Federal Funding for Urban Infrastructure: Implications of the Building Canada Fund for Multi-Level Governance in Canada

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INTRODUCTION

Accelerating urbanization and the need for sustainable urban growth have focused political attention on Canada's cities and produced a new wave of federal and provincial funding for investment in infrastructure, mass transit and the environment. Along with an increased emphasis on municipalities and place-based policy-making, the new programs, packaged as a 'New Deal for Cities and Communities' by the former Liberal government and 'Building Canada' by the current Conservative government, are intended to address decades of underinvestment in urban infrastructure and public transit.

Of these programs, the federal government's Gas Tax Fund (GTF) is the most significant and innovative. Scheduled to transfer over $14 billion to municipalities by 2014, the GTF now carries a federal government commitment to make it a permanent source of funding, in exchange for municipal commitments to invest in 'sustainable' projects and increase community engagement with citizens.

While additional funding for sustainable infrastructure projects is widely thought of as a necessary and long overdue step in light of Canada's growing urban infrastructure gap, it raises a number of important issues that are fundamental to the broader debate about policy-making and collaboration between multiple levels of government. In particular, what does the federal government's role in funding municipal infrastructure reveal about the extent and effectiveness of multi-level policy making in an area that is critical to Canada's economic and social wellbeing and what impact have political changes in Ottawa had on the federal government's funding of municipal infrastructure?

In pursuing these questions we engage in the policy debate between two divergent perspectives concerned with the evolution of federal – local relations within Canada. For Bradford (2004) the debate distinguishes between the *local autonomy* strategy, which would establish municipalities as an independent order of government, with power and independence to control their own destiny, and the *multi-level governance* approach which is based upon new modes of collaboration among federal, provincial and municipal levels of government.

Bradford concludes that the multi-level governance approach provides the most likely policy direction given the constitutional and political constraints in the way of extending local autonomy to municipalities. In this context, the GTF could be seen as an attempt to develop multi-level collaboration between levels of government, devolve some discretion to municipalities and foster subsidiarity and place-based decision-making. However, while the limited discretion and flexibly built into the GTF program design may please advocates of the multi-level approach, it presents serious challenges for accountability and program evaluation and underlines the dilemma which Bradford poses when stating that 'Canada's new urban agenda must strike a balance between valuing local flexibility and community based innovation on the one hand, and safeguarding equity and accountability across cities on the other hand (Bradford 2004, p.71).'

In addition, in spite of continuing to fund the GTF, the Conservative's subsequent infrastructure programs indicate a return to a more traditional approach to municipal funding that appears to be the preferred means of delivering the fiscal stimulus package. Significantly however, this approach goes against their espoused commitment to 'open federalism'[i]. While the GTF would have been the obvious policy instrument for expediting 'shovel ready' infrastructure projects, the government's preference for funding programs that require it to be the final arbiter of which local projects receive federal cash suggests a shift in political philosophy and has led to speculation that once again the devolutionary and place-based principles that underpin multi-level collaboration are being trumped by the need to generate political capital from federal spending.

This is consistent with Young's observation, in "Open federalism and Canadian municipalities: a research note" (2006), that while the Harper government espouses open federalism, his government's ongoing financial support for municipalities conflicts with the Conservative ideological preference for a strictly constructionist approach. Young's assessment of the federal government's involvement in such areas as the GST rebate for cities, infrastructure programs and tripartite Urban Development Agreements lead him to conclude that "[a]ll of this fits uneasily, at best, with open federalism's tenets" (2006, p. 10). Young's criticism of the federal government's overall approach to urban issues characterizes it as one in which "…idiosyncrasy dominates commonality" (ibid, p. 10) and this sentiment is echoed in our own findings on infrastructure funding which we have previously described as 'policy by project'.

In terms of the implications for multi-level governance neither the search for political capital, nor the policy inconsistencies and perverse outcomes this produces, bode well for the federal government's approach to the development of a robust national framework for local problem-solving called for by Bradford (2004 p. 85). If federal and provincial governments are not prepared to engage seriously in a debate about how to extend local autonomy, through measures such as reinstating local income taxes, or commit to the devolutionary principles implicit in multi-level governance, we argue that the prospects for addressing the infrastructure gap in Canada remain bleak. Moreover, faced with the current trend for minority governments and frequent elections likely to persist at the federal level into the near future, the reality is that Canada's approach to addressing infrastructure and other urban issues will continue to centre on federal transfers that are increasingly driven by political rather than strategic needs. Consequently we contend that while either the local autonomy or multi-level governance approaches would be preferable to the current federal penchant for transferring 'free cash' to municipalities, neither is likely to emerge given the current reality of federal politics and the need for political capital.

The paper begins with a brief discussion of the local-autonomy/multi-level governance debate and then focuses on Canada's infrastructure challenges and, specifically, the role that federal governments have played in trying to address them. We conclude by assessing the implications for infrastructure and future multi-level collaboration in Canada.

MULTI-LEVEL GOVERNANCE

Originally used to describe the process of 'scaling up' powers from national states to the level of the European Union (Leuprecht and Lazar (2007), Brown (drawing on Marks and Hooghe 2004) defines multi-level governance as "the condition of power and authority that is shared in institutional relationships in which the scope of public policy and the mechanisms of public policy-making extend by necessity beyond the jurisdiction of a single government." (2007, p.97).

In their comparative research into multi-level governance in 8 countries (France, Switzerland, Mexico, U.S. Australia, Spain, Germany, South Africa) , Leuprecht and Lazar (2007) set out to investigate the assumption that urban policy, especially in larger cities, is increasingly being managed through new forms of governance that entail multiple levels of government and non-governmental actors. These relationships are thought to be "less hierarchical, less formal and perhaps more egalitarian than traditional forms of governance (2007, p. 1)". To better reflect the less hierarchical nature of multi-level governance it is sometimes referred to as 'networked governance' (notably in the US) while Leuprecht and Lazar (2007) prefer the term 'spheres of governance'.

The growing complexity of policy challenges and increasing inter-dependence within and between national borders and between different sectors are seen to be the forces driving countries towards more integrated or networked forms of governance. As Sancton explains, the governance of cities is necessarily multi-level:

> My position is that cities are far too important for municipal purposes alone. Policies of federal and provincial governments have always been crucial to the well-being of our cities and will continue to be, so we cannot define constitutionally who is responsible for what with respect to all the demands on government within our cities. The governance of cities will always be multi-level. (2004, n.p.)

However, Leuprecht and Lazar (2007), point out that multi-level governance is also normatively attractive to many political leaders and scholars alike. In particular, it implies a dispersion of state power, promises increased efficiency - through increased competition between governments and sectors – and, applying the principle of subsidiarity, "[P]osits delegation of decision-making responsibility to the sphere of government that is best positioned to carry out a particular task: thus to local government, other things being equal." (Leuprecht and Lazar 2007, p.5)

In spite of these perceived benefits, Lazar and Leuprecht's study of 16 case studies in 8 countries found little evidence of the trend toward this kind of devolution implied by multi-level governance:

> Across 16 policy case studies… the authors remark time and again on the hierarchical nature of the power relationships: city governments are policy takers, not policy-makers, with respect to national programs that significantly affect their jurisdictions. Their role in multi-level governance is generally to deliver services or administer programs whose character has been determined by national or even international processes over which they have little control. Thus we end up postulating a gap between the normative argument for multi-level and networked governance and the observed reality. (Leuprecht and Lazar 2007, p.2)

Although Canada was not included in the study, the findings appear to be consistent with the Canadian centralized and top-down approach to urban governance. This should be a matter for concern given that the researchers found that urban centres in countries that most closely resembled the multi-level governance framework tended to be more effective in fashioning national policies that meet the challenges of municipal policy, especially urban policy.

