

THE FEDERAL YEAR IN REVIEW

LES KOM
RESEARCH ASSOCIATE

The Federal Year in Review is the first of its kind: a guidebook to the important issues and events in intergovernmental affairs during the past year, designed

TABLE OF CONTENTS

	<u>Page</u>
Preface	
I <u>Introduction : The Year in Review</u>	1
II <u>National Unity</u>	4
III <u>The Constitutional Question</u>	10
1. Chronology	10
2. Substance	12
3. Implications	15
IV <u>Provincial Relations</u>	17
1. Chronology	17
2. Substance	18
3. Implications	21
V <u>Provincial Government</u>	
1. Cases	23
2. Implications	30
VI <u>Report from the Capitals</u>	32
1. British Columbia	33
2. Alberta	35

	<u>Page</u>
VII <u>Looking Ahead</u>	61
VIII <u>Appendices</u>	
1. Intergovernmental Conferences July, 1976 - September, 1977	
2. Ministers & Senior Officials	

Affairs.

3. Excerpts from the Institute of Intergovernmental Relations Annual Report, 1976-77.

INTRODUCTION : THE YEAR IN REVIEW

Canadian federalism is in crisis, and the field of intergovernmental relations is no exception. While the year beginning in September of 1976 seemed routine at first, it ended in a state of deep confusion and uncertainty. The era

marked a period of rapid developments in intergovernmental

directions seem imminent.

A number of major events combined to make this such a memorable period in intergovernmental relations. The chal-

provincial relations over the last decade: the preoccupation with the process or "rules of the game" of intergovernmental relations, rather than substance; and the unrelenting competition for authority between the central and provincial governments. To these familiar features was added a relatively new

one: there appeared to be a new style in interprovincial relations, one which emphasized cooperation and a common front

- a variety of new agreements between the federal government and the provinces, including numerous Subsidiary Agreements under the General Development Agreements;
- debate on offshore mineral rights, with a new agreement signed between Ottawa and the Maritime provinces, but not Newfoundland;
- discussion of the removal of wage and price controls and the "post-controls" era;
- the Report of the Western Premiers' Task Force on Constitutional Trends ("Intrusions Report"), May, 1977;
- the federal Canadian Home Insulation Program, a novel

initiative in that grants to individuals were made conditional on actions of provincial governments, thus demonstrating the continuing nature of federal "intrusions";

- new levels of international relations between individual provinces and foreign countries.

Interaction between Canada's eleven governments thus continued to be a vital and dynamic component of Canadian federalism, a rapidly-evolving institution whose

II NATIONAL UNITY

its various interpretations has passed from a post-positivist

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

provinces with a package of proposals for constitution

The Premiers have also responded as a group. The Western Premiers' Conference in May, 1977 rejected the Parti Québécois proposal of sovereignty-association but did

Constitution, closely affiliated with the Canadian Forum.

be convened in over a year is to deal with the economy,
there is always the possibility of one being called to

grapple with the issues

ing the progress of debate

III THE CONSTITUTIONAL QUESTION

Two major issues surrounded the constitution:
1) the patriation-amendment-jurisdiction debates, and 2)
the national unity crisis. Just as the first was heat-
ing up after several years of _____

The unity debate changed not only the substance
of the constitutional agenda, but the style as well.
Whereas constitutional review had previously featured
rigid, self-interested approaches on the part of the pro-
tagonists, the new crisis opened the door to a more

provincial responsibility, in areas such as consumer and
corporate affairs, resources, housing, economic develop-

August: Premiers' Conference at St. Andrews discusses
language rights.

October: The federal Speech from the Throne promises a new

and Senate representation. It was felt that further progress required a federal-provincial conference.

