Ontario in the Federation
Cabinet Office - Intergovernmental Affairs
July 23, 2008
Cabinet Office - Intergovernmental Affairs

• Cabinet Office - Intergovernmental Affairs’ (CO-IA) mandate: to ensure that Ontario continues to play a constructive role in strengthening the Canadian federation and in preserving national unity, while promoting a strong and prosperous Ontario.

• CO-IA division provides strategic advice to the Premier as well as Cabinet and to ministries, on Ontario’s relationship with the federal government and with other Canadian provincial and territorial governments.

• The Division’s Office of International Relations and Protocol coordinates the province’s international relations.
Canadian Federation
Ontario in the Federation

• **Ontario Key Facts:**
  
  – 38.8% of Canada’s total population, largest province in **Canada** - Current Population: 12,891,787 (July 1, 2007 Estimate)

  – 38.0% of Canada’s GDP
    • 2007 GDP: $582 billion

  – **2006 GDP per capita ($)**
    • $45,457 Ontario
    • $46,441 Canada

  – **Trade:** In 2006 Ontario had 45% of Canada’s exports and 59% of imports
Provinces in Canada – Population/Economy

- Canada’s ten provinces and three territories vary widely in population and economic strength.

<table>
<thead>
<tr>
<th>Province</th>
<th>Population April 1, 2008 Estimate (Persons)</th>
<th>Share (%)</th>
<th>GDP 2007 Total ($Millions)</th>
<th>Per Capita ($)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC</td>
<td>4,428,356</td>
<td>13.3%</td>
<td>190,214</td>
<td>43,425</td>
<td>5</td>
</tr>
<tr>
<td>Alberta</td>
<td>3,512,368</td>
<td>10.6%</td>
<td>259,941</td>
<td>74,825</td>
<td>1</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>1,010,146</td>
<td>3.0%</td>
<td>51,166</td>
<td>51,327</td>
<td>3</td>
</tr>
<tr>
<td>Manitoba</td>
<td>1,196,291</td>
<td>3.6%</td>
<td>48,586</td>
<td>40,943</td>
<td>6</td>
</tr>
<tr>
<td><strong>Ontario</strong></td>
<td><strong>12,891,787</strong></td>
<td><strong>38.8%</strong></td>
<td><strong>582,019</strong></td>
<td><strong>45,457</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td>Quebec</td>
<td>7,744,530</td>
<td>23.3%</td>
<td>298,157</td>
<td>38,718</td>
<td>7</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>751,527</td>
<td>2.3%</td>
<td>26,410</td>
<td>35,224</td>
<td>9</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>935,962</td>
<td>2.8%</td>
<td>33,296</td>
<td>35,643</td>
<td>8</td>
</tr>
<tr>
<td>P.E.I.</td>
<td>139,407</td>
<td>0.4%</td>
<td>4,538</td>
<td>32,735</td>
<td>10</td>
</tr>
<tr>
<td>Newfoundland</td>
<td>508,270</td>
<td>1.5%</td>
<td>29,034</td>
<td>57,348</td>
<td>2</td>
</tr>
<tr>
<td>Yukon</td>
<td>31,530</td>
<td>0.1%</td>
<td>1,687</td>
<td>54,439</td>
<td>-</td>
</tr>
<tr>
<td>NWT</td>
<td>42,514</td>
<td>0.1%</td>
<td>4,580</td>
<td>107,418</td>
<td>-</td>
</tr>
<tr>
<td>Nunavut</td>
<td>31,152</td>
<td>0.1%</td>
<td>1,371</td>
<td>44,065</td>
<td>-</td>
</tr>
<tr>
<td><strong>CANADA</strong></td>
<td><strong>33,223,840</strong></td>
<td><strong>100%</strong></td>
<td><strong>1,531,427</strong></td>
<td><strong>46,441</strong></td>
<td></td>
</tr>
</tbody>
</table>
Division of Powers

- In 1867 when the constitution was written, Canada was a frontier economy in which key responsibilities were assigned to the federal government, including:
  - Banking, currency, patents, copyrights, trade and commerce, bankruptcy, and navigation and shipping, criminal law and defence.

- Provincial powers have come to include important and diverse responsibilities:
  - Property and civil rights, local government, the administration of justice, local public works, hospitals and charitable institutions, and education.

- Shared responsibilities include: environment, agriculture, energy, etc.

- Federal and provincial powers evolved based on judicial decisions, which confirmed and clarified provincial jurisdiction over most aspects of health care and social policy.

- *Canada is a de-centralized federation with the provinces having considerable constitutional powers and areas of responsibility, including health and education.*
Federal Spending Power

But the Federal Government’s *spending power* gives the federal government considerable range of action:

- The Federal Government can spend in areas of provincial jurisdiction without prior provincial approval, usually in the form of conditional transfers.

- The spending power has been the primary means of federal involvement in policy matters that are constitutionally provincial jurisdiction, such as health care and education.
  - For example, Canadian provinces have to adhere to the *Canada Health Act*, which prohibits extra billing for essential medical services.

