "905" voters – his core support group – much closer to Toronto political issues than they ever wanted to be. But there were also severe practical, governmental difficulties that even the Golden Task Force did not fully work out. These difficulties related especially to the fate of some services (notably, the police) that could not be uploaded to the new GTA authority or to the province or be downloaded to the area municipalities. Furthermore, even leaving aside(v)21(e8ehtg5(iD0nce the 1(constr)m"1(rce and Harris him7tr)m"ta5(virrts, the se)

The point, of course, is that total amalgamation seemed equally impossible. This was confirmed in June 1999 when both Premier Lucien Bouchard

for Montreal Island: the newly created Montreal Metropolitan Community covering the entire metropolitan area; the new City of Montreal covering the island; and the twenty-seven boroughs.

On 15 November 2000 the government announced the content of Bill 170. Boroughs were not given any authority to levy taxes or to enter into collective agreements. It appears that Premier Bouchard had decided he could not take

except Bourque was calling for an amalgamation of the entire CUM, not even the various groups, such as unions, that traditionally supported the Parti Québécois and would normally be expected to favour political action leading to increased equality. But there is one additional fact that must be kept clearly in mind: by the time Premier Bouchard had formally committed himself to amalgamation, he had already announced that he was leaving. There is perhaps no easier time for state-centred policymaking than in a parliamentary system after a popular first minister has announced his or her impending retirement.

While the Bouchard government was pushing Bill 170 through the National Assembly, a strong anti-merger movement appeared in affected areas of the province, especially on the western part of Montreal Island (Aubin 2004). Opposition leader Jean Charest promised that, if elected, he would establish a democratic mechanism for residents of merged municipalities to decide if they wanted their area to demerge. To the surprise of many, after the 2003 provincial election, Premier Charest kept his promise and introduced complex legislation (Bill 9) that provided for local decisions on demergers. On 20 June 2004, residents of fifteen former municipalities on Montreal Island voted in

6 As quoted in Kevin Cox, "Halifax-area Leaders Fuming over Plan for Supercity," *Globe and Mail*, 28 October 1994.
7 Savitch and Kantor (2002) treat the territory of the Municipality of Metropolitan Toronto as metropolitan Toronto's "centre city," even for the period prior to amalgamation.
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6

Revisiting Municipal Reforms in Quebec and the New Responsibilities of Local Actors in a Globalizing World

Pierre Hamel and Jean Rousseau

Ce chapitre permet d'examiner les incidences des récentes réformes municipales au Québec. Bien que cette restructuration des politiques locales et municipales soit reliée au dernier courant de réformes, la conjoncture économique et politique est différente. Dans

metropolitan scale with economic actors, other local institutions, and upper tiers of government. These issues have been explored at length in the recent literature on urban governance and new forms of regionalism (Frisken and Norris 2001; Swanstrom 2001).

Surprisingly, in Quebec such questions have not been at the top of the research agenda for social scientists. This does not mean that local political actors and the Quebec government were inactive in this field. It has in fact been the other way round. Until now, politicians, technocratic civil servants, and a small network of experts have led the debate about the restructuring of local and municipal politics.

Our intent here is not so much to explain why social scientists have paid so little attention to the restructuring of local power in Quebec. Rather, we want to highlight some of the shortcomings of the recent municipal and metropolitan reform that took place at the turn of the new millennium by referring to contextual changes. However, although these changes help us understand why the institutional and governance framework has to be adapted to the new urban reality, this does not explain the political choices that were made by the Quebec government in its aim to modernize the municipal and metropolitan systems. That requires paying attention to the normative and political dimensions of those governmental choices – that is, looking at values, political opportunities, and institutional constraints. This represents the particular angle that shapes our discussion of these reforms.

In this paper, we shall discuss some of the limits deriving from the political choices that were made by the Quebec government with regard to municipal reforms. In doing so, we shall bring out an ambiguity inherent in the government strategy, which was particularly evident with the approach adopted by the Quebec government for the metropolitan region of Montreal. While trying to implement a new model of reforms based on what we call a governance framework, the government continued to use a technocratic model, involving a top-down perspective, which has been framing the various reform projects since the 1960s. The governance framework is based on the mobilization of municipalities and local actors with interests in metropolitan development, and the establishment of forms of decision making in which the government appears to be one important actor but is no longer the only one. This framework has come to be seen as the most relevant for dealing with challenges imposed by globalization,[1] especially for increasing the competitiveness of the city-regions. In this perspective, the emphasis is on the development of flexible and variable strategies of development that can cope with economic restructuring and the creation of new sectors of world-led economic activities. A key issue with governance is the process itself by which actors are mobilized and participate in decision making; the setting up of an institutional structure with a clearly delimited sphere of intervention is no longer the main issue. But even though the challenges imposed by globalization have

been raised in some reports and studies – and by the government itself from the 1980s onwards – the Quebec government chose nonetheless to reproduce its technocratic model.

The emergence of governance reveals a deeper transformation of Quebec politics that is still going on. It is linked to an attempt to redefine the role of the government within a new political context that is characterized by a decrease of the state's legitimacy and a questioning of its level of institutional capability. This new political context indicates a significant transformation of the framework structuring the public realm with regard to state intervention and citizen participation. We shall argue in this paper that the Quebec government did not take into account this new political setting when launching the recent wave of municipal reforms. Given its contested legitimacy and its limited resources, the Quebec government should have planned this process of reform better, especially by adequately explaining the rationale of the project and by creating a large regional consensus among the various local actors that would have helped legitimate the project. The learning dimension of municipal and metropolitan reforms was largely ignored. Although, in some respects, the Quebec government came to invoke the governance approach for justifying its decision, its intervention turned out to be a move against such an approach, for the government finally chose to put into practice an outdated model of reform that paid attention primarily to institutional structures.

Our paper is divided into three parts. First, we will recall the historical context of Quebec municipal reforms since the Quiet Revolution. In many ways, the recent wave of municipal reforms is a continuation of the previous ones. Second, we will present an overview of the recent wave of municipal reforms. We will look more closely at the political and institutional changes that have been implemented in Montreal and will highlight the predominance of the technocratic approach. Finally, we will analyse these reforms, discussing some of their limitations. We will refer to the recent debates in the literature concerning urban restructuring and governance in the context of globalization. Some issues explaining the limitations of the recent municipal and metropolitan reforms will also be discussed.

THE HISTORICAL CONTEXT OF QUEBEC MUNICIPAL REFORMS (1960 TO MID-1990s)

The Quiet Revolution put the issue of reforming municipal structures at the front of the governmental agenda. The election of the Liberal Party in 1960 under the leadership of Jean Lesage marked the end of the long Duplessis era which, according to the leaders of the Quiet Revolution, had been a period of great backwardness – *une grande noirceur*. This election was recognized as the beginning of a new period in Quebec history. In this context, the modernization

of municipal politics was seen as a prerequisite that would clearly reflect this historical step. From the 1960s to the 1990s, several parliamentary commissions, study groups, reports, projects, and bills sought to transform and rejuvenate municipal institutions in conformity with the diagnostic that had been posed during the first years of the Quiet Revolution. However, none of them brought efficient and definitive answers. Thus, despite the intention to transform the municipal system, the project of thoroughly reforming the political values and structures of municipalities has remained on the political agenda.

IN THE AFTERMATH OF THE QUIET REVOLUTION

The 1960 electoral defeat of the Union Nationale government marked the end of the "Duplessism" that had permeated Quebec politics during the previous two decades. During those years, the predominant political discourse on Quebec society had been centred on the protection of its rural, Catholic, French-speaking, and conservative dimensions (Meynaud and Léveillée 1973; Bissonnette 1982; Bourque and Duchastel 1996). Premier Maurice Duplessis's ideology had been based on the promotion of rural values. This representation of Quebec society had helped give rural municipalities a symbolic and political importance. At the same time, it served to mask the increasing gap between the Quebec polity and the socio-economic reality of Quebec society (Simard 1979; Dickinson and Young 1995). In contrast to the Duplessis discourse, Quebec society was already urbanized and industrialized at the turn of the twentieth century. The political weight given to rural municipalities and county councils by the Duplessis government was misleading.[2]

The election of Jean Lesage opened the door to a major restructuring of the Quebec political system in a very short time. First, the predominant political discourse came to emphasize the urban and industrial character of Quebec society and stressed Quebec's backwardness compared with other countries and other provinces, especially Ontario. From the beginning, the liberal government insisted that Quebec society needed to be modernized and that the best way to achieve this was through a reform of public institutions.

Second, the discourse on Quebec's need to catch up with its neighbours revealed a significant change in social relations. Three different groups that had become allied through their opposition to the Duplessis regime carried it out: the labour unions, the French-speaking petite bourgeoisie, and a group of Liberal intellectuals. They called into question the role of the old elites (clergy, rural leaders) and the representations of Quebec society associated with them. The election of the Liberal Party provided them with the opportunity to be empowered.

The third type of change introduced by the Quiet Revolution was the broadening of the field of state intervention. The Quebec government became

recognized as the key actor that would enable the province to catch up with other modern societies. This brought a major restructuring of the field of state intervention ranging from the complete replacement of the clergy in the education, social services, and health sectors to the establishment of new state agencies for promoting Quebec's economic development. This restructuring was based on a technocratic approach in which the Quebec government was presented as the key player in leading the reforms. With its strong legitimacy

municipal representatives the project of municipal amalgamation. He insisted that municipalities had to be merged in order to reduce their number, and he emphasized the importance of intermunicipal cooperation. Amalgamation, he argued, would overcome rural isolationism and the fragmentation of Quebec territory into small units that could no longer cope with the requirements of a modern society. It would allow better and more diversified services to be provided to citizens. It would help municipalities attract businesses more easily and adopt rules on urban planning. And it would re-establish a better equilibrium between rural and urban municipalities while allowing for an improved and more rational management of Quebec territory.

THE BEGINNING OF A LONG PROCESS OF REFORMS

Over the three following decades, various bills, reports from study groups, parliamentary commissions, and proposals from organizations representing municipalities were released and debated. Of course, these discussions did not follow a direct trajectory. From the 1960s to the mid-1970s, the discussions about municipal reforms were framed by the tenets of the discourse on regional development diffused by the leaders of the Quiet Revolution (Bissonnette 1982; Divay and Léveillée 1981). They were part of the whole project of imposing a centralized management of Quebec territory in response to the imperatives of a modern, urban, and industrial society. All this followed the top-down approach, in which the municipal representatives were seen as potential obstacles whose attributes needed to be transformed. Following the economic difficulties faced by the Quebec government in the 1970s, the discussions began to be less ambitious and were no longer thought of as a great leap. The idea of planning at all political levels was gradually dropped and was replaced by a pragmatic management of the existing municipal actors and structures.

During the 1960s and 1970s some significant reforms had been introduced. In 1965 the Liberal government adopted Bill 13 on the voluntary merger of municipalities. However, the adoption of this bill did not result in a great movement towards amalgamation. Since the municipal representatives were recognized as the initiators and did not have any incentives or constraints, the amalgamation of municipalities occurred very slowly. Then, in 1966, Pierre Laporte tried to replace the existing county councils with modern regional organizations that would simultaneously represent urban and rural municipalities; but this proposal was set aside with the electoral defeat of the Liberal Party, and three years passed before these reforms were introduced.[3]

One important reform was the creation in 1969 of three supramunicipal communities: the Communauté urbaine de Montréal (CUM), the Communauté urbaine de Québec (CUQ), and the Communauté urbaine de l'Outaouais (CUO). These new structures were supposed to provide more efficient and, in

some cases, new services to the population, reinforcing the autonomy of municipalities (Meynaud and Léveillée 1973).

The reform momentum was modified somewhat with the election of the Liberal Party under the leadership of Robert Bourassa in 1970.[4] Despite the persistence of a technocratic bias, new elements were introduced. The economic role of Montreal in relation to developmental issues for the whole province was increasingly discussed. The government referred to the notion of "profitable federalism," opening the door to a greater collaboration with the federal government.[5]

A more decisive shift in government strategy occurred when the Parti Québécois government adopted Bill 125 in 1979. The intention was to implement a comprehensive framework for the planning and management of Quebec territory, and also to redefine territorial management through the creation of regional county municipalities (RCMs). Even though these institutional structures implied a centralized control over the activities of municipalities, René Lévesque's government justified this reform by discoursing on the decentralization of responsibilities and the democratization of regional politics. Nonetheless, some of the objectives discussed during the Quiet Revolution finally came to be achieved. The creation of ninety-four RCMs covering Quebec territory (excluding the territory covered by the three supramunicipal communities created in 1969) led to the demise of the county councils and established a new institutional structure for managing the municipal system.

THE TRANSFORMATION OF THE SOCIO-POLITICAL CONTEXT OF
MUNICIPAL REFORMS

The preliminary discussions around Bill 125 revealed a change in governmental approach.[6] They showed the government's intention to integrate local and regional decision makers further into the process of reform. This came to be seen as a prerequisite to a successful implementation of government intervention. In the meantime, significant changes had occurred in regional and local politics. Resistance at the local and regional levels helped to democra-

refers to the limited resources of the state, which needs to find new forms of financing. It emphasizes the need to set up decentralized decision-making processes and to mobilize various actors to implement policies and reforms.

The other important element of this new context is globalization, which has come to be discussed as the new political horizon, both for the Quebec government and for the municipalities. These discussions refer mainly to the economic aspects of globalization. Indeed, globalization is most often synonymous with a global market imposing constraints on national and local actors, thereby revealing the predominance of a neoliberal and corporatist discourse (Boyer and Drache 1996). The strengthening of the global competitiveness of national economies has been presented as the most appropriate avenue for facing the challenges raised by globalization. The signing of the Free Trade Agreement and the North American Free Trade Agreement, both of which were supported by the main political parties in Quebec, has helped to justify this economic reading of globalization.

One of the consequences of these discussions on the role of the state and globalization has been a new perspective on the role of local actors, especially metropolitan regions. This has involved repositioning them, so that instead of being seen as a subordinate and dependent tier of national government, they are seen as strategic actors that should develop new spheres of intervention that will allow them to compete in the global marketplace. This presupposes the adoption of a more flexible regulatory framework and the elaboration of strategies that would allow them to deal with national governments and external economic forces, such as multinational corporations. This brought up the question of Montreal, which requires a different perspective. Its economic vitality and its ability to establish economic and political relations in the international arena, notably for developing its own niche, became important political issues for the Quebec government.

Since the 1990s, the discussions about changing the governance of the municipal system in order to overcome what the government called the status quo began to be more and more intense. Paving the way for the municipal reform were various factors: the de8mpche, bec1Tw[(quagic vits c2ugm6te u1.1(w31.1

increase their competitiveness at the national and global levels. A section of the White Paper was dedicated to the specific situation of the three urban communities (Montreal, Quebec City, and Hull-Gatineau). Despite their achievement in many ways, their structures should be redefined to increase their competitiveness and their management capacity while achieving economies of scale. In the governmental perspective, increasing the management capacity of the supramunicipal tier should do this. The White Paper also discussed the implementation of the government policy on rurality. The objective would be to reinforce the decision-making capacity of the rural communities, which might imply amalgamating municipalities or strengthening the role of the RCMs.

The implementation of the municipal reform proposed in the White Paper rested on two complementary strategies.[9] The first was the forced merger of local municipalities, which the government went on to apply in the urban agglomerations of Montreal, Quebec City, and Hull-Gatineau. The second strategy was the creation of metropolitan tiers of governance, with the object of making urban agglomerations more competitive.

THE IMPLEMENTATION OF THE REFORM: THE EXAMPLE OF MONTREAL

In the Quebec government's discourse on the rationale for reform in the metropolitan region, the government referred to the arguments raised in the White Paper. In order to justify the new reform, the minister of municipal affairs and the metropolis referred to the need to build a more competitive city-region. To achieve this objective, the main tool appeared to be the reduction of municipal fragmentation through the amalgamation of municipalities. Two other dimensions also were present in the government discourse. One was planning and coordinating municipal activity on a regional scale. The other was reducing the gap, in terms of fiscal efforts, between municipalities. Fiscal disparities were a major concern in financing the infrastructure and services needed to develop the city-region, because the central city fiscal situation was a matter of serious concern.

The Quebec government used the former technocratic approach to implement this reform and imposed it by passing a law, despite the protestations and the opposition of many local mayors; the government did not attempt to build up a consensus on a metropolitan scale. This turnaround – the idea of imposing its view instead of convincing the population – was not explained by the provincial government, apart from its mentioning that there had to be a limit to the obstructionism of the local mayors.

With Montreal, the government followed a two-step strategy. The first step was the amalgamation of the municipalities on Montreal Island – the same strategy it employed with other urban agglomerations, such as Longueuil and Quebec City. Under Bill 170, it created a mega-city of 1.8 million inhabitants

that came into existence on 1 January 2002. The government also established an updated territorial-management structure through the creation of twenty-seven boroughs. These boroughs respected the former borders of the main urban neighbourhoods of Montreal and also those of the former suburbs. The new boroughs are responsible for delivering such services as urban planning, fire prevention, waste removal, social and economic development, culture and recreational activities, borough parks, local roadwork, and enforcing the ban on converting buildings into condominiums. In fact, the boroughs have only two exclusive competencies – fire prevention and infringements regarding the

intervention strategy would arise from the MMC's activities. It does not have the political or administrative powers that would allow it to establish some form of governance on a regional scale, in spite of the government discourse.

THE RECENT MUNICIPAL REFORMS IN THE CONTEXT OF LOCAL AND GLOBAL RESTRUCTURING: SOME THEORETICAL REMARKS

The imposed metropolitan solution in 2002, based on the merging of municipalities on Montreal Island and the South Shore, coupled with a supramunicipal tier of coordination and planning on a regional scale – the Montreal Metropolitan Community – revealed the prevalence of the old technocratic model. By acting in a directive manner on Montreal Island and the South Shore while at the same time counting on the cooperation of the municipalities and other regional actors to achieve metropolitan governance, the Quebec government was sending contradicting messages to the local actors and municipalities.

Whereas the preceding sections examined the main municipal reforms since the Quiet Revolution, this section will analyse recent reforms. The strategy adopted by the government appears to be deficient, whether we look at the objectives of the reform or the manner of its implementation. The difficulties faced by the government can be explained from two complementary angles. At first, it based its reform on an inadequate understanding of the new reality of the city-regions. Recent socio-economic changes have given rise to a new framework for political action that calls into question the technocratic model. In addition, the Quebec government made some huge mistakes in planning its process. One of them was the lack of attention given to the learning component of the reform. In discussing this dimension, we shall attempt to provide some explanations of why the reforms failed, taking into account the contemporary urban context.

SOME REFLECTIONS ABOUT THE NEW METROPOLITAN CHALLENGES

In 2001, 80 percent of Canada's population was living in urban centres, an increase of 5.2 percent compared with 1996 (Liberal Party 2002, 1). Since 1941, the urban population has grown steadily. This increase is concentrated mainly in four extensive urban regions, including Montreal. After the Second World War, like other metropolitan regions in the Western world, Montreal underwent economic processes of restructuring that were closely linked to changes in urban forms. These transformations took place on a metropolitan scale and involved a new experience of mobility and centrality for residents (Ascher 1998). At the outset, the political and administrative consequences of these changes were difficult to grasp. Since the 1960s, they have been put back on the policy agenda (Andrew, Graham, and Philips 2002).

Over the last thirty years, metropolitan regions have experienced a series of transformations that have fundamentally affected city life, city forms, and the overall urban structures (Soja 2000; Bassand 2001; Dear 2002). The increasing segmentation of the labour market, coupled with the prevalence of the service-sector economy, has brought about a restructuring of the urban

regard, the institution is not created in advance or in a "ready to use" form. Its appearance is the result of a constitutive process. From then on, "metropolitan governance does not consider the institution to be pre-established – on the contrary. The objective to be achieved is not fixed in advanced, but becomes the product of the system of actors as the process unfolds" (Lefèvre 1998, 18). In other words, the top-down approach has been replaced by a collaborative approach with local actors.

HOW TO EXPLAIN THE RESISTANCES TO THE REFORM? THE IMPORTANCE OF
THE LEARNING PROCESS

Two questions should be raised regarding the strategies which the Quebec government chose to adopt. First, why did the Quebec government see in amalgamation a solution to Montreal's problems, describing them in relation to a series of economic, spatial, social, and environmental processes, whereas their causes and consequences seem often to have been intertwined and can be connected to the weak economic performance of the city-region compared

Political urban leaders are experiencing a new role in connection with the growing importance of local milieu on the political scene.

Before the Quebec government directly intervened, we did not necessarily have the impression that the municipalities and the city-region were new political actors, especially during the debate over amalgamation and the creation of the MMC. The minister of municipal affairs and the metropolis considered municipalities an inferior tier of governance. This was clearly reflected in the top-down approach that was chosen by the Quebec government to implement the reform. In addition, some of the main issues that municipalities and city-

on the emergence of regions that would become global actors. Without necessarily supporting their premises, our analysis can be seen as a dialogue with these perspectives.

2 In 1960 the number of rural municipalities or, in legal terms, the municipalities of counties, was estimated to be around 1,300, representing 20 percent of the Quebec population. A council represented each municipality within the county, which also constituted at that time an electoral circumscription. It was composed of all the mayors and one prefect. In 1944 the Union of the County Councils was established. This association was a close and strong ally of the Duplessis government.

3 The release in 1968 of the report from the La Haye Commission on urbanism also contributed to reactivate the discussions about the need for municipal reform. While reinforcing the need to plan the urban development, the report also insisted on the idea of recognizing some centres for stimulating and at the same time orientating regional development. The report recommended the adoption of regional, interlocal, and local plans (Bissonnette 1982).

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Intergovernmental Relations and Polyscalar Social Mobilization: The Cases of Montreal and Toronto

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Les années 1990 ont vu l'ascension de mouvements d'autonomie locale qui résistaient aux fusions m unicipales ou qui les réc lamaient. La r ecrudescence des réf ormes territoriales dur ant cette décennie a per mis aux mouv ements sociaux de déplo yer des stratégies de mobilisa tion ter ritoriale. En opposition aux str atégies sector ielles, qui se concentr ent sur des secteur s politiques précis (le lo gement, la santé, etc .), les stratégies ter ritoriales instr umentalisent les espaces à plusieur s éc helons dans le b ut d'influencer la g ouv ernance . En obser vant les modèles des déf enseur s des dr oits des anglophones de Montréal et des réf ormistes de Toronto, ce document e xplore l'év olution des str atégies de mobilisa tion, à par tir du lob bying sector iel au partitionnisme , la résistance aux fusions et la sécessionisme . Les litig es eng endrés par les amalg amations à Montréal et Toronto sont considérés dans un conte xte plus large, qui est r especti vement celui des dr oits linguistiques et celui du réf ormisme municipal. La conc lusion entr aîne la réf lexion sui vante : est-ce que la tendance v ers des str atégies de mobilisa tion ter ritoriale et d'action pol yscalair es au Canada et ailleur s est un indica tif d'une réor ienta tion non seulement des compétences de réglementa tion, mais aussi du pr ocessus politique complet, compr enant la lég itimité, l'autor ité et l'allég eance .

Beginning in the mid-1990s, municipal amalgamations were implemented by provincial legislation in Montreal, Toronto, and many other Canadian cities. Interesting work has been written in trying to understand the motivation behind these institutional and territorial reforms (see Sancton in this volume for a critical synthesis). This paper seeks to analyse the mobilizing strategies developed by local autonomy movements that reacted against these municipal reforms.

Resistance to municipal consolidation is certainly not a new phenomenon. At the turn of the twentieth century, residents reacted to the wave of annexations that swept North America. Similarly, suburbanites on Montreal Island were adamantly opposed to Mayor Drapeau's dream of "One Island, One City" in the 1960s. With the new wave of city-regionalism that began in the 1990s, we are witnessing the resurgence of local autonomy movements throughout North America after two decades of relative quietness. These movements take the form of resistance to mergers, or calls for a reorganization of intergovernmental relations, or for local secession. They have now increased in number and have seemingly been more successful in capturing the political agenda than previous attempts were.[1] While resistance to consolidation in Montreal and Toronto did not ultimately prevent mergers, local autonomy movements have had a significant impact on the political process, particularly in influencing agenda setting. In thinking about Canadian intergovernmental relations, it is thus important to understand how and why these local autonomy movements contribute to a continued redefinition of political autonomy.

In both Montreal and Toronto, opponents to mergers and coalitions advocating a general reform of intergovernmental relations in Canada have developed a series of mobilizing strategies on different scales, forming alliances with various levels of government and pitting them against one another. While rarely discussed directly in intergovernmental relations studies, this polyscalar approach exploited by civil-society actors has had an important impact on the kinds of institutional and territorial reorganization undertaken by state actors, particularly in a context where the decision-making process has been opened to a variety of non-state actors.

In the past decade, states have undergone important territorial and institutional restructurings that have emphasized the importance of the city-regional and supranational levels more than the national level (Marks 1996; Brenner

autonomy could be conceptualized as one manifestation of this strategic territorialization of civil-society movements. Another characteristic of this territorial flux is that civil-society actors adopt polyscalar mobilization strategies – that is, they act at multiple scales of governance simultaneously.

While local autonomy movements in Montreal and Toronto were shaped by

Below is a brief historical overview of the two broad coalitions studied: Montreal's anglophone rights activists and Toronto's reformists. The paper then turns to specific examples of territorial and jurisdictional strategies of mobilization.

JURISDICTIONAL AND TERRITORIAL STRATEGIES OF MOBILIZATION IN MONTREAL AND TORONTO

> Toronto is wealthy, hard-working, and creative – the entrepreneurial engine of the country. Our resources are essential to the rest of Ontario and indeed the nation – reportedly $3 billion in taxes goes out of the city annually. A fair share from this city to help equalize opportunities and support our common life as Canadians is a reasonable demand from federal and provincial governments. But all around us in the city we see ugly unmet needs – homelessness, lack of affordable housing, the highest child poverty rate in the country. These unmet needs underline the fact that the present structures and division of powers are unsustainable. We cannot go on lacking the means and the powers to tackle our grave problems. (Creighton 2000)

> When reading the Quebec Government's Bill 170 [merger bill], I began feeling physically ill. Nervous flutters, a sinking feeling in the pit of my stomach … symptoms I recognized from the weeks prior to the 1995 Quebec referendum. The feeling I had when I felt that I might lose my country was one that I will never forget. Now I feel that the PQ Government wants to take away my town, my home, my community and my way of life. (Housefather, 2000)

In these two statements, activists in Toronto and Montreal express how they envision political autonomy as nested in intergovernmental relations, and how they sense the need to mobilize using these various levels of governments strategically. The point here is not to argue that this polyscalar outlook on sociopolitical mobilization is a new phenomenon. Strategically, forming alliances with various levels of government has long been common practice. The objective of this paper is to highlight these often unnoticed polyscalar strategies and to examine their influence on reforms of intergovernmental relations in a context in which such reorganizations occur (in various forms) in many different countries. If we accept the premises of the work on rescaling discussed above, it is important to open up the argument to a non-state-centred analysis and thus to explore rescaling processes from the standpoint of civil society as well. The interaction between intergovernmental reforms and polyscalar sociopolitical mobilization strategies point towards what could perhaps be termed a rescaling of political struggles.

