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# HOW OTTAWA SPENDS

# 2018-2019

NEXT?



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We thank you all.

Katherine A. H. Graham and Allan Maslove

Co-Editors, *How Ottawa Spends*

# Chapter 1

## Introduction

Katherine A.H. Graham and Allan M. Maslove

As this edition of *How Ottawa Spends: Next?* is published, the Trudeau Liberal government and the opposition parties are already in the opening stages of the campaign for the October 2019 election. For the Liberals, this election (as all elections) will be about defending their record and proposing new initiatives to the electorate. However, in October 2019 a third factor will be added to the mix: the uncertainty and in some respects, the chaos engendered by President Donald Trump and how the Canadian government should respond.

First, the record that the Trudeau Liberals will defend is probably not appreciably better or worse than that of most governments. Some promises from the 2015 election have been essentially fulfilled (or will have been by the time of the next election). As examples, among these are the restructuring and enrichment of the Canada Child Benefit that goes a long way to addressing family poverty, and the legalization of cannabis consumption. Other initiatives from the 2015 platform are arguably works in progress, such as the reset of Canada's relationship with Indigenous peoples, and moving forward with energy development balanced by addressing climate change, mainly through carbon pricing. These files have proved to be much more complex and contentious than expected. For example, both, especially the energy/environment file, have become caught up in federal-provincial and inter-provincial conflict. And some promises from 2015 have been abandoned altogether, perhaps the most notable example being electoral reform.

As for new initiatives that may appear in the 2019 platform, all three major parties have yet to step forward. For the Liberals, one area that does seem to be on their agenda is some move towards publically funded pharmacare. Immigration and refugee issues may also be front and centre, compelling the Liberals to offer new approaches, particularly to refugee determination and settlement.

The third factor—Trump—may emerge as highly significant. Among the issues that the President has raised that could impact the next election are how to respond to his challenges with respect to NAFTA and tariffs on steel, aluminum, and possibly vehicles; NATO and defence spending; oil pipelines; and migrants and border security.<sup>1</sup> Beyond all these specific issues is the general challenge of determining an appropriate strategy to deal with an emotional and unpredictable President of whom the vast majority of Canadians disapprove.<sup>2</sup> All the party leaders with a realistic chance of being Prime Minister after the election will be trying to find a balance between not being too hostile to Trump and not appearing weak or appeasing.

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### **2018 BUDGET**

As Table 1 shows, the fiscal position of the government remained stable or slightly improved between the 2017 and 2018 budgets. In part because of slightly better economic growth scenarios, federal revenues improved and expenditures remained stable or declined slightly between the two budgets. As a result, the government projected smaller deficits in the 2018 budget than they forecast in 2017, even after enriching the Canada Child Benefit and the tax credit for low-income earners.

The 2018 Budget itself was a relatively bland document in terms of spending or tax initiatives. The Budget emphasized the government's new "gender results framework," which is intended to measure distribution impacts of government fiscal measures, not only along gender lines but across other dimensions as well.

In terms of specific tax and spending initiatives this was quite a modest budget. There was little in the way of major program announcements, with the possible exception of spending on research and innovation. A modest set of budget initiatives is not unusual for a third year of a mandate. Major platform promises from the previous election have likely already been introduced, and significant new proposals are being held for inclusion in the final budget of the mandate, which in part becomes the governing party's platform for the next election.

Without explicitly acknowledging it, the government seems to be content with the debt/GDP ratio being capped at about 30%, and (hopefully) slowly declining over the next few years. That is not a bad strategy in itself; the 30%

ratio is quite manageable and certainly over long periods of time (most notably over the decade or so before the landmark anti-deficit budget of 1995) it has been much higher. However, the risk in this position is that the debt/GDP ratio would likely rapidly increase in a recession, even a relatively mild one. The risk of a recession is not negligible; some analysts argue that because the economy has been expanding for several years since its recovery from the 2008 recession, the “natural” cycle could soon generate a downturn. As well, the uncertainty created by Trump’s trade threats further increase the risk.

**TABLE 1**

	2017 BUDGET PROJECTION	NOVEMBER 2017 PROJECTION	2018 BUDGET PROJECTION
<b>REAL GDP GROWTH (%)</b>			
2018	2	2.1	2.2
2019	1.7	1.6	1.6
2020	1.7	1.7	1.7
<b>OIL PRICE (\$US PER BARREL)</b>			
2018	59	53	56
2019	56	54	57
2020	59	56	57
<b>BUDGET DEFICIT \$B</b>			
2017/2018	28.5	19.9	19.4
2018/2019	27.4	18.6	18.1
2019/2020	23.4	17.3	17.5
<b>DEBT TO GDP RATIO (%)</b>			
2017/2018	31.6	30.5	30.4
2018/2019	31.6	30.2	30.1
2019/2020	31.5	29.9	29.8
<b>REVENUE \$B</b>			
2017/2018	304.7	310.7	309.6
2018/2019	315.6	323.1	323.4
2019/2020	327.7	333.3	335.5
<b>PROGRAM EXPENDITURES \$B</b>			
2017/2018	305.4	304.9	304.6
2018/2019	313.7	312.2	312.2
2019/2020	319.8	319.0	321.5

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## OVERVIEW OF CONTRIBUTIONS TO THIS VOLUME

This year's edition of *How Ottawa Spends* contains eight chapters. Six of these are policy briefs, intended to put forward early stage research and analysis. Two are extended chapters that engage with their subject matter in a more fulsome way. These are the chapters by Dutil and Ryan and the contribution by Dagg, Lippett, Masters, and Toner.

Two subjects receive significant attention in this volume. Fiscal and budgetary issues are the focus of two chapters, with the analysis of budgets by Dutil and Ryan and the chapter by James McAllister on fiscal issues. Energy and environment issues and the importance of Indigenous interests and perspectives on environmental issues receive the most attention. Policy briefs on Social policy and the innovation agenda round out this volume.

In one of the two policy research studies in this volume, Patrice Dutil and Peter Ryan analyze 40 budget speeches delivered by twelve finance ministers in order to identify how political marketing strategies have influenced changes to the budget speech over time. The importance of this research is twofold. First, it provides an historical overview of professional and thematic changes to the budget speeches as a communication document going back to the start of its modernized format in 1978. Secondly, it documents the impact of the permanent campaign strategy outlined by political marketing scholars. The research highlights changes in language use that in turn reveal branding decisions and a micro-targeting of political clients through language.

James McAllister begins with the federal government's new focus on gender-bases analysis in the last budget, and in particular what it would mean to seriously consider the geographic dimension of fiscal distribution. In addition to the Fiscal Equalization Program, which is the main explicit program to address this (in this case provincial distributions), McAllister shows how many other spending and tax policies also have regional impacts. He argues for a robust and systematic reporting of regional impacts of major federal programs.

Mary Gramiak and Stephan Schott examine the evolution of the concept of sustainable development since the 1987 Bruntland Report. They argue that the definition of this term has narrowed to focus on environmental sustainability while reducing the focus on the social, political, and wider economic aspects of

development. They argue that this shift has been detrimental to the needs and interests of Indigenous peoples within Canada.

The chapters by Retallack et al. and Usher and Abele focus on Bill C-69, the Impact Assessment Act of 2018.

Matthew Retallack, Graeme Auld, Lisa Mills, and Alexandra Mallett take a broad look at Bill C-69. In their view, it represents a potentially radical transformation of the Canadian environmental assessment regime. They compare the 2018 legislation to its predecessors (2012 and 1992) and conclude that, at a minimum, the potential for greater inclusion of Indigenous knowledges and perspectives in the environmental assessment process could result in new approaches to economic development.

Peter Usher and Frances Abele examine specific issues related to the Review Panels established under the new Impact Assessment Act to review proposed projects. They raise potential concerns about how these review panels are structured, how they conduct their reviews, and how the government might respond to their recommendations.

Travis Dagg, Jonathan Lippett, Derek Masters, and Glen Toner conclude a series of four chapters in successive *How Ottawa Spends* volumes on the politics of the energy/environment policy domain under the Harper and Trudeau governments. In this edition, they examine whether or not the positive momentum generated by the Pan-Canadian Framework on Clean Growth and Climate Change (PCF) can be sustained. They conclude that the clash of ideas, competing interests, and issues related to jurisdictional authority pose risks for continued implementation of the PCF.

Allan Moscovitch and Ginette Thomas put forward a case for a new Canada Social Care Act. They argue that the termination of the Canada Assistance Plan in 1996 was a major setback to the progress of social policy, resulting in diminished provincial programming and increased unevenness across provinces. A new Canada Social Care Act, they argue, should mirror the five principles of the Canada Health Act and add five additional principles, with the objective of reengaging the federal government in the delivery of social services and improving the quality and consistency of access to services across Canada.



Peter Phillips and Aaron Hertes focus on the “innovation agenda” in the 2017 and 2018 budgets. This potentially important federal initiative is occurring in the context of diminishing productivity and slow economic growth. They laud the government for taking important steps to develop an innovation strategy, but point out that it is not yet clear whether there will be significant impacts on national innovation and productivity.

This is the final edition of *How Ottawa Spends*. It has been published as an annual volume continuously since 1980. Cumulatively, it contains a significant historical record of important policy issues affecting Canada and perspectives on those issues. Its annual review of the federal budget shows how successive governments have allocated priorities and displayed their values through that process and through their choice of spending instruments.

Although, as editors of this volume, we regret being the ones to “close the book” we look forward to our colleagues’ collective effort to foster debate and understanding of important Canadian public policy issues and debates going forward. We conclude by saluting all past editors and others in the School of Public Policy and Administration at Carleton University who have made this publication possible.

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## ENDNOTES

1 We note that in the cabinet shuffle in July 2018 a new portfolio on migrants was created.

2 For example, a June 20, 2018 National Campaign research Poll found that 81% of Canadians disapprove of Trump.

## Chapter 2

# Anchors, Followers, and Mavericks: The Permanent Campaign's Effects on the Canadian Federal Budget Speeches, 1978-2017

Peter M. Ryan and Patrice Dutil

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### INTRODUCTION

**T**he budget has always been the touchstone of responsible government in Canada. It is tabled annually following a speech by the minister of finance, a process that is accompanied by added pomp and formality. The subsequent House of Commons vote on the various money bills is the ultimate vote of confidence in the government. Without this vital expression of legitimacy, government must resign. Its ceremonial importance has grown over the past two generations as the budget speech was broadcast, and eventually streamed “live,” followed by the opposition’s response and a full week of debate. The discussion of the government’s estimates takes up a significant portion of parliament’s time during the winter and spring sessions of parliament. The budget document has also become an artifact of partisan branding as it features partisan colours, attractive graphics, and compelling pull-quotes.

The media contributes to the hype, and governments work hard to extend the “event” of the budget by delivering hints about new expenditures during the weeks before the actual tabling of the document, frequently followed by a cross-country tour by the prime minister and minister of finance to promote the selected approach. In *The Politics of Public Money* (2007), David Good argued that the speech has assumed a greater importance in the government’s calendar over the past fifty years, particularly during minority governments when opposition parties determine the fate of whether or not the budget passes or requires substantial changes to garner support. Announcements on all sorts of programs and initiatives are declared in the “budgetary season,” each giving the impression that the government is striking out in a new direction or at least one consistent with their master brand, as identified in the scholarship of

political marketing (for example, Giasson and Marland 2012; Marland 2016; 2017).