This orderly progression of events was expected

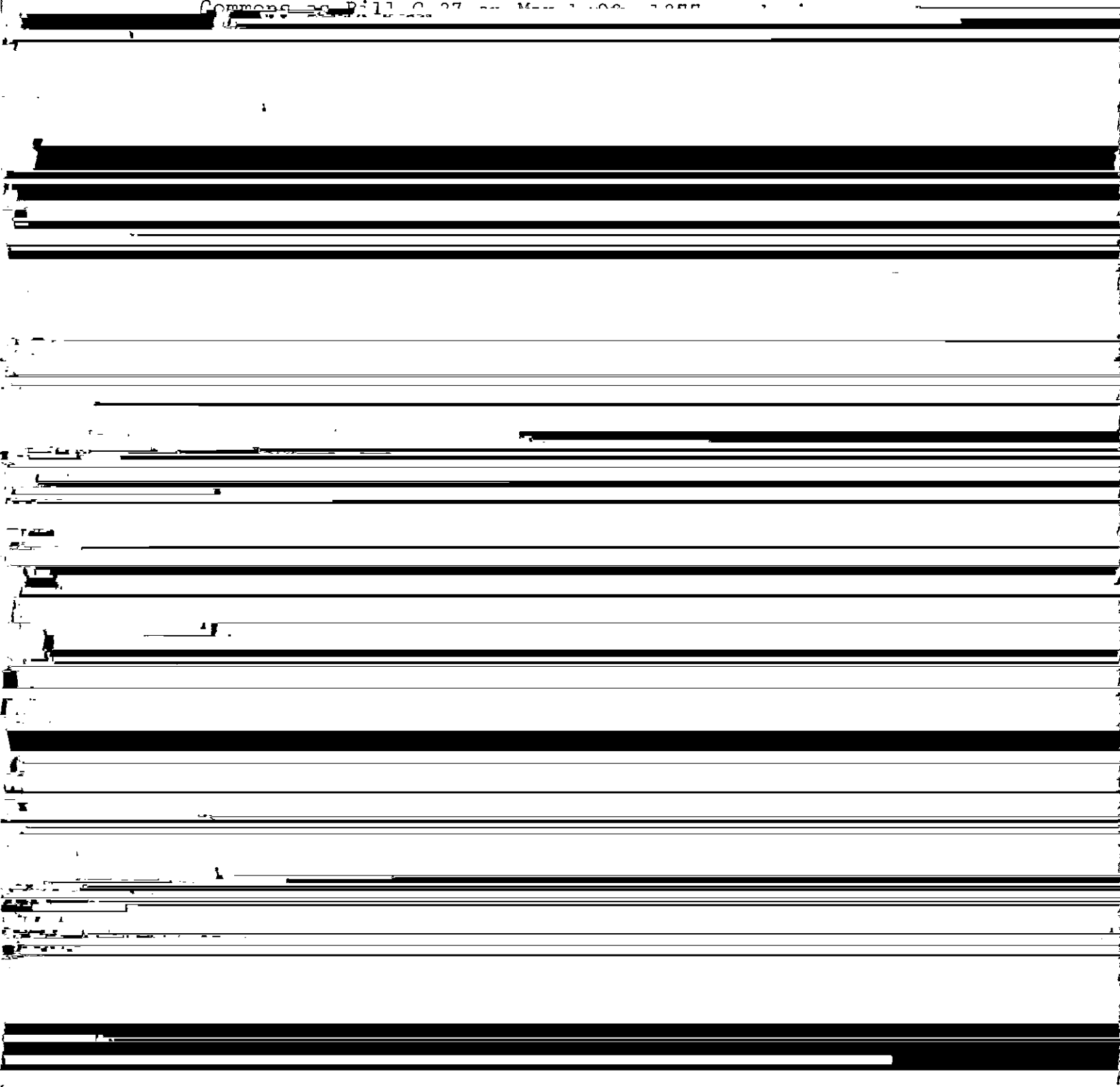
well-tried constitution aside while not being able to agree on a replacement.

It quickly became clear that a major stumbling block to constitutional analysis in this context was the imprecise definition of options. Calls for a constitutional

substantive issues. This shift in emphasis, coupled with

IV FISCAL RELATIONS

By far the most important event in federal-provincial fiscal relations was the development of the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977, passed by the House of Commons as Bill C-27 on May 1, 1977.



2. Substance

The new Act replaced the previous five-year agreement, the Fiscal Arrangements Act of 1972, which expired March 31, 1977. There were a number of key elements involved in the complex negotiations:

- (1) The question of what the overall division of fiscal resources between federal and provincial governments should be;
- (2) the dialectic between the nation-building impulse of inter-regional equality and the province-building motive of regional autonomy; thus, Finance Minister Donald MacDonald noted that "We are looking for a system that is both

more responsive to the wishes of provinces for

and shifts of fiscal resources and administrative responsibilities to the provinces, at least in the vital area of

- 4) Equalization Payments: At the heart of Canadian federalism, this program is continued with some important changes. Only 50% of provincial revenues from non-renewable natural resources will now be included in equalization formula and

In summary, the most important outcome of the new fiscal arrangements is the "disentanglement" and, in effect, the de-escalation of the growth in public expenditures concerning the three shared-cost programs which are a vital component in Canadian social policy. In overall net monetary terms, the new agreement appears as a saw-off, or perhaps more appropriately, as a mutually satisfactory trade: federal transfer payments to the provinces will increase by \$924 million in 1977-78 as a result of the new shared-cost program arrangements but will decrease by the more than \$900 million which would have been due under a continued Revenue Guarantee Program. (See Tables for further details).