> Interestingly, and perhaps significantly, the two political systems in our sample where the authors are most positive about the effectiveness of multi-sphere governance, Switzerland and France, are also the ones where local influence on relevant national policy-making and implementation is most substantial. Specifically, local governments in in these two countries appear to have greater voice in making policies that affect them than the other six do. (Leuprecht and Lazar 2007, p.12)

Bradford offers a similar warning, arguing that,

> [T]raditional approaches – typically centralized and top-down – that ignore local voices and devalue community and municipal assets will not build the high quality places that are the foundation for prosperity of nations in a global age. Nor will they be capable of the robust policy learning necessary to tackle wicked problems. A 'local lens' is needed to assess the spatial impacts of national policies and maximize their benefits for people. (Bradford 2008, p.3)

In practice, Bradford (2008), like the External Advisory Committee on Cities and Communities chaired by Mike Harcourt, (2006), sees multi-level governance being achieved through the "double devolution" of policy responsibility from upper-level government to local representatives and regards these two tracks as "*municipal empowering and community building" (*emphasis in original). Progress along each track, he argues, will result in "multi-level collaborations where a host of policy resources and policy tools - recognition, voice, authority, and money come to be shared with *in situ* networks of municipal officials, community organizations, and residents (2008, p.3)". However, Bradford also concludes that "In fact, there is not yet an identifiable place-based policy community in Canada" and urges cautions that the paper's story 'overstates the degree of coherence and focus accompanying the federal thrust" (2008, p.10)

In 2001, as part of the 'federal thrust', the PM's Task force on Urban Communities, chaired by Judy Sgro, was given a mandate "to engage in a dialogue with citizens, experts and other orders of government on the opportunities and challenges facing our urban regions." The rationale given to the Task Force for focusing exclusively on urban issues was unequivocal: "it is clear that strengthened partnerships will be required to sustain and enhance the quality of life in our large urban areas."[ii] The PM's Taskforce effectively set out to develop an "urban strategy" for the nation and in November 2002 tabled its final report, entitled "Canada's Urban Strategy: A Blueprint for Action" although it is more popularly known as the Sgro Report.

While the report recommended "long term sustainable funds for public transportation systems" as well as other infrastructure, there was no mention of sharing revenues from the Gas Tax. In fact, in a revealing speech delivered in June 2003 – shortly before the end of the Chretien regime –

the Deputy Prime Minister and Minister of Finance curtly outlined the pervading arguments against sharing the gas tax with municipalities:

> ... I do not favour the suggestion that the federal government vacate the fuel tax. First, it is not necessary for the federal government to do so in order for the provinces to grant fuel tax authority to municipalities. Second, it is not a solution that meets the needs of small and rural municipalities. Third, it is foregone revenue without accountability. And fourth, it undermines the vital partnership that we must foster between and among levels of government.[iii]

Clearly, the soon to be prime minister harbored concerns about the gas tax in respect of accountability and its potential to undermine rather than promote multi-level relationships.

As Prime Minister, Paul Martin pushed ahead with the 'New Deal' and created an External Advisory Committee on Cities and Communities. The Committee's mandate was guided by the following principles, which again emphasized elements of multi-level cooperation:

> The new deal for municipalities has three components: reliable, predictable, long-term funding; a new relationship among orders of government; and looking at federal activities through an urban lens. This means respecting provincial jurisdiction and bringing cities and communities to the table. (PMO 2003)

Like the Sgro report, the External Advisory Committee eventually stopped short of advocating a national urban strategy, but collectively these initiatives, if acted upon, could, have provided the federal government with a platform on which to build a coherent and long-term framework with which to address urban affairs. Several years on, however, there appears to have been little political will to implement the findings and, as with other relevant reports, the more substantive recommendations appear to have been shelved.

This leads Courchene (2007) to ask why the recognized potential for democracy to thrive at the local level has not materialized. He concludes that one of the reasons may be that "it is difficult for citizens to be enthusiastic about local democracy as long as city politicians are largely administrators of responsibilities and policies that are legislated (and funded) elsewhere (Courchene 2007, p.31)." While multi-level governance promises a degree of increased local autonomy, he recognizes that at stake is a "realignment of effective powers in the federation, which is tantamount to *de facto*, if not *de jure*, constitutional change (2007, p.33). As he points out "Governments do not part with such powers lightly, not only because they want to 'protect their turf' but also because arguably all the institutional structures and processes in our federation rest on the current distribution of powers. (2007, p.33) "

Consequently, although various attempts have been made in recent decades to develop better intergovernmental relations, remarkably scant attention has been given to the urban consequences of federal policies (Stoney and Graham 2009). As Berdahl (2004) observes, "Communication 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' (2004, p.30). In order to see the extent of this ad hockery in a specific policy field, the next section outlines the disparate and confusing labyrinth of the federal government's efforts to bolster provincial and municipal efforts to renew local infrastructure.

MAPPING FEDERAL FUNDING FOR MUNICIPAL INFRASTRUCTURE

Context

The Canadian government's involvement in urban affairs has gone through successive periods of intensity and detachment. While municipalities constitutionally remain 'creatures of provinces' this has not precluded federal involvement in urban affairs. During the decades after World War I until the early 1980's the federal government occasionally provided municipal governments with financial assistance that took the form of loans and grants for a variety of local public works projects. Ottawa's financial assistance was intended to be short-term rather than ongoing, targeting economic and social problems resulting from high unemployment, housing shortages, urban decay and environmental degradation. Beginning in 1993 with the election of the Chretien Liberals, the federal government began the first of a series of short-lived programs that were intended to inject funds into local infrastructure projects. Ten years later, with the arrival of the Liberal government headed by Paul Martin, the launch of the *New Deal for Cities and Communities* was intended to signal the need to establish a more permanent relationship between municipalities and the federal government.

While the Harper Conservatives have not embraced the core principles of Martin's proposed "New Deal," the federal government continues to pour cash into municipal infrastructure. In order to provide a framework for this spending, the federal government has released a long-term economic plan called *Advantage Canada*, of which infrastructure is one of five core areas of activity (Department of Finance, 2006).[iv] To realize the infrastructure component of this economic agenda, the government has created *Building Canada*—an infrastructure plan that commits $33 billion over seven years through both base and program funding included in new and 'rebranded' preexisting programs). Significant changes introduced under this plan include: the sun-setting of four infrastructure programs; the creation of a new crown corporation, PPP Canada (P3C), which will provide $1.25 billlion in federal funding for municipal infrastructure projects that involve public-private partnerships, and the establishment of the Gas Tax fund as permanent measure beyond 2014. The release of this plan once again signals a period of intensity in the federal government's involvement with municipalities—but is it one where "idiosyncrasy dominates commonality" as Robert Young has suggested of past involvements, or something altogether different?

To complicate matters, each program under Infrastructure Canada is slightly different and involves varying governance arrangements. Both the GTF and the Public Transit Fund (which is winding down) are negotiated through agreements with respective provinces, territories and municipal associations (in the case of Ontario and British Columbia). The GTF funds flow twice a year to respective partners while PTF funds have been allocated to signatories in one payment. The Canadian Strategic Infrastructure Fund (CSIF) and the Border Infrastructure Fund (BIF), which are also being sun-setted, involve three partners: i) Infrastructure Canada as the primary funding agent; ii) various project partners (involving provincial, territorial or local governments, First Nations communities and/or private partners); and iii) a federal implementing department to undertake monitoring and oversight of specific projects (Infrastructure Canada, 2008b). In contrast, the Municipal Rural Infrastructure Fund (MRIF) and Infrastructure Canada Program (ICP) are community application-based infrastructure programs, implemented by the appropriate regional agency. In the case of the P3 Fund, PPP Canada Inc. is a crown corporate created to administer the Fund and "develop the P3 market" (Infrastructure Canada, 2008b).

A review of these programs is timely given that recent economic conditions have heightened the expediency of infrastructure projects (e.g., 'shovels in the ground') as a mechanism to boost employment and stimulate the economy. The main exploratory questions addressed in this paper are: i) what types of incentives and disincentives are created through the administration of these programs; ii) what kind of legacy can be expected from these infrastructure investments and; iii) what are their implications for multi-level governance and the role of the federal government in urban affairs? The paper is organized into three parts. Firstly, Infrastructure Canada's programs under the *Building Canada* plan are presented, compared and contrasted. Secondly, the types of infrastructure projects being funded under the programs are analyzed. Finally, conclusions are offered as to the potential legacy of these instruments and their impacts on multi-level governance.