For all their importance, budget speeches as a form of communication have not been examined at the federal Canadian level. Certainly, the numbers-analysis approach to budgets has dominated inquiry in Canada as scholars considered the ways and means attached to new initiatives (for example, the *How Ottawa Spends* series; see Doern 2005; 2006). In terms of textual analyses, Imbeau (2005) studied throne speeches by tracking deficit spending language use as compared to the actual budget spending; Dutil and Ryan studied provincial Ontario budget speeches using textual analysis software to identify historical and partisan shifts in language use and Lowe and Benoit (2013) used Irish budget documents as a data sample.

This study seeks to answer a basic question: how has the Canadian federal budget *speech* changed over these past two generations? It builds upon recent developments in political communication and digital humanities (DH) research that demonstrate how new methods of tracking language can shed light on changing institutional language and policy trends (for example, Dutil and Ryan 2013; Kearney and Banwart 2017; Piersma et al. 2014; Raney and Nieguth 2017; Ryan 2015; Soroka 2012; Yu 2014). It considers 40 budgets delivered during the 30th to 42nd Parliaments, from 1978 to 2017, delivered by twelve different finance ministers.<sup>1</sup>

A combination of traditional content analysis and new political communication and DH textual analysis software are used to identify how the speeches capture the priorities of each government. The departure point of 1978 is significant in that this speech was created in the context of the G7 Bonn Summit, which rattled the Trudeau government to the point of prompting the beginning of a relatively austere era in budgeting, part of a global trend. The 1978 budget speech was the first to be televised. Not least, it marked a modernization point of the budget speech: its language becomes more complex with the added attentions of both the PMO and the PCO. Finally, there was a practical reason: the Government of Canada Archive documents change at this period to include only Hansard verbatim transcripts of the speech instead of simply reproducing the written text provided by the government.

Can textual analysis tools help researchers identify (1) new professional stylistic trends prompted by leadership teams that created new, more politically targeted vocabularies, or (2) changes to the entire speech genre influenced by strategic shifts like the permanent campaign's use of micro-targeting language? We think so. Identifying such shifts would provide similar to findings from research on other political communication documents in the burgeoning areas of political communication and DH textual analysis research (see for example, Dutil et al. 2010; Imbeau 2005).

The first major trend identified in this study is that while the different speeches have distinct features that reflect the demands of unique historical eras, they do share a high degree of partisan consistency of language. Clearly, the budget speech is, at its core, an institutional document. It is largely the product of the public service, namely officials in the department of finance and, to some degree, staff in the Privy Council Office (PCO) and some select line departments. All the same, the speeches also demonstrate some distinguishing characteristics marked by the input of each finance minister and his staff (notably, there has never been a female minister of finance in Ottawa), particularly when tracking language around inflation, surpluses or deficits, and stimulus or cuts to spending.

Second, this study also depicts and statistically categorizes speeches. It argues that there are perceptibly distinct partisan speech "families," as well as "mavericks:" singular texts that staked new ground at a distance from their respective families, but without lasting effect. It also identifies leading "anchor" texts that had an enduring influence in terms of top new key words that differentiated the document from its predecessors. The "anchor" speeches distinguish themselves by the degree to which "followers" borrowed very similar language (using issue network terminology, the anchor speeches were the largest hubs in the network, with more speeches using their words). Though numbers tend to speak loudest in categorizing budgets, textual analysis software as an instrument can also isolate "spending" speeches from "neutral" and "austerity" ones.

Finally, this study shows that as governments move deeper into their mandates, the styles of the budget become increasingly consistent, often re-using the language from their first budget. This trend could be viewed as aligning budget values with partisan "brand" values after a strong first impression in some cases, or a diminishment of intellectual capital in others. In the late

1990s, particular words and concepts emerge with more frequency with the use of micro-targeting key words that have the earmarks of a sustained public relations approach, also commonly known as the prime minister's office (PMO) "permanent campaign." In such a communications strategy, target-seeking messages are repeated to attract specific voter segments, aligning the budget with the party brand, based on data-driven focus group and survey analyses used to inform the party's language use (see for example, Giasson and Marland 2012; Marland 2016; 2017). Micro-targeting here is understood as "the targeted pitch to specific slices of the electorate backed by domestic and foreign policy signals" (Marland 2016, 4; Patten 2015).

In other words, micro-targeting is the conscious selection and testing of language aligned with the master brand of the party, but used in the budget speech to attract specific target audiences or publics in the party base or, if possible, swing voters. This rise of a distinct language confirms analyses of other forms of political communication focusing on framing and the permanent campaign (such as in, for example, congressional speeches, media, platforms, policy documents, presidential addresses, prime minister's speeches, etc.; for instance, see Giasson and Marland 2012; Lawlor 2015; Piersma et al. 2014; Raney and Nieguth 2017; Ryan 2015; Yu 2014).

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### **LITERATURE REVIEW: TRENDS IN POLITICAL MARKETING AND DISCOURSE INSTITUTIONALISM**

Two major developments in political communication and marketing research have prompted the search for methods to probe how government documents display partisan branding as well as an institutional discourse. Lees-Marshment (2001; 2004) analyzed how British government communications became increasingly partisan and strategic, using party funds to finance what has now become known as the "permanent campaign." The permanent campaign is defined as: "a theory that the strategies and tactics practiced in the heat of an election campaign persist during governance and that all available resources are leveraged to maximize communications advantages" (Marland 2016, 40). Delacourt (2016) and Marland (2016; 2017) have documented the Canadian parallel to Lees-Marshment's groundbreaking work. They described in detail the PMO's use of "master brand" political marketing strategies, focusing on the

Harper Conservative government and its focus on centralized party communications from 2006 onward.

Three distinct periods have been identified for the development of “permanent campaign” tactics, based around the emerging data-driven research tools in each era:

- 1) **Modernizing Traditional Market Analyses (1980s-2000s):** Traditional market analyses using such methods as focus groups or surveys were the first research tools to increase with sophistication and refinement as personal and networked computers became more ubiquitous, prior to Lees-Marshment’s identification of permanent campaigning at the turn of the millennium (2001; 2004).
- 2) **Data-Driven Market Intelligence (2000s-2010s):** The advent of the public Internet in 1992 took some time to influence politics in Canada, but after the millennium the creation of data metrics for tracking blogs, online users, links to voter databases, and eventually social media, all propelled the “permanent campaign” as parties began to use networked tools to increase the sophistication of coordinated political marketing campaigns online and off (for example, Giasson and Marland 2012; Marland and Giasson 2015; Patten 2015).
- 3) **Market Surveillance (The Present):** Most recently, targeted messaging tactics have become more refined including the use of algorithms and bots to maintain and analyze interactive feedback loops with the electorate. Potential voters can also now use partisan applications, also known as software “apps,” that allow for immediate analysis of on-going responses and interaction of the participating users’ activities (for example, Trudeau’s 2015 election “apps” that fed into a central data portal, and the use of policy “deliverology” inspired by the Prime Ministerial Delivery Unit that Michael Barber headed under Blair).

Strikingly, the Canadian federal budget has not been examined in such a way. Yet it is clear that it is part of a political marketing strategy that aligns itself with other major pronouncements such as in political platforms prior to elections, throne speeches, and coordinated media communications (see for example Imbeau 2005; Ryan 2015; Soroka 2012). This analysis focuses on the budget speech itself as a limitation of scope; however, the results provide

avenues for future research into how the budget speech is related to the budget, platform, throne speeches, or media accounts. The budget speech is unique, all the same, in that a sophisticated institutional apparatus (the Ministry of Finance) dominates the drafting of the document.

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### **DISCOURSE INSTITUTIONALISM METHODS AND DH SOFTWARE INNOVATIONS**

Two key methods were used for this study: first, a traditional discourse analysis of the official government records following contemporary discourse institutionalists approaches (for example, Dutil and Ryan 2013; Schmidt 2011), and second, an automated textual analysis of the same documents (see for example, Dutil and Ryan 2013; Piersma et al. 2014; Ryan 2015; Wilkerson and Casas 2017; Yu 2014). The importance of this research is twofold: first the discourse institutionalism approach provides an historical overview of professional and thematic changes to the budget speeches as a communication document going back to the start of its modernized format in 1978; and second, the textual analysis provides evidence of the impact of the historical shifts, such as the permanent campaign strategies outlined in political marketing research, particularly as the findings document key changes in language use emblematic of conscious branding differentiation decisions and micro-targeting sectors of Canadians through language.

In terms of political communication textual analyses, the literature has made some progress in identifying how new digital tools help to reveal and visualize professionalization and targeted language trends in discourse and texts (for example, Cambrosio et al. 2013; Dutil and Ryan 2013; Kearney and Banwart 2017), though all methods still struggle with distinguishing complex language constructions such as synonyms, metaphor, negatives, irony, parody, sarcasm, or satire, as well as measuring levels of error (for example, see methodological discussions in Craig 2002; Kearney and Banwart 2017; Laver et al. 2003; Lowe and Benoit 2013; Piersma et al. 2014; Yu 2014). There are many studies using the fixed dictionary Lexicoder methodology to textual analysis (Lawlor 2015; Soroka 2012), while fewer provide rich descriptive explorations of word use (Dutil et al. 2010; Dutil and Ryan 2013; Imbeau 2005; Raney and Nieguth 2017).

Part one of the following analysis focuses on the visualization of automated textual analysis data, using the top key words in a document as the raw data, compiled by the Voyant Tools concordance software (see: [voyant-tools.org](http://voyant-tools.org)). The coefficients for the top words, as a ratio to the total words in each budget speech, are then visualized using a RéseauLu network, which is a propriety mapping software similar to common network analysis tools such as Pajek or UCINET (see for instance, Cambrosio et al. 2013; Dutil and Ryan 2013). The analysis excludes some 300 stop words (for example, articles, prepositions, and auxiliary verbs), so as to focus on the top 30 to 40 per cent of subjects in each speech, and is similar to creating word clouds to visualize trends in documents.

The network visualization map developed below can be read using basic network visualization analysis cues (see Figure 1 below); for example, a speech's node is depicted as a larger circular hub if other speeches use, or link to, its words more than other individual speech nodes. In this way, an "anchor" speech would be a dominant hub in the network with more relational links to speeches that were delivered later, whereas "follower" speeches would simply be speech nodes that are statistically plotted and clustered closer to that larger hub due to the number of relational links. Overall, the relational clusters depict similarity the closer the speeches are plotted together, and the lines simply identify a link in the network between nodes (using the terms of relational network theorists, the trends are visualized as homogeneous or heterogeneous relation networks; for example Cambrosio et al. 2013).

Part two of the analysis is a Principal Components Analysis (PCA) of the top 250 key words, excluding stop words, which complements the RéseauLu network visualization by using a larger number of variables factoring into the stylistic linkages and differences among the speeches (see for example as models, Craig 2002; Dutil and Ryan 2013; Ryan 2015). The PCA in this study highlights the change of consistent word use in particular periods, demonstrating at once the importance of "anchor" speeches as well as the rise of "permanent campaign" political marketing strategies. Such political communication and DH software techniques have the potential to allow researchers to go beyond the theoretical constructs of institutionalism and examine using direct evidence to identify how ideas are "framed" over time. By "mining" the



discourse and key words, different analytic software can demonstrate consistencies in what is emphasized and, just as well, what is ignored.