- Provinces have tended to resist conditional federal transfers.
Federal spending power permits the federal government to spend on matters within federal and provincial areas of jurisdiction.
Three Orders of Government in Canada

- While there are three orders of government in Canada, local governments operate under the constitutional authority of provinces.

<table>
<thead>
<tr>
<th>FEDERAL</th>
<th>PROVINCIAL</th>
<th>LOCAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Immigration</td>
<td>• Education</td>
<td>• Fire and Police Departments</td>
</tr>
<tr>
<td>• National Defence</td>
<td>• Health Care</td>
<td>• Local Roads</td>
</tr>
<tr>
<td>• Multiculturalism</td>
<td>• Social Services</td>
<td>• Local School Boards</td>
</tr>
<tr>
<td>• Unemployment Insurance</td>
<td>• Provincial Justice</td>
<td>• Public Transit</td>
</tr>
<tr>
<td>• Food &amp; Drug Safety</td>
<td>• Natural Resources</td>
<td>• Public Libraries</td>
</tr>
<tr>
<td>• Airports</td>
<td>• Labour Relations</td>
<td>• Garbage Collection</td>
</tr>
<tr>
<td>• National &amp; International Environment</td>
<td>• Environment &amp; Energy</td>
<td>• Sewage and Water Systems</td>
</tr>
<tr>
<td>• Criminal Law &amp; Federal Courts</td>
<td>• Drivers’ Licensing</td>
<td>• Community Recreation</td>
</tr>
<tr>
<td>• Economic Development</td>
<td>• Consumer Protection</td>
<td>• Municipal Utilities</td>
</tr>
<tr>
<td>• International Trade</td>
<td>• Birth &amp; Death Data</td>
<td>• Welfare</td>
</tr>
<tr>
<td>• Passports</td>
<td>• Provincial Highways</td>
<td></td>
</tr>
<tr>
<td>• Foreign Policy</td>
<td>• Agricultural Development</td>
<td></td>
</tr>
<tr>
<td>• Currency &amp; Banking</td>
<td>• Parks</td>
<td></td>
</tr>
<tr>
<td>• Communications</td>
<td>• Economic Development</td>
<td></td>
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</table>

While there are three orders of government in Canada, local governments operate under the constitutional authority of provinces.
Fiscal gaps in the Federation

Vertical Fiscal Gap

• The federal government has more fiscal resources than it needs to fulfill its obligations. The provinces’ fiscal resources are insufficient.

Horizontal Fiscal Gap

• Some provinces richer than others
• Disparate endowments and structural attributes
  – Alberta, Saskatchewan, Newfoundland: oil
  – Ontario: proximity to hub of American economy, manufacturing base
Major Intergovernmental Transfers

• Major federal transfers in 2007-08
  – Canada Health Transfer (CHT) - $21.3 billion
  – Canada Social Transfer (CST) – $9.7 billion
  – Equalization – $12.8 billion

• Other key transfers include funding for urban transit and infrastructure. There are also a number of smaller cost-shared programs.

• **Note:** How these transfers are distributed is often controversial.
  – For example, CHT is not distributed on a per capita basis, shortchanging Ontario $733 million in 2008-09.
Intergovernmental Transfers Cont’d…

- Canada Health Transfer (CHT) and the Canada Social Transfer (CST) transfer cash from the federal government to the provinces for health, post-secondary education, and social programs.

- Many of the cost-shared programs started with a 50/50 split between the Federal and Provincial governments.
  - Now, most of the costs of health, education and social programs are paid for by provincial governments.

- Other key transfers include funding for urban transit, and infrastructure. There are also a number of smaller cost-shared programs.
Intergovernmental Transfers: Equalization

- Transfer program for addressing horizontal fiscal gap. Equalization enables less prosperous provincial governments to provide public services that are reasonably comparable to those in other provinces, at reasonably comparable levels of taxation.

- Program was entrenched in the Canadian Constitution in 1982.

- Equalization payments are unconditional – receiving provinces are free to spend the funds according to their own priorities.

- Equalization payments are $12.8 billion in 2007-08
  - Approx. 40% covered by Ontario taxpayers
How Ontario Works with the Federal Government

Machinery
- There are no formal institutions that regulate federal/provincial relations; relations/agreements take place on an ad hoc basis.
  - e.g. First Ministers Meeting
- The key to successful engagement between the two orders of government, is to maintain effective relationships.
- There is a regular exchange of information on activities, priorities areas of mutual interest.

Agreements
- Canada Ontario Collaboration Agreement
  - Exchange on organizational transformation
  - Joining forces to better serve citizens – Service Canada/Service Ontario
- Ontario has hundreds of agreements with the federal government on a wide variety of subjects that are administered on a day to day basis in many policy areas – for example, environment, health, agriculture, infrastructure, transportation.
Common Service Delivery

• Over the past few years Ontario and the Federal Government have signed several agreements related to common service delivery.

• In 2004 Canada and Ontario signed an agreement to work collaboratively on citizen and business face to face services as well as regulatory issues and government administration.

• This has lead to six “common-counter” service locations, including in Ottawa and Toronto, with an additional two proposed.