The starting point is that these general (yet locally specific) processes of state jurisdictional reorganization have created a situation of territorial flux

that has provided opportunities for civil-society actors to develop their own competing territorial and jurisdictional strategies. In the case of Montreal and Toronto, claims for local autonomy are not the ultimate aim; but rather they can be understood as instruments developed to affirm cultural differences in the case of Anglo-Montrealers, and to sustain a specific vision of urban life, in the case of reformist Torontonians. In other words, these local autonomy movements are not simply ad hoc reactions to municipal mergers; the reason they were able to mobilize effectively was that they were part of a broader struggle specific to each city. Although the immediate threat of municipal amalgamation was taken as a rallying point, one has to place this mobilization in the wider context of the struggle for cultural affirmation in Montreal and for a reformist view of urban life in Toronto. Significant here is that, from the perspective of these wider sociopolitical struggles, resistance to the mergers does not represent two independent new movements; rather, it represents a mobilizing strategy embedded in larger struggles. In this sense, resistance to mergers can be interpreted as a territorial and jurisdictional strategy for the anglophone rights and the reformist movements.[3]

An analysis of the mobilizing strategies developed by these coalitions in Toronto and Montreal reveals a trend towards an increase of jurisdictional and territorial strategies compared with sectoral strategies.[4] Sectoral strategies of political claims channel efforts into specific policy sectors (housing, language, health, education, etc.). Jurisdictional and territorial strategies of political claims are attempts by civil society to use one level of government against another or to create a new level of government altogether by asking for a remapping of political and administrative boundaries.

In what follows, examples of mobilizing strategies in the anglophone rights coalition in Montreal and reformist coalition in Toronto are discussed with the goal of examining civil society's use of jurisdictional and territorial strategies and their relation to intergovernmental reorganization. But first it is useful to present a brief historical overview of these two coalitions and their role in each city's amalgamation debate.

ANGLO-MONTREALERS' STRUGGLES:

with Bill 22, declaring French the only official language of the Province of Quebec (1974), and then with Bill 101 (1977), which regulated access to anglophone schools, workplace language use, and public signs, the anglophones began to see themselves as a minority within Quebec. From a situation in which they did not need to claim political autonomy because of

(Caulfield 1988a). Other reformists were more concerned about the distribu-
tive consequences of housing development, the lack of affordable housing,

Some C4LDers formed the Committee for the Province of Toronto a "community group committed to achieving Provincial Status for Toronto under Canada's Constitution" (Vallance 2000). The committee supported a notice of motion to City Council, presented by Councillor Michael Walker on 9 December 1999 and officially deposited in February 2000. Building on the widespread opposition to amalgamation in 1997 and the widespread discontent with downloading policies, the motion demanded that the City of Toronto (1) "hold a public referendum as part of the 2000 municipal election to determine public support for proceeding with separation from the Province" and (2) "develop an extensive communications package outlining the argument (financial, social) for and against separation and a plan to provoke full participation and debate on the part of the citizens prior to the referendum" (Walker 1999). This movement, which included members of City Council and other citizens, eventually faded, and mobilization focused on securing a charter for the city.

These various citizen activities show continuity with the 1970s reform movement, both in the people involved and in the political ideas. But there is an important difference: the evolution of mobilization strategies. Reformists had been in power in the former City of Toronto for three decades, but the threats posed by amalgamation forced these activists and municipal politicians to craft territorialized strategies in order to maintain a progressive political regime in place.

EXAMPLES OF POLYSCALAR MOBILIZATION IN MONTREAL AND TORONTO

In both city-regions, other coalitions have also been territorializing their mobilization strategies as a result of amalgamation. A good example can be found by looking at how grassroots organizations have been mobilizing at the borough level in what were the neighbourhoods of the former City of Montreal. With amalgamation, the City of Montreal was subdivided into boroughs to complement the boroughs created out of former local municipalities. This new territorial structure provided grassroots organizations with a framework for mobilization.[8] Space constraints do not permit expansion here on all of the examples of territorialization. However, in this last section, three examples of jurisdictional and territorial strategies deployed by the anglophone and reformist coalitions are discussed in order to illustrate further the interaction between intergovernmental reorganization policies and polyscalar sociopolitical mobilization.

Strategic territorialization occurs on various scales, from the neighbourhood to the borough to the municipality to the metropolitan level. The focus here is on Toronto reformists' strategies at the metropolitan scale (secession,

charter) and on Anglo-Montrealers' focus on the local municipal scale (partition, demerger).[9] Regardless of the scalar focus of these examples, civil

PARTITIONISM AND DE-MERGERS:
MUNICIPAL RESOLUTIONS AND FEDERAL AND PROVINCIAL POLICIES

Although neither a recognition of municipalities as a third order of govern-
ment nor Aboriginal self-government was fully incorporated in the Meech
Lake Accord, the recognition of Quebec as a distinct society was. Anglophone
leaders in Quebec then developed their own competing territorial strategy. As
Scowen wrote, "A territorial approach brings important psychological ben-
efits. It will allow the English to see themselves as exercising some real

antimerger group DemocraCité developed the idea of pressuring the Quebec Liberal Party to promise to adopt a demerger policy if it was elected in the April 2003 election. Several municipal councils in the Montreal area had adopted demerger resolutions immediately after the merger legislation was approved. This gave a clear signal to Jean Charest and the Liberals. The procedure for demerging was similar to the California municipal secession policy adopted in 1997 in response to pressure by San Fernando Valley secessionists: a referendum is to be held on demerging if 10 percent of the population signs a petition against amalgamation.[13] Since January 2006, 15 municipalities were demerged on the Island of Montreal, amounting to 237,949 residents.

THE CHARTER MOVEMENT: CROSS-CANADIAN ALLIANCES

While demerging has not been on the agenda in Ontario, the secession of newly amalgamated Toronto from the rest of the province was briefly discussed by various citizens and by Councillor Walker. These earlier formulations eventually evolved into a Canadian charter movement similar to the U.S. home rule movement at the turn of the twentieth century.

As Keil and Young note, in the Canadian institutional framework, three avenues are possible for providing more autonomy to municipalities: (1) amending the federal constitution to recognize municipalities as a third order of government; (2) amending provincial municipal acts; and (3) a provincially approved city charter, which would grant municipal autonomy in specific areas under a provincial-municipal contract (Keil and Young 2001). After initially flirting with the first two options, several Toronto actors opted to lobby the provincial government for a city charter (Chief Administrative Officer 1999, 2000a, 2000b, 2000c, 2000d; Grewal 2000; Rowe 2000; *Toronto Star*, 2000; Welsh and Moloney 2000).[14]

Toronto City Council took over the charter idea, motivated partly by a budget crisis in 2001–2, when the council faced a shortfall that led to service cuts, higher transit fees, and an increase in property taxes. The civic-spirited business leader Alan Broadbent initiated meetings and drafted a charter in association with a number of academics, ex-mayors, and various civic leaders (Broadbent 2000; Rowe 2000). The Toronto Environmental Alliance also drafted a charter focusing on regional governance (Keil and Young 2001).

should be exercised by a big city" (Sewell 2000a). The website offers a good source of information illustrating the cross-Canada alliances developing on the issue of local autonomy.

Activists in Montreal and Toronto have insisted on the importance of local territorial boundaries while developing a number of jurisdictional strategies playing one level of government against another (particularly during the 1997 and 2000 federal elections). These strategies have multiplied the scales at which claims to autonomy are made in a country in which such claims were long dominated by the provincial level of government.

CONCLUSION

This paper has taken a civil-society-centred approach to Canadian intergovernmental relations, examining how polyscalar mobilization strategies exploited by certain social actors can influence the kinds of institutional and territorial reorganization undertaken by state actors. Do local autonomy movements in many North American city-regions today represent an overall trend that tends to redefine relations between different levels of government? Do claims for political autonomy at the local level, expressed in the form of secessionist movements or resistance to mergers, represent a more general phenomenon of the rescaling of political authority in the contemporary world? Despite the fact that most of the examples discussed here were only partly successful on the proximate issue of local autonomy, the cases of Toronto and Montreal point towards a positive answer to these two research questions, given that new opportunities have been opened for territorial strategies of mobilization to be developed.

By situating the struggles against amalgamation in Montreal and Toronto in the context of larger sociopolitical struggles – namely, the anglophone rights coalition and the reformist coalition – it was possible to see the campaigns against mergers as jurisdictional and territorial strategies of mobilization. The starting point was that in the general process of intergovernmental reforms, a situation of territorial flux provided opportunities for social actors to develop their own competing territorial and jurisdictional strategies. Claims for local autonomy were thus not the ultimate aim of these coalitions but were an instrument developed to affirm cultural differences, in the case of Anglo-Montrealers, and to sustain a specific vision of urban life, in the case of Torontonians.

Various examples of jurisdictional and territorial strategies were discussed, including pressure to put urban affairs back on the federal agenda, partitionism and demerger, and the emergence of a Canadian charter movement. The object was to highlight these polyscalar strategies and to examine their influence on state restructuring in order to explore rescaling processes from the

standpoint of civil society. The interaction between intergovernmental reforms and the strategic multiplication of the scales at which claims to autonomy are made begin to illustrate that we may be witnessing a rescaling, not only of institutions but of the exercise of power. The impact of this territorialization of civil-society activities on political debates and social justice is difficult to assess at this point. But certainly the scale at which social actors focus their political claims will affect redistributive policies – a central yet not always openly articulated element of the struggle in both Toronto and Montreal.

NOTES

1   In the United States alone, local secessionism rose in the 1990s with active move-ments in more than fifteen cities, the most prominent being in the populous (1.4 million) San Fernando Valley of the City of Los Angeles. To provide a point of comparison, the aggregate population of all territories detached from all munici-palities in the United States as a whole between 1970 and 1985 was only 119,000 (Briffault 1992, 777). In Canada, local autonomy movements tend to take a wider range of modalities (from resistance to mergers to a Canadian charter movement), but U.S.-style local secessionism also exists. For instance, the California proce-dure for secession has directly influenced the Quebec Liberal Party's procedure for demergers (interview with Roch Cholette, 4 June 2001). Secession was also briefly on the agenda of Toronto activists in the aftermath of amalgamation.

2   For excellent empirical analyses of these phenomena in Europe, please refer to three edited books: Balme 1996; Le Galès and Lequesne 1997; Balme et al. 2002. In the latter book, Balme, Chabanet, and Wright have asked contributors to reflect not only on the proliferation of institutions at the supranational and subnational levels but also on the Europeanization of social and political mobilization, that is, on the appearance of the EU as a target of political mobilization, on the prolifera-tion of EU interest groups and the effect of the construction of Europe on national interest groups, and on the access to European institutions for subnational authorities.

3   Anglophone rights and reformist movements are conceived in this paper as politi-cal formations that are more loosely organized than political parties or interest groups but not necessarily socially transformative like social movements. The terms "coalitions" and "civil-society actors" are used to designate this type of sociopo-litical mobilization. It is also important to note that these coalitions are visible mainly through their leaders and their most militant activists; they do not neces-sarily embody the views of all the citizens they claim to represent.

4   The analysis of mobilizing strategies appearing in this article consisted in the com-pilation of a list of actions and issues undertaken by the anglophone rights and reformist activists in the 1990s (obviously this list cannot be exhaustive). Infor-mation on strategies came from documents produced by their main organizations,

from interviews, from media coverage, from direct observation, and from secondary studies. The list was then categorized according to the variables (1) sectoral and (2) territorial and jurisdictional, in order to determine the dominant type of strategy at a specific period (Boudreau 2003a, 2003b).

5 Between 1970 and 1980 there was an increase of 78 percent, and there was a further 71 percent increase between 1980 and 1993 (Lemon 1996, 274; Filion 2000, 173).

6 The term "reformist" is used here to designate local councillors adhering to reformist ideals, as well as activists.

7 The argument against amalgamation was not specifically cast as a will to preserve this regime. This would have alienated potential suburban allies in the struggle to prevent mergers. Rather, the argument was framed on the more neutral ground of "local democracy" (for a detailed analysis, see Boudreau 2003a).

8 I am indebted to Jean-Pierre Collin for this observation.

9 The reader may have noticed that the Montreal Citizen Movement (MCM) remains absent from the present analysis. The MCM could be seen as the equivalent of the Toronto reformist coalition. At first glance, it may seem surprising that these two reformist coalitions took opposite positions on amalgamation. A careful comparative analysis of their positions might be an extremely interesting exercise to undertake in another paper. Suffice it to say here that part of the explanation may be that the language component of the struggle in Montreal had an important influence beyond the typical reformist claims. Moreover, Montreal's and Toronto's levels of decentralization and democratic traditions before amalgamation were very different. Finally, the Harris government's neoconservative motives for amalgamation contrasted with the PQ's stated objectives.

10 Business elites were also very active in pushing for federal involvement in cities. This was done through traditional lobbying practices but also through alliances with other civil-society actors, such as local autonomy movements. This is the case, for instance, of the Toronto City Summit Alliance (Boudreau and Keil 2004; Keil and Boudreau 2005).

11 The Federation of Canadian Municipalities already had lobbied the federal government for a greater role for Canadian cities; it had done so in 1982 when the constitution was patriated to Canada.

12 Toronto Mayor David Miller continues to invite federal government representatives to come to municipal committee meetings on relevant issues (particularly transportation and immigration) in an effort to build stronger ties between the two

in the secessionist area has to be submitted to a state agency, which then undertakes a "feasibility study" that has to prove secession would be revenue-neutral. Then secession is put on the ballot and has to be approved by a double majority: in the secessionist area, and in the city at large.

14 Jane Jacobs also initiated, in May 2001, a meeting of the mayors of the country's five biggest cities to discuss strategies for gaining more autonomy (Coyle 2001; James 2001).

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Recent Changes in Provincial-Municipal Relations in Ontario: A New Era or a Missed Opportunity?

David Siegel

Il semble que l'on soit à un moment décisif de l'histoire pour ce qui est des interactions provinciales-municipales en Ontario, et même, des administrations municipales dans l'ensemble de la province. La réforme des gouvernements locaux s'est faite à bâtons rompus au cours des années et les récentes réformes dont il est question dans ce document, sont les plus déterminantes du système municipal de l'Ontario depuis la création du système actuel par le Baldwin Act en 1849. Cependant, on doit considérer l'importance de la persistance comportementale lorsqu'on analyse l'impact de ces changements. Les municipalités se sont longtemps vues comme la progéniture de la province. Et, depuis tout aussi longtemps, la province a joué un rôle empreint de paternalisme envers ses municipalités. Ce chapitre évaluera la situation actuelle et examinera si elle constitue le début d'une ère nouvelle ou une occasion ratée.

Municipal reform in Ontario has moved in fits and starts over the years. The pattern has been repeated over several cycles. There are periods when municipalities are simply ignored; then suddenly there is a relatively short period of intense interest in municipal reform, during which the actual changes fall short of the early intentions; then the next period of quietude sets in. It is fitting to review municipal reform in Ontario at this point because we seem to have just completed one of these cycles and are entering a new period of quietude. However, the real impact of some of these changes is still unfolding. The result could be a major change in the provincial-municipal relationship or a missed opportunity and a reversion to the old way of doing things.

The beginning of responsible municipal government in Ontario is usually dated from the Baldwin Act of 1849. For over a hundred years after the

establishment of responsible government, the municipal system experienced steady growth and incremental change but no major shocks. The creation of Metropolitan Toronto in 1954 was the first major structural change in the system (Rose 1972; Colton 1980; Frisken 1993). This was sufficiently revolutionary to generate international interest; but after this flurry, the somnolence returned for more than ten years, until the Smith Committee (the Ontario Committee on Taxation) in 1967 recommended that all southern Ontario be restructured in the form of regional governments like that of Metro Toronto (Ontario, Committee on Taxation 1967). This led to the creation of ten regional governments (mostly in the Golden Horseshoe around Toronto, plus Ottawa and Sudbury) in the years 1969–74, after which there was another stretch of somnolence (O'Brien 1993; Sancton 1991). The period 1996–99, following the election of the Harris government in 1995, saw the most comprehensive reform of municipal government since 1849. This brief but very important spurt of activity and its aftermath will be the topic of this paper.

The paper will assess whether this flurry of activity will result in any real lasting change in the system. The first section of the paper provides a description of the changes that have been made. The second section analyses these changes to determine what their real impact is likely to be.

THE COMMON SENSE REVOLUTION

In 1995 Mike Harris and his Conservatives swept the previous NDP government out of power with promises of major changes in the political landscape. The Conservatives' success was attributed in part to the Common Sense Revolution. This was outlined in a short pamphlet that stated in a very clear and succinct way what

This paper will discuss the municipal reforms under a number of headings, beginning with financial, since there is some evidence that this was the prime

Table 1: Shift in Municipal Revenue

	1996		2003	
	$ millions	*% of total revenue*	*$ millions*	*% of total revenue*
Real property tax	7,171.7	42.2	11,794.1	49.0
User charges	3,349.7	19.7	5,696.2	23.6
Other own-source revenue	1,050.7	6.2	1,596.8	6.6
Total own-source revenue	11,572.1	68.1	19,087.1	79.2
Conditional grants	4,542.9	26.7	4,320.8	17.9
Unconditional grants	881.6	5.2	679.4	2.8
Total grants	5,424.5	31.9	5,000.2	20.8
TOTAL	16,996.5	100.0	24,087.3	100.0

Source: Statistics Canada, Cansim II, table 3850004

mentioned above and created a more transparent taxation system (Slack 2002). However, serious problems arose when changes in individual tax liability arose from the movement from the previous inequitable system. For political reasons, the province capped the increase in taxes payable by commercial and industrial taxpayers. This meant that almost the full burden of any tax increase would fall on residential taxpayers, since they were the only group without a cap. The effect of this has been to limit the ability of municipalities to increase taxes because any increase would be focused almost entirely on one group.

FUNCTIONAL REFORM

At the same time that municipal reform was taking place, the province was working on the commitment made in the Common Sense Revolution to re-duce government expenditure, reduce the debt and deficit, and ultimately reduce taxes. Thus, it was clear that whatever was done by way of municipal reform could not increase provincial expenditure and ideally would reduce it. This contrasted sharply with the 1970s reform period when the province was willing to throw money at the new system of regional government to ease the transition. As table 1 indicates, the shift in the property tax discussed in the previous section meant that municipalities enjoyed a fairly significant increase in revenue. This provided the province with the opportunity to shift certain expenditures to municipalities – which leads to another part of the story.

The complex web of provincial-municipal relationships had developed in a fairly haphazard way over many years. Everyone involved in the system recognized that the web of approval requirements, funding arrangements, and mutual persuasion was so complex that it had become dysfunctional. Previous governments had attempted to simplify the system without success. When the Conservatives came to power they appointed the well-respected former mayor of Toronto, David Crombie, to head the "Who Does What" task force. This was actually a group of committees charged with trying to simplify this complexity by going back to first principles to determine which level of government should be responsible for which services and what type of interaction should take place between the levels of government. The idea was to take a fresh look at each service and allocate it to the appropriate level of government, eliminating unnecessary interactions and approval requirements between the two levels. In cases where shared responsibility was necessary, the idea was to structure the interaction in a more functional manner (Meyboom and Richardson 1997).

The task force made its recommendations based on a set of rational principles which flowed from the idea that a service should be allocated to the level of government that was best equipped to handle it. However, when the province began to implement the recommendations, it was clear that the ugly face of expediency impinged on the elegance of the task force's recommendations. In the end, the decisions made about the allocation of responsibilities were heavily influenced by the financial considerations mentioned above; that is, provincial expenditures had to be restrained.

The most significant variation between recommendation and action was in the field of social assistance. The "Who Does What" task force recommended that social assistance be moved to the provincial level, a move that would have brought Ontario into line with the other nine provinces. Instead, the province restructured the system in ways that imposed greater responsibility for social assistance on the municipal level and moved social housing – which had previously been a provincial responsibility – to the local level. Thus, its actions were exactly the opposite of what the Crombie task force had recommended.

At the beginning of this process, the term "revenue-neutral" was used quite a bit. At various stages in the process, scorecards were prepared which purported to show the dollars associated with various transfers. This produced considerable debate, because the amounts to be assigned to various transfers were contentious. And even if the total impact on the municipal system could be determined, the nature of the changes was such that they had very different effects on different municipalities. For example, the requirement that every municipality would now pay for the cost of policing had no impact on the large and medium-sized municipalities, which were already paying this cost, but had a devastating effect on smaller municipalities, which would be paying this for the first time. Over time, the term "revenue-neutral" seems to have

dropped out of use. Municipalities talked a lot about "downloading," whereas the provincial phrase was "local services realignment."

Table 2 summarizes some of the changes in the responsibility for functions and some related changes. It avoids the rigid scorecard approach, but it does show whether a particular change was a benefit (+) or a cost (−) to the municipalities. There are many more minuses than pluses in the table, but that can be misleading. For example, the one plus associated with Education Property Tax reform brought in much more money than some of the cost factors.

STRUCTURAL REFORM

Structural reform is tied to the other elements of reform because the Common Sense Revolution promised that the municipal system would be rationalized and the overlap in the layers of government reduced. Structural reform is also tied to financial reform because structural reform was seen as a way of saving money and thus offsetting the reduction in provincial transfer payments to municipalities.

In practice, structural reform meant the amalgamation of municipalities and the restructuring of two-tier counties and regional governments into single-tier governments. The highest profile amalgamation was the 1998 creation of one City of Toronto from Metropolitan Toronto and its six area municipalities. This was followed in 2001 by the creation of large single-tier municipalities in what were the regional municipalities of Hamilton-Wentworth, Ottawa-Carleton, and Sudbury. Throughout this time there were many smaller amalgamations occurring within county systems, including the creation of some large single-tier municipalities, such as Chatham-Kent and Prince Edward County. The extent of the amalgamations can best be appreciated by the fact that in 1995 there were 850 municipalities in Ontario, and by 2001 this number had been approximately halved.

In some cases, these amalgamations were accomplished by provincial edict, particularly in the case of Toronto, Hamilton, Ottawa, and Sudbury. In other cases, there was a strategy of persuasion, with some level of coercion waiting in the wings. The legislation that applied to all of southern Ontario except the regional governments provided mechanisms that allowed municipalities to amalgamate voluntarily, but the legislation also allowed the minister of municipal affairs to appoint a commissioner if requested to do so by any municipality. The commissioner had binding authority to order any type of structural change. A strong message about the use of commissioners was sent when the first commissioner ordered a complete amalgamation of the twenty-three municipalities in the Kent County–City of Chatham area in spite of the fact that none of the local actors wanted such an extensive change. This decision sent many other municipalities scurrying to effect smaller amalgamations before something so extensive was imposed on them. A typical arrangement

Table 2: Changes in the Provincial-Municipal Relationship

Before Common Sense Revolution	*After Common Sense Revolution*	*Change[1]*
	EDUCATION PROPERTY TAX	+
Province had been funding a declining portion of total education cost.[1] The major portion of education funding came from local school boards through the property tax. Education portion of the property tax had been increasing more rapidly than the municipal portion.	Province funds approximately 50% of cost of education. School boards reduced their residential property tax levy, which resulted in rates being reduced by about 50%; municipalities were able to increase their tax rates accordingly. Province has specified uniform school tax rate for commercial and industrial properties.	
	FARM TAX REBATE	–
Farmer paid 100% of property tax to municipality and received 75% rebate from province.	Farmer now pays 25% of residential tax rate to municipality; no provincial involvement. Municipal bears this cost instead of province.	
	PROPERTY ASSESSMENT	–
Responsibility of province.	Responsibility of municipalities. Performed by autonomous entity funded collectively by municipalities.	
	SOCIAL ASSISTANCE	–
Province funded some programs 80/20, others 50/50; administration costs shared 50/50.	All programs shared 80/20; administration still shared 50/50.	
	SOCIAL HOUSING	–
Province funded most of the deficit through a variety of means.	Province agreed to spend $215 million in capital upgrades, after which municipalities will be responsible for future deficits.	
	MUNICIPAL TRANSIT	–
Province provided some grants for both capital and operating.	Existing commitments for capital grants honoured, then no further grants for either capital or operating.	

Table 2 continued

Before Common Sense Revolution	*After Common Sense Revolution*	*Change[1]*
	GO-TRANSIT	–

There have been concerns in Toronto about problems associated with the amalgamation, but John Barber, the local affairs columnist for the *Globe and Mail,* has argued that many of the sins laid at the door of amalgamation are simply examples of old-fashioned bad management, which can occur in organizations of any size (Barber 2001). A colleague and I have done extensive residents' surveys in three amalgamated municipalities, and they indicate that local residents have not seen a deterioration in the quality of service or sense of community since the amalgamation (Kushner and Siegel 2005).

The outcome of most of these amalgamations gives one cause to wonder whether all the focus sometimes placed on organizational structure is worthwhile. Maybe structure does not matter very much. Structures mean a lot to people who work in them and to academics who study them, but to the average citizen they are not nearly as important as having the garbage picked up on time.

without needing the kind of detailed delegation found in the previous Munici-

power they have available to them, and it will be some time before this pattern
develops to its full extent, but there can be little doubt that these mega-cities
have the potential to produce mega-mayors.

SIZE MATTERS

Not only are the amalgamated cities quantitatively larger, but there are quali-
tative differences that occur as municipalities become larger. Courchene has
argued that Toronto is in the process of attaining the status of a global city-
region with all the accoutrements of power that this brings (Courchene 2001).
Larger and more economically powerful municipalities are able to hire more
staff and more highly qualified staff. The larger municipalities have more
money, and because of their size they can attract politicians and staff who
want the challenge of managing in a larger place. For an aspiring politician,
being mayor of a large city looks more attractive than being an MP or MPP.
On the staff side, larger municipalities can hire people with more specialized
expertise in such areas as policy analysis and intergovernmental affairs. This
kind of appointment is sometimes seen in municipalities in other provinces
and in the United States, but is not common in Ontario. It could allow munici-
palities to develop a level of expertise that might rival that of the province.

This has not happened very much so far in Ontario. The traditional view
held by many councillors and staff is that local government is about deliver-
ing services and minimizing taxes. They consider that policy analysis is
something done by other governments; local governments do not waste time
considering broader policy issues – a fact that is all too often true. And since
intergovernmental relations are handled by the head of council, there is thought
to be no need for specialists. This is an area where local governments could
improve their position, but they have been slow to move.

SINGLE-TIERS SPEAK WITH ONE VOICE

Two-tier governments were supposed to be desirable because they would pro-
vide for economies of scale in the upper tiers and citizen participation in the
lower tiers. This has not worked as well as anticipated because there are rela-
tively few economies of scale to be captured, and the goal of citizen
participation has been weakened because of the confusion caused by two tiers
of government. In practice, two-tier local governments have become vehicles
that allow politicians in one tier to spend a great deal of their time and taxpay-
ers' money fighting politicians at the other level (who are spending a great
deal of time and taxpayers' money to defend themselves). Blame shifting has
become a major activity in two-tier governments.

Mayors of larger municipalities speak with considerable authority, and the
mayor of a large, single-tier municipality can speak with greater authority

than the chair of an upper-tier county or region. The downside of this is that the kinds of territorial disputes that used to occur between municipalities now occur within council. This is obviously a problem, and the greater the geographic area of the municipality and the larger the council, the greater is this problem. However, there are established mechanisms for resolving these disputes within council, and they do not involve the same level of visible acrimony as intermunicipal disputes.

MORE UNTIED MONEY

the province has taken a paternalistic view of municipalities. These roles will not change quickly, even with all sorts of structural changes.

Municipalities have been conditioned to see themselves as service-delivery vehicles, trying to squeeze as much money as possible from the province so that they can keep property taxes low. Municipal councillors see their role almost entirely in terms of minimizing property taxes and delivering the mandated services. Ten years ago, Frances Frisken wrote: "[M]ost Canadian municipalities tend to use their powers primarily to protect themselves from the impacts of change, not to accommodate or manage it." (Frisken 1994, 30) Changing this perspective to a more proactive, policy-oriented role will be very difficult. Since councillors generally see their entire role in financial terms, the additional powers available to them in the new *Municipal Act* have not attracted a great deal of attention.

There are important caveats on the provincial side as well. While there are mechanisms in place to allow more municipal autonomy, there are also mechanisms that could allow that autonomy to be withdrawn. There is a great deal of goodwill in the Ministry of Municipal Affairs and Housing right now because the architects of the new legislation are still there. However, provincial people move around. Will the next group inherit the same spirit of cooperation? Or will they overreact to the first problems that develop in a municipality? Much of this goodwill could be squandered by one quick announcement of a referendum requirement for property tax increases.