### *I. Budget Partisan Families: Visualizing Speeches in Historical Context*

The discourse institutional analysis of the format changes for the budget speech documents reveals the increasingly partisan language and developing sophistication of strategic communication and political marketing (see Appendix 1). Clearly, the budget speech format has changed as technological innovations appeared. When electronic typewriters gave way to computers in the late 1980s, the ministry of finance formatted budget speech documents to include more complex charts and, a few years later, infographics. Advances in political marketing also influenced the branding of budgets. The use of giving particular titles to budgets, starting in 1993 during Mazankowski's last year as finance minister, announced this new approach.

The budget speeches for the 1978 to 2017 period were fairly consistent in size: approximately 22 pages long, with an average of 8608 words. Flaherty's June 6, 2011 budget speech was the shortest of the speeches, at seven pages (1,578 words): it was more of a symbolic gesture as he had delivered a budget speech the previous March for the fiscal year 2011-2012 prior to the 2011 election. The longest budget speech was delivered by Crosbie in 1979 (48 pages; 17,082 words), due to the inclusion of 28 pages of tables.

By comparison, the second longest was Martin's 1995 speech at 36 pages (but only 9,853 words). The 1995 speech, beyond signaling a historic turn in government spending, was significant because it included the branded design of the Liberal party's 1993 election program, the *Red Book* (that is, the conscious use of white space, callout highlight boxes, and tables), irrevocably changing the document's traditionally partisan-neutral appearance: the age of permanent political branding was born. Along with the format changes, however, exploratory digital analyses help to illuminate how the text of the speech has also been branded by partisan concerns over time.

Table 1 presents the dominant key word themes by period, using a combination of discourse analysis and a review of the top 35 key words identified using the concordance software of Voyant Tools. To note, a comparison to the verbatim speeches delivered in the House against the original budget speech was also performed. In the verbatim transcript, it was common practice for finance

ministers to add extra “Mr. Speakers,” occasional changes to French, or more extemporaneous sentences that helped to explain details of the budget. None of these additions changed the meaning of the speech.

**TABLE 1**

TOP BUDGET SPEECH KEY WORD THEMES BY PERIOD, 1978-2015		
Budget Speeches (by Period)	Dominant Themes	Speeches / Pages (Words)
1. The Trudeau Liberals (1978): FM Jean Chrétien's Budget Speech (LPC)	- Price and wage inflation; high interest rates	1 speech / 30 pages (6,348 words)
2. The Progressive Conservatives under Clark (1979): FM John Crosbie's Budget Speech (PC)	- Cuts, deficit repayment, and energy stability	1 speech / 48 pages (17,082 words)
3. The Return of the Trudeau Liberals (1980 – 1984): FMs Allan MacEachen and Marc Lalonde (LPC)	- Deficit control and economic recovery	5 speeches / 85 pages (38,628 words)
4. Mulroney and Campbell's Progressive Conservatives (1985 – 1993): FMs Michael Wilson and Don Mazankowski (PC)	- Jobs, deficit control, and cutting taxes (and starting in 1991, the GST)	9 speeches / 240 pages (64,837 words)
5. The Chrétien and Martin Liberals (1994 – 2005): FMs Paul Martin, John Manley, and Ralph Goodale (LPC)	- Cutting the deficit; focuses on child care, education, and research	11 speeches / 285 pages (166,937 words)
6. Harper's Minority and Majority Governments (2006 – 2015): FMs Jim Flaherty and Joe Oliver (CPC)	- The Economic Action Plan, jobs, infrastructure, and recession	11 speeches / 183 pages (42,338 words)
7. The Trudeau Liberals Majority Government (2015-2017)	- Middle class families, education, and innovation	2 speeches / 25 pages (8,147 words)
AVERAGE TOTALS: 22.4 pages (8607.925 words)		40 speeches / 871 pages (336,170 words)
NOTE: Abbreviations used in this table include Finance Minister (FM), and their party affiliations of the Conservative Party of Canada (CPC), Liberal Party of Canada (LPC), and the Progressive Conservatives (PC). Only the last names of the FMs are used throughout this analysis because they are listed here in this table.		

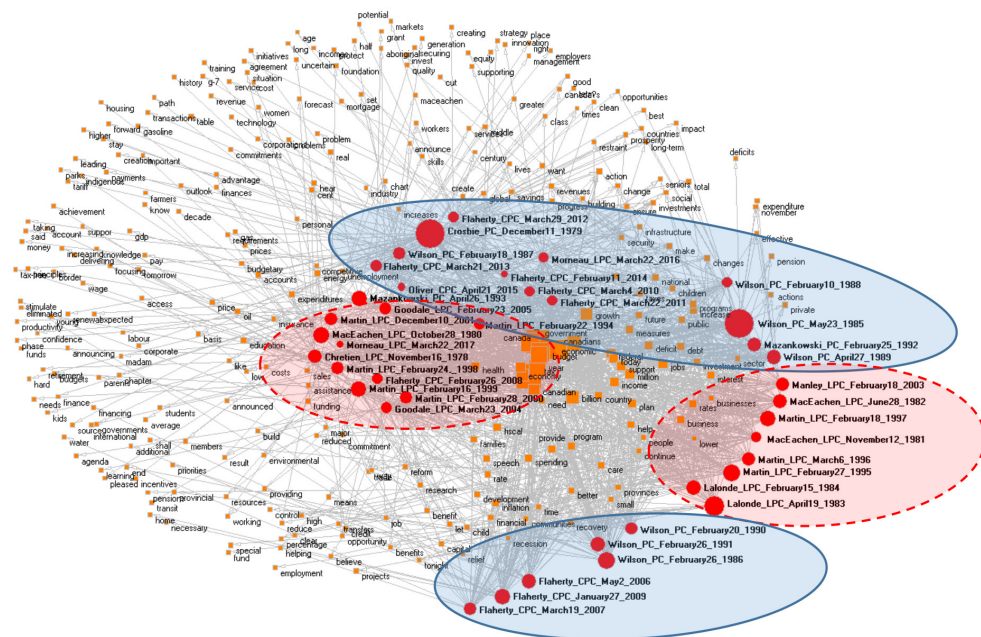
Hansard would also include comments from MPs, which would lead to spontaneous supportive dialogue between the party and the finance minister (see especially Crosbie's 1978 budget speech). MacEachen's 1980 budget speech started another novel practice: skipping entire paragraphs of the text during the speech delivery. This practice demonstrated how the speech document was developing a new conventional format: one that might be spoken in the House, but also designed to be read by a wide-ranging audience as an entirely separate, professionally printed document.

The dominant themes identified in Table 1 are explored in more detail using the RéseauLu network mapping software. The use of this tool allows for an analysis of word usage and issue framing that was simply not readily available prior to the advent of social media. RéseauLu groups texts based on similarities of expression using the top 35 key words and displays them through a

relational network (excluding a list of common stop words). Figure 1 shows how the speeches from 1978 to 2017 relate to each other in either homogenous or heterogeneous network relationships (as described above, for more about RéseauLu, see Cambrosio et al. 2013).<sup>2</sup> Speeches that the software places close to each other have more language in common. Three broad patterns are evident in Figure 1.

**FIGURE 1**

*Budget Speech Keywords Visualized Using RéseauLu, 1978-2017*



First, there were four clear partisan rhetorical camps, shaped by a high degree of consistency in each camp's use of language. On the top and bottom half of the diagram, the affinity of Progressive-Conservative and Conservative budget speeches are evident (see Figure 1, the solid line highlighted circles). These two groups include the speeches delivered by Wilson in the 1980s, Mazankowski in the early 1990s, Flaherty in the 2006-2014 period, and Oliver in 2015. The figure shows a remarkable degree of common word usage that indicates that the party name change from the PCs to the CPCs in 2004 under Stephen Harper hardly affected its choice of vocabulary in drafting the budget.

In contrast, the Liberal government budget speeches are evident in their own two groupings on the left and right of the diagram (see Figure 1, encircled by a dashed line). These include the Martin speeches of the 1990s, along with

Goodale and Manley's in the early 2000s, all of which used similar top key words with a striking amount of consistency.

Beyond those two dominant lexical networks, Figure 1 is interpreted within the partisan historical context of each speech in the following four sections, which chronologically identify the "families" and vocabularies used by the leaders, followers, anchors, and mavericks who built upon the political marketing strategies of each era.

### *1) "Anchor" Speeches and the Rise of Distinctly Partisan Budget Speeches*

Along with the partisan families, the diagrams generated by the software reveal core "anchor" speeches: texts delivered that set a pattern of rhetoric that was followed by successive orations that cluster near that hub. RéseauLu shows two fundamental speeches: The Crosbie 1979 speech as well as the Wilson 1985 stand as "anchor" speeches, depicted by the large hubs that are generated to represent a greater number of links. The Crosbie 1979 stands as the pivot point between a family of Liberal speeches (in the pink bubble below it) and a widely dispersed cloud of PC and CPC speeches above it in blue. The Wilson 1985 speech also stands out, showing how its thinking was recast noticeably by Mazankowski, and in part by Flaherty (in the top of Figure 1), as the Conservative budget speeches were more likely to emphasize words such as "trade," "savings," "expenditure," "competitive," "private," "social," "progress," "unemployment," and "recession."

Noticeably, select Liberal speeches from the 1980s, '90s and 2000s appear strongly connected to the Wilson 1985 speech. The most remembered "anchor" or "leader" speech was delivered by Martin in 1995, one that carries through to Manley in the mid-2000s (and which is also positioned closely with Lalonde's two). The Liberals invoked words such as "education," "health care," "increase," "spending," "energy," "research," and "work" more often, which aligned with the Red Book master brand during the period (to note, Part II below similarly identifies how this "anchor" speech can also be the starting point for permanent campaign brand differences), but still borrowed heavily from Wilson. Martin's 1995 speech was setting the course for the elimination of the deficit and a decade of budget surpluses that could fund the common Liberal projects as represented in those words.

## *2) The Liberal Party of Canada's Budget Speeches: Leaders and Followers*

The impact of the Bonn summit of the G8 in 1978 shows clearly in the Chrétien speech of that year, as it sits in the middle of the diagram along with the sample of Liberal speeches (see Figure 1). Chrétien had been finance minister since 1977 and was determined to continue the Anti-Inflation Program that had begun in 1975. However, slower growth and inflation continued to impact Canada. As Chrétien remarked: “[a] renewed outburst of inflation was not the result of any acceleration in our own incomes or our own domestic costs. It was the result of higher food prices and the decline in the dollar” (Budget Speech 1978, 5). Overall, 1978’s budget would include another massive deficit, the largest in Canadian history up to that time, so as to focus on attempts to stimulate growth, while controlling price and wage inflations.

When the Liberals were returned to power, with MacEachen as Minister of Finance in 1980, the government’s shift to the right in its use of language becomes noticeable. The Trudeau government of 1979-84 was clearly tacking towards a more austere budgetary policy, attempting to cope with a severe economic recession in 1982-83 while trying to live up to newly emerging conservative budgetary principles. The speech of 1980 begins a migration towards consistent Progressive Conservative party language use, reaching its extreme in the highly controversial speech of 1982 that would eventually cost MacEachen his job (it is located near Wilson’s 1985 speech in Figure 1, showing a PC use of language). MacEachen presented the first three budget speeches delivered during Trudeau’s second majority and final term as prime minister.