3. Implications

The dollars and cents side of Canadian federalism has much to tell about all aspects of our political system. The major changes brought about in Established Programs Financing are probably potentially the most significant of the new fiscal arrangements for the future style and substance of federalism.

~~From an administrative perspective, the changes~~

~~represent progress towards the widely sought "disentanglement"~~

centive to halt the rapid expansion these programs have experienced over the years. Will expenditures be frozen, or even reduced, in the face of rising costs and limited federal contributions due to a stagnant economy?

The new arrangements also have implications for

COMPARISON OF PROJECTIONS OF EQUALIZATION PAYMENTS TO THE
 PROVINCES UNDER THE OLD AND NEW FORMULAE
 FISCAL YEARS 1977-78 TO 1981-82
 (\$ million)

	Nfld.	P.E.I.	N.S.	N.B.	Que.	Man.	Sask.	Total
Projection of New Formula*								
1977-78	277	67	338	289	1,316	186	87	2,560
1978-79	206	72	378	267	1,316	186	87	2,560

Total

5,990.1
6,582.8
7,273.2
7,957.0
8,646.2

6,400.8
7,531.4
8,694.9
9,459.5
10,437.1

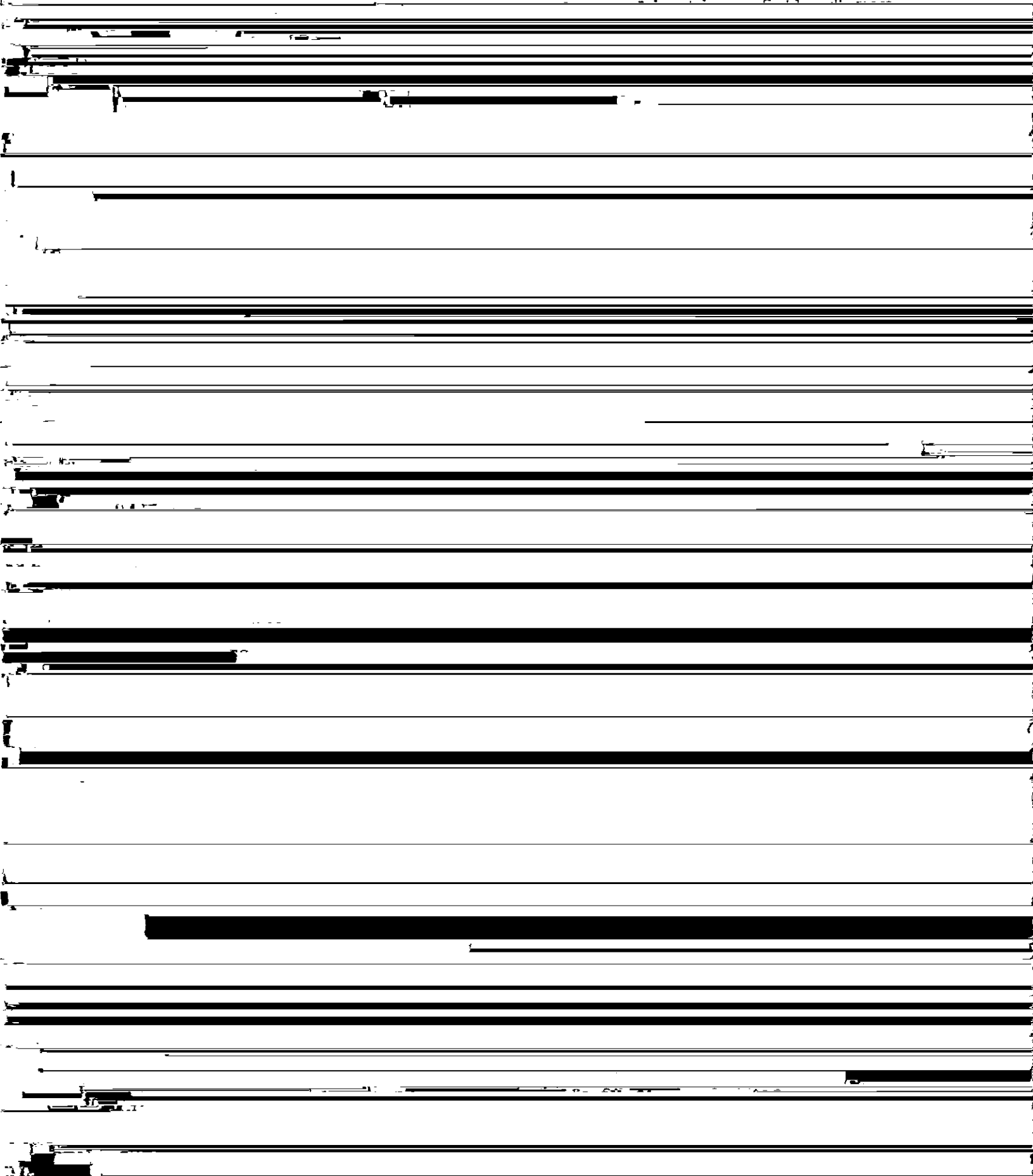
V REPORT FROM THE COURT

The Supreme Court has been a crucial institution in shaping Canadian federalism, although its importance has



It is noteworthy that four of the seven Justices, led by Chief Justice Laskin, seemed willing to flirt with a broader

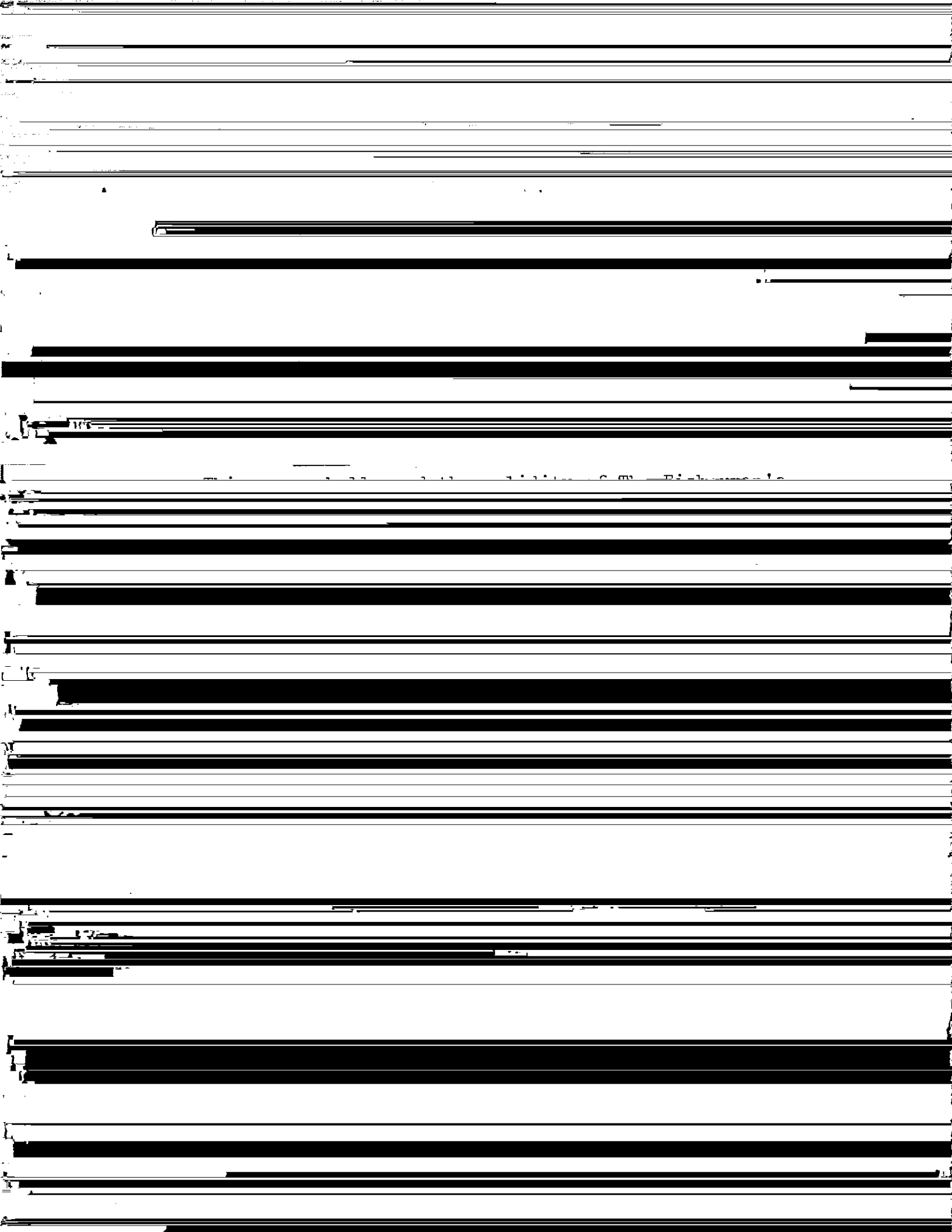
Parliament to have viewed the matter as a pressing national



