

Notes for a Speech by

**The Hon. Rona Ambrose**

**CANADIAN FEDERALISM:  
THE WAY FORWARD**

Forum of Federations

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Thank you.  
Honoured guests,  
Ladies and gentlemen,

As Canada's Minister of Intergovernmental Affairs, it is a pleasure for me to be here today, and I want to thank the *Instituto de Pesquisa Econômica Aplicada* and Forum of Federations for their kind invitation.

Brazil is traditionally Canada's largest trading partner in South America. Trade between our countries continues to grow. In fact, this year marks the 60<sup>th</sup> anniversary of the opening of the Canadian Consulate General in Sao Paulo.

Canada's Prime Minister, Stephen Harper, has made the Americas a priority, and we are looking at a significant enhancement of our relations in the Americas. Our strategic approach is to work with key partners to advance common interests and values under three key themes: Democracy, Prosperity and Security.

Canada-Brazil relations are at a very positive juncture and we are seeking a more dynamic engagement to advance our shared interests in the region, and at a global level. Our relations have a rich history. Canadian companies have been investing in Brazil for more than a century, commencing with Brascan.

Levels of investment have never been higher. Brazil is the largest foreign direct investor from Central and South America in Canada and the acquisition of Canada's Inco by the Companhia Vale do Rio Doce (CVRD) has made these links even stronger.

We have an interest in knowing each other better. Sharing our experience of federalism is certainly one way of learning from each other.

Other federations of our hemisphere, like the other federations in the world, are very different from one another. Some of these federations are among the wealthiest countries, others are newly industrialized countries, some span a continent or have huge populations, and others are very modest in size or population.

Nevertheless, the fact that all these countries are federations influences their political life.

Unlike the parliamentary system in place in Canada, the executive and legislative branches are clearly separated in Brazil's congressional system.

In my country, we have 10 provinces and 3 territories with a system that has been defined much more extensively by federal-provincial relations than by relations between executive and legislative branches.

The common denominator in federations that work is that they use federalism not as an end in itself, but rather as a tool to respect diversity and to find effective ways to serve citizens.

### **Canada's Experience with Federalism**

Looking back at Canada's history, you soon see that federalism was a wise choice by our founders. The formula best suited to the changing needs and aspirations of Canadians. Canada is a country defined by its diversity – be it economic, social, geographic, or cultural diversity.

In this context, our practice of federalism allows Canada to strike a balance – which in tangible terms, means pursuing national goals while taking into consideration various local and regional considerations all the while continuously adapting to change.

In fact, the Canadian federation's flexibility lends itself well to finding solutions to public policy and helps it rise to the challenges that we face.

Canada is proud of its effective governance, of its respect for diversity and of its ways of achieving consensus. As a federation, our common strength has been in how we address divergences and how we overcome them, and build a stronger country.

### **Intergovernmental Mechanisms**

In my country, a variety of mechanisms are in place to ensure fluid intergovernmental relations. Our intergovernmental structures and machinery, like Brazil's, enable the proper management of our federation.

Canada, like most federations has not formally anchored its intergovernmental structures and processes in its Constitution. Rather, our intergovernmental mechanisms have tended to evolve in response to changing political dynamics.

At the federal level, the ultimate authority for intergovernmental relations rests with the Prime Minister, who chairs all multilateral meetings with provincial Premiers and territorial leaders – these meetings are also known as First Ministers Meetings – and deals directly with provincial Premiers and territorial leaders, all on an *ad hoc* basis.

As Minister of Intergovernmental Affairs, I advise the Prime Minister as well as my Cabinet colleagues on intergovernmental matters. I am supported by a secretariat that provides me with expert advice on the management of the federation, national unity, fiscal federalism, and constitutional files.

My cabinet colleagues also co-chair federal-provincial-territorial meetings with their respective counterparts on many sectoral files, such as agriculture, health, finance, energy and internal trade, just to name a few.

In general, it would be fair to characterize this system as having frequent consultations and innumerable points of contact, from the highest level – the Prime Minister and his colleagues – to day-to-day contacts between officials working for the federal and provincial and territorial governments.

More recently, in 2003, the Canadian provinces and territories created the Council of the Federation. This council comprises the 13 Premiers and territorial leaders, but not the federal government. Its mandate is to strengthen interprovincial cooperation and to exert leadership on issues of importance.

The federal government has no formal ties to the Council of the Federation, but works in cooperation with the provinces and territories to advance common priorities.

### **Open Federalism**

In Canada, different orders of government have different views and, to a certain extent, this is healthy in a federation like ours. However, it recently became obvious that Canadian federalism was not evolving as well as it should.

It was becoming unresponsive to the changing needs of the provinces and territories and the changing needs of Canadians.

Unplanned federal surpluses were used to spend massive amounts in areas of exclusive provincial jurisdiction, often without much consultation, and *ad hoc* bilateral side deals were signed with some provinces leading to questions of fairness.