A further complication is that the Ministry of Municipal Affairs and Housing is only one ministry in the provincial government. Many other ministries also deal with municipalities, and it seems doubtful that all of them have heard the autonomy message; some are still imposing the kind of detailed control

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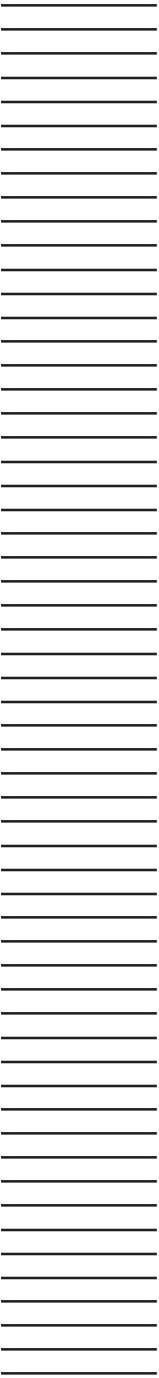
IV

Policy

immigrants and 93 percent of those who had arrived in the country between 1991 and 1996 were living in a census metropolitan area, compared with 57 percent for people born in Canada (Canada 1996).

While there is no doubt about the multicultural dimension of many cities, the political and policy roles played by municipalities in this area – as well as the intergovernmental relations involved in the process – are more obscure. There is a growing Canadian literature on municipal public policy in this field (Abu-Laban 1997; Abu-Laban and Derwing 1997; Edgington and Hutton 2002; Germain and Dansereau 2003; Germain and Rose 2000; Milroy and Wallace 2002; Paré, Frohn, and Laurin 2002; Siemiatycki et al. 2001; Wallace and Frisken 2000). However, there has not been much comparative work, since most of the studies relate to one specific city (exceptions would be Edgington et al. 2001; Quesnel and Tate 1995).

This paper compares the policies dealing with the management of ethnocultural diversity in Montreal and Ottawa, two ethnically diverse cities. From 1997 to 2001, 78.3 percent of the immigrants that came to Quebec set-

Third, we will consider whether there are formal partnerships or agreements and consultations between the levels of governments. Both Montreal and Ottawa constantly position themselves in the complex set of interrelations – involving conflict as well as cooperation – that exist between them and the governments of Quebec, Ontario, and Canada. In Montreal, the relationship with the Quebec government has always been one of ambivalence, exhibiting both distance and connection. Various Montreal mayors, often feeling "abandoned" or misunderstood, have argued for a greater understanding of the importance of the social, cultural, and economic role of Montreal for the Province of Quebec as a whole. Indeed, the Quebec government did react favourably, at least to some extent, and the Ministry of Municipal Affairs became, during the second half of the 1990s, the Ministry of Municipal Affairs and the Metropolis. Also, a city contract signed in January 2003 between Montreal and the Quebec government gave the city some political autonomy. However, the imposition of the municipal amalgamations, even though this major restructuring was shared (or even suggested) by many of Montreal's political elite, created considerable discontent at the municipal level.

blocked the municipal decision to restructure the ward boundaries, an action that was seen as having been motivated by partisan goals – those of protecting rural councillors more sympathetic to the neoliberal views of the provincial Conservatives. Obviously, relations are much more harmonious now that there is a Liberal government in Ontario.

Finally, we will consider more generally the role of the city as a political actor and a producer of identity, and we will analyse the extent of local autonomy on this issue. We think that what can be learned from Montreal and Ottawa could very well be extended to other cities. We will attempt to show that the management of diversity reveals a great deal about the state of local governance in Canada, the development of local identities, and the evolution of intergovernmental relations at the present time.

In sum, we will try to demonstrate in this paper that both cities, even if they are not involved with the same intensity in diversity matters, do play an important role in this field and are relatively autonomous from the upper levels of government. Unfortunately, the latter do not often recognize them as real and legitimate political actors.

demands of these groups and have included the issue of cultural diversity in the construction of local identities as well as in the political legitimization of the municipal level of government. So it would seem that community-based groups, rather than incentives from other levels of government, have been extremely important in pushing Canadian cities to take more account of ethnocultural diversity.

The federal policy regarding multiculturalism has also had a significant impact on the mobilization of ethnocultural communities. Since the 1980s especially, the Secretary of State for Multiculturalism (now part of Canadian Heritage) has worked to build the capacity of the immigrant community to take collective responsibility for dealing with the causes of inequality and for developing mobilization strategies – including judicial recourse – so that its members can exercise their rights at all levels of government.

Provincial policies, too, have had an indirect impact. This is largely a result of the crisis of the welfare state and the downloading of many services linked to social issues (which have an impact on immigration issues) from federal to provincial governments and from provincial to municipal governments (Germain and Harel 1985). As well, many responsibilities have been privatized to civil society organizations. Recently, the Quebec Liberal government cut quite extensively the budget of the department responsible for immigration and the funds allocated to the programs aimed at facilitating the integration of immigrants. In that context, Montreal has no choice but to try to find some solutions.

In addition, some municipalities took initiatives in areas (such as culture, social services, and the environment) that had not been their traditional spheres of activity, and in this way they illustrated a desire to be more autonomous. In this context, the strength of municipal governments is their capacity to bring the full range of social actors to the table to act together. Public action at the local level therefore involves many organizations (civil, private, and public), and it is the convenor and networking capacity of local governments that determines their policy capacity.

Another factor that Kingdon stresses in explaining policy initiative is the importance of having solutions for identified problems. In this respect, the actions of the Federation of Canadian Municipalities (FCM), the official spokesperson for Canadian municipalities at the federal level, can be seen as facilitating municipal action for the management of diversity. In 1986 the FCM adopted its first policy statement on interracial relations (FCM 1986). In order to facilitate municipal activity, this interest group published a series of pamphlets, starting in 1987. The first of these underlined the need for municipal action because, despite existing laws and policies (such as the federal policy on multiculturalism, the *Canadian Charter or Rights and Freedoms*, and provincial laws), discrimination on the basis of race and unequal access to institutions remained significant problems (FCM 1987).

The FCM put forward a program that has been taken up by a number of municipalities interested in the management of diversity. It includes the creation of festivals and multicultural celebrations; consultation with ethnocultural groups in order to adapt municipal services; and the adoption of programs and policies by municipal councils to promote increased participation of ethnocultural minorities in the social, economic, cultural, and political life of the community. The FCM's basic argument was that good interracial relations could translate into greater economic development and an enhanced quality of urban life. Cities should be leaders in this area, argued the national organization, because they are the first point of contact for citizens and ethnocultural communities and are major facilitators of community action. For the FCM, the improvement of interracial relations is clearly a municipal responsibility (FCM 1987, 1988, 1990, 1991, 1992).

representatives were given responsibility for intercultural relations, particularly at the level of the executive committee. Both the public transportation agency and the police service established a program of employment equity many years ago. More recently, the Montreal Summit, held in June 2002 to define the main policy orientations of the new amalgamated city, discussed the issue of diversity (Montreal 2002).

The former City of Ottawa first set up an advisory committee on visible minorities in 1982 (Andrew and Rajiva 1996). In the early 1990s the city also had an administrative structure that dealt with human rights and employment equity, and in the late 1990s the Diversity and Community Access Project Team was created to tackle the issue of diversity (Ottawa 2000). The new City of Ottawa (which was amalgamated in 2001, one year earlier than Montreal) set up an enlarged network of advisory committees, including one on equity and diversity. The Equity and Diversity Advisory Committee (EDAC), which met for the first time in August 2001, covers a number of dimensions of diversity. Its terms of reference include working towards the elimination of discrimination within the City of Ottawa, advocating on behalf of racially and ethnically diverse groups, developing a strong lobbying network with other organizations, and promoting a better understanding of different cultures (Ottawa 2002c).

However, the functioning of EDAC has not been without problems (Poirier and Andrew 2003). Indeed, all of the advisory committees of the new city have questioned their roles and their relations with city staff and elected officials. The major problem seems to be access to the political agenda. As one of the members of EDAC said, "How can we advise if we don't know what the issues are?"[1]

Ottawa is also extensively involved in the diversification of its workforce and has put in place various activities oriented towards dialogue between religions (as a result of 9/11). The Ottawa Police and OC Transpo are also very active on issues of diversity. However, Ottawa City Council is almost exclusively "white," unlike Montreal City Council, and the Ottawa 20/20 official plan (which will broadly guide City Council for twenty years) gives rather limited visibility to the issues of diversity (Ottawa 2002a).

It is now time to consider the ways in which Montreal and Ottawa describe their policy objectives and activities. In doing so, it will be possible to understand the fundamental approach that each takes in relation to the management of diversity. Broadly speaking, we can identify three models: civic universalism, multiculturalism, and interculturalism.[2]

In the model of civic universalism, the public sphere is seen as an area where all citizens should be on an equal footing in relation to the rules and values of collective life. Differences (in moral choice, religious belief, behaviour, and taste) are not denied but are confined to the private space

the search for social justice must take into account the cultural conceptions of minorities living in the same territory. Differences are valorized in the political and public spheres, while collective rights or different privileges can be accorded to specific minorities.

The intercultural model emerged as a result of the criticisms that were levelled at both models. The central question it poses is the following: How can we remain different while sharing certain common reference points? Whereas universalist models were criticized for ignoring differences and for proposing the homogenization of ideas and lifestyles in the name of an abstract citizenship, multiculturalism was criticized for producing communities and groups isolated from one another. Interculturalism is a sort of multiculturalism but with the construction of common reference points (for instance, the necessity to learn French in Quebec); the immigrant as well as the host society should both adapt to each other.

Montreal's model is traditionally inspired by interculturalism. During the Montreal Summit, the description of the city's policy emphasized intercultural relations and links between the ethnocultural communities and the city as a whole. The interculturalist model is also present in the publicity campaign "Nous sommes tous Montréalais" ("We are all Montrealers"), created during the years of Pierre Bourque's administration. The image shows a variety of people representing different ethnocultural communities, with the idea that all of these groups share a common Montreal identity. The links between them are what forms their commonality; Montreal is the strong common reference point, and it provides the links between different groups.

At the same time (and more recently), Montreal's discourse also contains universalist references. The documents prepared for the Montreal Summit dealing with diversity refer to citizenship and universal rights. All sectors of the population must be able to exercise their citizenship fully. The policies for

Quebec Citizenship Week. The Quebec government readopted Intercultural Week in 2003. According to the Ministry for Relations with Citizens and Immigration, the government policy is to promote an understanding of the rights and responsibilities of all citizens without discrimination (Quebec 2001, 20). The discourse is of civic participation and good civic relations, rather than intercultural relations. This evolution from interculturalism to universalism has clearly influenced the Montreal discourse. Also, the multi-ethnic orientation of associations is encouraged rather than the promotion of single ethnocultural groups, as is the case with the federal government's policy.

The influence of the Canadian government, with its policy of multiculturalism, is rather limited in Montreal, except for the financing of multicultural associations. Heritage Canada and the Canadian Human Rights Commission are occasionally mentioned as playing a role in local activities, but generally speaking, the federal government is relatively discreet in the management of diversity in Montreal. The federal government also moved, especially after the referendum on Quebec sovereignty in 1995, towards a universalist approach aiming at strengthening and unifying the Canadian nation and Canadian identity. This kind of discourse was not really well received in Montreal.

The City of Ottawa's discursive universe plays on two registers: one universalist (which is dominant) and one multicultural. Every policy and discourse put forward by the city stresses the equality of all citizens. At the same time, other policy orientations are influenced more by a multicultural approach (Ottawa 2002b, 10). Some papers from EDAC argue for financial and other support to specific ethnocultural groups and for the creation of a Multicultural Day. The Ottawa Police refers to a "cultural mosaic" – clearly a multicultural approach, with the idea of communities coexisting side by side. Ottawa's draft official plan (Ottawa 2002a) also builds on the idea of a city of distinct communities, each with its own identity and pride of place.

There are also a few intercultural references. One paper refers to the importance of links between the various ethnocultural communities: "The City must provide active support for diversity through strategies which build inclusion, create shared points of contact, and build a shared commitment to the City as a place in common – in other words, a home" (Ottawa 2002a, 11). EDAC also talks of encouraging formal and informal contacts between community groups in order to promote a better understanding of different cultures. But despite these references, the dominant approaches in Ottawa are those of universalism and multiculturalism.

The Ontario legislation on employment equity during the 1990s was a major influence on the activities of the former City of Ottawa. Given that Mike Harris's Conservative government had abolished the legislation on employment equity and gave little priority to the recognition of diversity, it is not surprising that there was little influence from the provincial level at that time.

However, the previous New Democratic government had used a multicultural approach, and certainly this did correspond to the municipal approach. It is too soon to assess the influence of the Liberal government of Dalton Mcguinty. There may also be some influence from the federal government in terms of its multicultural approach and its universal approach focusing on the Canadian identity, which had been very well received in the City of Ottawa.

This section has demonstrated that both cities, in varying degrees, are involved in ethnocultural issues. Both have shown leadership in this field and are relatively autonomous from the provincial and federal governments, though they are sometimes influenced by the senior levels of government, most notably in terms of discourses. We have also seen that both cities use – often at the same time – a combination of different models. In fact, they constantly switch from one to another, according to the circumstances. However, the consequence of this "reframing" of ethnic issues is that variations can be observed between the discourses and the policies put in place. For instance, if Montreal officially puts forward an intercultural discourse, variations between districts can be evident, with some districts allowing specific swimming hours for Muslim women (a multicultural approach) while others do not (a universal one). But these variations clearly demonstrate, even in times of financial restraint, that cities possess a degree of autonomy in this field. Cooperation with other levels of government is also possible. This is what we shall consider in the following section.

FORMALIZED INTERGOVERNMENTAL RELATIONS?

In the case of Montreal, there are a number of joint activities that relate to ethnocultural diversity. There are agreements between the Quebec Ministry of Relations with Citizens and Immigration and the City of Montreal relating to the integration of new immigrants and the learning of French. There is also an intergovernmental agreement supporting interculturalism in the area of cultural activities. In addition, Montreal participates in coordinating activities organized by the Quebec government, most notably those bringing together agencies working with refugees and immigrants and those dealing with visible minority youth. The new city contract signed in January 2003 between the Quebec government and the City of Montreal recognizes that Montreal plays – and must play in the future – an important role in such areas as the management of ethnic diversity, housing, transit, community development, and tourism.

In Ottawa, there are no formal agreements between the city and the Government of Ontario. Through the Newcomer Settlement Program, Ontario's Ministry of Citizenship and Immigration supports community-based delivery of settlement services. Funding is provided to community agencies that are working directly with newcomers and providing project support to the

settlement sector. The main impact of the provincial government on the City of Ottawa is perhaps the equal opportunity program of the 1990s, which promoted the elimination of barriers in the private as well as the public sector. It provided the municipality with access to information, resources, and role models that could help with the implementation of its own equal opportunity initiatives. In 2004, Citizenship and Immigration Canada and the Ontario Ministry of Citizenship and Immigration announced that they had signed a letter of intent that paves the way for municipalities to have a voice in immigration issues in negotiations towards a future Canada-Ontario immigration agreement.

The federal government is far less visible in both cities. Formal agreements (such as the Canada-Quebec Accord regarding immigration) are with the provinces, not the cities. They have, however, an important indirect impact on the cities. The Canada-Quebec Accord is the most comprehensive of the agreements signed between the federal government and the provinces. It gives Quebec selection powers and control of the settlement services, while Canada keeps responsibility for the definition of immigrant categories, the levels of immigration, and the refugee as well as family categories. There are also agreements with British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland, Prince Edward Island, and Yukon. The agreements with British Columbia and Manitoba give them responsibility and funds for settlement services and the power to attract business immigrants. The other agreements generally imply that the provinces will select immigrants to meet specific labour-market needs. Since immigrants settle mainly in large cities, these federal-provincial agreements undoubtedly have an impact on them. As we noted above, the governments of Canada and Ontario are currently negotiating such an agreement.

The Department of Citizenship and Immigration has some settlement and language programs, but there are no formal agreements between it and the city. The same applies to the multiculturalism programs of Canadian Heritage and the Secretary of State for Multiculturalism. The targets of all these programs are community-based groups or private organizations, not cities. There are, however, partnerships between Montreal, Ottawa, and the Department of Human Resources Development to operate Partners for Jobs, an employment program that helps immigrants find work. In addition, the Prime Minister's Caucus Task Force on Urban Issues has called for more active involvement by the federal government in the management of ethnic diversity at the local level; it reported that current programs are too often driven by a short-term perspective and that municipalities often must fill the gaps with their own support programs (Liberal Party 2002, 23).

The task force also proposes the enactment of formal trilevel relations in the field of immigration and settlement. It recommends a cohesive approach

in this field, involving coordination between all orders of government as well as non-governmental organizations. It also proposes to review, with the provincial and municipal levels, the formula for funding settlement, integration programs, and services, and to convene a biannual conference on immigration with all orders of government (Liberal Party 2002, 24).

It is also noteworthy that in 1996 the federal government created the Canadian Metropolis project and linked it to the international Metropolis, a forum for research on public policy relating to migration, cultural diversity, and the integration of immigrants in cities. Metropolis is thus supported by a consortium of federal departments and agencies (including Citizenship and Immigration Canada, the Social Sciences and Humanities Research Council, Health Canada, Canadian Heritage, Status of Women Canada, Human Resources Development Canada, Statistics Canada, and Canada Mortgage and Housing Corporation). There are now five Metropolis-funded research centres in Canada (Atlantic, Montreal, Toronto, the Prairies, and Vancouver), and the Metropolis website (canada.metropolis.net) gives references to much of the research that has been generated from these five centres.

The Federation of Canadian Municipalities is currently calling for an intergovernmental approach to the management of ethnocultural diversity, including the involvement of the federal government. In June 2002 the federation encouraged its members, as well as the provincial and territorial associations and governments, to work with the federal government in order to support municipal committees on interracial relations, employment equity, training programs for intercultural sensitivity, and other initiatives in interracial relations (FCM 2002, 4). This would indeed be a change from current practice, involving a much stronger role for the federal government and therefore a shift in existing intergovernmental relations.

To summarize, the federal government is involved in the determination of the broad levels of immigration, in a few settlement programs, and in the development of a model to integrate immigrants (historically, a multiculturalism model but increasingly, one of universalism). Provincial governments are involved in settlement questions as well as in the models to manage diversity. Cities, too, are involved in settlement, and also in the implementation of specific models and various administrative and political mechanisms to deal concretely with various aspects of diversity. Clearly, because of their powers over matters closely linked to immigration issues (such as culture, housing, transit, police), cities and provinces have developed some relationships. The current fiscal imbalance, if not corrected, also means that the federal government will in future have to play a stronger role in many local areas, including ethnocultural diversity. In the following section we consider more closely some aspects linked to this intergovernmental context.

LOCAL GOVERNANCE AND THE CANADIAN INTERGOVERNMENTAL SYSTEM

If municipal interest in Montreal and Ottawa relates to demographic reality, this should lead to increasing municipal action relating to ethnic diversity and, indeed, to increasingly autonomous municipal action, because the large cities in Canada are considerably more ethnically diverse than the provincial populations. Bus since, as the preceding sections demonstrated, cities are already involved in this field, we must be cautious with such a statement and link the municipal activity in ethnic diversity to the general level of municipal capacity and organization. It is therefore necessary to look more broadly at the evolution of the place of municipal government in the Canadian intergovernmental system in order to understand the likely evolution of the capacity of municipalities, even those as large as Montreal and Ottawa, to create effective systems of governance of ethnocultural diversity.

First of all, playing this kind of governance role requires that municipali-

it be autonomous, with broadly defined powers and larger fiscal resources, that it be consulted when affected by policies from other levels, and that decisions taken at the local level will not be unilaterally modified by other levels.

These changes are important if we want cities to become not only service providers but a truly political arena for their citizens (Tindal and Tindal 2000,

and health. Also, there has been a strong tendency, especially since 1982 and the new Canadian Constitution, towards centralizing of the political system into the hands of the federal government. So the provinces are not likely to accept without negotiations the involvement of the federal government in municipal affairs. Moreover, the federal government has a tendency to consider the other political levels as subnational ones rather than equal partners. This is very problematic if we want a trilateral political recognition of the local level.

This is linked to a financial element – the fiscal imbalance between the

Tindal 2000, 224). In the field of immigration and settlement, there must be national standards (especially regarding discrimination), but since immigration issues are closely linked to questions of identity and local matters, there are various ways to integrate immigrants, and the task of building models and defining mechanisms must be left to the different local communities.

CONCLUSION

This comparison between two of our cities shows that both are active in the management of ethnic diversity. Montreal is clearly more involved, while Ottawa has only very recently begun to take the matter into account. The dominant universalist discourse in Ottawa may help explain this difference. Now that Ottawa is using more multicultural references, major gaps appear between the discourse and the practical reality, which is far from what we observed in Montreal. We also saw that both cities use a combination of models. In this regard, some important variations may appear, even in Montreal, between the discourses and the politics put in place. As a result, the policies for the man-

1 Interview with a member of EDAC, 15 October 2002.
2 For a more detailed analysis of these models, see Benhabib 2002, Fenton 2003, Kelly 2002, Parekh 2000, Semprini 1997, and Constant 2000.

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What Factors Shape Canadian Housing Policy? The Intergovernmental Role in Canada's Housing System

J. David Hulchanski

Ce chapitre fournit un aperçu de l'évolution de la politique du logement au Canada et propose un meilleur cadre conceptuel pour analyser les problèmes de logement, et il examine aussi le rôle que joue chaque niveau de gouvernement dans le système de logement au Canada. Le cadre conceptuel proposé repose sur trois idées importantes : (1) la nécessité de reconnaître que chaque pays met sur pied son propre système de logement – des institutions, des lois et des pratiques qui veillent (ou qui ne veillent pas) à ce qu'un nombre suffisant d'habitations de qualité soient construites, à ce qu'il y ait un système juste d'attribution des logements et à ce que le parc de logements soit bien entretenu; (2) la nécessité de comprendre la dynamique des questions

problems. Rather, it outlines an improved conceptual framework for thinking about Canada's housing problems and offers an explanation for the policy role played by the different levels of government.

Three main building blocks for such a conceptual framing are presented. The first is the need to recognize that each country develops a housing system – a method of ensuring (or not) that enough good-quality housing is built, that there is a fair housing allocation system, and that the stock of housing is properly maintained. Government plays the central role in creating, sustaining, and changing this system. It establishes and enforces the "rules of the game" through legislation that defines such things as banking and mortgage lending practices, tax and regulatory measures affecting building materials, professional practices (for example, real estate transactions), subsidy programs,

CANADA'S HOUSING SYSTEM: POLICIES THAT PRIVILEGE OWNERSHIP

For some Canadians the term "housing policy" is likely to invoke images of public housing, government subsidies for low-income households, and programs aimed at helping Canada's many unhoused individuals and families. It is easy, though inaccurate, to view housing policy as having this limited scope. One reason is that 95 percent of Canadian households obtain their housing from the private market. Two-thirds of all households own the house in which they live. About one-third of all renters at any time are on their way to eventually buying a house. They are merely passing through the rental market. Only 5 percent of Canada's households live in non-market social housing (defined here as including government-owned public housing, non-profit housing, and non-profit housing co-operatives) – the smallest social housing sector of any Western nation except for the United States. In Western Europe, the percent of the housing stock in the social-housing sector is much higher: 35 percent in the Netherlands and 15 to 20 percent in France, the United Kingdom, Austria, Denmark, Finland, and Sweden (Scanlan and Whitehead 2004, table 2). These are societies that are similar in many respects to Canada, yet their housing systems are very different. Canada's housing system, in contrast to that of most Western nations, relies almost exclusively on the market mechanism for the provision, allocation, and maintenance of housing. This is a problem for households too poor to pay market rents for housing appropriate to their needs. These households generate a "social need" for housing rather than a "market demand" for it. A housing system based on the market mechanism cannot adequately – if at all – respond to social need. Given the significant role played by market dynamics, it is easy to assume that government housing policy plays a very small role in Canada. But this is not the case.

Many of the politicians, lobbyists, and average citizens who like to "fed bash" and complain about federal government intrusion in what they claim to be provincial jurisdiction are most likely to be homeowners. However, if it were not for federal government housing policies and programs, past and present, Canada's ownership rate would be much lower. Mortgage lending and insurance institutions are necessary. These were created by federal and provincial government statutes, regulations, and subsidies in the decade following the Second World War (Bacher 1993). Municipal governments provided the necessary serviced land and zoning regulations that permitted the construction of relatively cheap housing in postwar subdivisions – the sprawl onto new land around all cities, which rarely included provision for rental housing. Since the early 1970s a steady stream of house purchase assistance programs has been necessary simply to maintain Canada's ownership rate at about two-thirds.

It was not until a policy change in 1963 that the federal government, in a program requiring joint provincial funding, began to directly provide

subsidized rental housing for low-income households. Specially created provincial housing corporations (for example, the Ontario Housing Corporation and the Alberta Housing Corporation) were established to own and manage the housing, under agreements with the federal government. By the mid-1970s, when this "public-housing" program was replaced with a more decentralized and community-based non-profit program, about 200,000 public-housing units had been built (which is about 2 percent of Canada's current housing stock). This was a rather modest program because of the broader policy objective of leaving as much of the housing system in the market sector as possible (Rose 1980).

The Canada Mortgage and Housing Corporation (CMHC), established in 1946, focused public funds almost exclusively on the ownership sector. Although federal legislation in 1949 permitted federal and provincial subsidies

annual subsidy to owners – the amount that would be collected if the capital gain was taxed (Canada, Department of Finance 2004b, table 1). There is no equivalent tax benefit for either private-sector renters or rental-housing investors. This benefit to owners is twice the $1.8 billion annual subsidy bill (a direct budgetary expenditure) for all federally subsidized social-housing units ever built (the 550,000 social-housing units in the country; an average federal subsidy of $275 per unit per month).

Owning a house is a long-term investment that helps maintain a certain standard of living over the course of one's life. The 50 percent of Canadian owners who have paid off their mortgages spend only 11 percent of their income on housing and therefore have more funds available for other activities and investments. Moreover, a large, expensive house can be traded for a smaller,

in Canada's housing and job markets. Families are now the fastest-growing group among the homeless. Some landlords refuse to rent apartments to families with children, to single mothers, or to people on social assistance (Dion 2001; Novac et al. 2002). Many community-based services that used to help these families have lost their government funding. Federal and provincial human rights codes are well-intentioned but often toothless documents with weak enforcement mechanisms. In addition, budget cuts have slowed progress in combatting discrimination.

While most Canadians have adequate housing, about 8 percent live in dwell-

income of homeowners, condo developers can always outbid rental developers for residential sites.

As in the United States, though not in many other Western nations, there is a pervasive cultural and institutional bias against renting. This is a key char-

"through justiciable intergovernmental agreements, designed to meet the specific circumstances of each province." Provincial governments had the option of taking cash transfers, taking tax points, or requiring the federal government to maintain its spending in the province (Canada 1992, s. 3).