Arguments in both cases ...

[The remainder of the page is heavily redacted with black bars.]

provincial government), that they interfered with inter-
provincial trade and that they regulated trade and



2. Implications

The Supreme Court rulings in the important cases concerning the anti-inflation program, cable television and natural resources indicate a centralist tendency on the part of the Supreme Court despite strong provincial interests in these cases. (In this light, the outcome of a Supreme

Given the above three considerations, it seems reasonable to conclude that the Supreme Court and judicial review will not play a directly constructive role in the resolution of current crises in Confederation. While this institution may be successfully clarifying and interpreting the existing constitution, it is not furthering political progress, except perhaps as a by-product of the heightened controversy which its rulings inspire. Resolution of current intergovernmental conflicts, therefore, may be dependent on institutions and mechanisms other than our courts.

VI REPORT FROM THE CAPITALS

This section is a survey of major events and activities involving each province, based on information kindly

variety of intergovernmental relations outlined indicate that despite the prominent conflicts which often dominate public attention, the day-to-day business of federalism has continued with a high level of interaction among the eleven

BRITISH COLUMBIA

(1) Major Intergovernmental Agreements

- (a) Coastal Ferry Agreement, signed April 18, 1977; provides an annual federal subsidy for ferry and coastal

SASKATCHEWAN

(1) Major Intergovernmental Agreements Initiated

Federal-Provincial

- (a) A new, five-year Special Rural Development Agreement was signed on May 30, 1977, replacing the previous agreement signed under the Agriculture and Rural Development Act (ARDA) of 1970 and extended for two years; the purpose of the new Agreement is "to provide economic development assistance to rural areas".

by the federal Department of Energy, Mines and Resources, and the provincial Department of Mineral Resources.

- (f) A drought program, in response to the disastrous weather conditions in Saskatchewan in the spring of 1977, was signed by the provincial and federal Departments of Agriculture.

Inter-provincial

- (a) Manitoba, Saskatchewan, Alberta and British Columbia, together with private funding, agreed to support the Veterinary Infectious Disease Organization at the University of Saskatchewan in Saskatoon

the Year.

- (a) The Special ARDA Agreement, which Saskatchewan and DREE entered into in 1971 and renewed in 1975, ended

in Geneva through the Western GATT Committee of officials. This Committee first produced a

The first sentence of the ...

[The remainder of the page is almost entirely obscured by heavy black redaction bars.]