Open Federalism is the approach to federalism that Canada's New Government uses. It means recognizing the maturation and evolution of provinces and territories within the federation.

Open Federalism means respecting the important role the provinces play in the development of effective public policy.

Open Federalism means seeking provincial input into the development of the Canadian position in international negotiations or organizations where provincial jurisdiction is affected.

I want to talk in more detail about one important action taken under Open Federalism: a return to a principled based approach to federal fiscal transfers.

By providing equitable, predictable and long-term funding to the provinces and territories for shared national priorities, and attempting to clarify roles and responsibilities in the federation, the Canadian federal government, through its 2007 Federal Budget, is offering a solid, principle-based approach on which provincial governments can continue to work.

This commitment was a reassertion of the benefits to be found in a flexible federation that allows our diversity to serve as a source of strength and innovation. A reassertion of the need for an open, honest, and respectful relationship with the provinces and territories. And a reassertion that true collaboration can only occur when resources and accountability are matched with responsibilities.

We believe that identifying strategic opportunities to work with the provinces and territories, seizing those opportunities and responding with a readiness to work collaboratively will benefit the entire country.

We also had to move beyond the sterile debates about transfers at a time when economies were becoming more integrated within North America than in Canada itself, as the country faces intense pressure from its economic partners.

Our task now is to go forward and focus on building a stronger and more prosperous country. The question for both the provinces and territories and the federal government is “which opportunities and when?”

### **The Way Forward**

As the Canadian federation evolves, we will focus on measures to strengthen the economic union and enhance Canada’s global trade performance.

Two decades ago, few would have believed that Canada could be deficit free and paying down its debt. This zero tolerance on the deficit has become the policy preference and larger reality at the federal level and throughout most of our provinces. Debt levels, which peaked in the early nineties, have declined steadily as a percentage of our gross domestic product.

Canada has also seen strong growth in its labour force and in overall employment, in part thanks to reduction in tax levels and enhanced investment incentives that falling debt levels have helped make possible.

In addition to reforming intergovernmental fiscal arrangements, the Government of Canada has made new investments in strengthening human capital and in other important areas, like post-secondary education and child care through increases to the Canada Social Transfer, as well as in labour market training to help prepare Canadians for the jobs of the future.

Increasingly, the key to a competitive, productive economy is world-class infrastructure. Without the ability to move people and goods along free flowing roadways, over safe bridges or across efficient border crossings our economy would quickly grind to a halt. In today's interdependent world of trade and security, modern infrastructure is not a luxury; it is a necessity.

In fact, many of our major urban centres today are experiencing severe gridlock, aging infrastructure and lost productivity. In Canada's largest city alone, the Greater Toronto Area, it is estimated we are losing \$2 billion a year due to inefficient infrastructure.

That is why our 2007 Budget also contained an unprecedented, long-term commitment to rebuilding Canada's infrastructure amounting to a total of \$33 billion over the next seven years. In total, this represents the largest federal investment in Canadian infrastructure since the 1950s.

It will include additional investments in national, growth-oriented projects such as gateways and border crossings. As in Brazil, it will also involve investments in public-private partnerships (P3s) in collaboration with provinces and territories.

Ladies and gentlemen, the government of which I am a part has some clear views on the priorities going forward for the economic and social infrastructure of Canada.

### **Strengthening the Canadian Economic Union**

It's time we turned our attention to achieving Canada's full potential of prosperity and competitiveness.

On this note, it is one of my government's priorities to find renewed opportunities for provinces and territories to participate in the creation of a stronger economic union. It is imperative that governments co-operate better and remove the barriers to competitiveness and efficiency within Canada's economic union.

This dialogue has already begun and we have identified ways to collaborate with the provinces and territories to outline significant initiatives to build a stronger economic union. These include:

- 1 Reviewing Canada's competition policy;
- 2 Removing barriers to trade, investment and labour mobility between provinces;
- 3 Working towards a common securities regulator;
- 4 Enacting a Global Commerce Strategy; and
- 5 Exploring ways to streamline the review of large natural resource projects.

A strong and prosperous economic union is essential if we are to remain ahead of the productivity and competitiveness curve.

By addressing these structural impediments we as Canadians can increase our standard of living, strengthen our economy, and make Canada a more attractive place for foreign direct investment.

### **Conclusion**

Ladies and gentlemen, let me conclude with a few final thoughts.

As we go along together in our respective federations, there will be the occasional disagreement and disappointment – as is only natural in all federations.

But reasonable and honourable solutions are within our grasp.

Our priorities are focused. Our fiscal stance is more precise and disciplined than ever and our belief in a more compelling federal provincial partnership is determined.

And that is a good thing for Canada and Canadians, and for all with whom we are fortunate to be partners and collaborators worldwide, including Brazil, which Canada counts as an important friend and strategic partner on many fronts.

Thank you.