• Further, Canada and Ontario provide some integrated on-line services. The newborn registration initiative provides a single application process for birth certificates, birth registration, and social insurance numbers. Work on a similar death registration process is underway.

• A Statement on Cooperation on Public Service Renewal and Service Delivery, signed in 2007, identifies additional areas where collaboration in service delivery can be enhanced.
Nature of Intergovernmental Relationships

- Relationships exist at two levels
  - Inter-governmental (government to government)
  - Sector/Program
- Within each there are relationships at the political level and at the officials level

<table>
<thead>
<tr>
<th>Political</th>
<th>Official</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government to government</strong></td>
<td><strong>Government to government</strong></td>
</tr>
<tr>
<td>– Premier – Prime Minister</td>
<td>– Clerk of Privy Council – Secretary of Cabinet</td>
</tr>
<tr>
<td>– Premier’s Office – Prime Minister’s Office</td>
<td>– MIA Deputy Ministers and Senior Officials</td>
</tr>
<tr>
<td><strong>Sector/Program</strong></td>
<td><strong>Sector/Program</strong></td>
</tr>
<tr>
<td>– Minister – Minister</td>
<td>– Deputy Ministers</td>
</tr>
<tr>
<td>– Federal – Provincial – Territorial Ministers Meetings</td>
<td>– Deputy Ministers Councils</td>
</tr>
<tr>
<td></td>
<td>– Program Experts</td>
</tr>
</tbody>
</table>
How Ontario Works with Other Provinces

BILATERAL RELATIONS

• Ad hoc discussions/negotiations on common interests such as energy or road safety and regulations.

• Through cooperative agreements:
  – **Ontario** and **Quebec** signed a joint declaration to begin negotiating an accord to strengthen the economies of Quebec and Ontario on November 27, 2007.

  – **Ontario** announced on July 18, 2008 that it would join the Western Climate Change Initiative with **British Columbia, Manitoba, Quebec** and seven US states.

  – **Ontario** signed an agreement with **New Brunswick** on June 18, 2007 on air pollution, smog and climate change.
How Ontario Works with Other Provinces

MULTILATERAL RELATIONS
• Provinces have a common interest on a number of subjects such as climate change, health, agriculture, infrastructure, inter-provincial trade, although their own approaches to dealing with the issues may vary.

• The Council of the Federation is a key institution for managing relations.

• There are regular meetings of provincial/territorial ministers and deputies responsible for specific policy matters such as health.

INFORMAL RELATIONS
• In addition to formal structures informal personal contact and communication is important to management of Ontario’s relationships with other provinces.
Council of the Federation

- Composed of 10 provincial and 3 territorial premiers. The prime minister is not a member.

- Chair rotates annually. The Premier of Quebec is current chair. Chair for 2008-2009 will be the Premier of Saskatchewan.

- Political body with no legal or constitutional authority.

- Forum for discussion of issues of concern to provinces and territories, including federal-provincial issues.

- Decisions are by consensus

- Current focus of the Council is the reduction of interprovincial trade barriers and climate change.
  - Premiers announced at July 17-18 COF meeting a new agreement to implement full labour mobility across the country in 2009.
Key Current Intergovernmental Issues

**Western Hemisphere Travel Initiative (WHTI)**
- Under the WHTI, as of June 2009, all travellers attempting to enter the US by land or sea will be required to present a valid passport or alternative documents deemed acceptable by the US Departments of State and Homeland Security (DHS).
- In Canada, Ontario has taken a leadership position in working with the Federal government, and other provinces and US states in promoting an Enhanced Driver’s Licence (EDL) as an alternative to a passport.

**The Ontario-Quebec Continental Gateway**
- The Ontario-Quebec Continental Gateway is the transportation system in Ontario and Quebec whose roads, rail lines, ports, and airports support Canada’s two largest economies and over 71% of Canada-United States trade.
- These Gateways are designed to provide an intergovernmental platform to coordinate planning and funding of infrastructure.
- In September, 2009 a Gateway strategy will be released with short, medium and long-term recommendations.

**Climate Change**
- Ontario is exploring with other provinces and U.S. states the feasibility of emissions trading systems such as cap and trade.

**Ontario-Quebec Economic Trade Agreement**
- Ontario and Quebec are currently negotiating an agreement to reduce or eliminate remaining interprovincial barriers in such areas as labour mobility and public-sector procurement.
Key Issue – Fiscal Imbalance

• There is a significant imbalance between the revenue that the Federal government earns from Ontario and its spending in Ontario.

• The existence of a fiscal imbalance has been acknowledged by the federal government. The March 2007 Federal budget made real progress in addressing the fiscal imbalance between Ontario and Ottawa but more needs to be done.

• Equalization is broken: The amount of money redistributed through the program is increasing rapidly. Canadians living in Ontario are paying for the largest part of the increase, even though they don’t benefit directly, and even though many other provinces are now as prosperous as Ontario.
Provincial Contributions Compared

Net Contribution to the Federation
(Including Federal Surplus)
2007-08

Note: Net expenditures outside Canada ($5.6 billion) are not shown.