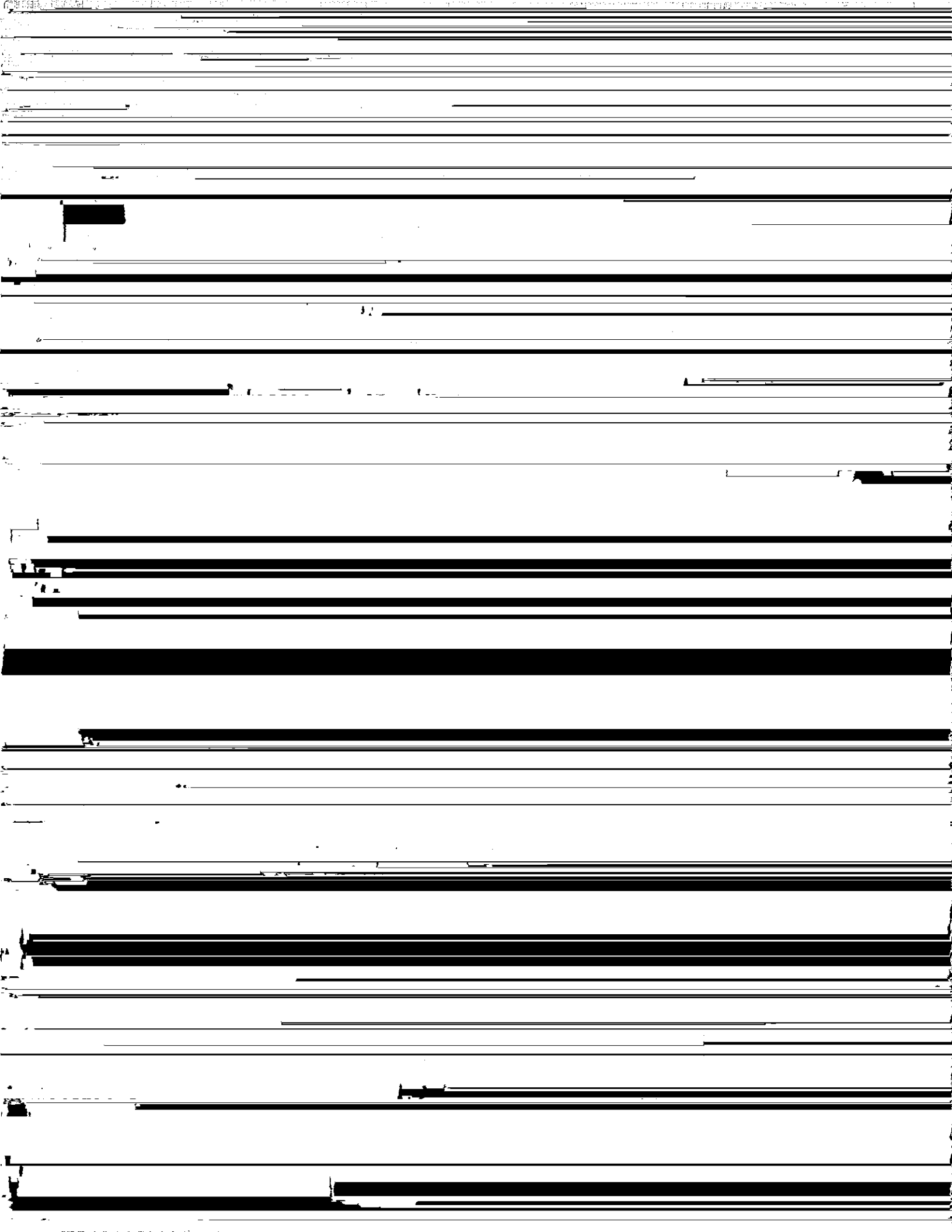
... based on a new federal-provincial

in Spring, 1977, also regarding pea protein

MANITOBA

(a) Special Rural Development Agreement, under the
Agricultural and Rural Development Act signed

(S) Government approval was given on October 15 1976



ONTARIO

(1) Major Intergovernmental Agreements Initiated

Interprovincial

- (a) Study of minority language services in each province
- (b) Study of national energy grid.
- (c) Ongoing consultation under the Ontario-Quebec Permanent Commission on cultural, educational and economic programs.

(4) International Activities

(a) Trade Missions

- (i) Premier Davis visited Israel in January, 1977, and Japan in September, 1977.
- (ii) Ministerial and officials' missions to Europe and Asia in January, May and September, 1977.

(b) Trade Office opened in Paris in October, 1977.

(c) Ontario participated as a member of the Canadian delegation in a number of cultural and scientific exchange agreements with France, Germany, Belgium, Mexico and England.

(d) Ontario participated in the Canadian delegation

QUEBEC

The election of the Parti Québécois on November 15, 1976, set the tone for the province's intergovernmental affairs over the next year. Committed to secession from Confederation together with a new contract of association.