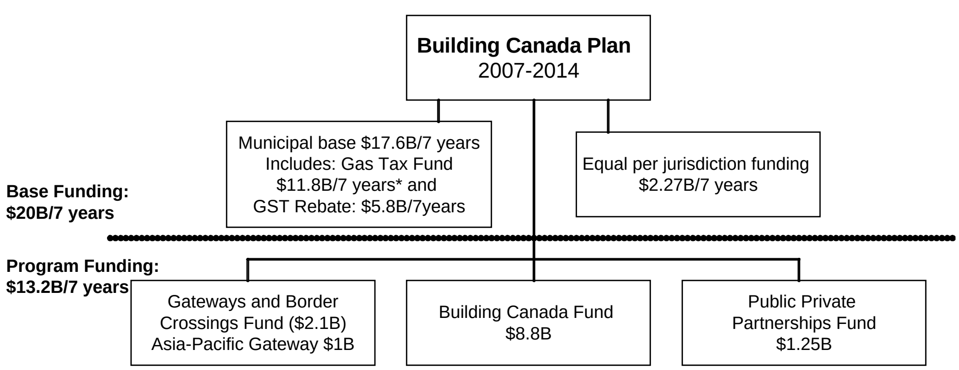
Federal infrastructure programs

In 2007, Infrastructure Canada conducted national focus groups to gauge public sentiment in a number of areas related to infrastructure and found that the participants were "almost universally" unaware of any federal infrastructure programs apart from high profile mega project funding such as the Olympic preparations in Vancouver (Infrastructure Canada, 2007a, p.1). It was also found that the participants "did not hold a high expectation of what the Federal Government could do, fiscally and with respect to other forms of leadership around planning and standards" (ibid.). The leadership void expressed by these focus groups led to recommended actions such as: "i) fostering a national debate on the role of infrastructure with respect to both economic growth and the environment; ii) bringing clarity to the federal role, and perhaps acting as the "integrator" for all three levels of government on major projects; and iii) introducing a specific truly national high profile project, such as perhaps twinning the TransCanada Highway" (ibid.). The first recommended role for the federal government was in fact already in place, when the National Roundtable on the Environment and the Economy (NRTEE) was established in 1988 and further defined through legislation (NRTEE Act) in 1993. The third was realized through such infrastructure projects as the twinning of the TransCanada highway in Banff National Park and New Brunswick, although the categorization of these projects as "national" and "high profile" could be debated. Regarding the second recommendation, the federal government has attempted to increase its profile and role in infrastructure through the *Building Canada Plan* (2007b).

The *Building Canada Plan* has three major objectives: to support economic growth and activity by improving Canada's competitiveness; to promote sustainable growth; and finally, to promote competitive and sustainable Canadian communities (Government of Canada, 2007, p. 12). Throughout the document, the tandem and potentially contradictory priorities of environmental sustainability and economic growth are highlighted. Interestingly, these contradictions were also apparent in the 2007 Infrastructure Canada focus groups where—while participants were supportive of constrained growth and sustainable urban development—they at the same time held contrary views expressing a desire for larger houses and spread-out communities. The report notes, "it was as if the former views about sustainability were held at a conscious, rational level while their contrary views are stronger, more sub-conscious and emotional… larger houses and open spaces are highly valued and are viewed as part of the Canadian birthright" (Infrastructure Canada, 2007a, p.1).

These contradictions are embedded in the *Building Canada Plan* that promises 'the best of both worlds' and embraces a competitive cities agenda that is grounded in an understanding of economic globalization as inevitable and irreversible such that policy makers and planners can only secure competitive advantage in the face of inter-city competition by pursuing market-oriented entrepreneurial strategies. This framework views environmental sustainability as an important factor to increase the attractiveness of a place to investment and the desirability of residence for mobile classes. Furthermore, this approach advocates market-driven processes to achieve public goals and implies less public sector intervention. Through the creation of PPP Canada, the federal government is hoping to promote collaborative and strategic alliances between the private and public sectors, advocating public-private partnerships in the construction of municipal infrastructure as an essential institutional mechanism. The new federal agency is remarkably similar to that established by the Harris government in Ontario: SuperBuild was touted as the province's new approach to building public infrastructure by leveraging funding from the private sector.[v] Given the federal Conservative's preferred paradigm of development, it is not surprising that Infrastructure Canada's new programs under the *Building Canada Plan* endorse the use of public-private partnerships. The implementation of new programs under a comprehensive plan (tied to the government's long term economic plan, *Advantage Canada*) is not benign and is grounded in a neo-liberal understanding of economic globalization, competitiveness and growth.

The chart below outlines the different components of the *Building Canada Plan*. Over half of the total funding under the plan goes towards base funding to provinces/territories and municipal governments while the remainder is "targeted to specific projects on a *merit* basis" (Infrastructure Canada, 2007b, p. 12, emphasis added). Of the different programs, the Gas Tax Fund (GTF) is the largest with $11.8 billion over seven years –beyond 2013-14, the GTF will be come a permanent measure. The Building Canada Fund ($8.8 billion), Gateways and Border Crossings Fund ($2.1billion) and the funding through PPP Canada ($1.25 billion) are all new funds, while several long-established programs are being sun-setted (the Canada Strategic Infrastructure Fund (CSIF), Border Infrastructure Fund (BIF), the Infrastructure Canada Program, the Municipal Rural Infrastructure Fund (MRIF), and the Public Transit Capital Trust.



*Budget 2008 committed to extend the Gas Tax Fund at $2 billion per year beyond 2013-14 and become a permanent measure. Total infrastructure funding over the period is $37B, including $4B of sunsetting expenditures from CSIF, BIF, MRIF, and Public Transit Capital Trust. The plan incorporates previous new funding announced in Budget 2006.
Source: Infrastructure Canada, 2007b, p. 11.

A brief description of the various components of the *Building Canada Plan* follows.

a) Gas Tax Fund

The Harper Conservatives have committed to making GTF a permanent program in 2014. The funds are allocated by population, to all municipalities and have been flowing since 2005. The funding under this program is flexible; funds do not need to be matched with municipal or provincial/territorial contributions and there are few financial restrictions (municipalities can pool, bank, and borrow against GTF funding). The funds are administered through different agreements with respective provinces, territories and municipal associations (in the case of Ontario and British Columbia). The City of Toronto is the only city in Canada to have a direct bilateral agreement with the federal government. The fund is earmarked for environmentally sustainable municipal infrastructure projects. However, local roads and bridges are included in the list of eligible categories for funding.[vi] Related to the criteria of sustainability, the fund requires that communities develop an Integrated Community Sustainability Plan (ICPS) in order to outline long-term plans for environmental sustainability. However, as Hilton and Stoney note, there are serious flaws associated with this policy:

> The argument that the federal government is somehow in a position to lead "an integrated approach to community planning" is specious. Apart from jurisdictional concerns …the greater concern is that bureaucrats in Ottawa would be passing judgement on the quality of community planning in cities, towns and villages across the country. …(S)uch efforts by the federal government to target communities with free cash as a means of redefining its role within municipal affairs is a significant concern. (2009, n.p.)

The Federation of Canadian Municipalities (FCM) has expressed a clear preference for the Gas Tax Fund as a mechanism of choice for flowing federal funding to municipal infrastructure projects. A recent FCM briefing describes the GTF as "the quickest, most efficient and effective federal funding program…which empowers communities to start work quickly on clearly established and fully accountable infrastructure priorities" (FCM, 2009b, p.1). In our own interviews with municipal employees who have involvement with that Gas Tax Fund in a number of provinces to date, these sentiments have largely been echoed.[vii] Generally, it has been found that municipalities consider the GTF a welcome and much needed source of revenue. However, it is often emphasized that the funds are but a small contribution to their greater infrastructure needs. Overall, the allocation of funds on a year-by-year basis is generally preferred over project-based allocations.

As can be expected, base funded agreements tend to be more flexible than those under targeted funding. The GST rebate is the most flexible of this category whereby municipalities are directly accountable to municipal taxpayers and there is no separate reporting requirement for the federal government. The GST rebate is a 100 percent rebate of the GST paid by municipalities. Infrastructure Canada describes the rebate as complementary to the GTF. Unlike the GST rebate, the provincial/territorial base funding includes a number of requirements. While the eligible project categories are broad, the funds require provincial matching (at 50% of eligible costs) and provinces and territories need to submit an annual capital plan to be eligible for these funds.

b) Building Canada Fund (BCF)**.**

Infrastructure Canada's second largest program (by contribution amount) is the Building Canada Fund (BCF). Unlike the GTF, the fund is a seven-year targeted program (as opposed to a base funding program). Final agreements under this new program were signed in August of 2008. The fund has two components: i) a major infrastructure component that targets specific projects of national and regional importance (project selection is made through joint federal-provincial/territorial management committees); and ii) the communities components for communities with populations of less than 100,000. The priorities of this fund are broader than environmental sustainability and include that of a 'stronger economy' and 'better communities.' Funding categories are: the national highway system, drinking water wastewater, public transit and green energy.

c) Gateways and Border Crossings Fund (GBCF)

Infrastructure Canada's other targeted program (like that of the BCF) is the Gateways and Border Crossings Fund (GBCF). The GBCF is guided by the *National Policy Framework for Strategic Gateways and Trade Corridors*, and is targeted towards import/export activities. Examples of GBCF projects include the linking of Highway 401 to the Windsor-Detroit.

d) PPP Funding

As previously mentioned, the federal government created a new crown corporation – PPP Canada – to help spur private sector investment in public infrastructure. The P3 funds are exclusively targeted for public-private partnerships in infrastructure development (as its name would suggest). It is tied to other funding programs in that the GBCF and BFC require that P3s are "given consideration in larger infrastructure projects" funded through these programs. In this way, the federal government is advocating P3s as a mechanism of choice (and alternative to) the traditional public funding of infrastructure. The Canada Strategic Infrastructure Fund (CSIF est. 2002) was the federal government's first infrastructure program to explicitly encourage P3s for federally-funded provincial and municipal projects. Examples of projects funded by CSIF include: the Canada Line transit system (Vancouver); the Highway 30 bypass around Montreal; the Edmonton Ring Road; and Improvements to the TransCanada Highway through the Kicking Horse Canyon (Rocky Mountains, British Columbia).