Canada was still facing large trade deficits, along with high inflation and interest rates. MacEachen discussed the importance of moving away from “quick solutions” and creating “a plan in a longer-term framework” by fostering an international economic system (Budget Speech 1980, 4184-4185). He proposed to maintain or reduce government expenditures, reduce the government deficit and financial requirements, avoid personal and corporate tax increases and support the Bank of Canada’s monetary policies that helped reduce inflation, while fostering an environment that offered minimal government regulation and strong competitive forces (Budget Speech 1980, 4185). He also resolved to sustain social and economic assistance to the developing world and create

manufacturing investments for parts of the country facing high unemployment rates.

In his second speech, in 1981, MacEachen wanted to create “equity” through an “overhaul of the personal tax system” (Budget Speech 1980, 1). His budget projected a reduction in personal income tax for high-earning citizens, a reduction of expenditures, and a restriction of several corporate tax income measures. This budget aimed to reduce borrowing through the net gain in tax revenues and to rescind the manufacturers’ sales tax in order to introduce a reworked sales tax (Gillespie 1991, 197). This reform was met with a negative response from special interest groups and in his final speech he made no reference to equity, after changes in the 1981 budget minimized his “plea for equity in the November budget” (Gillespie 1991, 198-200).

Instead, MacEachen’s final speech as the finance minister, in 1982, focused on a plan to resolve the taxation issues from the November budget (Budget Speech 1982, 188-76), as the tax reform was still receiving strong opposition (Gillespie 1991, 200). The speech places it near the PC camp and Wilson’s 1985-1989 speeches. MacEachen introduced measures targeted to create jobs and economic activity (Budget Speech 1982). All three of MacEachen’s speeches, from 1980 to 1982, depict a Liberal government marching towards the right. The last speech, however, went too far. The negative reaction was swift and MacEachen was removed from the portfolio.

Lalonde took over the finance ministry for the remainder of the Trudeau regime and moved the next budget towards more traditional Liberal rhetoric as the next election appeared on the horizon. Lalonde’s two budget speeches, in 1983 and 1984, focused on Canada’s economic recovery, as industrial production and housing prices were rising and inflation and interest rates were declining (Budget Speech 1983, 1-3). His 1984 tacking back towards Liberal language was only temporarily, as it was the last of the Liberal budgets under Trudeau. In spite of the recovery, unemployment rates were still high. Not surprisingly, the dominant theme in Lalonde’s speeches was job creation, while the primary goal was to ensure sustained economic growth (Budget Speech 1983, 1).

Lalonde’s final budget speech, in 1984, highlighted how Canada’s economic growth was increasing thanks to the success of MacEachen’s 6&5 Program,

and inflation had started to decrease (Budget Speech 1984, 1-3). Employment was also on the rise, although 1.4 million Canadians were still unable to find work. To help ensure the continued growth, Lalonde proposed the continuation of expenditure restraint, measures aimed at strengthening the private sector, job creation, particularly for youth, and the creation of policies that would allow Canada to compete on the world stage (Budget Speech 1984, 2-3; 7-8). The visualization demonstrates clearly how the Trudeau administration swung wildly in the 1980s, hoping to find solutions to Canada's economic problems of inflation, global competition, economic recession, and the demands of continued growth.

The Liberals returned to power in 1993 and the budget speeches delivered during the Chrétien administration prove very different. All the speeches delivered by then Finance Minister Martin (1994-2001) cluster closely to other Liberal speeches. Martin's first budget speech set the precedent as it focused on new strategies for job creation and economic growth, while slashing expenses. Notably, Martin's 1995 speech is the largest node in the Liberal cluster here, next to Lalonde's 1983 speech, which means that it has the most relational links to other speeches. This can be interpreted as Lalonde and Martin's speeches being key anchors in the cluster, as the remaining speeches have smaller nodes, particularly as Martin's 1995 speech began the cost cutting approach that would eventually lead to Liberal surpluses after the turn of the millennium. For example, Manley's sole 2003 budget in the Martin administration followed very similar rhetoric (to note, there was no budget presented in the calendar year 2002).

Goodale's speech in 2004 after the election focused on the realities of minority government, shifting the Martin administration's priorities. The second budget presented in 2005, again by Goodale, listed priorities that recalled earlier commitments but were slightly recast to appease the Bloc and NDP with new spending (for example, see Doern 2005). Remarkably, the same speech veered dramatically to the political right, using language very similar to Flaherty's "Great Recession" speeches. Like MacEachen and Lalonde, Goodale was capable of giant leaps and contrasts in his speech, but it did not work. The Liberals were defeated in January 2006.

In 2015, the return of a Liberal majority under Justin Trudeau brought Bill Morneau's unique 2016 speech that is the lone Liberal speech positioned in

Figure 1's top CPC/PC family, near Flaherty's recession speeches, and between the two major hubs of Crosbie's 1979 austerity budget, and Wilson's 1988 spending budget. This lone exception might give weight to the suspicion that Morneau is a fiscal conservative, especially given his corporate background. However, Morneau's 2017 speech is firmly situated in the Liberal family of speeches (on the left of Figure 1). Party branding of the budget became all the more controversial as the design costs of the cover page for the 2017 budget amounted to \$212,234. The government also set aside \$750,000 to promote the budget.

### *3) The CPC Budget Speeches: Leaders and Followers*

The Progressive Conservative budget speeches delivered by the Mulroney administration and the Conservative government led by Harper huddle together in two distinct clusters, evidently tied by a stricter set of principles and vocabulary. There were a few exceptions, which were delivered in times of financial distress: the Wilson speeches of 1989-90 and the Flaherty speech of 2008. The former set tacked towards the more redistributive rhetoric that is typical of Canadian Liberalism, while Flaherty's 2008 speech—the highly controversial one that prompted a Liberal-NDP-Bloc coalition to threaten a non-confidence vote—is firmly in the Liberal family.

The Wilson speech of 1985, the first one delivered by the Mulroney government, presented itself as a clear large hub in Figure 1 (making it an “anchor”). It manifestly borrows concepts from both the left and the right. Wilson delivered seven budget speeches in his time. In 1985, the new government stated that they had inherited an economy that was not growing. There was a substantial deficit and they pledged to reduce it by \$4.4 billion down to \$33.8 billion through expenditure reductions and tax increases (Budget Speech 1985, 5). Furthermore, Wilson prioritized job creation for Canadians through “a major change in the taxation of capital gains” in order to encourage investment from Canadian citizens (Budget Speech 1985, 6).

Wilson's first two speeches had a heavy focus on job creation and deficit reduction. His 1986 budget speech's primary concern was reducing the current deficit even further to \$29.8 billion in the coming fiscal year, again through an increase in taxation and spending cuts (Budget Speech 1986, 2). In terms of new formatting, this budget speech was also notable in that it marked the first



time graphs and charts were used throughout the body of the speech: a sign that computers were becoming more ubiquitous. This allowed the government to format documents more creatively, as compared to the previous electronic typewriters, where tables were included only after the body of the speech.

In his third and fourth speeches, Wilson was finally able to deliver good news regarding the recovery of Canada's economy, as Canada's "rates of economic growth and job creation exceeded those of all the major industrial countries" (Budget Speech 1985, 1). However, some viewed his 1988 speech as a "self-congratulatory accounting document" (Graham 1988, 8). Similar to his first two speeches, Wilson focused heavily on job creation and deficit reduction while also beginning a discussion of deregulation and Canada's ability to compete in the world trading market in order to further economic growth. Furthermore, Wilson announced a tax reform in order to make the tax system "more fair, less complex" and encouraging of productive economic activity (Budget Speech 1985, 3).

In 1988 the Mulroney government was re-elected and Wilson continued as finance minister as the Canada-U.S. Free Trade Agreement was implemented. Interestingly, Wilson migrated back to the style of his inaugural budget speech in his address. The deficit proved implacable and once again Wilson's speech centered around its reduction through government expenditure cutbacks. His final two speeches also focused on deficit reduction; however, from his first year as finance minister to his last he was only able to reduce the deficit from \$38.2 billion to \$31.4 billion.

All the same, Wilson's speeches in the second Mulroney term showing themselves as moderate, pushing the language into new territory and will stay in this middle range until he is succeeded by Mazankowski, whose speeches are more traditionally Conservative. It is striking to see the degree to which some of Martin speeches were crafted along Wilson's lines. Mazankowski's approach, in contrast, would be pursued by the Flaherty speeches. Mazankowski took over the finance ministry for the last two years of Mulroney's second term as prime minister. Like his predecessors, Mazankowski aimed to find "lasting solutions" to Canada's economic problems and to cut the deficit, but unlike Wilson, Mazankowski aimed to do this while simultaneously cutting taxes. However, the deficit had risen to \$45.7 billion by the end of his two-year term as finance minister.

In 2006, the Conservatives' five priorities election platform was translated into the budget, in light of the larger promise to preserve social programs "and to increase overall spending by \$30 billion over five years" aimed at attracting middle-class voters that they had gained at the Liberals' expense in the election (Doern 2006, 8). These themes are evident in Figure 1, as many of Flaherty's minority government speeches are positioned near Wilson's moderate second term speeches. The budget included spending on maintaining the currently projected growth rates for transfers to persons through elderly benefits and Employment Insurance, and transfers to other levels of government for health, social programs, equalization, and municipal infrastructure, decreasing the GST, and increased spending on Canadian Defence.

The Conservatives were able to maintain support in the House in 2006 by spending on NDP social programs when it served their interests, and by targeting the Liberals on their past spending failures while they were going through a change in leadership. For the 2007 Budget, Flanagan (2009) noted how important the balancing act of using other parties was in these terms:

getting the BQ to support his budget and softwood lumber agreement with the United States; the BQ and the NDP to support the Accountability Act (the Liberals supported it in the House but delayed it in the Senate); one faction of the Liberals to support extension of Canada's mission in Afghanistan; and all three opposition parties to support his motion "That this House recognize that the Québécois form a nation within a united Canada." (Budget Speech 2009, 275)

These strategies allowed the 2006-2008 agenda to pass for the most part, with exceptions to the government's crime and gun legislation which were stalled in committees. Harper asked the Governor General for an election in 2008, circumventing his relatively new fixed election date rule, when it was clear no agreements could be made with opposition parties to move the agenda forward. The 2006 Conservatives had governed with the smallest minority ever in the Canadian House of Commons (just 40.6% of the seats).

Notably, Flaherty's 2008 through 2011 recession speeches migrate further into the same Liberal area as Mazankowski's 1993 speech in Figure 1, signaling a more middle-of-the-road approach, particularly as the minority Harper government would eventually prepare to call for an election in 2011. Flaherty

delivered 10 budget speeches in the House, though his 2011 speech was delivered twice due to the election, making him the longest serving finance minister in this period. Martin comes second with nine budget speeches.

#### *4) The “Maverick” Speeches*

The RéseauLu mapping also clearly isolates “maverick” speeches as hubs that sit at a distance of other speeches, or within opposing speech families, sharing words with many other speeches. The overlapping vocabulary in these maverick speeches can be discerned both in the broad thematic discourse analysis provided in Figure 1 (and also by looking at the unique lexicons of key economic terms in Part II below). These were speeches delivered typically at transition points, or at points of more extreme stress for the governments. The standouts are, in chronological order, Crosbie 1979, Flaherty 2008 and Morneau 2016, three speeches that aimed to strike a bi-partisan balance (see Figure 1).