Although this constitutional agreement was rejected by Canada's voters in a national referendum, the desire of the federal government (with its huge annual deficits at the time) to extricate itself from social housing subsidies continued into the 1990s. In the March 1996 federal budget, the government announced that it would transfer administration of federal social-housing programs to provinces and territories, ending fifty years of direct federal involvement in the administration of social-housing programs. As stated in the 1996 *Budget Plan*,

> CMHC will phase out its remaining role in social housing, except for housing on Indian reserves. The first step has already been taken – there has been no funding for new social housing units since 1993. To further clarify jurisdiction in the social housing field, the federal government is now prepared to offer provincial and territorial governments the opportunity to take over the management of existing social housing resources, provided that the federal subsidies on existing housing continue to be used for housing assistance for low-income households. This should result in simpler administration and improved service to Canadians. The issue of the role for third parties in the administration of the social housing stock will be discussed with the provinces and territories. (Canada, Department of Finance 1996, 43–4)

This was a unilateral policy decision, not the settlement of a legal or constitutional dispute over jurisdiction. It was also a financial decision – a means of saving money at the federal level. The federal government, though maintaining its involvement in the ownership sector and playing a major role in the housing system through CMHC, would not provide any new money for meeting housing needs. This policy decision handed responsibility down to the provinces, and some provinces handed it down to municipalities. The federal government would no longer be responsible for the stream of subsidies once the initial funding packages for the approximately 500,000 social-housing units expired.

What about the provincial and territorial role in social housing and related urban and social programs since 1993? Most of their policies and program changes also represent a withdrawal from helping those most in need. It is important, however, to place provincial and territorial budget cuts in housing, social spending, and urban affairs in the context of the federal government's downloading of the deficit onto provincial taxpayers. Provinces can either raise taxes to make up for the cuts in federal transfer payments (creating the conditions for a taxpayer revolt and boosting the popularity of politicians who

promise tax cuts) or they can pass on the cuts to groups that have no electoral clout.

Federal cash transfers to the provinces and territories have been falling since the early 1980s. The share of federal expenditures transferred to the provinces and territories ranged from 3.6 to 4.2 percent of GDP in the early and mid-1980s. Since 1996 it has ranged from 2.3 to 2.8 percent of GDP (Canada, Department of Finance 2004a, table 8). In short, huge amounts of money that were once transferred to provinces and territories were unilaterally withdrawn. The money had previously been used for health, education, and welfare programs. Some federal funding, particular for health care, has since been restored.

Another way of looking at these federal budget cuts is to examine the share of total budget revenues that federal cash transfers represent. In Ontario, for example, during the first period (1980–86) an average of 17 percent of provincial revenues came in the form of federal cash transfers. During the second period (1987–95) this had fallen to an annual average of 13.4 percent. By the third period (1996–2001), only 9.3 percent of Ontario's budget revenues came

that housing and urban programs were "matters of national concern," that block funding would "clearly weaken the Federal Government's role in providing leadership and co-ordination in housing and urban programs across Canada," and that housing had "obvious social and economic impacts on the country" and was "relevant even to the question of national unity" (Canada, Ministry of State for Urban Affairs 1973, 8).

By the time the Liberals were back in power in 1993, they simply implemented the previous Conservative government's termination of the social-housing supply program. The 1996 decision made by Paul Martin, as finance minister, to download federal social housing is in sharp contrast to what, as opposition housing critic, he had recommended a few years earlier in his 1990 task force report on housing: "The federal government has abandoned its responsibilities with regards to housing problems ... The housing crisis is growing at an alarming rate and the government sits there and does nothing … The federal government's role would be that of a partner working with other levels of government, and private and public housing groups. But leadership must come from one source; and a national vision requires some national direction" (Martin and Fontana 1990a).

The recommendations of the National Liberal Caucus Task Force on Housing, chaired by Paul Martin and Joe Fontana, who were in opposition at the time, provided a detailed and comprehensive set of housing recommendations (see table 2 for a summary). The report called for "the development of a national housing policy and related strateg

Table 2: Liberal Task Force on Housing, May 1990:
         Ten Key Recommendations[1]

All Canadians have the right to adequate housing	That the issue of housing rights be placed on the list of items to be discussed at the next First Ministers' Conference.
Restore cuts to transfer payments for provincial social assistance programs	That cuts in transfer payments to the provinces for social assistance be restored and that negotiations be initiated with the provinces to increase the shelter component of provincial social assistance allowances.
An income supplement for the working poor	That the federal and provincial governments establish a new social program providing an income supplement for workers whose earnings from employment leave them below the poverty line.
A national conference on homelessness be convened	That a national conference on the homeless be immediately convened to set real objectives and policy responses for the eradication of homelessness in Canada.
Eliminate all substandard on-reserve housing	That the federal government set the year 2000 as the target for the elimination of substandard on-reserve housing and allocate the necessary funds to accomplish this objective.
Restore funding for the federal Co-op Housing Program	That funding for the federal Co-operative Housing Program and the Rent Supplement Program be

and provincial governments have historically engaged in many different pro-
grams, both unilateral and joint. The jurisdictional issue appears to be
significant only because politicians raise it when they do not want their level
of government to be responsible for addressing a particular housing problem.

THE MUNICIPAL GOVERNMENT ROLE

There is a constitutional barrier when it comes to a direct federal-municipal
relationship in a policy area. Municipalities can do only what their provinces
allow them to do. In practical terms, however, this has not been a barrier for
federal government involvement in local housing and related neighbourhood
issues. If federal money is made available to municipalities, it is politically
difficult for a provincial government to deny municipal government access to
that money. There is a long history of federal government programs that assist
municipalities on key housing and neighbourhood issues.

   Even before the Ministry of State for Urban Affairs was established, the
federal government supplied "slum clearance" funding to municipalities un-
der the 1944 *National Housing Act* (NHA), "urban redevelopment" funding
under the 1954 NHA, "urban renewal" funding under the 1964 NHA, and
"neighbourhood improvement" funding under the 1973 NHA. As a result of
the decision to build more public housing in 1964, the provinces created hous-
ing corporations to channel federal money to municipal housing corporations.
When the federal government wanted direct credit for its housing activities, it
changed from federally funded public housing, developed and administered
by the provinces, to non-profit housing under the 1973 amendments to the
NHA (Rose 1980). After 1973 the federal government directly funded (with-
out provincial involvement) new social-housing projects built by non-profit
societies as well as non-profit housing corporations established by munici-
palities for that purpose. And when, as noted above, the federal government
did not want to fund any further new social housing, it unilaterally stopped all
such funding in 1993 (Hulchanski 2002).

   There was also no constitutional problem with the federal government es-
tablishing a Ministry of State for Urban Affairs (MSUA), as it did in 1971.
MSUA dealt with "urban" issues, not "municipal government" issues. It was
an experiment in building a new kind of federal government institution for
policy development and for advising government on issues that cut across
many departmental and governmental jurisdictions. After the Second World
War, the federal government had a considerable impact on urban areas through
its involvement with airports, transportation, health care, postsecondary edu-
cation, children's programs, social services, Aboriginal peoples, military
installations, the location of government facilities, employment and training
programs, research and innovation investments, regional economic develop-
ment initiatives, and immigration policy (most immigrants and refugees settle

municipalities themselves for federal assistance, the prime minister established a Caucus Task Force on Urban Issues. In its 2002 interim report, the task force noted the need for "coordination, collaboration, cohesiveness and commitment to a new approach to Canada's urban regions" (Liberal Party 2002, 2). This was similar to the Speech from the Throne thirty-two years earlier, which had drawn attention to the "new accumulation of problems" caused by rapid urbanization and the need to "foster coordination of the activities of all levels of government and contribute to sound urban growth and development" (Canada, House of Commons 1970). The task force's interim report opens with a now widely accepted assertion that Canadian cities are in crisis: "There is mounting evidence that our cities are ailing due to deteriorating infrastructure, declining air and water quality, traffic gridlock, homelessness, growing income polarization and

become entitlements, rights of citizenship, or earned benefits. Wage replacement benefits were linked to past earnings and were at levels high enough to

POLICY FOR THE PRIMARY PART OF THE HOUSING SYSTEM

For the primary part of the housing system, the federal and provincial govern-
ments will continue to play an interventionist role during difficult economic
times, whether or not exclusive jurisdiction is given, taken, or claimed by
either level. The house-building sector is a key part of the economy and, with
the support of middle-class owners, is able to mount an effective lobby. Fed-
eral government housing activity relating to the primary sector, whether direct
(budgetary spending programs) or indirect (tax expenditures), is rarely con-
sidered to be a subsidy or a drain on the economy or on the federal budget.
Rather, these actions are viewed as the proper responsibility of government in
difficult times, and the subsidies are considered incentives and entitlements –
as rights associated with investing in and owning housing.

For the federal government, it is a very practical economic and political
rationale, based on immediate short-term considerations that govern the deci-
sion either to take action or to refuse to take action. This is the historical
record, and there is no reason to project any change. Political philosophy and
constitutional and jurisdictional nuances matter little when the government is
confronted with political pressure capable of being mobilized because of prob-
lems in the primary part of the housing system. "Problems" here include any
range of policy decisions on issues that provide special treatment for the pri-
mary part of the housing system. An example is the introduction of the tax on
capital gains in 1972. One category of capital gain was exempted from the tax
– the capital gain on the sale of owner-occupied houses – even though it was
recognized that such an exemption was regressive among owners (the benefi-
ciaries) and discriminatory in that it excluded one-third of households (renters)
(Powers 1992; Dowler 1983).

Another example is the federal government's decision, announced in the 1992
budget, to introduce the Home Buyers' Plan, which allows house buyers to use up
to $20,000 in tax-sheltered retirement savings as part of their down payment.
This was resisted by federal officials because it risked retirement savings, be-
cause it introduced an ad hoc benefit for some house buyers, and because there
was no evidence that such incentives do anything more than move demand for
new houses forward (that is, there is no long-term net gain for the economy). The
pressure "to do something" during a severe construction slump, however, became
so great that the federal government granted the demands of the house-building
and real estate lobbies. In his 1992 budget speech (1992,12–13), the finance min-
ister admitted that the Home Buyers' Plan "responds to requests from industry
groups, provincial governments and individuals" and that it "will support strong
growth in the housing sector this year." In the same budget, however, social hous-
ing was further cut from the expected 12,400 units to about 8,000, and the co-op
housing program (about 3,500 units) was terminated. All social-housing supply
programs were terminated in the next budget.

The proposed constitutional agreement that was reached in August 1992 does not appear to affect the federal role in relation to the primary part of the housing system. It has been implemented, however, in relation to the secondary part of the housing system (the 1996 downloading of federal social housing to the provinces). It should be noted that the preamble to section 3 of that agreement, a section on roles and responsibilities, states that "when the federal spending power is used in areas of exclusive jurisdiction" it should, among other things, "contribute to the pursuit of national objectives" (Canada 1992). This implies that there would have been little or no change in the ability of the federal government to initiate its own housing measures even if the voters had

They included short-term subsidy programs for owners (the Canada Home Ownership Stimulation Program and the Canada Mortgage Renewal Plan) and for investors in the higher end of the private rental sector (the Canada Rental Supply Program). There was also a temporary increase in the allocations of social-housing units (2,500 more units in 1982 and another 2,500 in 1983). Thus, both parts of the housing system received some assistance at this time.

Partnership Program, which has sprinkled the country with some money for services for homeless people and with many press releases about this federal initiative. It will take a very serious deterioration in the quality of the existing aging rental stock (which has already begun to occur) and widespread discon-

people, urban and rural? There seems to be no economic or significant political pressure to address problems in the secondary part of the housing system. It is, by definition, secondary – not primary. All three levels of government will continue to worry about problems as they arise among households in the primary part of the housing system. The major change affecting the "welfare state" and the sense of nationhood since the early 1990s may mean that the secondary part of the housing system does not matter at all.

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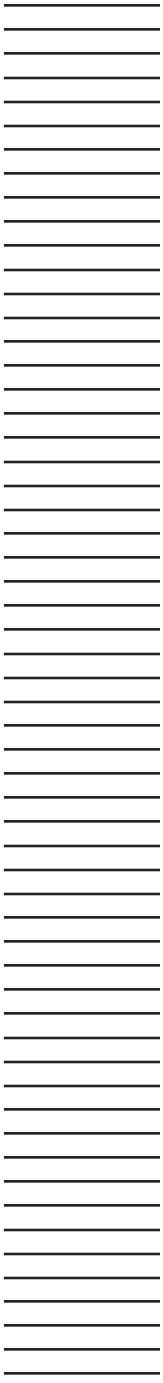
Local Whole-of-Government Policymaking in Vancouver: Beavers, Cats, and the Mushy Middle Thesis

Patrick J. Smith and Kennedy Stewart

States … are reserved to the states respectively, or to the people" (United States 1791). These clauses make clear that provincial/state governments are free to determine the discretionary power of these lower-tier bodies. As described by Jones and Smith, local governments can be either beavers (those with a strictly delimited range of authority) or cats (those with the freedom to expand into policy areas without the express permission of upper-tier jurisdictions).

Some U.S. states have sought to create cats by giving local bodies "greater

The promise of more empowered local governments has existed for some time. For example, the general trend of municipal legislation in British Columbia "has been to give as large as possible a measure of local and self-government autonomy to municipal corporations, and to facilitate the incorporation of municipalities wherever warranted by population and property" (Crawford 1954, 47–8). Having entered Confederation in 1871, the British Columbia provincial government passed initial general municipal legislation in 1873. This legislation allowed local governments to undertake a range of activities but did not include provisions for incurring debt or mandatory responsibilities (Bish 1987, 15). Later amendments allowed for municipal borrowing (1881), and the *Municipal Incorporation Act* and *Municipal Clauses Act* of 1896 provided a system similar to that of Ontario, without a county tier of government. These acts fleshed out the authority and responsibilities of B.C. local government – for example, "a requirement to make suitable provisions for the poor and destitute" – and set a basic framework for all municipalities (Tindal and Tindal 2000, 46).

The ability to opt in or out of a broad range of powers has allowed B.C. municipalities to develop at least into strong beavers, if not yet into cats. According to Robert Bish, the 1936 B.C. *Municipal Act* listed "266 voluntary functions" for local governments, and "few constraints have been exercised if a municipality had a good reason for wishing to undertake some new function … The range of functions municipalities perform has expanded greatly

municipal and the provincial components of the provincial-municipal relationship in British Columbia and, potentially, to add to local autonomy:

> The purposes of this Act are to provide municipalities and their councils with:
> (a) a legal framework for the powers, duties and functions that are necessary to fulfill their purposes,
> (b) the authority and discretion to address existing and future community needs, and
> (c) the flexibility to determine the public interest of their communities and to respond to the different needs and changing circumstances of their communities. (British Columbia 2003a)

Walking the "cat" talk, however, has proved difficult in British Columbia. The Community Charter reform package was much delayed – initially by provincial secrecy and then by local governmental ambivalence. For example, the provincial government met with the UBCM at the union's annual conference in September 2002 with a plan to introduce the Community Charter bill for legislative approval that autumn. However, the more that UBCM members considered the draft charter, the more concerns they expressed. While the charter promised no provincial downloading onto municipalities without consultation and equivalent fiscal compensation, no such consideration was made when the province simply offloaded a responsibility or service, essentially dropping it entirely. This meant that municipalities have had to take a range of actions in response. They have, for example, had to buy their community hospitals (as Kimberley did after provincial cuts forced its closure); to hold referendums (as Delta did in the November 2002 municipal election to get voter approval for a local tax increase to fund its hospital emergency ward on a twenty-four-hour basis, rather than having it open only during the day and early evening); and attempt to recall the local MLA (as Delta, among other constituencies, has tried to do – unsuccessfully to date).

Further, despite the charter's talk of limiting interference by the senior provincial authority, if local governments decide to raise local taxes (for instance, on businesses) rather than opting for the newly preferred user fees or public-private partnerships, the province has reserved the right to impose limits on property tax rates – in direct contradiction of the charter's "empowering local autonomy" intent. And under a redefined provincial-municipal relationship, the charter reminds local governments that apart from acknowledging and respecting each other's jurisdiction, the legislative intent is to "work towards harmonization of Provincial and municipal enactments, policies and programs" (British Columbia 2003a, s. 2(1b)).

This may work in many instances, but not where a local government wishes to take a very divergent policy tack. Here, the intergovernmental game becomes more perilous for local authorities – a situation more akin to "beaver"

status. The battle between British Columbia's Ministry of Transportation and the District of West Vancouver over the route of the Vancouver to Whistler "Sea to Sky" highway is a good example of this (Smith and Stewart 2005). Having largely lost at the Federal Court of Canada (May 2005), West Vancouver has appealed the verdict. Also against local wishes, the province pushed an amalgamation into the Vancouver Island community of Courtney (*Courtney Comox Valley Echo* 2005). The City of Vancouver, of course, is the legislative exception, since it has its own Vancouver Charter. It has been allowed to "cherry pick" aspects of the Community Charter that it feels are of benefit (Smith and Stewart 2005).

Traditional beaver thinking has also crept back into the province's post-charter legislative agenda. For example, the *Significant Projects Streamlining Act*, passed in 2003, allows the provincial government to override any local governmental opposition to any project deemed of significant provincial interest (British Columbia 2003b). This Act conjures up images of previous actions by the province: the dismissal of school boards in the 1980s; the "over a weekend" order-in-council eliminating Greater Vancouver Regional District's

home-rule type (1987, 5–16). This raises the possibility that local mayors and councils may sometimes manage to circumvent formal limitations or – to continue the metaphor – that in some circumstances beavers may temporarily become "eager." The City of Vancouver provides two recent examples that help shed light on "eager beaver" local governments. While these cases do not represent a local governmental norm in British Columbia, they do illustrate some of what any B.C. municipality might need to do to be successful in whole-of-government policy settings.

URBAN DRUG POLICY: VANCOUVER'S SAFE INJECTION SITE

Insite, North America's first legal supervised heroin injection site (SIS), opened on Vancouver's Hastings Street in September 2003. Operated by the Vancouver Coastal Health Authority and the Portland Hotel Society (a Downtown Eastside advocacy non-governmental organization), it is based on a partnership with the City of Vancouver, the Vancouver Police Department, and the community. Insite was established as a scientific research project to assess whether such an operation could reduce the harm associated with heroin and other injected drugs (Vancouver Coastal Health 2005). The first of its kind in North America, Insite is modelled on similar European sites. It was developed by the City of Vancouver through study tours of the health-focused harm-reduction approach taken in EU cities such as Frankfurt and Amsterdam, in contrast to the American-led "war on drugs" approach to drug treatment in North America's cities (Thomson 2004).

Beginning in the 1990s, momentum for Insite stemmed from an overwhelming need to address a significant community problem. Between 1990 and 2000 more than twelve hundred people died from drug overdoses in Vancouver. These deaths were especially prominent in the city's Downtown Eastside

but as a health issue and to get them to view drug addicts not as criminals but akin to diabetics in need of health treatment.

A series of reports by other health officials made similar pleas, but they were mainly ignored by all levels of government, and the DTES continued to decline. In October 1997 the Vancouver Richmond Health Board announced a public-health emergency in Vancouver on the transmission of HIV among injection drug users. By 1999, 61 percent of Vancouver's drug-related arrests and 18 percent of the city's crimes against persons took place in the DTES, despite the fact that this area has only 3 percent of Vancouver's population. A 2004 Macleod Institute report corroborated the poor social conditions that prevailed in the DTES:

> In the decade leading up to the Vancouver Agreement, the city's downtown eastside (DTES) was falling into serious social and economic decay. The community had once been vibrant with retail, manufacturing and resource-based businesses operating out of Vancouver's original centre of commerce. When the venerable and long established Woodwards' store on Hastings closed in 1994, it significantly contributed to the decline of the DTES' commercial sector. In 1998, 27% of the stores along one major thoroughfare were vacant and two-thirds of the area's residents were living below the poverty line. (2004, 9)

Yet as the Macleod Institute noted, it would be erroneous to suggest that

four-pillar approach even though Vancouver would have to go it alone and establish Canada's only safe injection site. His new stance riled many members of his political party. This rift came to a head in the spring of 2002 when NPA party executives informed Owen that he would have to stand for nomination for the 2002 municipal election – in effect, forcing him to reapply for a job he had held since 1993. Such a request had never been asked of an NPA incumbent mayor, and it signalled to Owen that he had lost the support of his party. After debating for a month whether he would run as an independent, he decided not to run at all, and he stepped aside for Jennifer Clarke – a councillor less committed to the full four-pillar approach (Bula 2002a). Far from having a smooth ride into her new job, Clarke was branded Lady Macbeth for what was portrayed in the media as stabbing the popular Owen in the back for her own political gain (*Vancouver Courier* 2005).

At the same time that Clarke replaced Owen as NPA mayoral candidate, former Vancouver coroner Larry Campbell was recruited by Vancouver's other major civic political party to run as its candidate for mayor. A perennial opposition party, the Coalition of Progressive Electors (COPE) was able to assemble a winning team around Larry Campbell, and for the first time in the 116-year history of the city, a single left-of-centre party won the mayoral position and a majority on Vancouver City Council. This victory can be attributed to infighting within the NPA, together with Larry Campbell's popularity (the CBC television series *DaVinci's Inquest* is based on Campbell's career) and the professionalization of COPE by political strategist Neil Monckton. Larry Campbell put the pledge to support the safe injection site and the residents of the Downtown Eastside at the centre of his election campaign, whereas Jennifer Clarke pledged to take the city back "one block at a time" (*Vancouver Sun* 2002).

During the November 2002 election, Campbell stated he would open the safe injection site by 1 January 2003. He took office in December 2002, but the complications of working with multiple agencies from three levels of government forced him to revise his timeline to 1 March 2003 (Bula 2002b). However, by April 2003 the site had still not been opened, owing to a lack of funding. Neither the province nor the federal government wanted to be on the hook for the multimillion-dollar pilot project, and the city simply could not afford to run the site all on its own (*Vancouver Sun* 2003). To add to Campbell's headaches, the coalition that initially supported the safe injection site began to unravel slightly, with one group starting its own unsanctioned safe injection site.

By June 2003, Campbell had managed to persuade Health Canada to back a three-year trial of the safe injection site in Vancouver's Downtown Eastside. In support, the federal government agreed to provide $1.5 million over four years to cover the cost of a scientific evaluation of the pilot, run by the Van-

costs for the site, which he eventually secured from the provincial government (O'Brian and Bula 2003).

In September 2004, Insite released its first public report, in which it reported that there had been no deaths despite the fact that there were 107 overdoses between 10 March and 3 August 2004. The research team at the B.C. Centre for Excellence in HIV/AIDS claims that it is difficult to calculate how many lives have actually been saved, but the site serves 588 users per day and on some days as many as 850, showing that the need is great (Vancouver Agreement 2005). In April 2005 the Vancouver Agreement was renewed by the three levels of government. As McGirr has noted, "some key structural and procedural issues that remain to be addressed in the second term of the *Vancouver Agreement* include: how money is given out, labour intensity, implementation, communication, community involvement, and evaluation" (2005, 30). The ultimate test of success in this whole of government response to the drug crisis in Vancouver's DTES will be to see a degree of institutionalization of the Vancouver Agreement. At first renewal, however, it met the city's whole-of-government "priority challenge."

At his news conference announcing that he would not run again for mayor of Vancouver in November 2005, Larry Campbell described the establishment of Insite as one of his three main accomplishments. Despite not having the authority or the funding to move ahead with the project, he and his councillors had done so anyway. An obvious eager beaver, Campbell summed up his participation in this whole-of-government exercise in the DTES simply with the words "we changed federal health policy" (CKNW 2005). His other two accomplishments – the Olympic referendum and refurbishing a derelict department store in the DTES – are described in the next policy case.

URBAN HOUSING POLICY AND HOMELESSNESS: WOODWARD'S AND
THE OLYMPIC PLEBISCITE

The drug treatment issue demonstrates the capacity of a city to lead in a policy field where it has little or no jurisdiction. This second case illustrates the capacity of municipal politicians to use public support to leverage resources from senior governments. As explained below, Vancouver's eager beavers used a locally initiated non-binding referendum on Canada's bid for the 2010 Winter Olympics to fortify their plans for redeveloping the Downtown Eastside and reducing homelessness. Although they did not initially intend to use the Olympics to "blackmail" the provincial government, savvy local politicians soon recognized an opportunity to push their agenda on the provincial government and effectively did so to suit their own agenda.

In 1998 the Canadian Olympic Association selected Vancouver to represent Canada in the competition to host the 2010 Olympic Winter Games and the Paralympic Winter Games. In preparation for the July 2005 decision by

the International Olympic Committee, the Vancouver bid committee put its best efforts into winning against Salzburg, Austria, and Pyeongchang, South Korea. As the decision date neared, discussion about the potential positive

developers. In 2001, during the dying days of the NDP provincial government, former Vancouver city councillor (and then municipal affairs minister) Jenny Kwan "bought" the Woodward's building from a developer who had not been able to complete a plan acceptable to the city. By then the building had been the site of years of protest by DTES and housing activists, who wanted a public-housing component included in the plan for the site, rather than only higher-end stores and offices. The cost to the province was more than $20 million. Then, in the May 2001 provincial election, the NDP government was wiped out (77 seats to 2) by Gordon Campbell's right-wing Liberals.

Days before the Olympic vote, a spate of intergovernmental Olympic deals were announced. Woodward's was sold to the City of Vancouver for a fraction of its value ($5.5 million), with the province promising to fund at least a hundred social-housing units at a cost of up to $10 million – despite deep cuts to social spending across the rest of the province. The federal and provincial governments agreed to a $20 million "living legacy" fund for the Downtown Eastside. Finally, the province also agreed to turn some of Southeast False Creek's Olympic Village into social housing after the games were over (Howell 2003). Directly after these announcements, Jim Green signed on to the Olympic vote's "yes" team, as did Mayor Campbell shortly thereafter. When asked whether "his cool demeanor towards the Olympics was a deliberate strategy to see what he and his pals could squeeze out of Victoria," Green responded, "I don't see anything wrong with that interpretation" (Garr 2003).

On 22 February 2003, just days before the visit of the Olympic Selection Committee, 64 percent said "yes" in the Olympic vote. A surprising 50 per-

THE POTENTIAL OF EAGER BEAVERS IN WHOLE-OF-
GOVERNMENT URBAN POLICYMAKING

1 "[I]n actuality, the amount of discretionary authority available to [local governments] is often not explicit, and varies significantly from state to state" (Zimmerman 1995).
2 "[A] classifcation based solely on the availability of the charter option completely misses other important dimensions of local government authority" (Liner 1989; Gold 1989).
3 "[A] legalistic approach to local autonomy does not clearly distinguish between the activities of local governments, and local governments and policy makers" (Gargan 1997).
4 "[T]he traditional legal approach to home rule provides little, if any basis for the development of systematic knowledge about the discretionary authority of municipal government and the consequences of variation in that authority (i.e. what difference does home rule make?)"(Krane and Blair 1999).

   The usefulness of the formal approach – or, as we have done, classifying local governments as beavers or cats or even as weak and strong beavers and cats – has its limits. This is especially true in understanding whole-of-government responses to local policy problems. Hanson describes the lack of information about informal interactions as a "blind spot." In the United States, says Hanson, "few scholars know much about the constitutional, political and fiscal ties that bind states and localities, and even fewer have much information about the complex interactions between state and local governments engaged in the delivery of public goods and services" (1998, 3).
   For Krane, this continuing blind spot means that "without more comprehensive information about local government discretionary powers in all fifty states, any understanding of local governmental capacity in the United States will be limited" (Krane and Blair 1999). Ellis Katz concurs, stating that despite the constant reaffirmation of Dillon's Rule, "the political reality is that America's cities and towns enjoy a remarkable degree of autonomy and independence" (Katz 2003, 1). Finally, Victor Jones cautions that "the right of a legislature to create, modify or destroy is just that – a right; that is, it is only a legal authority to act. Even though the right may be plenary, it must be distinguished from power, or the ability of the authority to act in full or in part, to exercise unfettered choice, to act at any time, any place, or to any extent it chooses" (1986, 90). It would appear, then, that to classify the policymaking influence of local governments correctly, particularly on senior governmental agendas, some attention must be paid to "mushy middle" local governments that go beyond the law to enact policy – to lead when they are not in charge.
   To this end, figure 2 provides a revised policymaking capacity continuum by which to classify all local governments. Following the previous model,

ity to legislate on local businesses. The province also argued that the local bylaw contradicted the provincial *Waste Management Act*, which exempts agricultural operations. Urban-rural issues of this sort are not new to Delta, a Vancouver suburb. In the late 1980s and 1990s, Delta held the longest land-use dispute hearing in Canadian history (over efforts to develop farmland for urban use). The debates over the so-called Spetifore lands near the Tsawwassen ferry terminal to Vancouver Island led Bill Bennett's Social Credit government to abolish regional planning in 1983 when the Greater Vancouver Regional District initially prevented development plans by a Delta Social Credit supporter. The minister of agriculture and fisheries has since also precluded use of local bylaws to prevent/regulate coastal fish farms in British Columbia (Penner 2003).