Both the GBCF and funds provided through PPP Canada are to be allocated on a 'merit' basis (as opposed to per capital base funding). It is unclear what this definition entails, though most documents imply that it is a combination of project eligibility/suitability and expediency. For example, a recent document outlining project eligibility for infrastructure stimulus fund describes project merit as follows: "the projects merit will focus largely on the extent to which a project is construction-ready as well as the extent to which the proposed work is needed to maintain the safety (sic) and prolong the economic life of assets" (Infrastructure Canada, 2009c, p. 3).

Research released by the Liberal Party of Canada suggests that funding on the basis of 'merit' is in fact proceeding in a more dubious and politically-motivated manner. In February of 2009 a media release from the Liberal Party found that a review of the first billion dollars of project-specific announcements made under the Building Canada Fund since 2007 shows that more than three-quarters of the project were in Conservative-held ridings (Liberal Party of Canada, 2009).[viii]

There are also likely to be some severe administrative challenges as a result of the government's decision to create a new crown corporation to manage its P3 agenda. While the newly created (2008) PPP Canada reports to the Minister of Finance, the other components of the *Building Canada Plan* report to the Minister of Transport and Communities Canada, whose portfolio includes Infrastructure Canada. The inevitable "turf wars" that are endemic to large bureaucracies – and in particular, within the federal public service – will take a toll on any agenda calling for 'interagency cooperation' in program administration and will most certainly confound accountability for decision making, which is the bane of multilevel governance.

This section has described the different programs under the new *Building Canada Plan*. While the project descriptions indicate government funding priorities and the structuring of infrastructure investments through program eligibility requirements—they do not reveal the outcomes of this funding and the legacy of infrastructure investments. The following section examines this issue in greater detail.

ANALYSIS OF INFRASTRUCTURE INVESTMENTS

Infrastructure Canada describes *Building Canada* as "the largest single federal commitment, over the longest period of time, for provincial, territorial and municipal infrastructure in Canadian history" (Infrastructure Canada, 2008, p. 10). This would seem to indicate a heightened role for the federal government in infrastructure funding. However, there is evidence that under *Building Canada,* infrastructure funding is not increasing over previous periods and will actually decline into 2014. A 2007 CUPE Economic Brief finds that the federal government's statement is only technically true in that the program provides more funding than previous initiatives because it has rolled different programs into one plan and has extended funding over a longer period of time (CUPE, 2007). CUPE notes that the largest infrastructure funding increases were made in previous years and by previous governments and that "federal infrastructure funding will increase by only 1.1% a year – even less than the rate of inflation—after 2009/10, when the gas tax funding reaches its maximum" (ibid), (see Appendix A.1 Federal Infrastructure Funding Plans–2007 Budget). They cite the only new funding in the 2007 Budget (as part of the *Building Canada Plan*) as stemming from the new P3 Fund (ibid.).[ix] In a review of the 2007 federal budget, the Federation of Canadian Municipalities echoed these findings, stating, "the Building Canada Plan does not represent a significant incremental investment in infrastructure beyond historical expenditures…. [and] does not deliver a long-term investment strategy for infrastructure" (FCM, 2007, pp.3-5).

Infrastructure Canada's most recent Report on Plans and Priorities (2009-2010)[x] indicates a strong increase in funding levels in 2009-10, a leveling into 2011, and a decline in total spending after that (see Appendix A.2: Spending Trends for Infrastructure Canada). The report notes that from 2005-06 to 2009-10, "the major increases in the Contribution Vote are due to the increase to the Gas Tax Fund and the establishment of two new contribution programs, namely, the Building Canada Fund and the Provincial-Territorial Infrastructure Base Fund as well as the new infrastructure funds announced in Budget 2009" (ibid.). For the periods 2005-2008, the total spending amount includes the carry-forward adjustments. Infrastructure Canada's 2007-2008 planned spending estimate was not achieved: actual spending in 2007-2008 was approximately $900 million less than forecast (Infrastructure Canada, 2008a, p. 10). While this lapsed contribution to funding was carried forward to the next year, it indicates problems in the alignment of program requirements with planned spending—or the ability to get money to projects quickly.

Acknowledging this, INFC is endeavoring to flow funds to projects with expediency, particularly those associated with the federal government's $4 billion infrastructure stimulus fund. John Baird (2009), the Minister responsible for doling out the infrastructure cash recently challenged complaints that the flow of spending is too slow: "I think for some of our critics to demand perfection and immediate gratification is a bit unrealistic." The Minister claimed that "federal officials are working flat out … to ensure the money will flow at record speed." Baird claims that this effort "is 10 times faster than anything in the modern era. We're moving very aggressively, as quickly as possible… (Baird 2009)."

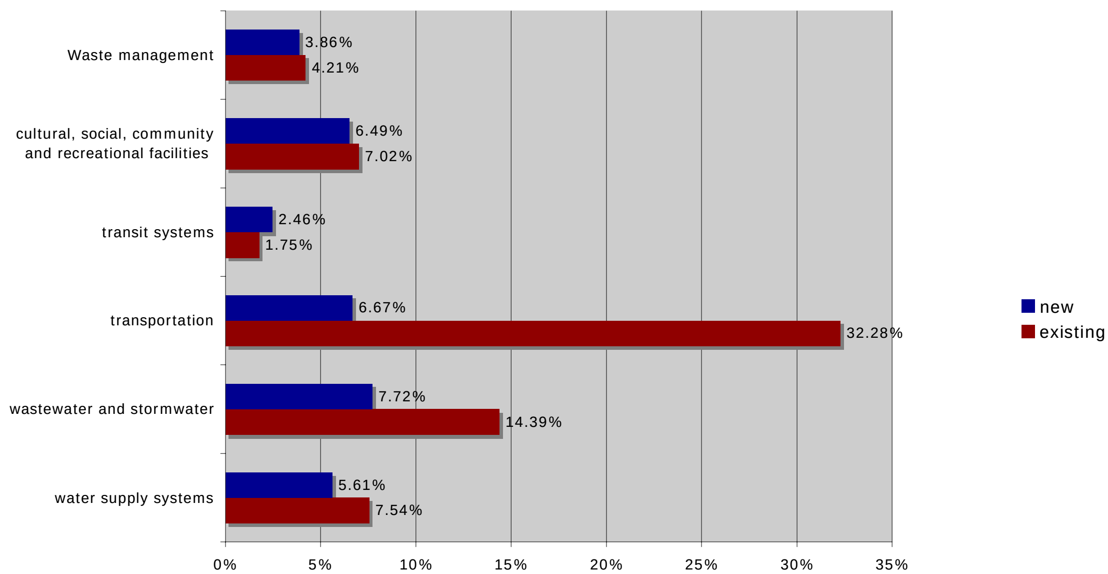
In response to the Minister's call for putting federal spending for infrastructure into high gear, INFC is also fast-tracking projects through the Building Canada Fund Major Infrastructure Component, accelerating funding to communities and expediting provincial-territorial base funds. For example, April 1st, 2009 the GTF transfers were doubled (to a total of $2 billion a year) and the first payment was accelerated to arrive three months early (Infrastructure Canada, 2009a). Of contention, INFC has exempted approximately 2,000 infrastructure projects such as garbage dumps, public transit infrastructure, sewage treatment plants and road widening projects from having to pass environmental assessments—an exemption that is to be effective until March 2011. The Sierra Club of Canada has filed legal action in the Federal Court of Canada to overturn this decision, which they say should have been made through Parliamentary legislation, rather than in Cabinet (Mittelstaedt, 2009).

The push for 'shovel-ready' and expedited projects will undoubtedly leave a legacy on Canada's built environments—but of what kind? In 2009, the Federation of Canadian Municipalities conducted a survey of their members to determine the types of 'shovel ready' projects that could commence should Infrastructure Canada funds arrive this spring. The purpose of the survey was to show that "municipal governments have the capacity to use infrastructure money wisely on projects that could create well over 100,000 new jobs" (FCM, 2009a, p. 1). However, the survey also gives some indications of the types of projects that might be funded under the expedited funds. The largest categories of such projects are that of water and wastewater (33.36%) followed by the construction of roads and bridges (31.29%). Solid waste and public housing projects were the smallest contribution to shovel-ready projects (see Appendix A.2: Canada's Shovel Ready Infrastructure Projects). This would imply that municipalities are best prepared to invest in traditional infrastructure.