Perhaps the most obvious one in this regard is the controversial Crosbie speech of 1979. Though it borrowed heavily from Liberal rhetoric, it was insufficient to win the support of the House and the Clark minority government was defeated on a vote of confidence following the speech. Crosbie’s budget was the first Progressive Conservative budget in 17 years. The speech assessed the current economic situation passed on to him from the previous Liberal governments under Pearson and Trudeau. The economy had suffered throughout the 70s due to an “increase in energy prices and the unhappy combination of slower economic growth and general price inflation found in most countries” (Budget Speech 1979, 2). The second energy crisis had reached its peak in the fall of 1979, leading the PCs to boldly aim to have Canada self-sufficient in oil production by the 1990s (Budget Speech 1979, 3).

In Figure 1, Crosbie’s speech appears as a standout maverick and also represents, as noted above, a major hub connecting both of the partisan camps. Thematically, Crosbie’s budget aimed to reduce the deficit and create a system of incentives that would “encourage Canadians to work, to save, to invest, to take risks in Canada, to become more efficient in production and to conserve energy and other scarce resources” (Budget Speech 1979, 3). He announced a plan to limit growth in government expenditures to 10 per cent a year. Crosbie’s plan also focused on raising oil and gas prices through an energy tax and

an excise tax, which would allow the government to “assist in developing alternate energy sources, conservation methods and to assist regions and people in Canada in absorbing these higher costs” (Budget Speech 1979, 4). The energy tax was supplemented with a refundable tax credit for lower- and middle-income Canadians. Sin tax increases on alcohol and tobacco were introduced, and unemployment insurance contribution rates were also increased at the time. It was a maverick in that its particular use of rhetoric had no followers.

## *II. Tracing the Development of the “Permanent Campaign”*

The second and perhaps more convincing reflection of the increasing influence of political marketing was apparent in the Principal Components Analysis (PCA) of the top 250 key words in each speech. Hugh Craig’s Intelligent Archive software (2002) reduces the documents to the top 250 key words, excluding stop words, creating coefficients based on each document’s total words, and then transforms the variables based on the top two factors in the set (in this case, frequency and similarity of use within the documents). The PCA created three clear periods of speeches:

- 1) The Liberal and PC speeches, 1978 to 1992: The first period identified was the volatile deficit decade of speeches. These speeches called for creative responses and word use in this period, as compared to the increasing consistency of voices in Martin and Flaherty’s budget speeches, depicted in the latter two periods below. The words that pulled the first decade of speeches together use PCA included “funding,” “need,” “strength,” “support,” and “provide.”
- 2) The Liberal Speeches, 1993 through 2017: The professional use of political marketing language to create the Liberal Red Book was evident using PCA, inclusive of Martin, Goodale, and Manley’s speeches. Words such as “burden,” “programs,” “prosperity,” “reduce,” “reform,” and “strategy” are representative of this Liberal era’s lexicon. Similarly, the Morneau speeches plotted in this area as well.
- 3) Flaherty and Oliver’s Speeches, 2006 to 2015: The very controlled, repetitive language in the Conservative party era was identified through PCA to include the words “competition,” “costs,” “gas,” “industry,” “insufficient,” “recession,” and “revenues.”

Previous studies have identified how PCA can be used to identify historical grouping of similar documents (for example, Craig 2002; Dutil and Ryan 2013).

Table 2 below demonstrates this similar historical relationship by aggregating the PCA coefficients for words representative of “spending,” then subtracting them from “cutting” budgets (not including stop words; this algorithm follows Dutil et al. 2010). In particular, the algorithm adds together the coefficients for all root word variations of a discrete set of “spending” terms as ratio of the total number of words in each document (that is, the words “asset,” “develop,” “increase,” “invest,” “outlay,” and “spend”), then subtracts that value from a group of austerity budgetary terms (specifically, “cut,” “decrease,” “reduce,” “saving,” and “recession”). Table 2 identifies that the spending budgets include Lalonde’s, and some of Wilson, Mazankowski, and MacEachen, during the high deficit years between 1978 and 1992. Martin’s 2005 and Harper’s 2009 budgets were also spending budgets, as they were forced into amendments to retain power (that is, Martin’s 2005 minority deals with the NDP, and Flaherty’s 2009 recession stimulus budget).

TABLE 2

THE FEDERAL BUDGET SPEECHES ANALYZED FOR ECONOMIC TERMS					
Austerity Budgets		Neutral Budgets		Spending Budgets	
Mazankowski_PC February25_1992	-0.00198	MacEachen_LPC June28_1982	0.006386	Wilson_PC February26_1991	0.008966
Flaherty_CPC March22_2011	-0.00168	Wilson_PC February26_1986	0.006624	Wilson_PC February10_1988	0.010774
Flaherty_CPC ** March4_2010	0.000529	Oliver_CPC April21_2015	0.006807	Flaherty_CPC March29_2012	0.011206
Martin_LPC February22_1994	0.001124	Wilson_PC April27_1989	0.006843	Mazankowski_PC April26_1993	0.011396
Martin_LPC February24_1998	0.001509	Chretien_LPC November16_1978	0.007255	Lalonde_LPC February15_1984	0.011716
Martin_LPC February27_1995	0.00164	Martin_LPC March6_1996	0.007363	Flaherty_CPC ** May2_2006	0.011792
Morneau_LPC March22_2017	0.002269	Martin_LPC February18_1997	0.007414	Manley_LPC February18_2003	0.012681
Crosbie_PC ** December11_1979	0.002824	Martin_LPC February16_1999	0.007635	Flaherty_CPC January27_2009	0.013812
MacEachen_LPC November12_1981	0.003425	Wilson_PC February20_1990	0.007683	Goodale_LPC ** March23_2004	0.014772
Martin_LPC December10_2001	0.004564	Flaherty_CPC ** March19_2007	0.007848	MacEachen_LPC October28_1980	0.016239
Martin_LPC February28_2000	0.005351	Wilson_PC February18_1987	0.00825	Morneau_LPC March22_2016	0.001644
Flaherty_CPC March21_2013	0.005484	Flaherty_CPC ** February26_2008	0.008271	Lalonde_LPC April19_1983	0.016768
Wilson_PC May23_1985	0.005877	Goodale_LPC ** February23_2005	0.008837	Flaherty_CPC February11_2014	0.017094

\*\*NOTE: The two asterisks depict minority government years above.

Similarly, many of Flaherty and Martin’s budgets dominate the austerity list in Table 2, as might be expected due to their deficit fighting years. Most of the majority government budgets are “neutral” or “austerity” budgets, depending on the time period. Flaherty’s 2010 and Crosbie’s 1979 budgets are the only two minority budgets presented in the “austerity” category; the former reflecting how the 2010 budget was used during the 2011 election campaign, while the latter reflecting Clark’s response to the previous Trudeau spending budget. Not surprisingly, Morneau’s 2016 stimulus budget is among the highest in the “spending” category.

### MICRO-TARGETING LANGUAGE

Strategic micro-targeting language trends that align with each party’s master brands are also represented using word list searches by era focusing on economic key words outside of the top 35 words (see Table 3). Simply using the

raw frequencies in Table 3 (due to space restrictions for the coefficients), the 1980s to '90s can be shown as the era of struggling with debts and deficits. The later Martin leadership era starts to include new focuses on accountability, education, health care, surpluses, transparency, and research that match the Liberal “caring” brand (as identified in Marland 2016; 2017); and Flaherty’s era focuses on the Economic Action Plan, globalization, infrastructure, jobs, and stimulus, matching the Conservatives “strong leadership and economy” brand (as identified in Marland 2016; 2017).

TABLE 3

ECONOMIC KEY WORDS RAW FREQUENCIES							
Key Word	Chretien LPC 1978	Crosbie PC 1979	MacEachen, Lalonde LPC 1980-1984	Wilson, Mazankowski PC 1985-1993	Martin, Manley, Goodale LPC 1994-2005	Flaherty, Oliver CPC 2006-2015	Morneau, LPC 2016-2017
accountability	0	0	0	1	13	12	0
city/cities	0	1	4	3	17	20	1
debt(s)	7	11	11	212	135	44	2
deficit(s)	5	52	82	247	131	31	0
economic action plan	0	0	0	0	0	111	0
education*	0	0	7	17	127	48	10
efficiency*	1	2	15	38	19	20	1
equity	0	4	13	14	6	0	0
employment	8	14	68	48	36	60	3
expenditures	27	62	50	162	33	3	1
global / globalization	0	0	0	11	40	90	0
growth	18	71	108	302	110	115	19
GST	0	0	0	17	7	12	0
health care	0	1	1	3	90	31	12
inefficiency	0	0	0	10	3	0	1
infrastructure	0	0	1	4	58	77	11
jobs	3	4	68	127	105	183	22
labour	1	4	31	62	11	11	0
military/defence	0	0	11	4	21	10	8
transparency	0	0	0	0	10	3	2
revenue(s)	14	68	37	123	54	8	1
rural	0	0	0	1	29	6	6
stimulus	3	0	7	1	6	21	0
surplus	3	10	5	15	17	17	0
unemployed*	6	29	43	55	45	10	1
union(s)	0	0	8	5	1	0	1
urban	0	1	1	1	18	2	1

NOTE: The coefficient ratios based on the total word count in each set of documents were not listed above due to space limitations, and only the raw frequencies are provided in the above table.

Topical key words can also be applied to distinguish the speeches (Dutil and Ryan 2013; Dutil et al. 2010). Again, a split in framing lexicons is evident (see Table 4). It may not be surprising, but clearly demonstrates conscious decisions about the branding language being used to communicate the federal budget speech, while also reflecting the time period.

TABLE 4

TOPICAL KEY WORDS RAW FREQUENCIES							
Key Word	Chretien LPC 1978	Crosbie PC 1979	MacEachen, Lalonde LPC 1980-1984	Wilson, Mazankowski PC 1985-1993	Martin, Manley, Goodale LPC 1994-2005	Flaherty, Oliver CPC 2006-2015	Morneau, LPC 2016- 2017
Aboriginal(s)	0	0	0	2	40	15	0
Child care/ child tax credit	3 (tax credit)	3 (tax credit)	3	13	16	17	6
Climate change	0	0	0	0	20	4	7
Computer(s)	0	0	0	1	4	5	0
Disabled/ disability	1	0	0	39	44	21	1
Diversity	0	0	1 (diversification)	4	9	3	5
Ethnic	0	0	0	0	0	0	0
Family/families	1	12	26	62	124	150	29
First Nation(s)	0	0	0	0	7	17	4
Grandchildren	0	0	0	0	3	7	0
Handicapped	0	0	0	0	0	0	0
Homosexual/ Sexuality	0	0	0	0	0	0	0
Human rights	0	0	0	2	1	1	0
Immigrants/ Immigration	1	0	7	6	16	12	1
Indian(s)/ Indigenous	0	0	2	16	5	0	0
Information technology	0	0	0	0	7	0	0
Man/Men	1	0	0	4	5	8	3
Religion	0	0	0	0	3	0	0
Senior citizen(s)	0 (retirement: 1)	0 (retirement: 6)	6	0 (retirement: 25)	4 (seniors: 43)	0 (seniors: 46)	11
Youth/young	0	2	30	7	70	28	7
Woman/women	0	1	7	12	21	17	15
COUNTRIES							
China	0	0	0	0	0	2	1
India	0	0	0	0	0	4	0
United States	7	7	13	34	16	14	3

NOTE: The coefficient ratios based on the total word count in each set of documents were not listed above due to space limitations, and only the raw frequencies are provided in the above table.