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12

Rhetoric and Restraint: Municipal-Federal
Relations in Canada's Largest Edge City

Tom Urbaniak

But if cities in general, and not just advocates for the inner cities, are deter-
mined to secure a comprehensive partnership with Ottawa, we would probably
find that Mississauga, Ontario, is a leader in this campaign. With 680,000
people, it is Canada's sixth-largest city and the largest suburban municipality.
Mississauga's long-serving leader, Hazel McCallion,[1] enjoys extraordinary

Assessment Panel, which had endorsed many of the grievances of residents living close to the airport, had argued that a local airport authority would be much more accountable to citizens and their municipal governments (Canada, EAP 1992a, 81).

But a closer examination reveals that the city exerts less influence now, with the airport under the administration of a local airport authority, than it did when the facility was run directly by the federal Department of Transport. Especially intriguing are the not widely reported details of the city's behind-the-scenes manoeuvring during the 1989–93 period, when the Progressive Conservative federal government contracted out the construction of a new terminal and attempted, with the mayor's shrewd support, to privatize the operations and the major redevelopment of the two old terminals.

The privatization approach was favoured by Ottawa in lieu of devolution to a local airport authority, which seemed to be the preferred option elsewhere in the country and in the National Airports Policy of 1987 (Canada, Senate 1995a, 11 and II-7). Pearson Development Corporation, a private consortium, was awarded a fifty-seven-year lease and was contracted to effect

proposed alternative to privatization, there was growing concern in Mississauga that Ottawa might waver from its course and allow the airport to be taken over by a Metro-dominated entity. Such a body, it was feared, would ignore Mississauga's requests for development charges, for building inspections (along with their associated fees), and for transportation infrastructure to connect the airport better with the rest of Mississauga rather than only with Metropolitan Toronto to the east. There was also concern that there would be attempts to divert the airport noise cones that affected Metro residents, deflecting them to Mississauga neighbourhoods (McCallion and Shaw interviews 2003).

McCallion thereafter became more aggressive in her efforts to thwart the Metro-dominated initiative. She showed up uninvited at a meeting of the would-be airport authority and senior federal and provincial officials – including ministers – to express concerns about the process. She began calling the Metro body "the illegal airport authority," and, most important, she proceeded to launch a rival airport authority (Canada, Senate 1995a, 44).

Thanks to McCallion, therefore, while the federal government was evaluating the privatization proposals, the competing airport authorities, neither of which had any formal authority, were bogged down through much of 1992 negotiating a *modus vivendi.* A task force of the chairmen of the Greater Toronto Area regions had to be set up to break the impasse. An arrangement that gave Peel the right to appoint (not just nominate) two of the fifteen members and that limited Metropolitan Toronto to two members was finally concluded late that year (Peel 1992), soon after which Mississauga resident Sid Valo became the chair.[4] The new set-up was endorsed by the Region of Peel Council and Mississauga City Council.

But Mississauga's endorsement was conditional – and the Peel council later was persuaded by Mississauga to support the city's qualified position. The city called on the new airport authority to oversee both Pearson and the Toronto Island airport, even though Toronto Island was being operated under a tripartite arrangement involving the City of Toronto, the Toronto Harbour Commissioners, and the federal government. This condition was cited by Transport Minister Jean Corbeil as the reason for not negotiating with the local airport authority but continuing instead with the privatization process (Canada, Senate 1995b, 19 September).

monitor aircraft traffic, and it also agreed that the runway would not be used at night and not when the wind conditions allowed for the use of the other runways. But the majority of the city's runway conditions were in fact infrastructure and financial matters, not noise issues. The minister agreed, for example, to construct new access roads, making it easier to get inside the airport from Mississauga (Pecar 1993).

The day before the privatization deal was signed, the mayor and the transport minister were still in touch to ensure that the minister would honour his guarantee that Mississauga would not lose any federal revenue as a result of the privatization. The private consortium would pay property taxes, a significant portion of which would go to the school boards and the region. But in the absence of property taxes, Mississauga had been receiving the full share of the federal payments in lieu of taxation. The switch to property taxes would mean an annual loss to Mississauga of approximately $3.2 million. The federal government acceded to Mississauga's demand to make up the difference (*Mississauga News* 1993b).

The influence that Mississauga had, or was about to have, came to an end with the election in October 1993 of a new government, which was determined to pursue a very different course on the Pearson file than the one followed by the Conservatives. Even an attempt by Mississauga to appear conciliatory by dropping the Toronto Island condition did not so much as gain the mayor a sympathetic hearing from the minister (Petovello interview 2003).

The Greater Toronto Airports Authority's sixty-year ground lease, which commenced in December 1996, has exacerbated Mississauga's predicament. (The plural term "airports" is used even though the GTAA manages only Pearson.) Three of the board's fifteen members are nominees of the Region of Peel, but these directors (who are usually business executives) must be appointed formally by the GTAA board itself. They are required by the GTAA's bylaws to concern themselves solely with the airport's interests. This is not an obscure clause; it is top of mind for GTAA officials. In 1998 the GTAA board of directors rejected Peel nominee Lou Parsons on the grounds that he would be more loyal to Mississauga than to the airport. This rejection later was overturned by the courts (*Mississauga News* 1999). The board earlier had declined another nominee of the city and picked instead someone suggested by the Mississauga Board of Trade.

Meanwhile, the airport appeared to stall a long-planned and apparently badly needed western access road unless the city agreed to drop its eventually unsuccessful legal challenge to win the right to collect development charges on the airport's planned ten-year, $4.4 billion expansion program. The airport refused to discuss noise-management issues with the city on the grounds that the authority was being sued by one of the residents' associations. Meetings of the board of directors are closed to the public.[5]

The governance structure – in which the board is, in effect, accountable to itself – gives enormous authority to its president and CEO, until recently was Louis Turpen. He had previously been manager of the San Francisco Airport, where he had frequent confrontations with Mayor Dianne Feinstein and State Senator Quentin Kopp (*San Francisco Examiner* 1995). Typical of most Mississauga observers, the head of the Mississauga Board of Trade perceives Turpen as a "gunslinger" and has compared him to New York's legendary but unaccountable master builder, Robert Moses (Gordon interview 2002; Caro 1974). Turpen, for his part, did not hesitate to heap scorn publicly on his opponents.

Concerned perhaps that McCallion might still somehow get her loyalists onto the GTAA board, the sitting directors proceeded to rewrite the authority's bylaws to state that the regions *collectively* would nominate several candidates and that the GTAA board would "consider" whether to appoint any of them. These changes were approved by Transport Minister David Collenette, an action that McCallion attributes to Collenette having been "a weak minister" (McCallion interview 2003).

Even the coordination of routine functions appears to have been affected by the political wrangling between Mississauga and the GTAA. According to the former city manager, the GTAA has refused to submit to the municipal fire department any structural blueprints or information on the location of hazardous material, even after pledges by the city to designate key officials who would undergo the strictest security clearance. The GTAA has likewise refused to submit its projects to the city for building permits, a practice which the federal government followed when it had direct charge of the airport (O'Brien interview 2003).

WATERFRONT REGENERATION: THE CITY IN THE LEAD

Until the 1970s, policy and planning concerning harbours and waterfront land use on Mississauga's fifteen-kilometre-long Lake Ontario shoreline went largely uncoordinated among the many public bodies that had a stake and ownership. The federal government owned Port Credit Harbour and leased parcels of it to private parties without prior consultation with the municipality. The Government of Canada also retained ownership of a thirty-acre, largely derelict site in southeastern Mississauga, which had served as a military training area during the Second World War. The provincial government had acquired some land years earlier in anticipation of the South Peel Water and Sewage System, although some of it was leased to the municipality for park purposes. Ontario Hydro, a provincial Crown corporation, owned and operated the massive Lakeview Generating Station. In the late 1960s, the Credit Valley Conservation Authority (CVCA) began leasing or acquiring its own parcels

of land as part of the initial steps towards a scheme for regeneration (CVCA and Crysler and Lathem 1972; CVCA 1983; Kennedy interview 2003).

When one public body acted, it usually did so with minimal consultation with the other public bodies, unless agreement with another was a legal necessity. Thus, for example, in the early 1950s the federal government built,

Mississauga was always the leading – indeed, the dominant – public body in this multilevel, multilateral process. The steering committee for the Port Credit Harbour Study, which concerned itself mostly with federal land, was made up primarily of city staff, with only one person representing the federal government.

All the officials at the table were at liberty to comment on any aspect of the matters at hand, even if these lay outside their jurisdiction (Barron interview 2003). This appears to have been possible because all acknowledged the city's leading role, since it was the one municipality that would be affected directly. It was also understood from the early stages that the city would shoulder most of the costs. The parties likewise acknowledged that the city had more expertise in land-use planning than any of the other public bodies (Carr and Ruffini interview 2003; McCallion interview 2003).

Furthermore, as of the mid-1980s, federal policy has called for the divestiture of all small-craft harbours (Blenkarn 1987). By then, the Government of Canada had fewer than a dozen staff overseeing its more than four hundred small harbours in Ontario, western Canada, and northern Canada. The staff did not have the resources to take a detailed interest. "We tried to operate in a non-confrontational way with the municipalities," explained Duane Blanchard, regional director for small-craft harbours, Fisheries and Oceans Canada (Blanchard interview 2003). "We recognized [the municipalities] as partners. It made sense. We weren't trying to build a federal empire. We were trying to get this stuff managed as well as we could for as little as we could ... We let them be the lead." He added that the province has been involved in these municipal-federal relations only where it has a contractual interest in particular properties, although the federal government tried initially and unsuccessfully to divest all the small-craft harbours to the provincial government and to let it deal with the municipalities or other interested parties.

City politicians and bureaucrats who were involved in the Port Credit process recall that there was no organized public movement pushing for it (confirmed by Carr, Ruffini, and Kennedy interviews 2003). The impetus seemed to come from within the bureaucracy and was quickly endorsed by the mayor. Although she involved herself only at strategic moments, she remained abreast of developments to the point that the chief federal official involved attests that he constantly "felt" her presence (Blanchard interview 2003).

AFFORDABLE HOUSING: LESS ASSERTIVENESS

Mississauga is not a strictly affluent municipality. It has neighbourhoods where poverty is a serious and pervasive problem. The waiting list for the Region of Peel's non-profit housing corporation stands at almost 20,000. In 2000 the

region opened a forty-bed homeless shelter in Mississauga, which immediately became filled to capacity. Between 1995 and 2002, only seventy-nine new rental spaces were created (sixty of which were considered high end) in the otherwise rapidly growing region. In 1999, 21.3 percent of children under fourteen were living in poverty in Mississauga (Layton 2000, 89–92; Peel 2002).

"Never one to shrink from a fight, Mayor McCallion has launched offensive measures on three fronts," argues Jack Layton in his recent book on homelessness. "She delivered blistering and very public criticisms of the federal government's abandonment of its affordable-housing mandate; she worked with her communities to establish emergency shelters; and she dispatched Peel Region housing agency head Keith Ward to help create the National Housing Policy Options Strategy of the FCM. A McCallion unleashed is a force that few voluntarily contend with. After all, as Toronto Life put it, 'Her Town, Her Rules.'" But in the very next paragraph Layton presents a somewhat more subdued picture: "Not that an explosion of affordable housing has begun in Peel Region. A summer 2000 policy and planning document put together for Peel Regional Council sets aside some modest funds for small affordable housing projects and supportive initiatives for the homeless, but, as so many other communities, Peel is waiting for Ottawa" (Layton 2000, 91–2).

Which scenario best describes the local stance: assertive, proactive, progressive, or reluctant, not particularly assertive, and waiting but not pushing too hard? A casual observer might conclude that the local elected officials are tireless crusaders for affordable housing. Seldom do a few days elapse with-

appointed a Mayor's Task Force on Homelessness. The reverberations were felt in Peel (where housing is addressed at the regional level).

In 1999, following Toronto's report, the Region of Peel appointed its own Task Force on Homelessness, although this one consisted primarily of regional staff. Its recommendations called for a much expanded role for the region and both senior levels of government, including re-engagement by the federal government in housing at least to the extent of the 1980s (Peel 1999).

Although new emergency shelters were established, and although the re-

It is almost certain that this benefit would far outweigh a possible decline in the property values of some residences, a decline that even the negative report of the federal Environmental Assessment Panel expected to be minor (Canada, EAP 1992a, ch. 4).

The residents argued that the 1978 official plan – based on the stated assumption (which was not challenged at the time by federal or provincial authorities) that there would be no new runways at Pearson – represented a "social contract" with the community. This interpretation was supported by the MP for Mississauga East (Canada, EAP 1992b, 271; Searle interview 2003). It was rejected by the city, however, which asserted that there were no legal guarantees to this effect from the federal government and that "the Doctrine of Paramountcy continues to rule" (Marc Neeb, Mississauga airport liaison officer, in Canada, EAP 1992b, 90).

To be sure, the mayor did manoeuvre in an attempt to ensure that any new airport authority would not be constituted so as to shift negative effects (such as noise) to Mississauga. But she always supported expansion. As she complained in 1995 to the Senate committee: "Here we sit with Canada's most important airport and no action [on expansion]." She also told the senators, "We have 101 Japanese companies in our city. We have 86 German companies, and we consult with each company as they move in as to why they chose Mississauga. I would say that eight times out of 10 it is the airport. Others are because our taxes are the lowest. I am sure you know that we are a debt-free city. I thought that Ottawa might like to know that especially" (Canada, Senate 1995b, issue 20, p. 10).

Consider also the only airport-related issue that the City of Mississauga has pursued aggressively since the Greater Toronto Airports Authority's ground lease took effect – namely, the unsuccessful judicial dispute that Mississauga

entirely on rent subsidies and incentives to build private rental housing rather than public housing. Although she spoke passionately about the right of every Canadian to lodging, she conceded that she is reluctant to seek support for expanding the region's housing initiatives, because the matter ought to be strictly federal: "Otherwise, Milton [which borders Mississauga on the west] could get away with doing nothing and the problem would be shifted here" (McCallion interview 2003). According to the mayor, housing should be a

generally to support (albeit with conditions) new runways that would cause airplanes to fly over neighbourhoods.

Without the aid of opinion polls or a formal network of advisers, McCallion had sensed that the mood of the municipality was far more complex than it had been in the 1970s. Whereas in the 1970s local economic expansion and residential development were almost synonymous, and whereas at the time a far greater proportion of the municipality's population lived in the eastern neighbourhoods (which were under the proposed flight paths), by the 1990s the population was much more dispersed, and many in Mississauga regarded Canada's largest airport as a major economic asset to the city. The Mississauga Board of Trade, which did not exist when the earlier controversy was raging, favoured airport expansion without conditions. Furthermore, the residents' movement of the 1970s was certainly more vociferous than its counterpart twenty years later. This probably was partly due to the fact that aircraft in the early 1970s were more noisy than in the early 1990s when "Chapter 2" jets were being phased out in favour of the quieter "Chapter 3" variety.

Although McCallion sometimes was criticized by leaders of the anti-airport-expansion residents' groups, she managed to contain the opposition and protect her local public stature through well-calculated public relations, such as refusing to attend certain airport functions or ribbon-cuttings because of the failure of the federal government (and later the Greater Toronto Airports Authority) to comply with the city's noise conditions. Far from enhancing the local economic balance sheet, these mayoral gestures alarmed the airport boosters in Toronto and even the board of trade in Mississauga (Stewart 1994), making them more wary of the city, and rendering them all the more determined to build in provisions to shield the new GTAA from any political influence. This may have harmed the mayor's prospects for affecting airport decisions, but it defused a potentially explosive local controversy that was threatening to erode what is arguably McCallion's most formidable political asset – the overwhelming popular support she receives from her constituents, making her the dominant figure at City Hall.

Although placating the residents in some respects, the mayor was also careful to ensure that they did not become emboldened. She resisted Transport Canada's attempt in early 1993 to establish its own community advisory committee with representatives of some of the vocal residents' groups (Ferenc 1993). When residents' angst over the runways grew louder, and when some groups demanded not only city support but also city funding to carry on their advo-

The battle for airport development charges can also be seen through a leadership lens and not simply in rational economic development terms. Consider, for example, that although the Mississauga Board of Trade was worried that appealing the initial ruling in favour of the GTAA would be futile and expensive (Gordon interview 2003), the city proceeded anyway. Although the city lost that battle and although its prospects for losing were always thought to be rather high (O'Brien interview 2003), it was by no means a futile fight from the mayor's point of view. Here was an issue around which the whole community could rally, including the business sector (at least initially) and the resident activists, who did not mind seeing the GTAA challenged. The case gave the mayor national attention and was seen as a very important test by the Federation of Canadian Municipalities. Even in defeat, therefore, the mayor's stature was enhanced.

Despite the obvious economic benefit of some of the waterfront projects and the federal-municipal agreements that have been finalized, here too we find a divergence between what is probably in the objective economic interest of the municipality and what is in the perceived rational interest of its leaders. At the very least, it casts some of Peterson's analysis in doubt by demonstrating that it is not often easy to discern what is in the economic interest of a city. For example, Mississauga has not done anything to plan for its waterfront plan's proposed sport-fishing hall of fame, art gallery, or marine museum (Mississauga, PBD 1990). Such initiatives might qualify for funding, not only as infrastructure projects but under existing federal cultural investment programs. However, as is conceded by the mayor and the local councillor, such investment has not been sought. Instead, the city applied for and will receive waterfront funding through the Canada-Ontario Infrastructure Program to renovate an existing library and improve a park some hundred metres north of the shoreline.[8]

Part of the explanation may lie in the city's very conservative fiscal policy, which is frequently promoted as an example of "good management" but is not necessarily congruent with a program of economic expansion. The policy is conservative, not only by virtue of tax freezes or decreases (between 1992 and 2002 there was no increase on the city portion of the property tax bill) but also in its aversion to what many may consider acceptable risks. The local councillor, Carmen Corbasson, says that the proposed Port Credit tourist facilities (like the hall of fame and museum) will be left to the initiative of citizens, and she does not regard it as her role to be a facilitator or initiator of such projects (Corbasson interview 2003). The mayor, for her part, maintains that even if there had been federal or provincial funding, the city would almost certainly have had to assume a significant portion of the operating expenses (McCallion interview 2003). This factor alone, she believes, is compelling enough to put these projects on the back burner. In defending the above

go beyond sympathetic public rhetoric in pursuing policies that have redistributive consequences. Even with federal support, such policies are likely to place an added burden on the local tax base and perhaps attract more needy residents to settle or remain in the city.

Although these economic considerations do weigh heavily on local policymakers, they are not always determinative. After all, the mayor has been publicly professing concern about the problem of homelessness, and this has helped draw attention to the issue, even if she has not always been working vigorously on the file behind the scenes. On the runway issue, the mayor did show some deference to the neighbourhood groups, even in the face of pressure from the board of trade and even in the absence of concrete evidence that their property values would decrease. Might it still be possible, therefore, to enlist strong, spirited, and persistent participation from the municipal government in support of a progressive urban agenda? This brings us to the second option.

CULTIVATE AN ETHOS OF CIVIC ENGAGEMENT

As the examples in this paper have shown, organized citizen pressure can sway the municipal government even to the point of defying the prescriptions of the economists. In a city whose leaders are astute at making calculations of prospective power – and at discerning the public pulse in order to make those calculations properly – efforts to alter the public pulse may bear fruit.

As mayor of the former town of Streetsville (1970–73), McCallion espoused a comprehensive progressive agenda based on protecting the environment providing more public amenities, and promoting heritage conservation, among other objectives. Streetsville (population 7,000, and centred around a historic downtown) was home to an active well-informed citizenry, an attentive press, and vibrant civic organizations (Urbaniak 2002a).

The same cannot be said of Mississauga, a fact conceded even by McCallion (interview 2003). Voter turnout in municipal elections seldom exceeds 25 percent. Most residents' associations are moribund, tending to arise only to protest the occasional infill development project. There is no radio station focused on Mississauga, and the local cable television station serves all of Peel and part of the County of Dufferin. The Toronto media outlets do sometimes cover Mississauga issues, but seldom in depth. Despite the rapid population growth, the local press has been in decline for the past twenty years.

Perhaps, then, concerned citizens should focus initially on long-term mobilization strategies and on convincing the municipal government to nurture the conditions that make constructive civic participation a natural part of living in the community. Thus far, the municipality has been reluctant to do this (Urbaniak 2005, ch. 19). Moreover, although issuing statements of encouragement, the city has decided against contributing any funds to the nascent Mississauga Community Foundation (Prentice interview 2003), which has been

having trouble getting started. In many communities, such foundations play a critical role in studying and cultivating social capital.

Urban planning and design can also be faulted for Mississauga's civic stagnation. Streetsville was a compact, mixed-land-use community where people knew their neighbours. Much of Mississauga consists of sprawling subdivisions with few incentives for pedestrian circulation. There is usually a sharp division between residential and commercial areas, making it likely that people will use an automobile even for minor errands. Some reform may be possible on this front, however. In response perhaps to growing public unease and the apparently intensifying popular concern about the local environment, McCallion has been acknowledging recently that the city could have been planned better. She has been championing many principles of "Smart Growth" (see, for example, Central Ontario Smart Growth Panel 2003).

CONCLUSION

This paper has argued that the City of Mississauga does exert influence over some federal activities, though its objectives tend to be narrowly focused and developmental rather than redistributive. The combination of Paul Peterson's "city limits" thesis and Richard Neustadt's "self-help" thesis helps explain the city's positions.

The study of federal-municipal relations reveals more about these two levels of government than many social scientists have hitherto appreciated. It also prompts us to rethink some common assumptions. Are municipalities really the government's closest to the people? Are they the most sensitive to social needs? In what circumstances does Ottawa actually listen? Would cities be more sensitive if they had the money, or would other priorities get in the way? How do strong local leaders emerge in the absence of wide-ranging formal authority? Insofar as the large cities do pursue redistributive or socially progressive objectives in their intergovernmental dealings, are they acting in a manner that is not common among municipal governments?

To answer these questions, we need to bring the budding literature down from its sweeping characterizations to develop a series of case studies and comparative research enterprises that apply rigorous analysis to these issues. Whether or not a comprehensive "new deal" emerges, the questions raised by the intensifying rhetoric about cities should be a "big deal" to Canadian researchers.

NOTES

1 McCallion has been mayor of Mississauga since 1978, and she has served in one local elected office or another without interruption for the past thirty-five years. In each municipal election from 1985 on, she has polled more than 90 percent. Since 1991, she has not mounted any re-election campaign.

2 Indeed, proponents of the airport authority claimed that the new set-up would somewhat alleviate the situation whereby "local municipalities have no local control of federally managed airports." See Peel 1992, UB-1(q).

3 Ibid. At one point the Liberal minority report even states, "The Prime Minister did not shrink from letting the Clerk of the Privy Council, Mr. Shortliffe, know that he wanted his friends *'to get a piece of the action'*" (II-116; emphasis in original).

4 Valo lasted as chair until shortly after the 1996 ground lease took effect. He was then offered a job as the airport's vice-president of legal services. He therefore resigned as chair to take the new position. Within a few months he had suddenly departed, without any explanation being offered by the GTAA.

5 A request by this researcher to sit in on a board meeting was denied.

6 There are differing accounts about the federal motives for proceeding with this particular project, though the author's interviewees who have first- or second-hand familiarity with this issue have suspected local favouritism of some kind. One version of events, articulated most assertively by former councillor Harold E. Kennedy, has it that the Liberal government of Louis St-Laurent believed that it could capture the Peel riding from the Conservatives, and that such an economic development project was part of the arsenal. Others, most notably former MP Don Blenkarn (a Conservative), assert that the Conservative MP Gordon Graydon was so well regarded on both sides of the House that he was successful in obtaining the project from a Liberal government.

7 The author served on the recent Citizens' Task Force on the Future of Mississauga. This statement was made on several occasions by city manager David O'Brien in his meetings with the task force.

8 The federal portion of the funding is subject to a favourable review under the *Canadian Environmental Assessment Act*. The Credit Valley Conservation Authority will also receive funding to assist with the regeneration of Rattray Marsh Conservation Area in Mississauga. The total funding for local waterfront projects to be given to the Waterfront Regeneration Trust to disburse among its partners is $4.6 million from both the federal and the provincial governments. See "Backgrounder," www.superbuild.gov.on.ca/userfiles/HTML/nts_2_25603_1.html.

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Urban Asymmetry and Provincial Mediation of Federal-Municipal Relations in Newfoundland and Labrador

Christopher Dunn

En général, l'asymétrie fédérale est le traitement différentiel des provinces. Ce chapitre suggère que ceci vient peut-être du fait qu'Ottawa ne traite pas tous ses partenaires de la même façon au niveau infraprovincial. Le gouvernement fédéral entretient des relations spéciales avec les plus grands centres urbains et les plus grandes agglomérations du pays, des relations basées sur ce qu'on considère être leurs besoins et leur potentiel économique. Il en résulte donc une « asymétrie urbaine » Ces relations existent avec les villes et les régions métropolitaines, ainsi qu'avec d'autres groupes locaux ou régionaux tels que les universités, les agences de développement économique communautaire et d'autres organismes à vocation particulière. S'intéressant surtout à Terre-Neuve et au Labrador, ce chapitre suggère que la manière dont le gouvernement provincial sert de médiateur dans les relations entre Ottawa et les organisations infraprovinciales est une fonction du contexte général des relations municipales-provinciales-fédérales. Au niveau fédéral, les exigences de l'agenda des connaissances et de l'innovation ont entraîné un ensemble complexe d'associations avec des partenaires nationaux et infraprovinciaux, une baisse d'intérêt envers les programmes provinciaux-fédéraux traditionnels et une tolérance envers des résultats régionaux asymétriques. Une telle province, qui joue un rôle marginal dans les structures de technologie des communications et de l'information nationale et qui possède une infrastructure municipale peu solide tout en dirigeant dans une culture d'égalité régionale, ne peut pas accueillir cette tendance avec sérénité. Le gouvernement

There has of late been much discussion of a "new deal for cities and communities" – a new urban agenda being developed by the federal government. Much of the discussion surmises that new federal initiatives will likely be felt in such policy areas as transportation, infrastructure, housing, and Aboriginal services. This immediately raises the question of what role the provincial governments will play or attempt to play in this possible new arrangement. In Newfoundland and Labrador the province would mediate – and by that term we simply mean involve itself as a partner in intergovernmental decision making – much as it has in the past. Provincial mediation of federal-local relations tends to take place or be attempted in areas where the regional distribution of public-sector benefits is politically important. That is the main message of this paper and it will be one reviewed in the second part of the paper. First, however, it is necessary to establish the context.

The story of federal-provincial-municipal relations in Newfoundland and Labrador cannot be considered in isolation from developments in federal theory and practice on the national scene. What has transpired nationally is complex and interesting, and forms the substance of the first part of this paper. There has been a collapse of federal-provincial trust and the growth of direct federal relations with subprovincial partners. So the term "federal-provincial-municipal relations" has to be rethought, or viewed in a larger context. Municipal partners are only one kind of subprovincial partner with which Ottawa now wishes to establish relations.