An analysis of Infrastructure Canada's list of *Building Canada Plan*-funded projects provides further insights into the potential legacy of these programs and the implications of 'expedited funding' on our built environments. The chart below shows the percentage of all infrastructure investments since the inception of the plan, by count, by province and category type and delineated by investments in new versus existing (e.g., refurbishments, upgrades, rehabilitation, renovation) infrastructure. Not all provincial investments have been made publicly available as yet and therefore the project count only includes the provinces of: New Brunswick, Newfoundland, Nova Scotia, Quebec, Prince Edward Island, Ontario and British Columbia. Together, this represents a total of 591 infrastructure projects.

By far, the largest percentage of infrastructure investments under the Building Canada Plan is directed at existing transportation infrastructure (32.28% of total). The second largest category of investment is that of wastewater and storm water projects that involve existing infrastructure. Both new and existing transit investments are the smallest project categories (at 2.45% and 1.75% respectively) - note that the chart depicts projects by count and not total funding allocations. Though the number of transit related projects are small, significant funding contributions have been made for certain projects. For example, the federal government has provided significant funding contributions for Go Transit in Toronto ($250 million) and for the Toronto York Subway Extension ($697 million), which in itself is a major "megaproject."

Total Infrastructure investments for all provinces considered*, by percentage of total



*Data compiled from Infrastructure Canada list of infrastructure investments for all provinces for which data is available (NB, NFL, NS, QB, PEI, ON, BC).

The data also illuminates the types of investments made by province and the ratio of spending directed at new versus existing infrastructure. Overall, 67.19% of projects have been conducted on existing infrastructure while the remainder (32.80%) has involved spending to build new infrastructure. In past decades, one-time infrastructure funds were targeted at creating new assets which municipalities were required to then maintain, adding to the fiscal pressures to operate and maintain public assets. The ratio of new to existing infrastructure investments suggests as well that the imperative to spend federal funds quickly is more easily accomplished through projects that involve the repair and refurbishment of existing infrastructure rather than the creation of new public assets; the capital planning process is more laborious. "Shovel-ready" repair projects are faster to carry out.

The majority of Newfoundland and Labrador's infrastructure projects have been on existing transportation upgrades (90.9% of all of NFL's projects), while the majority of projects in New Brunswick have been on existing wastewater and storm water (54.3%). Quebec has a small number (9 in total) of large-scale projects all of which are new contributions to infrastructure in the areas of water supply systems, transportation, and two fine arts museums (Musée national des beaux arts du Quebec and the Museum of Fine Arts in Montreal). The largest project category for British Columbia is that of upgrades to existing transportation (see Appendix A.5: Investments in existing infrastructure by province, and A.6: Investments in new infrastructure by province).

There are also a number of non-conventional infrastructure developments worth noting. In the area of sustainable energy, Prince Edward Island has obtained federal funding for two wind turbine projects and the community of New Liskeard, Ontario has received funding for the construction of a bio-fuel pellet plant. Though Infrastructure Canada has expanded project categories and definitions of infrastructure by including such projects as broadband and green energy development, the funding of these projects are few and far between.

IMPLICATIONS OF MULTI-LEVEL GOVERNANCE FOR INFRASTRUCTURE

What are the potential consequences for infrastructure spending that involves multilevel governance? While the prospects of "free cash" from the federal government are temping for municipal politicians, the receipt of this funding is not risk-free. As Hilton and Stoney note:

> Referring to the need for a "partnership role for municipalities" and a "shared accountability" in program administration underscores the perversity of the policy driving the federal government's programming agenda. Municipal infrastructure is, after all, constructed to provide services to local residents who are required normally to pay not only the entire capital construction costs of these assets but also for their maintenance, repair and eventual replacement. Those in municipal government who make decisions in this regard are accountable to their taxpayers for these expenditures, not to Ottawa. The federal infrastructure programs, which provide 'free cash' to local governments to build municipal infrastructure, have distorted this relationship. (Hilton and Stoney 2009, n.p.)

In the case of infrastructure we have argued that this leads to specific and inevitable problems, as recognized by Leuprecht and Lazar:

> If municipalities cannot run deficits because of the financial rules imposed from above, it is hard to evaluate concerns about local fiscal needs. If there is indeed too little revenue available to the local sphere, this cannot be manifested in budgetary deficits, so it must show up in other ways, such as unsatisfactory physical infrastructure and inadequate local services. (Leuprecht and Lazar 2007, p.20)

While the federal government champions the need to spend vigorously on infrastructure as a means to spur economic recovery, the legacy of this spending calls into question the underlying assumptions about who is responsible for the provision of *sustainable* municipal public services. Municipal governments already recognize that their revenues are insufficient to cope with the maintenance and repair of their current public assets. The construction of additional infrastructure will only add to the "infrastructure deficit" or financial liabilities that they have been facing for several years. Insisting that municipal governments identify "shovel-ready" projects distorts the capital planning and asset management practices that municipalities have been desperately been trying to improve during the past decade: "spending fast" does not equate to "spending intelligently."

The recent trends in multi-level financing and governance of municipal infrastructure also present a number of significant challenges that together may outweigh the costs and risks associated with this approach. In the context of federal-municipal infrastructure funding we have already discussed the danger that local infrastructure needs and priorities can be superseded by the federal government's own agenda and this may ultimately be reflected in the program design and the projects selected. While it is impossible to know the extent to which infrastructure spending is politically driven, both the federal and provincial levels of government have been reluctant to relinquish control over funding as they provide important levers with which to stimulate the economy, pursue regional equalization, attract funding and be associated with delivering high profile capital projects.

Even if federal government programs were not politically driven, there are still serious issues concerning their jurisdictional legitimacy when it comes to municipal infrastructure, especially when this involves local priorities being overridden. This tension was revealed in a speech delivered in May 2001, Stéphane Dion – then President of the Privy Council and Minister of Intergovernmental Affairs in the Chrétien Cabinet – outlined arguments for the federal government to engage in a more 'collaborative role' in large urban centres. As a recognized expert on the *Constitution*, Dion was the author of the *Clarity Act* which spelled out the terms for Quebec separation. Unfortunately, there was little evidence of clarity in his description of the role of the federal government in its relationship with municipal governments:

> While it is clear that the federal government has no role to play in municipal affairs, and that it is not its place to decide on the specific roles, powers or organization of municipal governments, it is equally clear that the federal government's activities in the areas of the economy, immigration, foreign affairs, employment and so on have a profound impact on our cities and towns. So an important distinction needs to be made between *municipal affairs* – which are absolutely not under federal jurisdiction – and *rural and urban issues* in a broader sense – which the federal government needs to address through its activities (Dion, 2001).

Liberal and more recently Conservative governments in Ottawa have identified municipal infrastructure as well as community planning as *bona fide* issues of federal interest. However, despite efforts to nuance the federal role as a means of staying clear of constitutional turf wars, decisions about community planning as well as municipal infrastructure and how to fund it are much broader than "issues;" rather, they go to the heart of "municipal affairs" that set out the accountability of local governments to their residents and to the provincial government.

While federal politicians are quick to cite federal infrastructure programs as "the best example(s) of federal-provincial-municipal cooperation," (*cf* Infrastructure Canada 2009d) their descriptions of the role that municipal governments play in these programs are particularly troubling:

> For the Government of Canada, it was essential that *municipalities be partners* in this program, because experience has taught that it is difficult to make the right decisions

> on these matters without including local decision-makers. (Infrastructure Canada 2009d, emphasis added).

Referring to the need for a "partnership role for municipalities" and a "shared accountability" in program administration underscores the perversity of the policy driving the federal government's programming agenda. Municipal infrastructure is, after all, constructed to provide services to local residents who are required normally to pay not only the entire capital construction costs of these assets but also for their maintenance, repair and eventual replacement. Those in municipal government who make decisions in this regard are accountable to their taxpayers for these expenditures, not to Ottawa. The federal infrastructure programs, which provide 'free cash' to local governments to build municipal infrastructure, have distorted this relationship.