For example, the Liberals used “climate change,” whereas the PCs and CPCs avoid it. Similarly, the dominance of the middle-class “family” grows with the professionalization of political marketing language over time, in Table 4. The shifting cultural use for Indigenous representation terms is also present



in Table 4, moving from “Indians,” to “Aboriginals” under Martin, to “First Nations” under Flaherty, based on cultural identity discussions, where presently “First Nations” and “Indigenous” have been identified through the Truth and Reconciliation Commission’s efforts to be used in government professionalization and respectful consensus based communication among nations. In this way, digital humanities techniques quickly identify omissions, which were possibly at times reflective of the era (for example, women’s issues), or by conscious choice (for example, “climate change”).

## PERSONALIZATION

Finally, a change in personalization is apparent when using words beyond the top 35 words analyzed in the RéseauLu visualization above (see Table 5).

**TABLE 5**

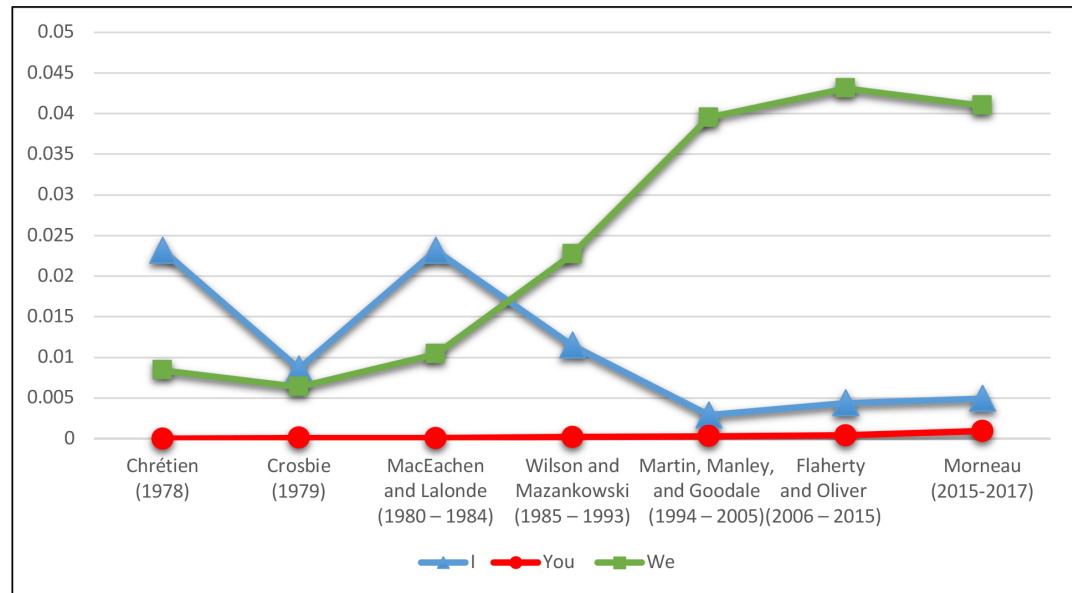
PERSONALIZATION OF THE FEDERAL BUDGET SPEECHES BY ERA							
Key Word	Chrétien's Budget Speech (1978)	Crosbie's Budget Speech (1979)	MacEachen and Lalonde (1980 - 1984)	Wilson and Mazankowski (1985 - 1993)	Martin, Manley, and Goodale (1994 - 2005)	Flaherty and Oliver (2006 - 2015)	Morneau (2015 - 2017)
I	80 (0.023215)	85 (0.0085737)	492 (0.0231529)	421 (0.0115)	124 (0.0029)	101 (0.0044)	21 (0.00495)
You	0	1 (0.0001008)	1 (0.0000470)	6 (0.0002)	14 (0.0003)	10 (0.0004)	4 (0.00094)
We	29 (0.0084155)	63 (0.0063546)	221 (0.0104)	830 (0.0227)	1675 (0.0395)	997 (0.0431)	174 (0.04099)

NOTE: The coefficient ratios based on the total word count in each set of documents are presented in parentheses below the raw frequencies in the above table.

In fact, Table 5 presents the diminishing use of “I” each period until the present, and in contrast the third person “we” voice increases in use (see Figure 2). In 1985, there is a shift to the inclusive “we” over that of the first-person voice, so that the finance minister is a part of a team, inclusive of “Canadians” as a part of the team.

FIGURE 2

## PERSONALIZATION OF THE FEDERAL BUDGET SPEECHES BY ERA



This change was similarly identified in other budget speech and platform documents from the same time period (see Dutil et al. 2010; Pennebaker, Slatcher and Chung 2005; Ryan 2015), reflecting a historical transition of the trend away from grand leaders to that of a team brand, which followed market analyses of successful framing language uses. The trend also documents a starting point for the centralization of power in the PMO affecting the micro-targeting of language, as the “permanent campaign” regime consolidated under Harper.

## CONCLUSION

The use of political communication and DH textual analysis methods allows for an insightful visualization of the partisan lexical families in the Canada budget speeches. The RéseauLu network demonstrated how speeches formed partisan families, drawing on similarities in word use. The other statistical methods further demonstrated how some speeches were “anchors” in terms of starting trends (that is, MacEachan, Wilson, Martin, and Flaherty’s, in chronological order), while others were “followers” in the continuation of trends (that is, Mazankowski, Manley, Goodale, and Oliver’s). Finally, the techniques allowed a discernment of “maverick” speeches (for example, Crosbie, Lalonde, and Wilson’s 1985 speech). The “mavericks” noticeably belonged to the earlier era under scrutiny in this study, written during the volatile period when cre-

ative responses were being explored to aid with the economic difficulties of the 1970s and early 1980s.

The analysis also reveals the fingerprints of the developing strategic communications approaches used by the government, a trend found in other political marketing research and discourse institutionalism analyses. The Liberals' budget speeches fell into two broad categories from 1993 to 2005, and the Conservative party's consistent language from 2006 to 2015, demonstrated two distinct clusters of key words used to attract potential voters. The Liberals' "caring" brand focused on aboriginal issues, education, health care, and research funding, whereas the Conservatives' "strong leadership and economy" brand consistently highlighted their Economic Action Plan goals of boosting jobs, building infrastructure, and dealing with the impacts of the 2009 global recession.

During these periods, the first speech created by the finance ministers led the others in terms of developing dominant themes. The decrease in lexical choice afterwards demonstrates a reduced level of creativity and a decision to stick with "the tried and true" in order not to confuse the electorate with a multiplicity of messages, which reflects common critiques of the diminishing intellectual capital at the center of government over time, leading to Canadians voting out, or firing, governments for their longstanding ways of thinking (and more specifically, "speaking" in this case). In other words, digital textual analysis methods measure and illustrate patterns that are not captured by hearing a budget speech. They also isolate clearly the rise of "permanent campaign" tactics, the dominant political innovation of the past generation. Overall, the analysis above provides a platform for on-going research into the use of rhetoric in the budget speech document that notably sets the future path for each federal government.

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## ENDNOTES

1 Please see Appendix 1 online for the full list of speeches cited and used in this analysis. The original document sources of the budgets and budget speeches for this research mainly came from the Government of Canada's online archive, which includes records back to 1968 (see Government of Canada, "Archived Budget Documents" at:

<http://www.budget.gc.ca/pdfarch/index-eng.html>). Laval University's POLTEXT online archive also includes copies back to 1958 of the verbatim Hansard transcripts as spoken in the House (see POLTEXT, "Canadian Budget Speeches" retrieved from: <https://www.poltext.org/en/part-1-electronic-political-texts/canadian-budget-speeches>). All verbatim speech transcripts are also available as part of Hansard, going back to 1901 (see Hirst et al. 2014). At the provincial level, the Government of Ontario has led the way with its 2018 Digitized Government Publications initiative, which will eventually include all of Ontario's budgets, including handwritten versions going back to 1868, when the total provincial budget was less than three million dollars (available at: [http://www.archives.gov.on.ca/en/historical\\_documents\\_project/historical\\_document\\_project.aspx](http://www.archives.gov.on.ca/en/historical_documents_project/historical_document_project.aspx)).

2 To note, more network visualizations were run with a higher sample of words (e.g., the top 250 words), as well as using iterations breaking the speeches up by decade, to check and ensure the accuracy of these interpretations. For space purposes, we did not include more network images.

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Language-and-gender-in-Congressional-speech

## APPENDIX

### Appendix 1

THE FEDERAL GOVERNMENT BUDGET SPEECHES 1978 - 2016			
Finance Minister	Date	Title	Page Count (Word Count)
Bill Morneau, LPC	March 22, 2017	Building a Strong Middle Class	11 (3,370)
Bill Morneau, LPC	March 22, 2016	Restoring Hope for the Middle Class: Federal Budget 2016	14 (4,777)
Joe Oliver, CPC	April 21, 2015	Strong Leadership: A Balanced Budget, Low-Tax Plan for Jobs, Growth and Security: Economic Action Plan 2015	19 (3,587)
Jim Flaherty, CPC	February 11, 2014	The Road to Balance: Creating Jobs and Opportunities. Canada's Economic Action Plan 2014	10 (2,215)
Jim Flaherty, CPC	March 21, 2013	Jobs, Growth and Long-Term Prosperity the Top Priority of Canada's Economic Action Plan 2013	21 (3,737)
Jim Flaherty, CPC	March 29, 2012	Jobs, Growth and Long-Term Prosperity the Top Priority of Canada's Economic Action Plan 2012	9 (3,619)
Jim Flaherty, CPC	June 6, 2011	The Next Phase of Canada's Economic Action Plan - The Budget Speech: A Low-Tax Plan for Jobs and Growth	7 (1,578)
Jim Flaherty, CPC	March 22, 2011	The Next Phase of Canada's Economic Action Plan - The Budget Speech: A Low-Tax Plan for Jobs and Growth	12 (3,217)
Jim Flaherty, CPC	March 4, 2010	Leading the Way on Jobs and Growth	19 (3,551)
Jim Flaherty, CPC	January 27, 2009	Canada's Economic Action Plan	24 (5,163)
Jim Flaherty, CPC	February 26, 2008	Responsible Leadership	17 (4,217)
Jim Flaherty, CPC	March 19, 2007	Aspire to a Stronger, Safer, Better Canada	22 (5,425)
Jim Flaherty, CPC	May 2, 2006	Focusing on Priorities	23 (6,029)
Ralph Goodale, LPC	February 23, 2005	Delivering on Commitments	22 (6,955)
Ralph Goodale, LPC	March 23, 2004	New Agenda for Achievement	17 (6,077)
John Manley, LPC	February 18, 2003	Building the Canada We Want	18 (6,685)
--	2002	--	--
Paul Martin, LPC	December 10, 2001	Securing Progress in an Uncertain World	21 (7,400)
Paul Martin, LPC*	October 18, 2000	Economic Statement and Budget Update	11 (4,838)
Paul Martin, LPC	February 28, 2000	Better Finances, Better Lives	24 (6,816)
Paul Martin, LPC	February 16, 1999	Building Today for a Better Tomorrow	29 (8,855)
Paul Martin, LPC	February 24, 1998	Strong Economy & Secure Society	30 (9,412)