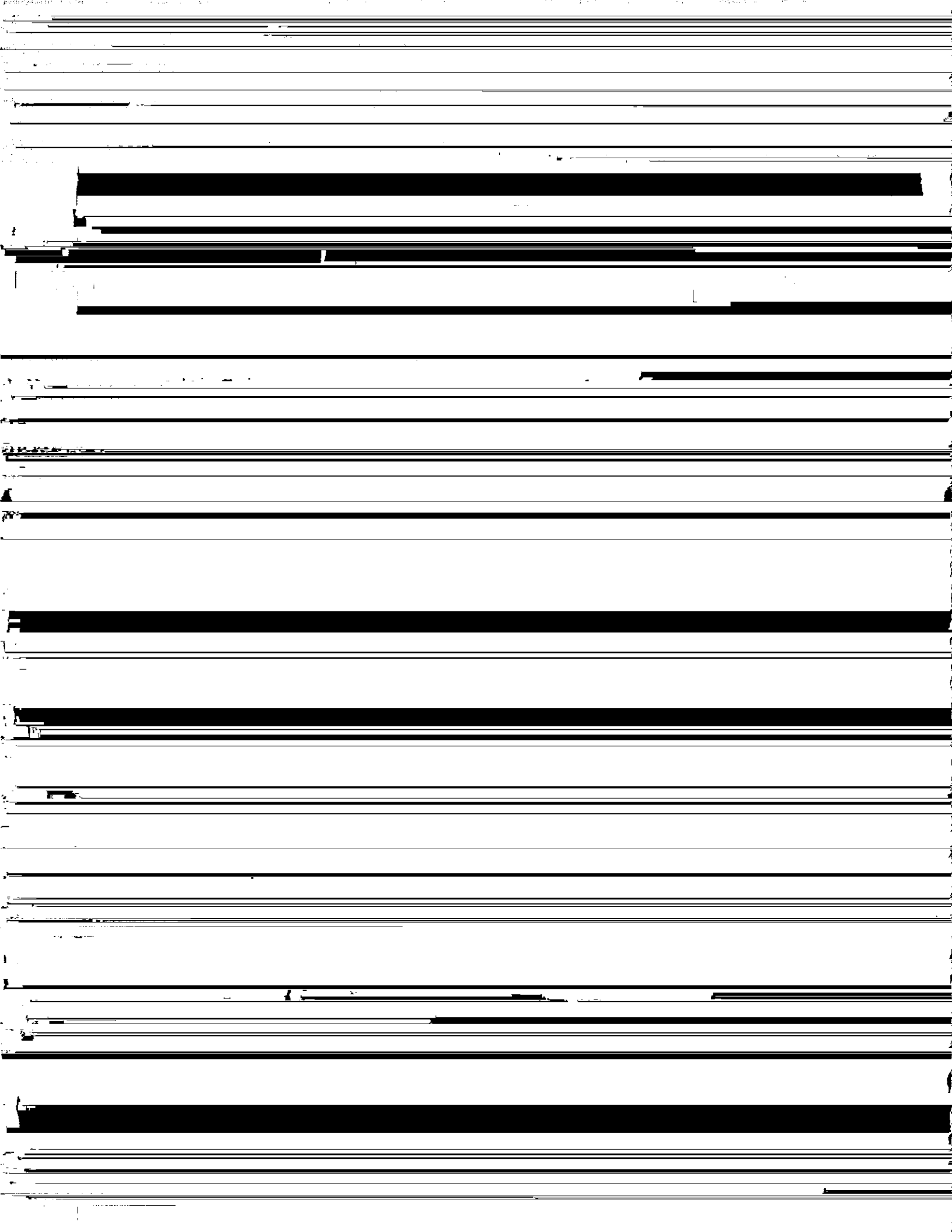
and moving quickly to further this aim, the Quebec government brought all aspects of the federal system into question, even as it participated in much of the daily business of federalism.

(1) Major Intergovernmental Agreements Initiated

Federal-Provincial

Development Agreement, signed June 22, 1977, to expire in 1982.

(b) Agricultural Development Sub-Agreement, signed June 22nd, 1977 to expire in 1982.



Court of Appeal that the province's new cable licencing body was unconstitutional was appealed by the province to the Supreme Court, which sustained the earlier verdict. (See "Report from the Court").

(d) Fiscal Relations

On March 25, 1977, the Quebec government published The Economic Accounts of Quebec, which claimed that the province had been drained of \$4.3 billion since 1961 due to its disadvantaged role in Confederation. This report precipitated the "battle

NEW BRUNSWICK

Federal-Provincial

- (a) Highways 1977-80 Subsidiary Agreement, signed February 11, 1977, to expire March 31, 1980; object is to complete previously begun highways and build new ones; total cost is \$56 million, of which the federal share is 75%.

(b) Northwest New Brunswick

(b) Information is being withheld from the public because it is:

(a) Officials from the Industrial Development Branch

NOVA SCOTIA

(1) Major Intergovernmental Agreements Initiated

(2) Major Intergovernmental Agreements Terminated

(3) Major Intergovernmental Issues under Discussion

(a) Fisheries

The 200-mile limit and joint ventures are two concerns here (cf. Newfoundland).