Nowhere else is the incongruous nature of federal infrastructure policy better described than in the document entitled "Tracing the Development of the Gas Tax Fund," produced by Infrastructure Canada (INFC 2007c). In describing the consultation process used with stakeholders during the development of the GTF, the document reveals that, "the Prime Minister told the big city mayors that he wanted them to limit their GTF spending to one or two of the eligible project categories." (p.14) Bureaucrats followed the PM's lead in this regard: "INFC placed restrictions on investments in roads and bridges. Municipalities with populations of over 500,000 *were not allowed to invest in roads and bridges* as such investments were not deemed to lead to positive environmental impacts." (2007c) This edict from bureaucrats did not go down well with some city governments:

> The Mayor of Winnipeg pushed strongly against the restrictions on the use of funds for roads and bridges and this dispute received heavy media attention from the outset … The Government of Canada *denied Winnipeg's demands to use the money on roads and bridges*. The solution required multiple deputy minister level meetings and heavy involvement from Minister Godfrey and his staff. (2007c, p.24, emphasis added).

The arrival of the Harper Conservatives eventually put an end to the bickering with the decision to allow Winnipeg to invest in roads with gas tax funding. Nevertheless, these examples illustrate that the federal government has increasingly assumed the role of a *dirigeant* in decisions about what infrastructure is needed for local government. This is a significant evolution in a role that began many decades ago when the federal government provided repayable loans and grants to local governments during times of crises.

Another area of jurisdictional concern raised by PCO pertained to the proposed requirement that recipients of federal funding under the program develop a long-term plan for sustainability within the first five years of receiving gas tax funds. The Integrated Community Sustainability Plans (ICSPs) were intended to be a "long term plan, developed in consultation with community members, for the community to realize sustainability objectives it has for the environmental, cultural, social and economic dimensions of its identity (*sic*)." (INFC 2007c, p.9.) PCO recognized that the federal government was dangerously traversing "jurisdictional boundaries." As Infrastructure Canada explains:

> IGA [Inter Governmental Affairs] felt that ICSPs and municipal planning should be left to the provinces and territories. INFC [Infrastructure Canada] argued that an integrated approach to community planning would have the ability to reap national benefits and meet shared national objectives. (INFC 2007c, pp.16-17)

The argument that the federal government is somehow in a position to lead "an integrated approach to community planning" is specious. Apart from jurisdictional concerns – which PCO correctly identified from the outset – the greater concern is that bureaucrats in Ottawa would be passing judgment on the quality of community planning in cities, towns and villages across the country. If this is really an effort by the federal government to target communities with free cash as a means of redefining its role within municipal affairs it is a significant cause for concern and something that should not be mistaken for multi-level governance.

Notwithstanding jurisdictional questions, the most persistent concerns about the federal role in funding infrastructure are reserved for matters of accountability and due diligence in respect of the GTF in particular. Much of the Martin Liberal government's rhetoric about the purpose of the gas tax transfer was based on the purported need to build "sustainable infrastructure" in communities. The Harper Conservatives have nuanced this by calling for "investments in infrastructure ... (that) help in the achievement of environmental goals." Unlike previous programs, however, municipalities receive their federal cash in advance – not for specific projects – but for *intended* capital spending. Rather than being reimbursed by the federal government for the costs of an approved capital project that the local government has already incurred and paid, an annual allocation of funding is provided in advance. As a document from Infrastructure Canada reveals, this approach was viewed as anathema by the Treasury Board Secretariat (TBS), the guardians of the public purse:

> TBS fought hardest against the issue of flexibility in GTF agreements. They were concerned about providing funds upfront to a municipal association or a city because this created accountability and reporting issues, notably regarding federal due diligence and federal liability. (INFC 2007c, p. 16)

The proliferation of infrastructure programs was identified as another concern by the central agencies of the federal government. While Infrastructure Canada endeavoured to get Martin's political dream of sharing the gas tax into operation, "(b)oth Finance and TBS expressed concerns over the GTF duplicating existing infrastructure programs in terms of target audience and objectives." As well, the Intergovernmental Affairs unit within Privy Council Office also "had concerns regarding the uniqueness of the GTF from existing infrastructure programs." As Infrastructure Canada explained, "(t)hey were concerned that the involvement of municipal associations could lead to a lack of accountability, which in turn could put the federal government at risk."(INFC 2007c, p.11).

It is still too early to know the full implication of federal infrastructure funding, both in terms of the GTF in particular, and, more broadly, the BCF which now contains much of the government's economic stimulus package. Although we have touched on the main areas of significance for multi-level governance, other important issues remain beyond the scope of the paper. We have addressed the considerable challenges that multi-level infrastructure funding presents for program evaluation and performance measurement in earlier papers (*c.f.* Stoney and Bellefontaine 2008, for example), but further research is required into the transaction costs associated with the delivery and administration of intergovernmental infrastructure programs as well as the impact that federal funding has on other levels of government and on the type of projects that are built. With regard to the latter point, there is evidence from other federal countries to suggest that when lower level governments have to lobby senior levels of government for funding, the competitive process fuels the development of mega-projects. In particular, it is argued that the more that municipalities can convince federal and/or provincial politicians of the political capital to be gained from their project, the more likely it is to be funded. From the perspective of the municipalities, they may be inclined to propose larger projects than would otherwise be the case, as it increases the amount of 'free cash' they can extract from senior governments *(c.f.*O'Toole 2006 for example)

A final area of concern is the impact that federal infrastructure funding has on the capacity of regional bodies such as Metrolinx in Toronto and Translink in Vancouver to establish regional plans and priorities in areas such as transit. Because of the competing agendas involved, strategic regional plans established by such bodies can be ignored and undermined by federal and provincial governments when making funding announcements. This was the case in Toronto, for example, when the Harper government announced funding for specific commuter projects in 2007 which were not part of the Toronto Transit Commission's strategic plans and appeared to favour Conservative ridings. Indeed, from the perspective of multi-level collaboration it is very telling that the federal government has yet to acknowledge that Metrolinx exists.

CONCLUSIONS

Although often presented as a dichotomy, the local autonomy and multi-level approaches are better conceptualized as different positions on the same continuum. Significantly, both approaches envisage greater municipal powers and resources and both would welcome increased collaboration and support from higher level governments. To some extent both models would also invert the traditional top down hierarchical framework with the federal government being retooled and reprogrammed to provide an enabling role and better equip them to play their part in supporting provincial and municipal governments in their efforts to provide services that communities have prioritized and are prepared to pay for. The key difference is the degree to which Canadian cities are to be empowered and also the means used to achieve this.

More specifically, the two approaches differ in the extent to which the federal and provincial governments are required to cede power (and tax room), to municipalities and recognize the constitutional status of cities. Proponents of the local autonomy approach would obviously regard reforms in these areas as essential, whereas advocates of multi-level governance would focus more on intergovernmental relationships and policies. While the local autonomy model presents an attractive option for those wanting greater independence and accountability at the local level, reforms on this scale appear unrealistic given the current constitutional and political constraints. However, the multi-level approach, with its altogether 'softer' demands for empowerment, cooperation and collaboration, provides a more palatable and perhaps realistic solution for those dissatisfied with the status-quo.

In terms of examples, the innovations currently underway at Service Canada offer some encouragement that the federal government is adopting more of an enabling and service focused role. In some respects the GTF (and exempting cities from the GST) could also be seen as recognition by the federal government that it needs to share tax room with cities and craft policies that respect place and local priorities. However, as Courchene (2007), observes, Canada's Global City Regions (GCRs) maintain that 'the federal gas-tax sharing amounts to an equalization program disbursed by the large cities to the smaller ones (2007, p. 4'). The federal government in Canada will always have a legitimate and vital role to play in social and fiscal equalization, however, the problem is that programs like the GTF, which is supposed to target strategic needs through funding for sustainable infrastructure is not an appropriate conduit for equalization transfers. Once again strategic goals appear to have been compromised by redistributive politics.

As for the current trends in federal politics, a change in government, allied to the prospects of sustained minority rule in Ottawa, appears to have killed whatever momentum was being generated by the new deal's urban agenda and while many spending commitments have since been extended, the focus often seems to be the next election, rather than finding long-term intergovernmental solutions to urban issues. For example, faced with a new study that shows urban infrastructure is 'near collapse,' (FCM 2007) Finance Minister Jim Flaherty's dismissive remarks that 'we're not in the pothole business in the government of Canada' (Flaherty, 2008), does not bode well for those seeking a more collaborative national framework within which to advance the urban agenda. Indeed, with the provinces able to exploit the government's minority mandate and massive federal spending powers, asymmetrical federalism looks increasingly like a *fiscal piñata* than the basis for a national urban strategy[xi].

If multi-level governance in Canada really amounts to little more than transferring cash through tri-level agreements and programs then accountability, cost effectiveness and local democracy would surely be better served if municipalities were empowered to raise money through local income taxes. According to Courchene this is what large urban regions prefer:

> The GCRs want access to a broad-based tax available on a derivation principle. Since the GCRs are creatures of their respective provinces, the appropriate way to achieve this would be to rework provincial-municipal relations. Just as the provinces piggyback on the federally collected personal income tax (PIT), so cities could piggyback on the provincial portion of the PIT (2007, p.4).