SETTING THE CONTEXT IN FEDERAL THEORY AND PRACTICE

Near the end of the twentieth century there was an epic struggle in Canada between two opposing theories of federalism, symmetrical and asymmetrical federalism. Asymmetry lost. It lost for a variety of reasons. The main arguments against it were that it permitted a checkerboard pattern of public services, that it harmed national standards in federal-provincial programs, countenanced unequal citizenship, encouraged separation, and possessed no natural limit or boundary. In fact, treating provinces alike has been the dominant federal theory of the reigning federal Liberal Party since the mid-1960s, and it has managed to inculcate the provincial equality doctrine as part of the political culture, at least in English Canada.

Some would argue that federal-provincial relations were and still are predicated on asymmetrical principles. In 1997, for example, the federal minister of finance accepted the provinces' request that they be allowed the option of applying provincial tax directly on taxable income, rather than as a percentage of the basic federal tax, in order to facilitate province-specific social and economic objectives. Also in 1997, New Brunswick, Nova Scotia, and New-

sales taxes with the goods and services tax (GST), thus creating the harmonized sales tax (HST); there are separate provincial sales taxes and GST in all other provinces, save Alberta. Moreover, equalization is by definition a program that treats all provinces differently, based on their fiscal capacity.

However, these are revenue matters, which, by their nature, tend to asymmetry. In other areas, symmetry has been the norm. Ottawa under the Liberals has resisted suggested broad constitutional reforms with asymmetrical overtones. It resisted changes in the division of powers. It has not allowed provinces the opportunity, in the Social Union Framework Agreement, to opt out of new shared-cost programs with compensation. Prime Minister Martin is reluctant to engage in non-constitutional Senate reform, a reluctance stemming from the fact that asymmetry in senatorial representation per province would continue.

It is a profound irony, then, that the Liberal government has been pursuing a kind of asymmetry in its dealings with the municipalities and subnational bodies of the country. This "urban asymmetry" has effects not unlike those of the provincial asymmetry theory, namely, that provinces are in fact treated unequally. This is the context for provincial mediation of federal-municipal relations in Newfoundland and Labrador. What the province experiences is the tail end of a number of initiatives designed for larger and more urbanized

equalization payments – engages in province building and the enhancement of each province's ability to compete with others) (Smith 1998, 1–26).

There is much of value in all these approaches, but mine is a little different. I define asymmetry as the different treatment of provinces in terms of funds, special attention, matters appearing on the federal agenda, and comprehensive planning. In this paper I shall suggest that, increasingly, this different treatment is the after-effect of Ottawa dealing unevenly with partners at the subprovincial level. What results is "urban asymmetry," meaning that the federal government has special relationships with larger urban centres and agglomerations across the country, based on what it considers to be their needs and economic potential. The relationships are not only with cities and metro-

and Growth (2001), a high-profile economic plan begun by the Tobin and Tulk governments, which was the mainstay of the government of Roger Grimes. Although the conclusions of the final report of the task force on the Renewal Strategy mention the need for choices and government not being all things to all people, the opposite impression comes through when one examines the content of the report (Newfoundland and Labrador 2001). Regions are given the impression that they will be able to share equally – or at least fairly – in the economic recovery foreseen by the Renewal Strategy. This regional equality theme was an important thread in the government's policy documents, including the Throne Speech and Budget Speech of 2003.

This theme has also been an important thread in the policy documents of Danny Williams's Conservative government. The 2004 budget allocated $1.7 million for the establishment of a Rural Secretariat, whose overriding goal is "to strengthen our rural communities and develop strong regions." In 2005, announcing government policy, the minister of innovation, trade, and rural development said that the province's Comprehensive Regional Diversification Strategy "will put all [nine] regions of the province on a path to economic prosperity," and that specially tailored "short, medium and long-term strategies will be identified for each region that will generate new industry, small business and employment opportunities" (NLIS 2005).

Stronger regional economies were not the concern of the federal government, which has a competing agenda. The predominant concern of the Liberal government has been what might be called "the innovation agenda." This agenda sees the world more in terms of clusters and less in terms of provinces. There has been a series of Liberal government policy documents, such as the *Red Book* (1993), the *Jobs and Growth Agenda: Building a More Innovative Economy* (1994), the *Innovation Strategy* (2002), and a host of throne speeches and budget addresses, all of which have advocated an innovation agenda. The Atlantic Liberal Caucus, reflecting mainstream thought in the party, has spoken of the need for "knowledge-based industrial clusters" as the wave of the future: "Development of a strong knowledge-based economy is not a function of the establishment of one or more individual firms, however independently successful. The emerging body of experience internationally is that a strong knowledge-based economy depends on the existence of a group of institutions at different levels and stages of the innovation process, who interact to feed upon and spur each others' development" (Atlantic Liberal Caucus 1999, 10). These clusters consist of manufacturers and suppliers in various industrial sectors acting in concert with educational institutions, research institutes, financing bodies, and communications and transportation systems. (Counterintuitively, the Atlantic Caucus suggests considering the whole of the Atlantic area as a cluster.)

Ottawa has interpreted the impact of innovation in the context of a globalizing economy as requiring flexible partnerships, including those with cities.

Provinces, revealingly, receive comparatively little consideration. The federal

Table 1: Urban/Rural Population (Newfoundland and Labrador Statistics Agency definition) Census Metropolitan Area (CMA), Census Agglomerations (CA), and Communities of 5,000 and over, Newfoundland and Labrador 2001 Census

Area	Community	Population
St John's CMA		172,918
	Conception Bay South	19,772
	Portugal Cove–St Philip's	5,866

Municipal debt   The province does not release consolidated information on municipal finances, but it is common knowledge that the finances of smaller rural municipalities are in desperate shape. This is due to a combination of an aging population, a historical antipathy to municipal property taxation, and skimpy financial training for municipal councillors. Some indication of the seriousness of the situation is the fact that a total of $47 million has been allocated to fifty-eight municipalities under the Municipal Debt Relief Program program since 1997–98 (NLIS 2002). In 2004–5 alone, the program allocated $9 million to twenty-five municipalities (Byrne 2004).

Provincial Finance   A fourth concern is the province's finances. Many see them as unsustainable. By the time the Williams government was elected in 2003, provincial governments had run deficits – even on a cash basis – in fifty-two of the fifty-five budgets. The Williams cabinet undertook a third-party review of the province's financial situation in 2003–4. The PricewaterhouseCoopers Special Review noted that in the absence of restraint measures: (1) the average deficit (then on a newly adopted accrual basis, at $827.2 million) would exceed $1 billion annually for the next four fiscal years (2004–5 to 2007–8); and (2) the debt of the province would increase to $15.8 billion from $11.6 billion by 2007–8.

In response to this appalling financial state of affairs, various measures have been taken: nineteen departments became fourteen in February 2004, and ten departments were restructured: municipal operating grants for fourteen municipalities were reduced by $5 million over three years; fees and licences on practically every source were raised; and as many as four thousand positions in the public service have been targeted for elimination. In 2005 the situation improved somewhat as a result of enriched equalization payments, higher offshore royalties, a lower than expected deficit ($473 million), and the impending multiyear Atlantic Accord revenue enrichments of more than $2 billion. But the latter amounted only to a fraction of the close to $12 billion accumulated debt.

STATUS IN THE INNOVATION ECONOMY

In the innovation economy, the province is a marginal player. Data collected by Wade Locke and Scott Lynch reveal that in 1999 the information and communications technology (ICT) industry in Canada was concentrated mostly in four provinces, where 93 percent of all Canada's ICT firms were located. Ontario was the clear leader with 46.3 percent, followed by Quebec with 22.4 percent, British Columbia with 12.4 percent, and Alberta with 11.9 percent. Newfoundland had only a 0.63 percent share, while Atlantic Canada had 3.56 percent (Locke and Lynch 2003, 169).

Despite lagging behind other provinces in ICT industries, Newfoundland and Labrador has a relatively respectable share of federal innovation funding.

Although it has a population of 1.7 percent of the national total, it went from 1.8 percent to 3.1 percent of total federal innovation funding between 1997–98 and 2001–2 from such bodies as the Industrial Research Assistance Program (IRAP), the National Research Council (NRC), NSERC, SSHRC, CIHR, the Canadian Foundation for Innovation (CFI), the Canada Research Chairs (CRC), and the Atlantic Innovation Found (AIF), which garnered the province a total of $200 million during those five years (Locke and Lynch 2003, 193–5).

The partnerships in which federal actors engage through the CFI and AIF, for example, are mainly with subprovincial actors and not with the province itself. In the AIF, projects funded are with the Canadian Centre for Fisheries Innovation, the Centre for Cold Ocean Resources Engineering, the College of the North Atlantic, Memorial University (several projects), Consilient Technologies Corp, Instrumar Limited, Newfoundland Genomics, Inc., and

the open-access types of resource exploitation promoted by the provincial and federal governments and to promote instead a conservationist policy – often unsuccessfully – of local community preference (Cadigan 2003, 14–42). In the fishery itself, the problem of regional conflicts gave rise to "local values" used to generate "fair" solutions to the conflicts: the principle of adjacency to the resource, the concept of historical use of the resource, and

THE MEDIATED SECTOR: INFRASTRUCTURE DEVELOPMENT

The provincial government has been a partner in the process of rebuilding the province because, of course, infrastructure is an archetypal example of an area in which considerations of municipal and regional equity abound.

Nationally, there has been a variety of halting steps by Ottawa in this area. In 2000 the federal government, through its Infrastructure Canada Program (ICP), committed $2.65 billion over six years for provincial and municipal capital expenditures. The program was twofold: $600 million went to provincial highways through the Strategic Highway Infrastructure Program, and $2.05 billion was dedicated to municipal infrastructure (water, sewer, transportation, and housing). Almost all of the ICP funding has been committed; the federal government estimates that close to three thousand projects benefited from the program. Further rounds are being contemplated.

Also introduced in 2000 were two complementary federal programs amounting to $125 million: the Green Municipal Investment Fund and the Green Municipal Enabling Fund; both were to be managed by the Federation of Canadian Municipalities. The federal budget of 10 December 2001 doubled the amount to $250 million. Budget 2005 reported that the funds had been able to

Now the province has to rely on only $11.5 million over *four* years – its share
of the $600 million Strategic Highway Infrastructure Program (Canadian Press
Newswire 2002). In 2002, as noted above, Transportation Minister Percy
Barrett said that Newfoundland and Labrador roads will need almost $1 bil-
lion in work over a decade.

Federal expenditures transferred under the Canada–Newfoundland Infra-
structure Program (CNIP), as part of the Infrastructure Canada Program, affect
municipalities more directly. Under an agreement signed in 2000, CNIP is
administered provincially by the Department of Municipal and Provincial
Affairs and federally by the Atlantic Canada Opportunities Agency, and is
cost-shared with municipalities. Expenditures under CNIP are for water and
sewers, and for the Disinfection Action Program, which sees to the installa-
tion, repair, and upgrading of municipal water disinfection systems. The sharing
arrangement is one-third each for the federal, provincial, and municipal gov-
ernments. Under CNIP, the governments will cost-share $153.738 million in
such infrastructure over five years; the federal money allocated to the prov-
ince over the life of the agreement is about $51.246 million (Newfoundland
and Labrador 2001–2, 10). In the first three years of implementation, as table

CANADA STRATEGIC INFRASTRUCTURE FUND

Canada

Nationally, the December 2001 federal budget included an announcement of the Canada Strategic Infrastructure Fund (CSIF), which featured an additional $2 billion (over and above the $2.05 billion committed under the Infrastructure Canada Program.) CSIF was designed to fund large-scale infrastructure projects of a scope and capacity beyond existing programs. Urban transportation projects and sewage treatment systems, for example, were (implicitly) too large to be considered under the ICP (Brittain 2002, 522–75).

Unlike existing infrastructure programs, where funding is generally on a per capita formula and costs are generally shared in a tripartite fashion, CSIF

sharing revenue program announced in the budget would provide additional revenues for municipal governments rather than displacing other funding.

Newfoundland and Labrador

Provincially, CSIF has resulted in the planned clean-up of the infamous "bubble" (as it is known to locals) in St John's Harbour. However, the story is not so much in the plans for the clean-up as in the fact that, as a distributive matter, harbour clean-up has engaged the attention of the provincial government since 1997. Parenthetically, it is also about the inordinate length of time it took for the federal government to become engaged, and the lack of pressure from the provincial government for it to do so.

Millions of litres of untreated sewage flow into St John's Harbour each day. In 1997 an environmental study noted: "Every day 120 million liters of raw sewage and storm water runoff enters the Harbour. This inflow contributes an annual loading to the Harbour of 3,700 tonnes of biochemical oxygen demand (BOD) material, 4,200 tonnes of solids and 200 tonnes of phosphorus. Harbour water is further contaminated with bacterial and pathogens, as

most American harbors are dramatically cleaner than in decades past," and he added that "government support for large municipalities in the States is a lot more than it is in Canada" (Porter 2001).

The need to clean up the harbour had been studied since the 1970s, and municipal decision makers in the St John's area had a clear idea of what had to be done to fix the problem. However, little concrete action had been forth-coming from the provincial or federal governments. The provincial government faced the problem of consistency: almost all harbour communities released raw sewage into the ocean waters surrounding them and might put demands on the province to extend a treatment policy to them. The federal government was apparently seized with the need for cleaner harbours, but it lacked a na-tional process with which to go about the task.

Two successive federal regimes have mandated time-consuming consulta-tive efforts, which saw over a dozen years pass with no shovel yet in the soil for a central treatment plant. The Conservatives created the Atlantic Coastal Action Program (ACAP) in 1991 to establish remedial action plans for eleven coastal areas. Federal officials made it clear that any future federal funding was contingent on prior participation in the ACAP process. Accordingly, the St John's Harbour ACAP was established in 1992 as a non-profit organization of concerned citizens and representatives of three levels of government, to be engaged in a variety of planning, education, and action activities. Their ac-tions resulted in the Comprehensive Environmental Management Plan – a master plan for the harbour environment – and a commitment from three area municipalities to share expenses. St John's and the other two municipalities then lobbied the province, which committed finances officially in 2000 and thereby put pressure on the federal government. (The province in fact had been asking the federal government to share in the costs of a clean-up effort since 1997.) St John's also put pressure directly on the federal government, taking advantage of the close relationship which Mayor Wells had with the Paul Martin, who was then minister of finance. The federal government fi-nally decided on the CSIF mechanism as its instrument for large-scale sewage projects such as the one in St John's.

In November 2002 the federal government announced its intention to sign a formal agreement on the harbour clean-up. All the partners were on board: the federal and provincial governments and the three municipal governments (the cities of St John's and Mount Pearl and the town of Paradise). Together, they would commit $31 million to build a centralized treatment facility on the south side of St John's Harbour, together with infrastructure for sewage col-lection and the disposal of treated effluent. The facility will apparently be a world-class one (Canada, Infrastructure Canada 2002). The provincial and federal governments spent over $11 million in preparatory engineering work. Initially, the federal government felt that the management committee, which

one. However, the province was amenable to St John's involvement (especially since it is paying 87 percent of the municipal share). Accordingly, the management committee is a tripartite one, with three co-chairs: federal, provincial, and StJohn's.

THE MEDIATED SECTOR: REGIONAL ECONOMIC DEVELOPMENT

Regional economic development is an important area in which the province mediates with municipalities and other actors. As actors with an explicit, legislated economic development role since 2000, municipalities have come to be seen as viable partners for senior governments. However, it is useful to make some extensive comments about the regional economic development regime of the province, because it provides the focus for many of the activities of municipalities and their senior government partners. It also puts in relief the concern of the province for regional equality and the increasing indifference of federal authorities for this concern. Both Conservative and Liberal governments have supported balanced regional development for decades, and the efforts are becoming more intense, the structures to achieve it more intricately elaborated, and the political semaphore more insistent.

REGIONAL DEVELOPMENT ASSOCIATIONS

Historically, regional development associations (RDAs) were the chosen instrument for economic development. Originally generated in the late 1960s by citizen activists in the Great Northern Peninsula, the Eastport Peninsula,

forms of funding and administrative support from government; (3) to provide capacity-building support to agencies at the subzonal level; (4) to aid implementation of the initiatives that are undertaken by the zonal boards; and (5) finally to establish community life, community education, and community empowerment.

Their evolution began with the province's Strategic Economic Plan: Change and Challenge, which was introduced in 1992. Some of its guiding principles were instrumental in setting the direction for regional economic development policy in the province for the next decade. These guiding principles included an emphasis on strategic industries, on a private-sector-led strategy, and on industries that were innovative and technologically progressive.

One guiding principle was never enunciated clearly, but it was apparent in the institutional design suggested by the plan's designers: equal regional opportunity. The Strategic Economic Plan suggested a system of seventeen economic zones. These zones were to work in cooperation with regional government offices throughout Newfoundland and Labrador, which would see to it that the zonal plans were incorporated into the work of government departments and agencies. This was the concept introduced for public discussion in 1992. The *Change and Challenge* report

development associations, and educational institutions. The provincial funding mechanism for the REDBs' memorandums of understanding, in keeping with the regional equality theme, provides for equal core funding for all zonal boards, large or small. But it provides no programming monies, only a skeletal staff and an administrative budget for each zone; the staff and board are expected to leverage money for projects from outside.

As is the case with most reforms in public or quasi-public agencies, there comes a time to revisit the original design. The *Taking Stock* report (Baird Planning Associates 2001), a reassessment of of the REDBs, was a joint effort undertaken by the major federal and provincial funding agencies (ACOA and the Department of Industry, Trade, and Rural Development (DITRD) and by the REDBs themselves. It never occurred to the writers of the report that one level of government would shut the other level out of the loop. But that is what happened with the ending of the Comprehensive Economic Development Agreement (CEDA). As will be demonstrated, ACOA now considers that

province. However, it found it unnecessary to engage in the traditional fed-eral-provincial co-management that had marked thirty years of development activity by the RDAs and the REDB/CEDA models. Instead, Ottawa would

federal services, rather than just an interest group. Another is that its meetings have come to be forums for legitimation of municipal sector/federal government partnership.

ACOA/NLFM COMMUNITY ECONOMIC DEVELOPMENT WORKSHOP INITIATIVE[2]

Traditionally, Newfoundland municipal councils had limited legislative flexibility in shaping community economic development. They had the ability to formulate land-use policy, manipulate property and business taxes, establish business improvement areas, and have a community plan – although most of the content of such plans was established by regional planners in the Department of Municipal and Provincial Affairs (Pollett 1995, 4–5).

This situation changed with the introduction of the new *Municipalities Act*, effective January 2000, which specifically enabled municipalities to undertake community economic development (CED). They may now purchase facilities or businesses, or invest in a business, for the purpose of economic development. In practical terms, this means that 291 incorporated municipalities and a multiplicity of municipal councillors had to be brought up to speed on their new responsibilities. They had to be able to identify what economic tools they had at their disposal, how to go about investing in a local business, and what best practices were available for consideration.

Into the breach to strengthen municipal capacities came not the province, but the federal authorities. ACOA, created in 1987, was especially interested in establishing close relations with local actors. One of its identified strategic priorities was in fact community economic development: to help communities take responsibility for their own future. ACO.7aie6.9mI9RKSHOP INITIAtean E o4the 2

THE NON-MEDIATED SECTOR: THE GREEN PROGRAM

Another partnership between the federal government and the NLFM involves the Green Program. As was noted earlier, the Federation of Canadian Municipalities (FCM) manages the Green Municipal Funds, a municipal infrastructure program for the federal authorities amounting to a quarter of a million dollars (previously called the Green Municipal Investment Fund and the Green Municipal Enabling Fund). The fund provides money for R&D and various pilot projects that show how to develop municipal services in environmentally friendly ways, and it also performs a lending function, lending at rates below the Bank of Canada lending rate. These are programs that are free of provincial involvement; there is no provincial role in committees that decide on priority spending in the Green Municipal Funds, and there is no structural link to existing federal-provincial funding.

In Newfoundland, this pattern also pertains, and there has been tentative use of the program, mostly at the behest of the FCM. The FCM had noticed that the province's municipalities had not used the program, and it approached the NLFM to discover why. The answer was simple: the program had been overwhelmingly urban – oriented towards larger municipalities – and the application process was too complicated and time-consuming for towns with just one clerk running things. The NLFM stepped in as an intermediary, and it now helps municipalities expedite the process. There have been applications from St John's and Gander for retro-fits of some of their municipal buildings. This arrangement is proceeding over and above the normal decision making on infrastructure programs. In mid-2005, St John's completed negotiations to borrow $20 million from the Green Funds as part of its borrowing requirements for the harbour clean-up. The difference between the funds' interest rates and commercial rates will have to be reinvested in water conservation projects.

One has only to read the minutes of the annual autumn convention and trade show of the NLFM to realize that some interesting dynamics are taking place. One is that the annual meetings of the NLFM serve as a forum for the legitimization of the federal role in municipal affairs in the province. Increasingly, the federal government is praised for its various efforts. This is now the case with ACOA. Its community education effort has paid handsome dividends in goodwill.

Another interesting development is that over the years there has been a subtle change in the image of municipal councils and councillors. No longer are they just the deliverers of services; they are *bona fide* democratic representatives. Resolutions of the annual meeting are taken seriously. Provincial and, increasingly, federal politicians are taken to task for their policies and feel compelled to respond to the NLFM for actions they are taking or are contemplating. To some extent, this role has devolved to them by default.

There are few upper-level representatives. There are only seven MPs. The provincial house was downsized under Clyde Wells, and there are fears that future reforms could result in an even smaller House of Assembly. It is a sign of the increasing legitimacy of local government that any minister, federal or provincial, who is identified as a target in an NLFM resolution usually responds, and in detail.

THE NON-MEDIATED SECTOR: MUNICIPALITIES AS FEDERAL CLIENTS

As previously noted, there are numerous federal-municipal interactions that go largely unmediated by the province simply because they are small scale, have no policy implications of note, or amount to savings of provincial and municipal tax dollars. Municipalities in this context are just one of a number of clients for federal programs. Other clients could include REDBs, Memorial University, private-sector businesses, and non-profit organizations.

Activities undertaken by the City of St John's reflect the variety of federal services that municipalities can access. The city is an avid applicant to ACOA. The new St John's Civic Centre received a $4 million contribution from ACOA.

are clear and the turnaround time on decisions is short (six to eight weeks, compared with an average of four to six mnths with ACOA). In the past, St John's has used such funding to develop an investment database for international site selection conferences. It has not availed itself of the 2005–6 program. However, others have, in the advanced category – for example, the towns of Wabush and Labrador City, and the Irish Loop Development Board.

Another department, Human Resources Development Canada (HRDC), was used for employment subsidies. HRDC was especially relevant for low-employment areas and municipalities that are not unionized. While St John's does not fit this profile, HRDC funding has been an integral and valued aspect of rural municipalities and REDBs.

In 2003 the Martin government split the controversy-prone HRDC into two departments: a new Human Resources and Skills Development HR&SD) for the labour market side, and a new Department of Social Development (DSD) for income security issues and programs. One of the HR&SD programs, the Labour Market Partnerships, encourages communities to create local employment and can, in theory, involve employers, employees or their associations, provincial, territorial, and municipal governments, non-governmental organizations, health and educational institutions, band and tribal councils, and individuals and groups; but in Newfoundland and Labrador the only body it has involved has been a provincial department, Human Resources, Labour, and Employment (NLIS 2004).

at the municipal level of government. There was a national competition which ultimately selected a dozen world-class "smart communities" – one per province, one northern, and one Aboriginal. Five million dollars in program funding was awarded over three years to support each smart community. The chosen communities were designated "demonstration projects" because they were intended to share the lessons they learned with other communities.

The services provided by SmartLabrador, the project that won in Newfoundland and Labrador, were ambitious. They included telemedicine for all Labrador nursing stations and health centres, enhanced distance education, an online Labrador regional news network, government services online, a virtual museum, the Heritage Mall e-commerce project, and computer training to improve citizen access to information technologies. Twenty-two communities were involved and $12 million in leveraged services. The project partners

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14

Federal-Municipal-Provincial Relations in Saskatchewan: Provincial Roles, Approaches, and Mechanisms

Joseph Garcea and Ken Pontikes

Ce chapitre fournit un cadre d'analyse pour étudier le rôle de médiation des gouvernements provinciaux dans le contexte de la gouvernance à niveaux multiples et analyse ensuite la médiation effectuée par le gouvernement de la Saskatchewan au cours des dernières années. Ce chapitre examine la nature et les facteurs déterminants des rôles joués par le gouvernement de la Saskatchewan en ce qui concerne la gestion des relations provinciales-municipales-fédérale, ainsi que les approches et les mécanismes utilisés dans chacun de ces rôles. Le gouvernement provincial joue cinq grands rôles différents : la surveillance, la défense des intérêts, la médiation, la réglementation et le partenariat. Il a tendance à utiliser principalement des approches discrètes, informelles, non intrusives, réactives et bilatérales lors de l'accomplissement de ses rôles. Le gouvernement provincial a également tendance à utiliser des mécanismes intergouvernementaux et des mécanismes intra-gouvernementaux dans la gestion des relations provinciales-municipales-fédérale. Finalement, les décisions prises concernant ces rôles et ces mécanismes ont été influencées par ses politiques, ses intérêts politiques et financiers, ses ressources politiques et financières et par la mesure dans laquelle il a adhéré à la doctrine de la « nouvelle gestion publique ». De plus amples recherches devront toutefois être effectuées sur la gouvernance à niveaux multiples et sur la formulation des politiques.

INTRODUCTION

The Canadian federal system produces many interesting and important inter-governmental relations among the various orders of government. Such relations have varying degrees of effect not only on the nature and scope of public policy but ultimately for the operation and unity of the political system. The

literature on Canadian federalism devotes extensive systematic analysis to

THE FOCUS OF FEDERAL-MUNICIPAL-PROVINCIAL RELATIONS

In Saskatchewan as in other provinces, federal-municipal-provincial relations are focused on a plethora of policies, programs, and projects. The appendix, "Federal-Municipal-Provincial Collaboration in Saskatchewan: A Sample of

sector but also in other policy sectors, is evident in the principle of "constructive entanglement" among various orders of government, which was articulated by the former premier of Saskatchewan, Roy Romanow, during the negotiations surrounding the Social Union Framework Agreement (Marchildon 1999, 80). Saskatchewan premiers have rarely opposed this principle in a concerted manner. Traditionally, their preference has been to engage, rather than exclude, the federal government in programs and projects, especially where federal dollars have been either promised or anticipated. The federal-provincial negotiations on the Social Union Framework Agreement, in which Saskatchewan's premier performed a leadership role in mediating a consensus among nine provinces and the federal government, is a case in point (Marchildon and Cotter 2001).

Second, the vast majority of these programs and projects were initiated and developed by the federal government; only a few were initiated and developed by the provincial and municipal governments. The federal government has been proactive in initiating and developing programs and projects within the scope of the municipal sector that it deems to be of national importance. A notable example is the Green Municipal Funds program, designed to support the federal government's climate change initiative and the Kyoto commitment. The federal government's tendency to be proactive in such initiatives has been influenced by a desire to work in partnership with the municipal and provincial governments to advance both its own political and policy goals and to some extent also the policy goals of the provincial and municipal governments. The federal government's political goals include enhancing its legitimacy as an order of government and advancing the partisan political and electoral interests of its party.