(b) GATT

ms

As noted in the GATT negotia


PRINCE EDWARD ISLAND

(1) Major Intergovernmental Agreements Initiated

(a) Electrical Interconnection Agreement

(1) Major Intergovernmental Agreements Initiated

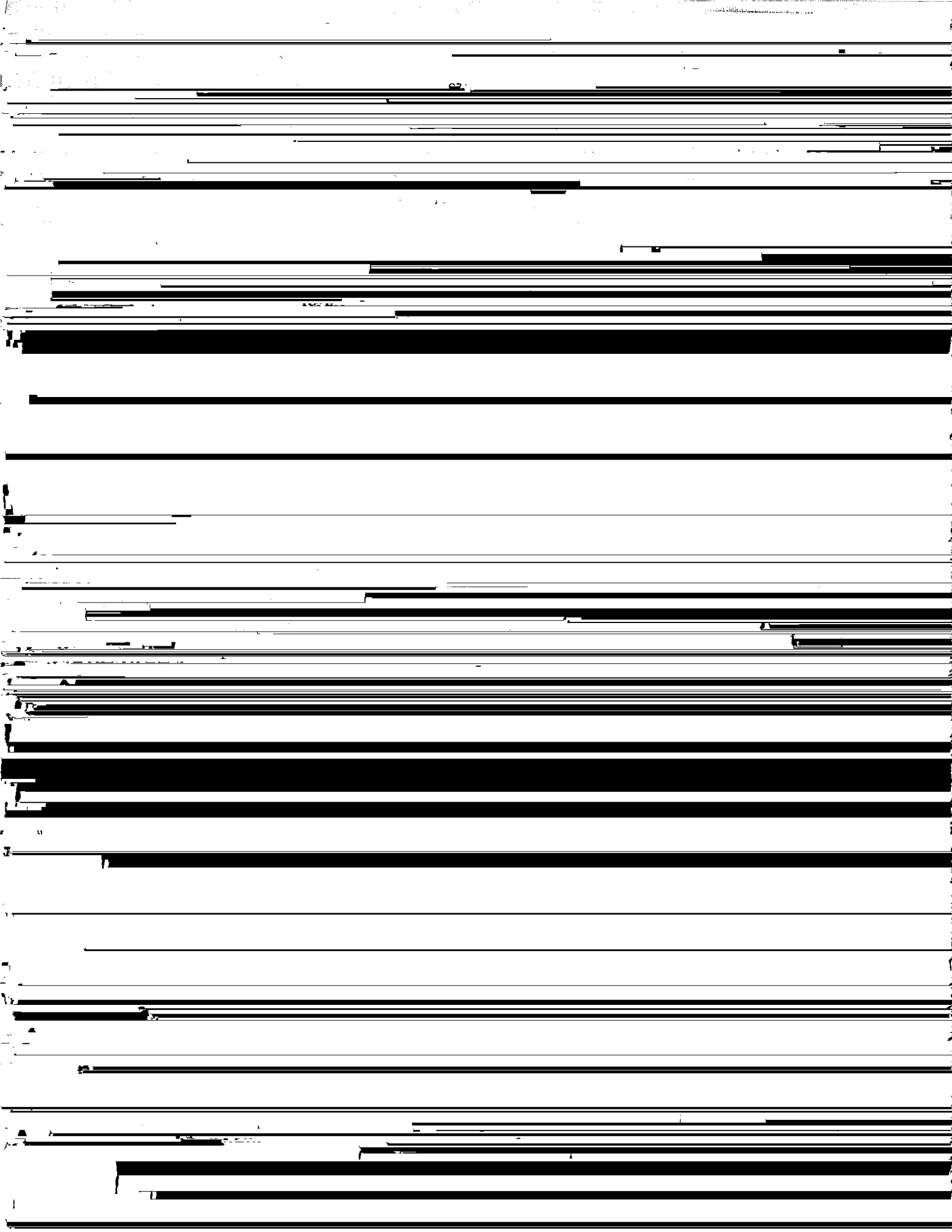
(f) The Newfoundland and Labrador Development Corporation Limited, originally created in a 1972 agreement with the purpose of aid to small and medium



(4) International Activities

Premier Moores led a trade mission to European fishing nations to promote proposals for joint ventures

A NOTE ON FEDERAL ADMINISTRATION OF



federalism" had its fullest development in social policy,