A move in this direction would begin to address Leuprecht and Lazar's concerns about the current state of multi-level governance in the federal systems they studied.

> What we do sense, however, is that the process for determining the fiscal resources to be available locally is itself too top heavy and that there is a need, within existing or amended constitutional frameworks, to make more space available for local fiscal needs to be understood and addressed in a fairer and more transparent fashion. This would not only improve the quality of local government: it would also help to make local government more transparent and would facilitate accountability among governments in multi-sphere systems. (Leuprecht and Lazar 2007, p.20).

Using Canada's infrastructure programs as a case study in multi-level governance we have attempted to illustrate many of the issues raised by Leuprecht and Lazar. While the cooperative and collaborative features of multi-level governance provide a seductive framework, it fails to address the serious lack of municipal power and resources that has created and sustained

Canada's rapidly worsening infrastructure gap and impeded the growth and development of its major urban centres. Only by addressing these key issues first can Canadians expect to develop the type of 'robust national framework' envisaged by Bradford (2004).

A good starting point for the federal government would be a National Urban Strategy that would provide a clear signal that it is prepared to play an informed role and ready to engage seriously with other levels of government on critical urban issues such as immigration, urban sprawl and urban transportation. As Shaker (2005) concludes, there is a clear need for a National Urban Strategy that would provide federal officials with "a policy compass upon which to base their own activities, as well as a communication tool to inform the broader citizenry of the federal government's role and position with regard to the communities in which they live (2005, p. 12)". Crucially, a National Urban Strategy would facilitate a dialogue with provincial and municipal governments and help to render politically motivated federal funding increasingly difficult to justify in strategic terms.

As for provincial governments, they could begin by extending to other Canadian cities the kind of status and powers that have been afforded to Toronto and Winnipeg. To this end, Roberts and Gibbins (2005) advocate an opt out framework that is flexible enough to allow municipalities who desire greater local autonomy or new fiscal tools to adopt them, but does not require municipalities who do not have the capacity to take on those roles or abandon the security of their current arrangement (2005, p.1, cited in Courchene 2007, p.32). Courchene suggests that such an approach would lead to *de jure* symmetry but *de facto* asymmetry which, in the present climate is "good politics" (Courchene, 2007, p.32). In our view it is also good policy and well within the current constitutional framework.

Slack, Bourne and Gertler (2003) advocate a similar approach to restoring municipal income tax, pointing out that it does not require a pan-Canadian, universal approach:

> It is not appropriate to give more taxing authority to all municipal jurisdictions in the province. Large cities and city-regions are best suited to take advantage of new taxing authority; smaller cities are unlikely to be able to raise sufficient revenues from some of these sources to make the effort worthwhile. (2003, n.p.)

Taking these steps would finally begin to address the structural weakness in the fiscal framework for the nation by correcting the fiscal imbalance facing municipal governments and allowing them to better plan for growth, price their services and generate needed revenues. As Silver observed, such an approach would be consistent with the principles of accountability and subsidiarity, allowing municipal governments to raise revenues "derived from the people who live and work in the municipality and who, presumably, have the primary responsibility for the financing of municipal services, (and) bear the political burden of having to do so." (1968, n.p). We believe it is only from a position of municipal strength that multi-level governance can truly flourish in Canada.

APPENDIX

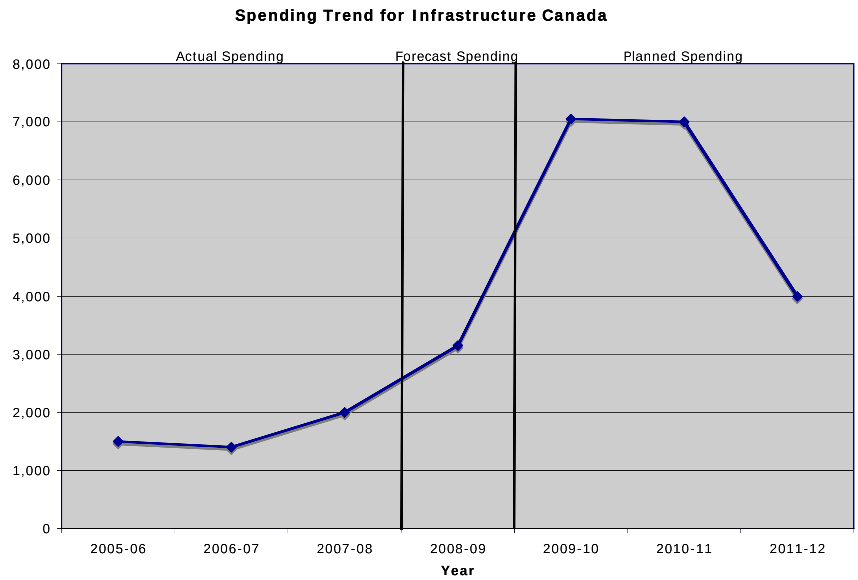
A.1 Federal Infrastructure Funding Plans –2007 Budget

Federal Infrastructure Funding Plans – 2007 Budget							
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
growth rate		7.30%	17.00%	2.80%	1.30%	0.50%	-0.30%
Of which:							
Sunsetting programs	$1,597	$1,141	$571	$362	$326	$27	-
"Building Canada Plan" total	$2,738	$3,512	$4,871	$5,235	$5,343	$5,671	$5,680
Gas Tax funding	$800	$1,000	$2,000	$2,000	$2,000	$2,000	$2,000
GST Rebate	$715	$750	$790	$830	$875	$915	$960
Building Canada Fund	$572	$926	$1,186	$1,401	$1,427	$1,636	$1,655
Gateways and Border Crossing Fund	$137	$221	$283	$335	$341	$391	$396
P3 Fund	$82	$132	$169	$200	$204	$234	$236
Provincial-Territorial Base Funding	$325	$325	$325	$325	$325	$325	$325
Asia-Pacific Gateway and Corridor Initiative	$108	$158	$118	$144	$172	$170	$108
Infrastructure funding excluding gas tax	$3,535	$3,653	$3,442	$3,597	$3,669	$3,698	$3,680
Infrastructure funding excluding Gas Tax and P3 Fund	$3,453	$3,521	$3,273	$3,397	$3,465	$3,464	$3,444
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Federal infrastructure funding as a ratio of:							
GDP	0.283%	0.290%	0.324%	0.319%	0.310%	0.298%	0.285%
Federal Revenues	1.780%	1.890%	2.130%	2.100%	2.040%	1.970%	1.890%
Federal Program Spending	2.180%	2.240%	2.510%	2.490%	2.430%	2.350%	2.250%
Total federal spending	1.870%	193.00%	2.170%	2.160%	2.120%	2.060%	1.990%
In real dollars (millions at 2% inflation)	$4,335	$4,562	$5,231	$5,274	$5,237	$5,161	$5,044
per person	$132.08	$140.60	$163.09	$166.38	$167.18	$166.70	$164.87
real $ per person	$132.08	$137.84	$156.76	$156.79	$154.45	$150.99	$146.40

http://www.budget.gc.ca/2007/pdf/bp2007e.pdf Table 5.3 p. 167; Department of Finance, 2007; Economic Statement http://www.fin.gc.ca/budtoce/2007/ec07_e.html ; and Statistics Canada, Population projections for Canada, Provinces and Territories 2005-2031, http://www.statcan.ca/english/freepub/91-520-XIE/00105/ffront1.htm. Average growth rates applied to 2010-2013 period.

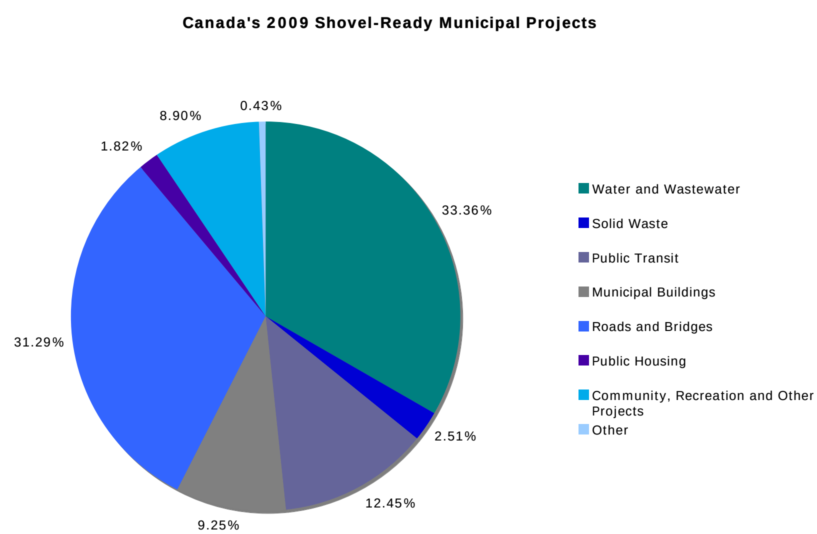
***This Table has been recreated from CUPE (2007). "Building Canada but not by much..." CUPE Economic Brief, November 2007, p. 3.