Third, the roles performed by the federal, provincial, and municipal governments in the initiation, formulation, and implementation of programs and projects are not necessarily consistent with federal and provincial responsibilities under the constitution. For example, constitutionally, the development and enforcement of the construction codes are clearly the responsibility of provincial and municipal governments. Nevertheless, since 1937 the federal government has initiated and maintained a process of coordinating a national system of building fire, safety, and plumbing codes. This is a case where, at least to date, the provincial and municipal governments have found it prudent and advantageous from a programmatic, financial, and political standpoint to let the federal government assume a lead role and responsibility. Whether they will continue to feel this way in the future is open to question. The reason for this is that the provinces retain the right to adjust national codes to respond to local needs or interests, and at times they have done so. Still, the shared goal is to keep the variations to a minimum in the interest of national consistency. In contemplating any changes from the status quo, the various orders of government should be cognizant that construction and architectural firms prefer

coordination bureaucracy. Another consequence is that in order to facilitate the coordination, various types of coordinating mechanisms have to be developed both at the provincial and at the intergovernmental level.

various distances what the other two orders of government are doing. A notable example is the various federal programs related to the federal government's "rural agenda" under the Federal Framework for Action in Rural Canada, which was established in 1998. While some of these programs entail direct provincial participation, others do not. An example of the former is the Prairie Grain Roads Program; examples of the latter are the Agricultural Rural Minority Language Community Planning Initiative and the Canadian Agricultural Rural Communities Initiative.

ADVOCACY ROLE

The provincial government, either on its own initiative or at the request of municipal governments, may perform an advocacy role on behalf of its municipal governments vis-à-vis the federal government. There are at least three notable examples of this. One is the initial lobbying for the Canada-Saskatchewan Infrastructure Program, which the provincial government performed not only in its own interest and on its own behalf but also in the interest and on behalf of the municipal associations and their members, all of whom were very anxious to access federal funds for their transportation infrastructure. Another notable example is the provincial government's support for rural municipalities when the Saskatchewan Association of Rural Municipalities (SARM) was calling for higher compensation for specific land claims. The province had no direct financial obligation with respect to this matter but reluctantly agreed to support the municipalities' arguments, albeit very cautiously. The reason for its caution was that it was trying to maintain a tricky balance of supporting the position of rural municipalities without being pressured by the federal and municipal governments to contribute to the compensation package. By performing this advocacy role, the provincial government was in effect performing a dual role on the issue of compensation for specific land claims because it was also performing a limited mediation role on this particular issue. Another example is the Prairie Grain Roads Program and its predecessor program, the Canada Agri-Infrastructure Program. The provincial government ended up getting a share of the federal funding under this program for secondary provincial highways. The program was the culmination of many years of support to municipalities claiming that the grain handling and transportation changes following the withdrawal of the Crow Freight Rate Benefit were adding significant direct costs to farmers and were increasing financial pressure on municipalities to rebuild and maintain their roads.

MEDIATION ROLE

The provincial government, either on its own initiative or at the request of the federal or the municipal governments, or both, may perform a mediating role

between the two orders of government. There are numerous instances in which the provincial government has done so. In some instances it has been invited or implored to do so. In other cases, it has chosen to do so of its own accord because it feels that it is imperative to prevent or settle some disagreement between those two other orders of government. When it is invited to act as a mediator, the provincial government tries not to become embroiled in issues that it feels have problematical policy or political implications that it could avoid through non-involvement.

There have been several notable examples in the recent past of provincial mediation between the federal and municipal governments. One example is the mediation related to the Disaster Financial Assistance Arrangements. This program was initiated and developed by the federal government with little formal negotiations with either the provincial or municipal governments. After it created the program, the federal government made some unilateral adjustments to the program that were intended to contain its financial exposure. It was at this point that the Saskatchewan government, along with other provincial governments, became involved in mediating discussions between the federal government and municipal representatives in an effort to establish a more stable, predictable, and durable framework for the program to compensate municipalities for losses suffered as a result of natural disasters. It should be noted that in this case, and others like it, the provincial government was not mediating entirely as an objective and disinterested third party. After all, the level of compensation provided by the federal government has a direct bearing on how much of its own money the provincial government may have

Historically, there have been both statutory and non-statutory limitations preventing municipal governments in Saskatchewan from entering into negotiations for the purpose of concluding agreements with other orders of government in Canada or abroad without formal provincial approval. However, in some cases the provincial government has given municipal governments the authority to enter into such negotiations and agreements. An example is municipal policing. Under the *Royal Canadian Mounted Police Act*, the federal government, through the solicitor general, may enter into agreements with any province to contract the RCMP to assist in the administration of justice – which is a provincial responsibility under section 92 of the *Constitution Act* – as well as to provide municipal policing services. Saskatchewan's *Police Act*, which creates the legal framework for policing in the province, specifies that municipalities are responsible for providing adequate law enforcement personnel and facilities needed to maintain a reasonable standard of law and order. Municipalities can meet their policing responsibilities by establishing their own police service – something that is required for all urban municipalities with a population greater than 20,000 – or by entering into agreements with the federal government either directly, as specified under the *Police Act*, or through the provincial government under specific or general agreements to have such service provided by the RCMP. The important point to note regarding this program is that provincial legislation specifically authorizes the municipalities to enter into negotiations and contracts with the federal government. In Saskatchewan, provincial statutes, as well as other types of policy instruments, are generally silent on such matters. Instead, the provincial gov-

is better known as the Sound Stage (Saskatchewan, Executive Council 2001); operational partnerships, which entail a sharing of the core management and administrative tasks that must be performed (for example, municipal polic- ing); collaborative partnerships, which entail a sharing of core governance,

were not signatories to the agreements, notwithstanding the fact that they were expected to contribute to the cost-sharing formula for the portion of the program that would apply to them. The reason why the municipalities were not included in the negotiations was, first, that the federal government saw this program primarily as an employment-creation program and not a municipal program; and, second, all the provinces wished to have the flexibility to determine how much of the funding would be directed to municipal priorities and how much would go to other provincial priorities. In Saskatchewan, at least 80 percent of the federal-provincial funding was to be directed to municipal priorities, with municipalities supplementing this funding to reflect a one-third contribution. In other provinces, the municipal portion was not as high.

Finally, in some instances the provincial government chooses not to be a partner with the federal and municipal governments, but it agrees not to stand in the way of such arrangements. An example is the federal government's Summer Work Experience Program for secondary and postsecondary students. Municipalities are eligible to apply to this program for wage subsidies to hire students during the summer. The Saskatchewan government established its own separate student employment program, for which municipalities are not eligible. Despite requests by the federal government to coordinate the federal and provincial programs and render them more consistent, the provincial government chose to act separately. Moreover, it refused requests by municipal governments to make them eligible for subsidies under the provincial program. In refusing their request, the provincial government encouraged municipal governments to apply for federal wage subsidies. Its rationale for doing so was that if municipal governments accessed federal funds, it would leave more provincial money for subsidizing the wages of organizations that do not qualify for the federal program.

In summary, the provincial government performs at least five different types of roles in managing federal-municipal-provincial relations. These are not mutually exclusive roles and may be performed either concurrently or consecutively in conjunction with a single program or project initiative.

PROVINCIAL APPROACHES IN MANAGING RELATIONS

In examining the approaches which the Government of Saskatchewan used in performing various roles in the context of federal-municipal-provincial relations, the following typology will be useful. It consists of five sets of paired and differentiated approaches:

- bilateral approach v. trilateral approach (McRoberts 1985)
- reactive approach v. proactive approach

- non-intrusive approach v. intrusive approach
- informal approach v. formal approach
- low-profile approach v. high-profile approach.

In proffering some generalizations regarding the Saskatchewan government's various approaches in this matter, a caveat is in order. The following generalizations are based on general tendencies rather than on perfectly consistent behaviour by each of the provincial governments that have been in power in recent years. After all, as noted below, there are some exceptions to the generalizations. Moreover, these generalizations are based largely on our own observations rather than on those of government officials or other academic observers.

   The first of these five generalizations is that the provincial government tends to rely much more on a bilateral approach than a trilateral approach in performing various roles, especially its advocacy and mediation roles; it prefers to deal with the federal and municipal governments separately, either concurrently or consecutively. The federal government also seems to prefer bilateral negotiations. The municipal governments are less supportive of this "dual bilateralism." While they value a certain degree of bilateralism when it suits their purposes (either for certain programs or projects or at some stage of a consultation or negotiation process), their preference is generally to be invited to sit at the same table as the federal and provincial governments. In short, except where it suits their purposes, municipalities prefer genuine trilateralism to dual bilateralism with the provincial government serving as the go-between.

   Second, the provincial government tends to rely on a reactive rather than a proactive approach in performing its roles in federal-municipal-provincial relations; it tends to respond to federal initiatives related to the municipal sector rather than undertaking its own initiatives and constraining the federal government to respond to them. This approach is a function of two related factors: that the provincial government realizes that it has limited financial resources to undertake many of its own initiatives in the municipal sector; and that it is realistic regarding the extent to which – given its relatively limited financial and political clout within the federation – it can constrain the federal government to respond to its own initiatives.

   Third, the provincial government's tendency is to adopt a non-intrusive rather than an intrusive approach in federal-municipal consultations and negotiations. This is particularly true when new initiatives are under consideration. The provincial government seems to be quite content to monitor such interactions from a distance and wait for an invitation from the federal government or municipal governments to become involved. The Saskatchewan government generally does not exhibit the characteristics sometimes ascribed to provincial governments in some other provinces as jealously guarding jurisdiction and being highly sensitive about bilateral federal-municipal

consultations, negotiations, and agreements. This is not to suggest that the Saskatchewan government is not concerned at all. After all, like other provincial governments, it wants to ensure that the federal and municipal governments do not pursue initiatives that are either far removed from provincial priorities and might not advance the provincial interest, or which could impose financial obligations on it. Nevertheless, the Saskatchewan government has been willing to allow municipalities to engage in direct negotiations with the federal government for various programs and projects. Its reason for doing so is largely linked to its own financial and political interests. In the case of its financial interests, it hopes that municipal governments are successful in obtaining federal funding that would reduce the political and financial pressures for the province to fund their respective initiatives. In the case of its political

for its volatile farm economy, among other things. Clearly, its financial stand-
ing does not allow it to act like Alberta, even when it holds the same view as
Alberta.

   In summary, this overview on the approaches used by Saskatchewan's pro-
vincial government in dealing with federal-municipal-provincial relations
reveals that it has tended to rely on bilateral, reactive, non-intrusive, infor-
mal, and low-profile approaches. It also reveals that there are some differences
in the approaches of the Saskatchewan government and those of larger and
wealthier provinces. More detailed comparative research on this matter is re-
quired to provide more reliable generalizations regarding the precise nature,
scope, and determinants of these differences.

MECHANISMS FOR MANAGING RELATIONS

In managing federal-municipal-provincial relations, governments rely on vari-
ous types of organizational mechanisms. Two types are generally used in
Saskatchewan: intergovernmental mechanisms and provincial mechanisms.
Both types are created by the provincial government, either on its own or in
consultation with municipal and federal officials, in its efforts to facilitate the
management of federal-provincial-municipal relations.

INTERGOVERNMENTAL MECHANISMS

Intergovernmental mechanisms consist of various types of coordinating com-
mittees comprising representatives of the various orders of government that
are responsible for managing federal-municipal-provincial relations. There
are at least two major types of these mechanisms: sector-based mechanisms,
which are established to deal with a wide range of issues in the municipal
sector that impinge on federal-municipal-provincial relations; and program-
based or project-based mechanisms, which are established to deal with
intergovernmental relations in connection with individual programs and
projects. Each type can take one of two forms, depending on the number of
orders of government they involve: a bilevel form, when they involve repre-
sentatives of any two of the three orders of government; and a trilevel form,
when they involve representatives of all three orders of government – federal,
provincial, and municipal. A quadralevel form can also exist when, in addi-
tion to representatives of the federal, provincial, and municipal governments,
they include representatives of Aboriginal governments.

   Notable examples of the sector-based intergovernmental mechanisms are
two bilevel round tables that have been established to facilitate communica-
tion and negotiations between the provincial government and the municipal
associations to deal with various types of matters, including those that fall

within the scope of federal-municipal-provincial relations. One of these is the provincial-municipal round table, which consists of representatives of the provincial government, the Saskatchewan Urban Municipalities Association (SUMA), and the Saskatchewan Association of Rural Municipalities (SARM). The other is the northern provincial-municipal round table, which consists of representatives of the provincial government and Saskatchewan Association of Northern Communities (SANC). SUMA and SARM send only their executive members to their round table meetings, but the northern round table includes representatives from SANC's executive and also from each of the northern municipalities. The extent to which these bilevel round tables are used for dealing with policy and program issues involving the various orders of government is highly variable and depends on the willingness of the provincial and municipal representatives to attend the meetings in order to address issues of interest or importance to them. Political machinations and personal

begun to understand that the "Aboriginalization" of the province's population is a significant demographic phenomenon. Saskatchewan is a leader among the provinces in the proportion of Aboriginals as a percentage of the total population, and it is likely to continue to be so to an even greater extent in future. Indeed, census data reveal that only Manitoba's Aboriginal population of 13.6 percent is higher than Saskatchewan's, which is 13.5 percent. Moreover, all indications are that the proportion of Aboriginal people will increase substantially in future, for the recent population trends are expected not only to persist but to accelerate during the next half-century. Whereas Saskatchewan's Aboriginal population increased by 17 percent from 1996 to 2001, the non-Aboriginal population decreased by 3.7 percent. This growth rate has led to projections that by 2045 Aboriginals will constitute approximately 25 to 33 percent of the province's population and possibly an even higher proportion of the population in major urban centres such as Saskatoon (Lendsay, Painter, and Hower 1997, 61; Saskatchewan, Government Relations and Aboriginal Affairs 2004). The increasing size of the Aboriginal population, along with the increasing migration to urban communities throughout the province, has heightened the need for all orders of government to deal on a coordinated basis with issues such as literacy, employment, and social services for urban Aboriginals. In Saskatchewan there is a highly developed system of Aboriginal governance at the local, regional, and provincial level. It includes the various orders of Aboriginal government as well as parallel and separate administrative and program-delivery mechanisms. This complex panoply of Aboriginal governments and program delivery mechanisms makes it increasingly difficult for the federal, provincial, and municipal governments to establish either sectoral committees or program-based and project-based committees that do not include representatives of Aboriginal governments and communities.

PROVINCIAL MECHANISMS

During the past decade, the provincial mechanisms for managing federal-municipal-provincial relations have consisted of the provincial government's line departments and central agencies. In some cases a line department responsible for municipal affairs has taken the lead in managing such relations, and in other cases a central agency responsible for intergovernmental relations has taken the lead. A common practice is for a line department and a central agency to do so on a joint and coordinated basis. As explained below, the growing recognition of the need for a joint and coordinated approach ultimately led the Saskatchewan government to integrate the line department responsible for municipal affairs with the central agency responsible for intergovernmental relations.

The line departments that have had a central role in managing federal-municipal-provincial relations during approximately the past decade have been

those responsible for municipal affairs, namely Municipal Government (1993–98), Municipal Affairs, Culture, and Housing (1998–2001), and Municipal Affairs and Housing (2001–2). The central agencies that have been involved in managing these relations during the same time include the Department of Intergovernmental Relations (pre-1996), the Department of Intergovernmental Affairs (1996–97), the Department of Intergovernmental and Aboriginal Affairs (1997–2002), the Department of Government Relations and Aboriginal Affairs (2002–4), and the Department of Government Relations (2004–5).

The year 2002 constitutes an important watershed in the provincial mechanisms which the provincial government uses for managing municipal affairs and federal-provincial-municipal relations. Between 2002 and 2004 responsibility for both of these functions was entrusted to a multifunctional central agency named Government Relations and Aboriginal Affairs (GRAA). GRAA was responsible for municipal affairs and also for various types of intergovernmental relations (provincial-municipal, provincial-federal, provincial-Aboriginal, and international). The rationale provided in the annual report for the reorganization was that the "new department will provide the opportunity to strengthen government-to-government relationships with municipal, provincial, federal and Aboriginal governments" (Saskatchewan, Intergovernmental and Aboriginal Affairs 2002, 3).

In the fall of 2004, GRAA was split into two separate departments: Government Relations (GR), which continued to be responsible for both municipal affairs and three major sets of intergovernmental relations (interprovincial, federal-provincial, and international); and First Nations and Métis Relations (FNMR), which assumed responsibility for Aboriginal relations, including the provincial government's relations with First Nations and Métis governments in the province and also its relations with the federal and municipal governments related to First Nations and Métis governance. Ironically, the splitting of GRAA into GR and FNMR has meant that gains in intradepartmental coordination involving municipal governments were offset by the loss of intradepartmental coordination involving First Nations and Métis Relations. Those responsible for the departmental reconfiguration were undoubtedly aware of this trade-off but felt that, on balance, hiving off First Nations and Métis Relations was beneficial in narrowing and focusing the mandate of both departments. The belief was that the restructuring would give "greater attention to the government's approach to Aboriginal issues" (Saskatchewan 2004). The adverse effect of separating FNMR from GRAA was not as great as it might have been, largely because the personal and professional ties formed among officials who had worked in a single department for two years continued and facilitated coordination after they were reorganized into two departments.

The policy rationale for integrating municipal affairs into GRAA in 2002 and subsequently into GR in 2004 was that there was an increasing overlap of policy and program issues involving municipal governments and other orders

DETERMINANTS OF PROVINCIAL ROLES, APPROACHES, AND MECHANISMS

Many factors affect the decisions of Saskatchewan's provincial government regarding the roles it performs in federal-municipal-provincial relations and the approaches and mechanisms it uses in performing them. The most significant of these are the following: the provincial government's policy, financial, and political goals; the political and financial resources that it has in advancing these interests; and the normative frameworks related to governance and public management that influence the thinking of its elected and appointed officials.

POLICY, FINANCIAL, AND POLITICAL GOALS

The policy, financial, and political goals of the Saskatchewan government all figure prominently in its decisions regarding what roles it will perform within the context of federal-municipal-provincial relations and what approaches and mechanism it will use in doing so. Its policy goals are related primarily to its own policy agenda and secondarily to items on the policy agendas of the federal and municipal governments that are consonant with its own. Its financial goals are essentially to maximize the level of provincial contributions to various programs and projects by the other two orders of government and to minimize the level of its own contributions whenever possible. Its political goals are to maximize not only its electoral support but also its legitimacy as an order of government vis-à-vis the other orders of government, both of which are essential factors for holding and exercising power. The provincial government's decisions regarding what roles to perform and how to perform them entail complex calculations regarding whether these roles will have a positive or an adverse effect on each of the aforementioned goals. Invariably, the government is willing to perform roles that are likely to contribute to advancing its goals, and it is reluctant to perform those that are likely to have an adverse effect on any of its goals. Its calculations regarding its political goals are heavily influenced by the fact that the municipal sector in Saskatchewan exerts considerable influence on public policy debates and in elections. The major reason for this, of course, is that it has a large membership consisting of community leaders who exercise substantial influence in shaping policy and political debates within their own communities.

FINANCIAL AND POLITICAL RESOURCES

Although the provincial government's goals and interests have been influential in its decisions regarding what roles to perform as well as the approaches and mechanisms to use in performing them, such decisions have also been

heavily influenced by the financial and political resources that it has had at its disposal. Although its financial and political resources permit the Saskatchewan government to perform certain roles and to do so in strategic ways, they also have a constraining effect on what it can do because its resources are relatively limited compared with those of some of its larger and more powerful provincial counterparts. After all, in terms of both its financial resources and its political resources, Saskatchewan is not one of the "big four" provinces (Ontario, Quebec, British Columbia, and Alberta).

Saskatchewan has a much smaller budget and less flexibility in what it can do than any of the big four. Its limited financial resources constrain what it can do on its own, as well as what it can do in partnership with the federal and/or municipal governments. This problem is compounded by the fact that its economy is subject to relatively volatile swings, based on the vagaries of the farm economy and natural resources prices, which affect, among other things, whether it receives equalization payments from the federal government. Its financial capacity and the periodic fluctuations in its farm economy affect the number and type of programs and projects with which it can become involved, especially if they require it to make long-term financial commitments. Its limited financial resources constrain it to be more sensitive to the preferences of the federal government regarding matters such as the choice of programs and projects, the roles and responsibilities of the various orders of government, and the approaches and mechanisms it uses in managing federal-municipal-provincial relations.

Saskatchewan is also not one of the big four in terms of political power. Its relatively small population and small number of federal electoral seats limit its political clout within the federation. This limitation is compounded by the fact that the provincial electorate in Saskatchewan, unlike that in some other small provinces, does not generally engage in strategic voting to curry favour with the party forming the government. The only exception in recent elections was the strong albeit short-lived support for the Mulroney government, which expressed its gratitude just before the 1986 provincial election by providing a $1 billion farm aid package that benefited a large number of farmers living in various rural and even urban municipalities.

The political clout of the provincial government is also limited with respect to the municipal governments. Despite its constitutionally based jurisdictional primacy over them, the provincial government is not entirely free to do as it wishes vis-à-vis the municipal governments. They are powerful and capable governmental actors in their own right. Consequently, within the context of federal-municipal-provincial relations generally, the provincial government has to take into consideration their policy preferences and policy goals when choosing what roles it performs and the approaches and mechanisms it uses. This is true whether the muncipality is large or small. That is because the vast majority of municipalities in Saskatchewan consist of very small communities where people know their municipal politicians personally

and feel a closer relationship with them than with more distant provincial and

sectors involved in human services within a given region; and, in some instances, to serve as peer review committees to evaluate program applications for project funding from various agencies within the region.

In recent years the provincial government has become increasingly disposed to use comparable adjudication committees when making project-funding decisions. In the Canada-Saskatchewan Infrastructure Program, a committee of municipal representatives provides peer review of the funding applications and makes recommendations – wapplications and makes recommendations

Although this paper has provided some interesting and important insights into Saskatchewan's management of federal-municipal-provincial relations, much remains to be analysed at both the conceptual and the empirical level. At the conceptual level, more work is required in conceptualizing the types of roles performed by the provincial government, the approaches and mechanisms it uses in performing them, and the factors that shape its decisions regarding each of these matters. For that purpose the concepts and models in the extant literature on intergovernmental and interorganizational management and coordination should be consulted (for example, Stein 1989; Rogers and Whetten 1982).

At the empirical level, more descriptive and evaluative work is required on various matters dealt with in this paper. For that purpose detailed case studies should be conducted that focus on the provincial government's management of federal-municipal-provincial relations in conjunction with each major program and project identified in the appendix. Case studies should also be conducted of comparable programs and projects that are prominent on the public policy agenda today and will likely continue to be so

APPENDIX

Federal-Municipal-Provincial Collaboration in Saskatchewan: A Sample of Notable Programs and Projects in 2003

Program	Description	Policy/program initiation and development	Funding agent(s)	Application adjudicator(s)	Administration and delivery	Lead provincial department
Agriculture Rural Minority Language Community Planning Initiative (2003–	The purpose of this program is to assist agricultural rural minority-language communities to produce community development plans. The emphasis is on economic diversification and job creation.	Federal government (Agriculture and Agri-Food Canada and Canadian	F	F	O	Provincial Secretary

Canada-Saskatchewan Film, Video, and Educational Centre (i.e., Sound Stage)	Federal, provincial, and municipal governments in partnership with the film industry have jointly funded the construction of an $11.9 million, 7,600 m^2 film and video production and training facility in Regina. Opened in 2002, the facility preserved portions of an historic building owned by the Government of Saskatchewan.	Provincial government (Saskatchewan Property Management Corporation)	F, P, M, O	O	O	Saskatchewan Property Management Corporation
Canadian Agricultural Rural Communities Initiative (2000–1 to 2002–3)	The objective of this program was to enhance the viability of rural communities, with an emphasis on those affected by fundamental changes to the agricultural sector. Eligible recipients of federal funding included rural organizations, municipalities, Aboriginal groups, community-based groups, and educational institutions.	Federal government (Agriculture and Agri-Food Canada)	F, M, O	F	M, O	Monitored by Agriculture and Rural Revitalization

Communities of Tomorrow Partnership [Centre for Sustainable Infrastructure Research] (2003)	Announced in May 2003, this partnership involves the establishment of a scientific centre in Regina that will undertake research into new technologies pertaining to the impact of urban infrastructure on the environment (e.g., water quality and waste water treatment). The centre will be established through a $15 million contribution from the federal government and $5 million each from the Government of Saskatchewan, City of Regina, and University of Regina. The National Reseach Council will operate the centre.	Federal government (National Research Council)	F, P, M ,O	F, P	F	Industry and Resources
Cultural Spaces Canada (2001–2 to 2003–4)[2]	This program funds the construction, adaptive use, or renovation of arts and heritage facilities and the acquisition, purchase of specialized equipment, and production of feasibility studies. Its purpose is to improve the physical conditions for artistic creativity and to increase and improve accessibility to the performing arts, media, and visual arts and to museums and heritage facilities.	Federal government (Canadian Heritage)	F	F	P, M, O	Monitored by Culture, Youth, and Recreation

Joint Emergency Preparedness Program (ongoing, subject to budgetary approval)	This program provides federal funding to enhance Canada's national emergency response capability. "Earmarked funds" are assigned to each province and territory. The provinces and territories support the evaluation and prioritization of applications but do not make the final decisions on approval (since these depend on national, not regional, priorities and needs). Funding is channeled through the provinces and terri tories.	Federal government (Office of Critical Infrastructure Protection and Emergency Preparedness)	F	F	P, M, O	Corrections and Public Safety
Model Construction Codes (1937 to present)	The federal government coordinates and facilitates national consensus on the development and updating of national construction codes (e.g., National Building Code, National Fire Code, National Plumbing Code). The purpose of these model codes is to provide the basis for countrywide consistency in standards enforced under provincial and territorial legislation and implemented by municipalities.	Federal government (National Research Council)	F	F, P, O	P, M	Corrections and Public Safety
National Home-lessness Initiative and Supporting	Announced in 1999, the National Homelessness Initiative involves $753 million of federal funding	Federal government (Canada	F, P, M, O	F	P, M, O	Community Resources and Employ-

Program	Description	Policy/program initiation and development	Funding agent(s)	Application adjudicator(s)	Administration and delivery	Lead provincial department
	concerning the development of a strategic framework to guide federal and provincial governments and northern communities to improve the living conditions and enhance the economic opportunities of northerners. The accord calls for the federal and provincial governments to seek advice and recommendations and to work with the Northern Development Board, which consists of representatives from					

Program	Description	Policy/program initiation and development	Funding agent(s)	Application adjudicator(s)	Administration and delivery	Lead provincial department
Regina Inner-City Community	A federal-city government initiative to support a consultation	Municipal government	F, M	F, M, O	P, M, O	Community Resources

	species to enhance the quality of life in these communities and to provide habitat for wildlife. The trees and shrubs must be planted on municipal land. The Saskatchewan government participates in the program by funding the provision of plastic mulch for weed control.					
Summer Work Experience (ongoing as budgetary resources are available)	Municipal governments are eligible to apply for wage subsidies to hire secondary and post-secondary students in career-related summer jobs. The provincial government has a	Federal government (Human Resources Development Canada)	F	F	M, O	Monitored by Public Service Commmission and by Culture,

NOTES

1 By the end of 2003 Saskatchewan communities had not received funding under this program. In 2003 the City of Regina submitted an application but was unsuccessful. Upon resubmitting its application in 2005, however, it was successful in being designated a "cultural capital" of Canada.
2 While Saskatchewan municipalities are eligible for funding, this program has provided support indirectly by funding projects with municipal involvement in a larger organizational structure (e.g., Wanuskewin Heritage Park, Moose Jaw Cultural Centre).
3 Most of the funding for projects has been dispersed to community-based organizations. Municipalities have been involved in the development of "community homelessness plans." These plans have been prepared by steering committees with representatives from federal, provincial, and municipal governments, as well as representatives from local social and private agencies and Aboriginal organizations.
4 Whereas urban development agreements for Edmonton, Winnipeg and Vancouver were signed several years earlier, the ones for Saskatoon and Regina were not signed by federal, provincial, and municipal representatives until May 2005. These agreements were signed as a result of the Martin government's attempts to find ways of enhancing its support among voters either to prevent any confidence votes in the House of Commons or at least to position itself for the next election in case it lost such a vote. For its part, the provincial government had already committed its portion of the funding for the initiative in its March 2005 budget. The Saskatoon and Regina agreements were identical in the amount of money ($5 million from the federal government and $2.5 million each from the provincial and municipal governments for a total of $10 million) and in the time frame (five years) and the six priorities for action which they included:

- community-based approaches to affordable housing, homelessness, and the renewal of older neighbourhoods;
- developing cultural and recreational opportunities to enhance the quality of life;
- supporting environmental protection and climate change solutions;
- enhancing Aboriginal participation in the economy;
- promoting innovative initiatives for a positive business climate and enhanced competitiveness; and
- addressing strategic infrastructure necessary for continued physical, social and economic development.