THE FEDERAL GOVERNMENT BUDGET SPEECHES 1978 - 2016			
Finance Minister	Date	Title	Page Count (Word Count)
Paul Martin, LPC	February 18, 1997	Building the Future for Canadians	30 (9,400)
Paul Martin, LPC	March 6, 1996	Securing the Future: Budget 1996	32 (8,779)
Paul Martin, LPC	February 27, 1995	Seizing Opportunity Today: Budget 1995	36 (9,853)
Paul Martin, LPC	February 22, 1994	Keeping Our Commitment to Canadians: Creating Opportunity	26 (6,473)
Don Mazankowski, PC	April 26, 1993	The Budget Speech: Charting the Course for Growth	19 (3,986)
Don Mazankowski, PC	February 25, 1992	The Budget 1992	28 (6,296)
Michael Wilson, PC	February 26, 1991	The Budget Speech	33 (6,948)
Michael Wilson, PC	February 20, 1990	The Budget Speech	29 (5,192)
Michael Wilson, PC	April 27, 1989	The Budget Speech	27 (6,119)
Michael Wilson, PC	February 10, 1988	Securing Economic Renewal: The Budget Speech	16 (4,677)
Michael Wilson, PC	February 18, 1987	Securing Economic Renewal: The Budget Speech	29 (5,377)
Michael Wilson, PC	February 26, 1986	Securing Economic Renewal: The Budget Speech	29 (8,511)
Michael Wilson, PC	May 23, 1985	Securing Economic Renewal: The Budget Speech	30 (17,731)
Marc Lalonde, LPC	February 15, 1984	The Budget Speech	23 (7,732)
Marc Lalonde, LPC	April 19, 1983	Budget Speech	27 (10,640)
Allan MacEachen, LPC	June 28, 1982	Budget Speech	9 (6,221)**
Allan MacEachen, LPC	November 12, 1981	Budget Speech	15 (4,480)
Allan MacEachen, LPC	October 28, 1980	Budget Speech	11 (9,555)**
John Crosbie, PC	December 11, 1979	Budget Speech	48 (17,082)
Jean Chrétien, LPC	November 16, 1978	Budget Speech	30 (6,348)
The Average Budget Speech Length from 1978 to 2015	22.4 (6638.83)		
Source: Government of Canada. "Archived Budget Documents." Retrieved from <a href="http://www.budget.gc.ca/pdfarch/index-eng.html">http://www.budget.gc.ca/pdfarch/index-eng.html</a>			
Notes:			
*Martin's lone budget update is available in the archive and denoted with one asterisk to signify that it was not included in this analysis, but is listed here as a reference for those interested in the current completed archives. Its language notably fit right in with the other Martin budgets, if we were to include it in the sample.			
**Hansard transcripts are the only versions available for these documents, and there is no separate speech document available based on our archival research to date.			

# Chapter 3

## Using GBA+ to Analyze Federal Equalization

James McAllister

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### INTRODUCTION

The federal government has been attempting to implement an analytical tool, gender-based analysis plus (GBA+), to assess how groups of women, men, and gender-diverse people may experience the policies, programs, and initiatives of the federal government. This Policy Brief argues that GBA+ needs to include the differential impact of public policies on people living in the various regions of Canada.

The “plus” of GBA+ recognizes that gender-based analysis must go beyond biological (sex) and socio-cultural (gender) differences and must recognize the intersection of multiple identity factors like race, ethnicity, religion, age, and mental or physical disability (Canada 2017a). One identity factor that is also often included is “geography,” the importance of where people live in Canada, and it is on this factor that the following analysis will focus (Canada 2016b).

When formulating public policy, the federal government is applying this analytical tool, GBA+, in its budgetary processes by taking into account the differential impact of its fiscal measures on individuals. The federal government’s analysts, researchers, evaluators, and decision-makers need to account for the regional impact of its programs, analyze those differing effects, and report to Parliament on how the various provinces and territories fare. This would also make officials more aware of the regional impacts of any new programs being considered or changes to existing ones.

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### ANALYSYS

#### *Gender-Based Analysis Plus*

In 2015, the Auditor General of Canada released a report on gender-based analysis (GBA). Two standing committees of Parliament, Public Accounts and the Status of Women, released reports in 2016 on the implementation of GBA+

(Canada 2016a; Canada 2016b). Among the recommendations of the Status of Women's committee report was a call to implement a GBA+

framework focused on 'intersectionality' whereby individuals are understood as being shaped by an interaction of different identity factors, including but not limited to gender, sex, national or ethnic origin, colour, religion, indigeneity, class, sexuality, geography, age, mental or physical disability, and migration status. (Canada 2016b, 16).

The federal government has been working to ensure that GBA+ is being "applied comprehensively to all aspects of policy development and decision-making" (Canada 2018a, 219). Government departments and agencies are required to conduct a GBA+ analysis on proposals that go to Cabinet.

In the 2017 federal budget, the Finance department suggested that a gender-based analysis of budgetary measures had evolved into GBA+ and should include intersecting identity factors (e.g., ethnicity, age, income, sexual orientation) (Canada 2017b, 217). In the 2018 budget, the federal government incorporated gender budgeting as a core pillar of budget-making, outlined a Gender Results Framework, and laid out its approach to gender budgeting. It also suggested that implementation of "a GBA+ analysis of the budget documents" must accompany each budget and that the Gender Results Framework must enshrine gender budgeting in everything from tax expenditures to federal transfers and the existing spending base (Canada 2018a).

However, there are other important identity factors that did not make Finance's list, including the spatial distribution of people across Canada. These identity factors involve the type of community or environment, be it urban, suburban, rural, or remote. Each major policy change also will have a differential impact on each province and territory and, indeed, on the different areas within each jurisdiction.

### *Equalization Within Canada*

Perhaps the most explicit recognition of the regional nature of Canada is the federal government's fiscal Equalization program. However, the equalizing provisions of federal programs are not restricted to the Equalization program. In many federations, various strategies to improve fiscal equity and discourage centrifugal forces within society, including progressive forms of taxation,

central government expenditure programs, and intergovernmental grants, produce an asymmetrical distribution of fiscal resources. They have the effect of transferring financial resources from taxpayers in some states, provinces, or regions to residents in other sub-national jurisdictions in the federation.

In the Canadian federation, a policy change may be implemented without accounting for regional impacts because the program is delivered in precisely or almost the same way in every province and territory. For example, a policy change like increasing or reducing the age of eligibility for Old Age Security (OAS) benefits or expanding the Canada Pension Plan (CPP)/Quebec Pension Plan (QPP) may have a greater impact in some parts of the country than in others. Even a technical change, such as revising the provisions of the federal fiscal Equalization program, will most certainly affect some provinces differently than others.

A review of some of the various means through which equalization takes place in Canada will demonstrate which provinces and territories benefit most extensively. In the analysis that follows, a clear distinction will be made between those programs that explicitly identify equalization as their primary purpose, programs like fiscal Equalization, Territorial Formula Financing (TFF), and regional economic development agencies, and those programs where equalization is implicit or its secondary purpose, programs like the Canada Health Transfer (CHT), Canada Social Transfer (CST), Employment Insurance (EI), OAS and the Guaranteed Income Supplement (GIS), and the CPP/QPP.

Data will be drawn from various sources, including the most recent federal budget and the *EI Monitoring and Assessment Report*, but the analysis will depend most heavily on Statistics Canada's reporting of federal revenues and spending in each of the provinces and territories in its *Government Finance Statistics*. It converted the previous *Provincial Economic Accounts* (PEA) data set to be compatible with internationally accepted accrual accounting frameworks for government financial statistics.<sup>1</sup> Beginning publication in 2016, the *Government Finance Statistics* for provinces and territories currently makes it possible to analyze federal, provincial, territorial and local government revenues and expenditures between 2010 and 2016.

Using Statistics Canada's data on federal revenue and spending by province and territory provides an estimate of how much revenue the federal government expects to collect for the current fiscal year, 2018-19, and how much it anticipates spending in each province and territory during the same year. These data are provided in Table 1. Of course, neither the federal government nor Statistics Canada publishes its budgetary information in this format, but by using the Statistics Canada distribution of revenues and expenditures, it is possible to generate useful estimates. Note that these revenue and expense data include all revenues raised by the federal government in each province and territory, federal transfer payments to provincial and territorial governments, transfer payments to individuals, and all remaining federal spending.

**Table 1**

TOTAL FEDERAL EQUALIZATION BY PROVINCE AND TERRITORY 2018-19 (\$ BILLIONS)				
	Federal Revenues	Federal Expenses	Budgetary Balance	Zero Balance*
BC	41.5	37.3	4.1	6.0
Alberta	55.5	24.1	24.1	26.7
Saskatchewan	11.0	10.4	0.5	1.0
Manitoba	9.9	14.9	-5.0	-4.5
Ontario	128.7	120.4	8.2	14.2
Quebec	56.9	76.4	-19.5	-16.8
New Brunswick	5.4	10.7	-5.3	-5.1
PEI	1.0	2.4	-1.4	-1.3
Nova Scotia	7.1	14.7	-7.5	-7.2
Newfoundland	5.0	6.7	-1.6	-1.4
Yukon	0.4	1.6	-1.3	-1.3
NWT	0.7	2.4	-1.8	-1.7
Nunavut	0.3	2.1	-1.8	-1.8
CANADA	323.4	338.5	-15.1	0

The results for 2018-19 are not significantly different from those generated for previous years and by various researchers (Hartmann and Thirgood 2017; Granofsky and Zon 2014; Zon 2013; McAllister 2011; Quebec 2011; Quebec 2010; Quebec 2002). In every year, for at least several decades, the federal government has raised a great deal more money than it spends in three provinces—British Columbia, Alberta, and Ontario—while it spends more money than it raises in the other provinces and in the territories. The most recent years, including 2018-19, have been somewhat unique in that in Saskatchewan the federal government has been collecting more revenue than it has been

spending (Statistics Canada 2018). The difference is not great, but is in marked contrast to the many decades in which the federal government spent more money than it raised in Saskatchewan.

### *Equalization and Territorial Funding*

The federal government's fiscal Equalization program is the most explicit and often the most controversial means by which the federal government equalizes fiscal resources geographically or horizontally to reduce regional disparities between provincial governments through cash payments to certain provinces (Beland 2017). The program is protected by a 1982 amendment to the Canadian Constitution that enshrines "the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation" (Section 36 (2)). The TFF program has a similar rationale, recognizes the higher cost of providing programs and services in remote northern communities and provides the three northern territories with a significant amount of funding. Of the \$22.7 billion that will be paid to provinces and territories in 2018-19 in Equalization and TFF cash transfers, over half will go to the province of Quebec. The three Maritime provinces receive more per capita than the other provinces, but the territories receive TFF payments which, on a per capita basis, are more than any of the provinces will receive in Equalization payments.

There is another way of looking at the Equalization and TFF programs. That is to ask the question: How much each jurisdiction's taxpayers contribute to the federal government in financing the current programs versus how much their respective governments receive in Equalization or TFF payments? In the four provinces that do not receive Equalization—BC, Alberta, Saskatchewan, and Newfoundland and Labrador—taxpayers will contribute close to \$8 billion in the current year to fund the two programs. Ontario, which will receive \$963 million in Equalization payments, will contribute another \$9 billion to fund the program, for a net contribution from its taxpayers of over \$8 billion in the current year. Each of the other Equalization and TFF recipients contribute less than they receive, but even the largest recipient of Equalization payments, Quebec, contributes over \$4 billion to funding the program for a net benefit of \$7.7 billion.

In other words, it is not enough to simply identify how much each province and territory is receiving in Equalization and TFF payments. It is also necessary to ask which provinces' residents are funding those programs. Ontario, for example, appears to be a "have not" province because its provincial government is receiving Equalization payments, but in fact its taxpayers are funding those payments and a lot of the payments received by other provinces and territories.