A.2 Spending Trend for Infrastructure Canada



Source: Treasury Board of Canada Secretariat, 2009, 1.5.2 Departmental Spending Trends.

A.3 Canada's Shovel Ready Infrastructure Projects



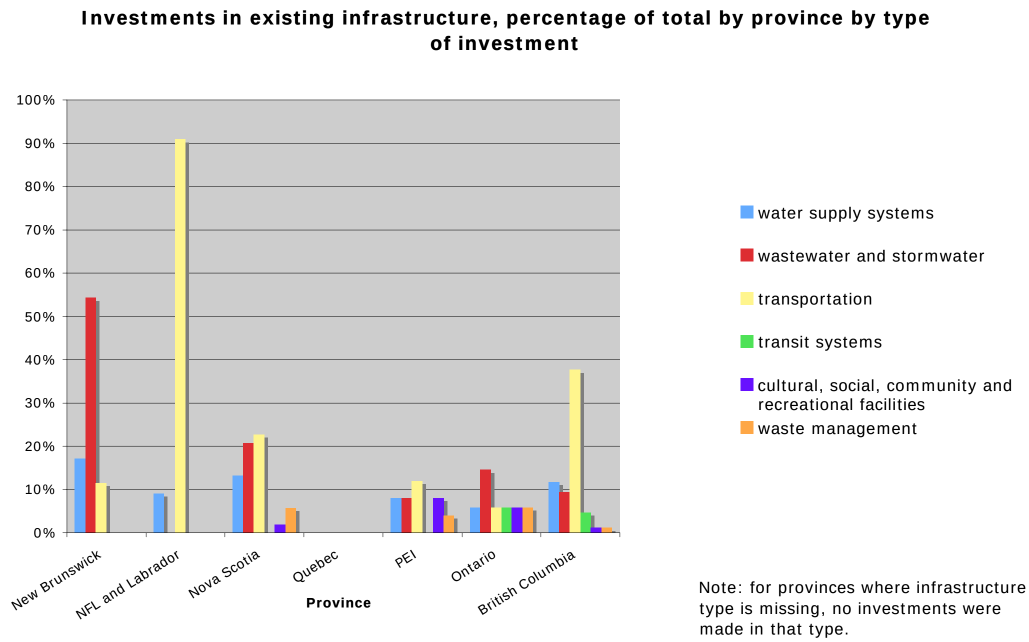
Source: Total number of projects: 1,157. Data derived from a 2009 survey of FCM members of their of their shovel–ready projects (Federation of Canadian Municipalities, 2009a, p. 1).

A.4 Canada's Infrastructure Deficit

FCM and McGill conducted a joint survey of municipalities in 2007 to determine the nature of Canada's infrastructure deficit by category of infrastructure. The results are summarized in the table below. The allocation of new infrastructure reflects value judgments and should be interpreted subjectively.

Canada's Infrastructure Deficit				
	Municipal deficit for existing infrastructure by category (in billions of dollars)	New municipal infrastructure needs in billions of dollars)	Municipal deficit for existing infrastructure by category (% deficit out of billions of dollars)	New municipal infrastructure needs (% deficit out of billions of dollars)
water supply systems	11.1	35.7	4.7%	15.0%
Wastewater and storm water systems	19.9	20.9	8.3%	8.8%
Transportation	21.7	28.5	9.1%	11.9%
Transit	22.8	7.7	9.6%	3.2%
Cultural, social, community and recreational facilities	40.2	18.1	16.8%	7.6%
Waste management	7.7	4.3	3.2%	1.8%
Source: 1996 and 2007 FCM-McGill comparative survey as reported in Mizra, 2008, p. 33.				

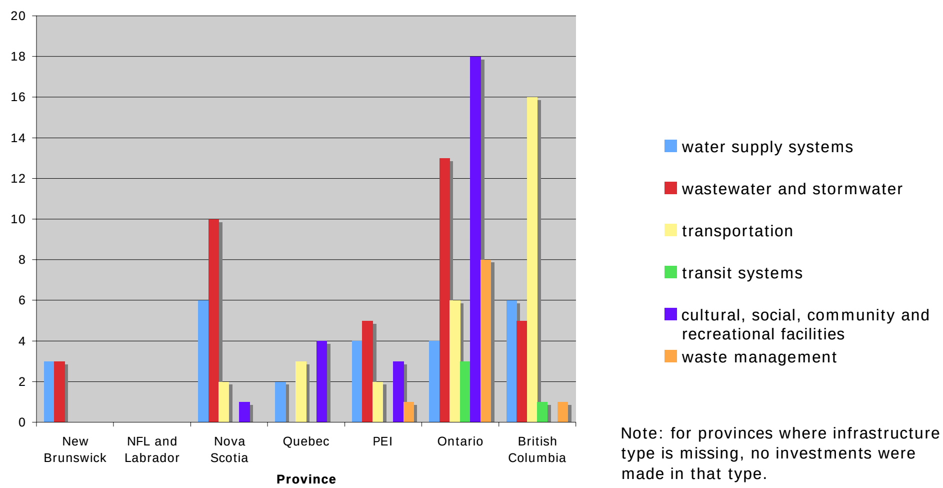
A.5 Investments in existing infrastructure by province



*Data compiled from Infrastructure Canada list of infrastructure investments for all provinces for which data is available (NB, NFL, NS, QB, PEI, ON, BC).

A.6 Investments in new infrastructure by province

Investments in new infrastructure, percentage of total by province by type of investment



*Data compiled from Infrastructure Canada list of infrastructure investments for all provinces for which data is available (NB, NFL, NS, QB, PEI, ON, BC).

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ENDNOTES

∴ This paper is for presentation at the 2009 Canadian Political Science Association, workshop on Cities and Multilevel Governance.

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[i] Harper has used the term 'open federalism' (and 'asymmetrical federalism') to describe his government's commitment to loosen federal government control over spending and priorities through increased devolution to the provinces. In addition to a commitment to address the fiscal imbalance, Harper also articulated open federalism as constituting 'full cooperation by the Government of Canada with all other levels of government, while clarifying the roles and responsibilities of each' (Office of the prime-minister website, http://pm.gc.ca/eng/media.asp?id=1123, article dated 21st April 2006, website accessed 13th May 2009) .

[ii] The policy thinking which helped to shape the Task Force is outlined in a document from the Institute on Governance, CityScapes: "Federal Perspectives on Urban Communities," Notes on a seminar presentation by Claire Morris, Deputy Minister, Intergovernmental Affairs, Privy Council Office, September 18, 2002.

[iii] John Manley in a speech delivered to the Federation of Canadian Municipalities, June 1, 2003.

[iv] The other areas covered under *Advantage Canada* are: tax advantage (lower, more competitive rates); fiscal advantage (reduce and eliminate debt); entrepreneurial advantage (lower taxes, less red tape); and, Knowledge advantage (highly-educated and trained knowledge workforce)(Building Canada, 2007, p. 2).

[v] Similar to SuperBuild, which reported to the provincial Minister of Finance, PPP Canada reports to the federal Minister of Finance. SuperBuild was touted by the Harris Conservatives as a way to leverage $10 billion in funding for public infrastructure from the private sector. It was a dismal failure.

[vi] Eligible investments categories include: public transit, potable water, wastewater infrastructure, green energy, solid waste management and local roads and bridges.

[vii] The Gas Tax Research Project of the Center for Urban Research and Education has to date completed interviews in Ft. McMurray, Edmonton, Calgary, Kelowna, Victoria, Vancouver, and Toronto.

[viii] Specifically, 77.8 percent of infrastructure projects were found to have gone to Conservative ridings in a review of the first billion dollars worth of project specific announcements under the Building Canada Fund. The Conservatives represent 46.4 of the ridings in Canada.

[ix] For a Summary table of this analysis see Appendix Table A.1 Federal Infrastructure Funding Plans—2007 Budget.

[x] The report is submitted to Parliament as part of the review of the government's proposed estimates of spending for the upcoming fiscal year and projected spending for subsequent years.

[xi] An appropriate metaphor coined by colleague Ellen Russell