The lead federal and provincial agencies responsible for negotiating and administering the agreements were the federal department of Western Economic Diversification Canada and Saskatchewan's Department of Government Relations.

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15

Chronology of Events
January – December 2004

Aron Seal and Stephanie Quesnelle

An index of these events begins on page 405.

6 January *BSE*	The United States Department of Agriculture confirms that a Washington State cow found in December 2003 to be infected with BSE was originally exported from Canada.

animals per year, up from 5,500 in 2003. Speller's plan comes in response to recently released U.S. Department of Agriculture DNA evidence, which established Alberta as the origin of an American cow that was found in December 2003 to be infected with BSE. Critics, however, note that the number of cattle tested will remain less than one percent of the 3.5 million slaughtered in Canada each year.

10–11 January *British Columbia*	The first meeting of the Citizens' Assembly on Electoral Reform is held. The assembly, composed of 160 randomly selected citizens, will spend eleven months considering various reforms of the province's democratic process. All of the assembly's recommendations will be put to referendum on 17 May 2005.
13 January *Canada–U.S.* *Relations*	The first official meeting between Prime Minister Paul Martin and U.S. President George W. Bush takes place at the Summit of the Americas in Monterrey, Mexico. Bush agrees to allow Canadian companies to bid for Iraqi reconstruction projects, to favour an integrated North American approach in dealing with BSE, and to consult Canada before deporting any Canadians to third countries (in reference to the Maher Arar affair). The talks produce little, however, with respect to softwood lumber.
14 January *Aboriginal Peoples*	The Quebec government negotiates a peaceful ending to a thirty-six-hour standoff in Kanesatake. Dissidents had been holding sixty non-Kanesatake police officers hostage without food in their police station. The outside officers, recruited from other First Nations to help quell a growing crime problem on the reserve, were seen by protesters as a hostile takeover of the reserve's police. The protesters agree to lay down their arms in exchange for the safe evacuation and departure of the outside officers. Critics argue that the Quebec government gave in to the protesters' demands, undermining the authority of Grand Chief James Gabriel and his efforts to restore law and order on the reserve.
15 January *Alberta*	A nine-member provincial government task force begins touring the province soliciting popular opinion on Alberta's place in Canada. The task force has been labelled the

"firewall committee" by opposition parties, a reference to
a plan endorsed by the Alberta Residents League that calls

28 January   A public inquiry is launched into the reasons for the Sep-
Security   tember 2002 deportation to Syria of Maher Arar, a

environment and wildlife in the Northwest Territories. Two Inuvialuit members will sit on the panel to represent Aboriginal interests.

30 January
First Ministers

Prime Minister Paul Martin meets with the premiers in Ottawa. He confirms that $2 billion of the 2003–4 federal surplus will be transferred to the provinces for health care spending as per a Jean Chrétien promise. Martin further pledges to increase provincial involvement in international relations. Premiers remain concerned, however, about the lack of long-term funding increase guarantees from the federal government.

2 February
Throne Speech

The federal government promises billions of dollars in new social spending and transfers in the Speech from the Throne. Proposals include $7 billion in GST rebates for municipalities and $3.5 billion over ten years to clean contaminated federal environmental sites. Also discussed are commitments to reduced hospital waiting lists, education and skills development for Aboriginals, expansion of the Urban Aboriginal Strategy, meeting Kyoto Accord objectives, and the creation of a national security policy. Critics see the speech as a collection of pre-election campaign promises, many of which impinge on provincial jurisdiction. They also note that western alienation received no mention.

4–5 February
Democratic Reform

Prime Minister Paul Martin releases *Ethics, Responsibility, Accountability: An Action Plan for Democratic Reform*. The plan brings together many promises Martin made during the 2003 Liberal leadership campaign. The proposals include more free votes, increased MP influence over legislation, annual review of cabinet ministers, and committee review of senior federal appointments. However, Liberal House Leader Jacques Saada announces the following day that there will be no free vote on gun registry spending estimates, despite suggestions to the contrary by Roger Gallaway, his parliamentary secretary. Budgetary questions, says Saada, are matters of confidence that cannot be put to free votes. Opposition parties, arguing that free votes on budget issues would reduce waste and mismanagement, accuse the government of evading the principles of the action plan.

9 February *Quebec*	Claude Ryan dies at age seventy-nine. Ryan led the Quebec Liberal Party from 1978 to 1983, playing an integral role in the victory of the No side in the 1980 sovereignty referendum.
10 February *Sponsorship Program*	A scathing auditor general's audit of the federal sponsorship program is released. Words such as "appalling" and "scandalous" are used to describe numerous alleged cases of fraud and money laundering by institutions such as the RCMP, Via Rail, and Canada Post. The program, designed in principle to increase the public visibility of the federal government in the wake of the 1995 referendum, paid over $100 million to individuals and groups with links to the Liberal Party as well as large sums for events and advertising of questionable value. Prime Minister Paul Martin responds by announcing a public inquiry into the handling of the program and by recalling Alfonso Gagliano, who was minister of public works at the time of the alleged scandal, from his current position as ambassador to Denmark.
12 February *Atlantic Canada*	The Council of Atlantic Premiers meets in Corner Brook, Newfoundland and Labrador. The premiers create an Atlantic Canada Action Team to promote Atlantic Canadian food products, particularly beef. They reiterate calls on the federal government for a long-term health-care funding increase and a more equitable equalization calculation structure.
17 February *Alberta*	The Speech from the Throne includes plans for a provincial trade and policy office in Washington, D.C. The office will seek to promote Albertan interests, particularly with respect to agriculture and natural resource development. Alberta Economic Development Minister Mark Norris hopes the federal government will agree to house the office in the Canadian Embassy to reduce costs. No provinces currently have trade offices in Washington. Also discussed in the speech is the creation of a committee of federal, provincial, municipal, and non-governmental leaders to evaluate the sustainability of Alberta's water supply.
17 February *British Columbia*	The Liberals table the first balanced budget of their tenure, projecting a $100 million surplus for the coming fiscal

year. Announcements of new spending include $1.04 mil-

23–24 February
*Council of the
Federation*

The inaugural meeting of the Council of the Federation is held. The council was founded in 2003 to promote inter-provincial-territorial cooperation, closer ties between council members, recognition of Canadian diversity, and leadership on issues important to Canadians. Accomplishments from the meeting include the release of a work plan aimed at reducing internal barriers to trade, the creation of an agreement founding the Secretariat on Information and Cooperation on Fiscal Imbalance, and the establishment of the Council of the Federation Award for Literacy to recognize workplace literacy programs and strategies. The premiers further establish priorities for future cooperation on issues relating to health care, equalization, emergency responses, and youth involvement in government. Not all discussions are positive, however; the premiers offer dire predictions on the sustainability of national health care, fearing the end of the current system by 2010 if funding levels do not increase.

6–7 March
Political Parties

Deep internal tensions in the Liberal Party are exposed as two Paul Martin supporters defeat Jean Chrétien loyalists to win riding nominations for the upcoming federal election. Sheila Copps loses to Tony Valeri in Hamilton East–Stoney Creek, and Carolyn Parrish defeats Steve Mahoney in Mississauga-Erindale. Both races were marked by mudslinging and allegations of fraud.

8 March
Finance

The Conference Board of Canada releases an update of a 2002 report that confirms the continuing fiscal imbalance between the federal and provincial/territorial governments. The report projects steady increases in the federal surplus and the collective provincial/territorial deficit through 2020. Health-care costs, borne primarily by the provinces, are projected to be the single largest cause of expenditure growth in Canada. Provincial finance ministers see the findings as evidence of the need for reforms to health-care funding and equalization.

19 March
Same-Sex Rights

The Quebec Court of Appeal, in rejecting an appeal to a September 2002 Superior Court ruling, makes Quebec the third province in Canada to legally recognize same-sex marriages. The Superior Court ruling granted same-sex

to allow for the possibility of an appeal. The appeal, filed by the Catholic Civil Rights League, is rejected on the basis of changing attitudes towards the definition of marriage. The court ruling explicitly states that licences for same-sex marriages can be issued immediately.

20 March
Political Parties

Stephen Harper, with 56 percent of first-ballot votes, wins the leadership of the Conservative Party of Canada, defeating former Ontario Health Minister Tony Clement and former Magna International CEO Belinda Stronach. He is supported by a majority of delegates from all regions except Quebec and Atlantic Canada. Harper was pivotal in negotiating the merger of his Canadian Alliance with the Progressive Conservatives to form the new Conservative Party. He had run for the leadership on his record as Alliance leader and his success in uniting the country's right. Detractors fear that under Harper the Conservatives will be unable to establish strong support in central and eastern Canada.

22 March
BSE

Prime Minister Paul Martin announces nearly $1 billion in new aid for Canadian farmers. Most funding will go to cattle farmers affected by BSE, the rest being directed to specific issues such as drought and pests as well as to offsetting shortfalls in funding for existing farming programs. Martin dismisses suggestions that the timing of the announcement reflects plans for a spring election.

23 March
Finance

The federal government, facing lower than expected growth and fallout from the sponsorship scandal, releases a cautious budget for 2004 that follows through on previous commitments but establishes few new ones. A promised $2 billion one-time health-care transfer to the provinces is included, as well as a municipal GST exemption worth $7 billion over ten years. Also covered are military tax exemptions, postsecondary education financing, and infrastructure investment. Critics of the budget include Assembly of First Nations Grand Chief Phil Fontaine, who fears that the lack of new funding for Aboriginal concerns may reflect low Liberal commitment to First Nations. Provincial leaders note the lack of permanent health-care funding increases or equalization reforms.

24 March
Alberta

Ralph Klein's government tables its eleventh consecutive balanced budget. Highlights include $1 billion in debt reduction, $142 million on corporate tax cuts, an 8.4 percent increase in health-care spending, a 5.7 percent increase in education spending, and $900 million in new provincial building project expenditures. Budget figures are based on the expectation of 3.6 percent economic growth and an $11 per barrel decrease in oil prices. Opposition parties accuse the government of deliberately underestimating revenue so as to facilitate election period spending.

30 March
Public Transit

The federal, Ontario, and Toronto governments announce a $1.05 billion funding agreement for the Toronto Transit Commission (TTC). The money, to be received over five years, will be spent primarily replacing old subway cars, streetcars, and buses. Toronto Mayor David Miller says the agreement reflects the increased commitment to municipalities by the federal and provincial governments. Some, however, feel the funding is not enough to bring the TTC into good repair.

30 March
Quebec

Finance Minister Yves Séguin tables a balanced budget for the 2004–5 fiscal year. Included are $200 million in tax cuts, $547 for the establishment of a child assistance program, $243 million in supplements for low-income earners, a 5.1 percent increase in health care spending, and a 2.7 percent increase in education spending. Opposition parties note that $880 million in government assets needed to be sold to balance the budget, as well as the fact that tax relief amounts do not offset levies introduced by the government at the beginning of its tenure.

5 April
Energy

The final report of the Canada–U.S. task force investigating the August 2003 Great Lakes power outage is released. The report concludes that the blackout, which affected nearly 50 million people in Ontario and eight U.S. states, could have been prevented through stronger regulatory rules on energy suppliers and more effective enforcement of existing standards. Responding to the task force's analysis, Natural Resources Minister John Efford emphasizes the need for the federal government to work with the provinces to implement the recommendations of the report, noting that while the federal government and the National

Energy Board manage energy exports, the provinces are
responsible for power supply regulation.

6 April   The Government of Newfoundland and Labrador vows to
Aboriginal Peoples   end the slaughter of Red Wine River caribou by Quebec
                        Innu hunters. The Innu are protesting the unwillingness
                        of the Newfoundland and Labrador government to recog-
                        nize their Labrador territory land claim, and they assert
                        that the protest hunt will continue until negotiations are

coldness of relations between Bush and the former prime minister, Jean Chrétien.

4 May *Fisheries*	Federal Fisheries Minister Geoff Regan announces a limited reopening of cod fishing in the Gulf of St Lawrence. Newfoundland and Quebec fishermen will be allowed to fish 6,500 tonnes of cod in designated areas of the gulf. The announcement is welcomed by fishermen and their unions, many of whom were left unemployed by the cod moratorium imposed in April 2004. Scientists are outraged, however, given the continued scarcity of cod in the gulf. Noting the likelihood of an upcoming federal election, they deem that the reopening is compromising science in favour of political gain.
6 May *Fisheries*	Federal officers cite a Portuguese ship for illegally fishing the protected American plaice flounder off the Grand Banks of Newfoundland. The move is touted by Prime Minister Paul Martin as a first step in a Canadian crackdown on the fishing of low-stock fish by foreign vessels. Newfoundlanders have been calling for such a crackdown for many years. Since international treaties allow prosecution of vessels in international waters only by their home countries, however, the owners of the ship cannot be brought to justice without Portuguese cooperation; as a result, critics call the ship's indictment little more than unenforceable rhetoric and electioneering.
10–11 May *Sponsorship Program*	Charles Guité, former head of the federal sponsorship program, and Jean Brault, founder and head of Groupaction, are charged with six fraud-related counts by the RCMP. Both plead not guilty and are released on bail. The following day, the Liberals use their committee majority to suspend the parliamentary inquiry into the scandal. They seek to review the accumulated testimony and write an interim report. The suspension of proceedings will become a formal end to the probe if, as anticipated, an election is called before the committee reconvenes. Opposition MPs are furious, calling the suspension an attempt to hide the scandal's exposure in a pre-election period. They note that more than ninety potential witnesses have yet to pass before the committee.

12 May
Nova Scotia

The federal and Nova Scotia governments announce a $400 million plan to attempt to clean the tar ponds of Sydney, Nova Scotia. The ponds, which contain a million tonnes of tar left over from the production of coke during the twentieth century, are filled with toxic material and have been linked to health problems, including cancer and liver disease. Although more than $100 million has already been ineffectually invested in the cleaning of the ponds, officials insist this effort will be successful.

15 May
Political Parties

The Bloc Québécois is the first party to officially unveil its platform for the upcoming election. The party focuses on five issues: democracy, sustainable development, demographic shifts, services for Quebecers, and the internationalization of Quebec's voice. Though the platform contains no direct discussion of sovereignty, Bloc leader Gilles Duceppe insists that the goal of an independent Quebec remains the ultimate objective of the party.

18 May
Ontario

The 2005 provincial budget is tabled in the Ontario legislature. It introduces an Ontario health premium, a levy deducted from wages by employers towards improvements in health care. Including revenue generated from the premium as well as other sources such as increased alcohol and tobacco taxes, the government expects to invest $4.8 billion in new health-care funding over the next four years. Opposition parties criticize the government for breaking its election promise not to raise taxes. They note that the new premium, despite not being formally called a tax, bears all the characteristics of taxation. Other budget highlights include a $2.1 billion increase in education funding and a two-thirds reduction in the provincial deficit.

20 May
Gun Control

20 May
Political Parties

The Green Party of Canada unveils its platform for the upcoming federal election. Issues discussed include increases in gasoline taxes, rebates on the purchase of fuel-efficient vehicles, and promises to not run deficits

25 May
Health Care

In a campaign speech in Cobourg, Ontario, Prime Minister Paul Martin outlines his party's plans to improve health care if re-elected. Calling health his party's top priority, he commits $9 billion for reducing waiting times, hiring more doctors and nurses, and creating a national home-care program. He asserts that his plan can be achieved without increased taxes or premiums. Conservative leader Stephen Harper, speaking in Fredericton, New Brunswick, responds by noting that funding problems were created

provincial elections. Under the proposal, Ontarians will vote on the first Thursday in October every four years, starting on 4 October 2007. Following British Columbia, Ontario will become the second province to implement fixed election dates. The plan seeks to reduce voter apathy and increase electoral turnout.

3 June
Political Parties

The Liberal Party officially unveils its election platform, building on previous announcements made regarding health care and federal-municipal relations. The party promises $28 billion in new spending over five years while consistently maintaining balanced budgets. Proposals include a national child-care plan based on the Quebec $7-a-day model, expansion of the Canadian Armed Forces, and increased promotion of wind power as an alternative energy source.

5 June
Political Parties

The Conservative Party is the last of the major parties to unveil its election platform. The party proposes $58 billion over five years in tax cuts and spending increases, notably with respect to health care and the military. Though his promises cost twice as much as those proposed by the Liberals, leader Stephen Harper insists his plan is feasible without running a deficit.

14–15 June
Federal Election

The two leaders' debates take place in Ottawa. In the French-language debate, Bloc Québécois leader Gilles Duceppe launches stinging attacks on both the Conservatives and the Liberals. Insisting as he has over the course of the campaign that the focus of the election should not

scandal. Harper criticizes Martin for having called an election before the release of the results into the scandal's investigation, despite promises not to do so, and calls the Liberal platform a campaign of fear designed to hide the party's record in government. Harper takes heat of his own, however, from the other three leaders on his party's stance on moral issues. New Democratic Party leader Jack Layton attacks Harper on his promises to allow free votes should questions of abortion or gay marriage be brought before Parliament, and Martin presses the Conservative leader to tell Canadians whether he would use the notwithstanding clause to overrule court rulings in favour of gay marriage.

17 June	The Saskatchewan government suspends all subsidies to
Aboriginal Peoples	the Métis Nation of Saskatchewan (MNS) following allegations of electoral irregularities. The MNS election of 26 May was marred by claims of voters turned away at polling stations and missing ballot boxes. Some fear that funding suspensions will inhibit dialogue between the MNS and governments without strengthening the nation's electoral structures.

18 June	In a defining moment of the election campaign, Prime
Alberta	Minister Paul Martin calls on Premier Ralph Klein to announce his proposed health-care reforms before the 28 June federal election. Klein intends to outline his sought reforms publicly on 30 June, two days after the election. Martin accuses Klein of wanting to wait for the election results in the hope of a Conservative win, and he muses that Stephen Harper would allow Klein to violate the main tenets of the *Canada Health Act*. Klein responds by accusing Martin of fear-mongering; Harper insists he would expect Klein to uphold the principles of medicare if he becomes prime minister. Martin's accusation will be a cloud over Harper for the duration of the election.

20 June	Thirty-two municipalities win the right to demerge from
Municipalities	megacities in the Province of Quebec. Referendums on demergers were held in eighty nine former municipalities across the province; to demerge, municipalities needed to obtain a majority of votes cast as well as a 3 percent voter turnout. Municipal mergers had taken place in 2002 under the Parti Québécois government; the Liberal Party had

platformed in 2003 on allowing municipalities the oppor-
tunity to regain their independence. The new cities will
become officially demerged on 1 January 2006.

21 June
Aboriginal Peoples

The Commission on First Nations and Métis Peoples and
Justice Reform releases its final report, *Legacy of Hope:
An Agenda for Chance*. Created in 2001 following the
surfacing of allegations of systemic discrimination in Sas-

penalties. The province will become the only one in Canada to be entirely debt-free.

13 July   An inquiry begins into the 1995 shooting of Dudley George
Ontario

time ministers are appointed, including Ken Dryden (Social Development), Ujjal Dosanjh (Health), Tony Valeri (house leader), and David Emerson (Industry). Shifted ministers include Pierre Pettigrew (from Health to For-

the furthering of environmental initiatives, promotion of literacy, and interprovincial emergency assistance.

3 August   An auditor-general's report reveals that the Canada-Al-
BSE   berta BSE Recovery Program has provided more benefit
                  to large meat-packing firms than to farmers. The plan, cre-

Jacques Parizeau, have called for the party to run in the next provincial election on a platform of sovereignty declaration if elected as the government. Landry's detractors threaten to challenge him again if he does not advance the cause of the party substantially within one year.

1–2 September
Council of the
Federation

The premiers meet once again in preparation of their upcoming 13–16 September meeting with the prime minister. Seeking to avoid having federal officials unilaterally set the terms of the meeting, they compose a draft agenda and urge the prime minister to respect it. They reiterate

a blueprint plan for the improvement of Aboriginal health care for review within one year. They create the Aboriginal Health Transition Fund for the development of specialized health-care delivery mechanisms for Aboriginals, the Aboriginal Health Human Resources Initiative to encourage the training of Aboriginal health-care providers, and various targeted programs to address specific health-care issues in Aboriginal communities. The ministers further agree to hold a First Ministers' Meeting in the near future specifically dedicated to Aboriginal affairs.

The following days are dedicated to general discussion of health care. In an unprecedented fashion, many of the

for Clarkson's ability and impartiality in overseeing the newly elected minority government. Critics, however, are dismayed by the reappointment, given Clarkson's history of lavish spending.

5 October
Throne Speech

The minority Liberal government narrowly averts the defeat of the Speech from the Throne that opens the thirty-eighth Parliament of Canada. Priorities expressed in the speech include debt repayment, equalization reform, health standards under the Health Council of Canada, fuel tax sharing with municipalities, Kyoto Accord implementation, and consideration of democratic reform. The Bloc Québécois and the Conservatives threaten to vote against the speech unless amendments to it are made in accordance with their requests. An agreement is ultimately reached with the Bloc, under which a proposed amendment is changed to remove a reference to Quebec Premier Jean Charest and to replace the term "fiscal imbalance" with "financial pressures some call the fiscal imbalance." The support of the Bloc gives the Liberals the majority it needs to ensure passage of the speech. A Conservative amendment is later accepted by the Liberals to make support for the speech unanimous across the parties.

16–17 October
Health Care

The Annual Conference of Federal-Provincial-Territorial Ministers of Health is held in Vancouver. Following a reaffirmation of the commitment of governments to the principles emerging from the Special Meeting of First Ministers and Aboriginal Leaders to improve Aboriginal health, the ministers devote their attention to implementation of the first ministers' Ten-Year Plan to Strengthen Health Care. Beyond reaffirming the commitment to improve waiting times and access as per the plan, they set up a ministerial task force on pharmaceuticals and agree to work towards the establishment of a set of health goals and targets. Other initiatives emerging from the meeting include the Canadian Health Technology Strategy for the effective use of technology in health-care provision.

26 October
Equalization

An agreement is reached between the first ministers to reform the Equalization and Territorial Financing Formula programs. The proposed changes will increase payments by $33 billion over ten years, including an immediate $13

billion increase and a 3.5 percent growth rate thereafter. A panel review of equalization payment allocation is further launched to examine inequities in current methods of funding distribution and to make recommendations. Support for the proposals is not unanimous, however. Newfoundland and Labrador Premier Danny Williams boycotted the

accessibility, and a developmental focus. The ministers hope to finalize the agreement in early 2005. The federal government has pledged $5 billion in transfers to the provinces over five years to fund the plan, contingent on agreement and on provincial compliance with the program principles. Claude Béchard, Quebec family welfare minister, insists that federal monies be transferred unconditionally.

5 November
Same-Sex Rights

A family court judge in Saskatchewan rules in support of government recognition of same-sex marriage, declaring that refusal of marriage licences to same-sex couples is a violation of the *Charter of Rights and Freedoms*. Saskatchewan joins five other provinces and one territory in granting same-sex marriages. Neither the provincial nor the federal government has challenged the court application.

12 November
Education

Canadian Parents for French, a volunteer network of French-language education advocates, releases a national study entitled *The State of French Second Language Instruction*. The report finds that only one in ten students continues French-language studies through to grade 12. Enrolment in French-language programs is shown to be declining in all provinces except Prince Edward Island. The federal government has established the goal of doubling the number of bilingual young Canadians by 2013, and $350 million over four years was committed to the cause in 2003, but only Ontario has reached a funding agreement with Ottawa on the issue.

16 November
Finance

The federal government, in an economic and fiscal update, announces a projected surplus of $8.9 billion for the 2004–5 fiscal year – more than double the $4 billion surplus originally forecast by the government. The update forecasts total federal surpluses of $61 billion over the next five years, as well as further savings of $12 billion through bureaucratic expenditure reviews. The government will set aside $18 billion of projected funds to debt repayment and $13.5 billion as an "economic prudence" reserve in case of unexpected shocks, leaving the remaining funds for program spending. To the dismay of critics, significant tax cuts are ruled out by the government as a possible

granting to Alina Balaican of a ministerial permit to stay in Canada by federal Immigration Minister Judy Sgro. Federal opposition MPs allege the permit was granted in recognition of the involvement of Balaican and her husband in Sgro's re-election campaign in Toronto. Sgro insists the permit was granted on humanitarian grounds.

30 November –
1 December
*Canada–U.S.
Relations*

U.S. President George W. Bush makes his first official visit to Canada. Although Bush had previously attended two summits in Canada, he had not previously made an official visit. A planned May 2003 visit had been cancelled following former Prime Minister Jean Chrétien's decision not to support the U.S.-led invasion of Iraq. Prime Minister Paul Martin meets Bush in Ottawa on 30 November to discuss issues including joint security, foreign policy, and beef exports, with Bush pledging on the final issue to act to expedite the reopening of American borders to Canadian cattle. In a public address the following day in Halifax, Bush outlines his government's foreign policy intentions and asks for Canadian support in the "war on terror" and on ballistic missile defence.

6 December
Aboriginal Peoples

The Government of Newfoundland and Labrador ratifies the Labrador Inuit Land Claims Agreement. The agreement grants the Inuit numerous community government rights as well as ownership of 15,800 square kilometres of land. The Labrador Inuit Association approved the agreement in May; only federal approval remains before the agreement becomes law. The Métis people of Labrador, however, stage a protest on the steps of the provincial assembly building, fearing that the agreement will hinder

marriage to include same-sex couples. The ruling also
defends the right of religious institutions opposed to same-

26 December   An Indian Ocean earthquake measuring 9.0 on the Rich-
Natural Disasters   ter scale triggers a violent tsunami that hits more than a
                     dozen countries in South and Southeast Asia. More than
                     140,000 deaths are reported. The Government of Canada
                     commits $425 million over five years towards humanitar-
                     ian aid, rehabilitation, and reconstruction in the most
                     affected countries, particularly Indonesia and Sri Lanka.
                     A further $20 million is donated by provincial and territo-
                     rial governments, and more than $230 million is donated
                     by non-governmental organizations, employee unions, and
                     the private sector.

30 December   Reports of a second Canadian case of mad cow disease
BSE   are released by the Canadian Food Inspection Agency.
                     Cattle industry officials, though dismayed, are not sur-
                     prised by the finding, given the increased testing
                     implemented following the initial Canadian BSE case in
                     May 2003. Representatives from both the Canadian and
                     the American government insist that the case will not af-
                     fect the planned timetable for the reopening of the
                     American border to Canadian cattle exports. The previ-
                     ous day, American officials had announced 7 March 2005
                     as a target date for allowing imports into the United States
                     of Canadian cattle under the age of thirty months.

Chronology 2004: Index

Northwest Territories   30 January

Nova Scotia   12 May, 24 September

Ontario   30 March, 5 April, 23 April, 18 May, 2 June, 13 July, 23 August, 19 September

Political Parties   6–7 March, 20 March, 15 May, 20 May, 26 May, 28 May, 3 June, 5 June, 18 November

Public Transit   30 March

Quebec   14 January, 19 January, 27 January, 9 February, 19 March, 30 March, 4 May,

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