### *Other Major Federal Block Transfers*

In 1977, support for postsecondary education, hospital insurance, and medical care insurance was merged into the Established Programs Financing (EPF) transfer. The EPF program involved a transfer of cash and personal and corporate income tax points that effectively meant that the governments of the most prosperous provinces, usually BC, Alberta, and Ontario, received less cash per capita than the other provinces and territories' governments. The Canada Assistance Plan (CAP) for income maintenance and social services was subjected in 1990 to a "cap on CAP" which reduced transfers to BC, Alberta, and Ontario.

The EPF and CAP programs were merged in 1995 into the Canada Health and Social Transfer (CHST). The provisions of the EPF transfer which limited cash transfers to BC, Alberta, and Ontario were carried forward into the CHST. Even when that program was split into the CHT and the CST in 2004, these same provisions still applied. It was not for another decade before both the CHT and the CST were fully based on a distribution of cash transfers that was equal per capita for all provinces and territories.

Both the CHT and the CST programs still entail the federal government raising more revenues in some jurisdictions than it transfers to those jurisdictions. In the case of the CHT, the residents of Alberta are contributing in excess of \$2 billion annually to the program, more than their government is receiving in federal transfers from the program. Lesser net amounts are being contributed by the residents of Saskatchewan, Ontario, Newfoundland and Labrador, and each of the territories. Meanwhile, the government of Quebec is receiving close to \$2 billion more than its residents are paying to support the CHT. The governments of BC, Manitoba, and the Maritime provinces are receiving lesser amounts in excess of what their residents are paying the federal government.

Similar results are obtained for the CST, but because the program is smaller, no province or territory's entitlements are a billion dollars more or less than the revenue raised from their respective taxpayers.

### *Social Programs*

Milestone programs like EI, the CPP/QPP, OAS, and the GIS involve payments by the federal government directly to unemployed, elderly, or disabled individuals. Those payments may treat individuals equally no matter where they live, but they do not benefit each province or territory equally. Either intentionally, as in the case of EI, or as a function of the design of the program, they may operate much like regional development programs in providing greater assistance to individuals living in certain jurisdictions. Those differences among provinces and territories also mean that any changes to those programs will have different impacts on different jurisdictions.

One major program that is not delivered in precisely or even almost the same way in every province and territory is EI. It is designed to provide support to individuals during short term periods of unemployment, but in comparing the benefits received with the contributions paid into the program, the federal government has found that “the EI program has a considerable positive income redistribution effect, with lower income families having a higher adjusted total benefits-to-contribution ratio than higher income families (Canada 2018b: 32).”

The federal government also has found that EI equalizes incomes between regions of low unemployment and regions of high unemployment (Canada 2018b). Benefits-to-contributions ratios vary widely across provinces and territories. Individuals and businesses in some jurisdictions contribute more than those living elsewhere to financing the EI program and individuals in some jurisdictions benefit more than elsewhere. The program accomplishes this by designating certain EI regions, often in rural and remote parts of the country, to receive more favourable treatment. Among those receiving regular benefits, as of 2015, benefits-to-contributions ratios were as low as 0.69 in Ontario and 0.60 in the Northwest Territories and as high as 3.48 in Prince Edward Island and 4.07 in Newfoundland and Labrador. Total benefits-to-contributions ratios, which include other benefits, did not differ to the same degree, but still varied substantially (Canada 2018b: 28).



In 2015, “Ontario, the western provinces, the Northwest Territories, and Nunavut received less EI (total) benefits and regular benefits per dollar contributed in premiums than Canada as a whole (Canada 2018b: 27).” The four Atlantic provinces and Quebec received more in EI regular and total benefits per dollar contributed in premiums. Most recently, Alberta and, to a lesser extent Saskatchewan, have benefited to a greater degree because low oil prices and a sluggish economy have resulted in significant increases in EI benefits in those provinces.

Given this regional distribution of EI premiums and benefits, any increases of benefits or premiums will disproportionately benefit the Atlantic provinces, Quebec and, at least most recently, Alberta and Saskatchewan. Concomitantly, any cutbacks or restrictions to the EI program will have their greatest negative impact in those same provinces.

Similar sorts of comparisons can be made for other social programs, although in most instances regional disparities are not an explicit feature of the program. The CPP is outside the federal fiscal plan and is administered pretty much the same way in every jurisdiction outside Quebec. However, the CPP consistently collects more in the way of contributions (not to mention income from interest and other earnings on investments), than it pays out to individuals and does so just about everywhere except Atlantic Canada. In those provinces, transfers to households exceed contributions by individuals and firms. It is likely that any major increases to CPP benefits, as are currently planned, will be of greatest benefit to people living in those same Atlantic provinces.

OAS is available to Canadians in all provinces and territories who are over the age of 65 with the GIS available to low income seniors as well as an Allowance for Survivors. However, payments to seniors have a greater economic impact in the Atlantic provinces, Quebec, Manitoba, and BC because OAS and GIS payments flow disproportionately to individuals in those provinces. In the current year, of the \$54 billion to be spent on elderly benefits, those provinces will receive about \$7 billion more than their share of taxpayers’ contributions to federal revenues would suggest. Alberta, Saskatchewan, Ontario, and the three territories will receive a smaller share of old age pension payments than their taxpayers contribute in revenues.

This means that cutbacks to these programs, as the government of Stephen Harper tried to implement by raising the age of eligibility to 67, would have resulted in the people and the economies of Atlantic Canada, Quebec, and BC being negatively impacted to a greater extent than would the rest of Canada. A major exception was the Progressive Conservative government of Brian Mulroney's "clawback" of OAS benefits from high-income seniors, beginning in 1989. It would have likely affected the more affluent jurisdictions to a greater degree than the low-income provinces.

### *Economic and Financial Policy*

As per Section 36 of the Constitution Act of 1982, federal, provincial, and territorial governments are committed to promote economic growth and prosperity in specific regions of the country. Regional development agencies now pretty much cover the whole of the country and spend about a billion dollars annually. The most money being spent by these regional development agencies, in per capita terms, has been in the northern territories and Atlantic Canada, with smaller but still substantial amounts for western Canada, Ontario, and Quebec.

In committing funds for infrastructure, the federal government precisely directs where the money is to go and it, or rather the federal Cabinet, can proceed on the basis of its own priorities. The federal gas tax fund, when it was initiated in 2005, was intended to allow municipal governments to finance the infrastructure and other costs of running local governments. The funds were to be distributed among provinces on an equal per capita basis, but the smallest jurisdictions (PEI and the territories) argued successfully that they needed a minimum amount of funding, a base fund, regardless of their population. The federal government responded accordingly and the \$2 billion dollars involved each year flows disproportionately to the smaller jurisdictions.

Sometimes, industrial policy requires the federal government to provide extraordinary assistance to certain firms which are based solely or largely in one or a few regions of the country. During the Great Recession a decade or so ago, assistance to General Motors and Chrysler Corporation was largely for the benefit of Ontario. Aid to the aerospace industry may disproportionately benefit Quebec, aid to the fisheries may benefit the Atlantic provinces, while

tax expenditures that benefit the mining, oil, and gas sectors may benefit BC, Alberta, and Saskatchewan more than other provinces.

Governments also use the tax system to achieve certain policy goals and those goals often involve the equalization of fiscal resources. Raising or lowering federal tax rates, particularly for personal and corporate income taxes, but also for the GST, or implementing various tax expenditures will have a different impact in the various parts of the country. This occurs even as the same overall tax rate and credits are applied across Canada. The greater the share of tax revenue collected by the federal government, the greater the equalization that will occur.

The provinces and territories with the highest personal incomes, for example, can be expected to contribute more income tax revenue than the national average. The federal government is heavily reliant on taxpayers in the four largest provinces. Close to 90 percent of federal individual and corporate income tax revenue comes from Ontario, Quebec, BC, and Alberta. In fact, almost 60 percent of federal revenue from individual and corporate income taxes comes from people living in just two provinces, Ontario and Alberta. Outside of the four largest provinces, only in Saskatchewan and Manitoba does the federal government collect more than about three percent of its revenue from individuals or corporations.

In per capita terms, the federal government collects 65 percent more personal income tax in Alberta than the national average, more than double the per capita amounts collected from residents of Manitoba, Quebec, or the Maritime provinces. It also collects 59 percent more corporate income tax revenue per capita in Alberta than the national average, more than double what it raises in Manitoba, Quebec, and Atlantic Canada.

The federal government also collects about five percent more personal income tax per capita in Ontario and Saskatchewan than the national average, five percent more corporate income tax in Ontario, and 22 percent more corporate income tax in Saskatchewan than the national average. The federal government is similarly reliant on taxpayers in the four largest provinces for revenue from the Goods and Services Tax (GST). In per capita terms, it collects 27 percent more GST revenue in Alberta, nine percent more in BC, and four percent more in Saskatchewan than the national average (Statistics Canada 2018).

All of this means that any major changes to federal tax rates will have a differential impact on the various provinces and territories. A political party or government that campaigns on a promise of lower taxes should be aware that their message is likely to be seen as more important in some provinces than in others. The major cuts to the GST undertaken by the Harper government, for example, were likely more beneficial to people in BC, Alberta, and Saskatchewan than in the other provinces.

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## CONCLUSIONS

The federal government has made a commitment to pursue GBA+. It requires a systematic use of data to identify the ways in which public policies affect women and men differently. This tool includes the intersecting identity factors that must be considered when formulating public policy along with and in relation to factors like ethnicity, religion, class, age, mental or physical disability, and geography.

This Policy Brief has argued that the federal government should be required to report to Parliament on the specific regional fiscal impacts of each major piece of legislation, each existing major federal program and each significant modification to those federal programs. The federal government needs to account for the differential impact of these programs and should analyze those differing effects and report on how the various regions, provinces, and territories fare. This would make explicit the impact on each province and territory of the various measures the federal government undertakes. It would also make officials more aware of the regional impacts of any new programs being considered or changes to existing ones.

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## ENDNOTES

1 A complete explanation of these changes can be found at <http://www.statcan.gc.ca/pub/13-605-x/2010001/article/11155-eng.htm> Zero Balance Assumes Revenues Plus Deficit Equals Expenses and is used to compensate for federal government surpluses or deficits. Source: Statistics Canada. 2018; Canada. 2018a. The total for the provinces and territories will not add to the total for Canada because of federal revenues and expenditures outside of Canada.

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# Chapter 4

## Amplifying Indigenous Voices in National Energy Governance and the Sustainable Development Strategy

Mary Gramiak and Stephan Schott

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### INTRODUCTION

The 2008 Federal Sustainable Development Act was a great breakthrough as it finally created a legal framework for developing and implementing the Federal Sustainable Development Strategy (FSDS). The FSDS is the primary vehicle used by the federal government to outline the country's sustainable development priorities in the short and medium-term. Under the Act, the federal government is mandated to produce a FSDS progress report every three years, which tracks progress and updates the goals as necessary (*Federal Sustainable Development Act 2008*).

The most recent FSDS was published in 2016, and outlined thirteen goals ranging from action on climate change and prioritizing clean energy sources, to infrastructure development, to protection of water, wildlife, and natural habitats (Government of Canada 2016). The goals are designed to link with the seventeen global sustainable development goals (SDGs) outlined in the 2030 Agenda for Sustainable Development (Government of Canada 2016). However, unlike the SDGs which takes a holistic approach to sustainable development based on social, economic, and environmental dimensions, the FSDS is mostly approached from an environmental perspective. Although consultation for the FSDS requires three representatives each from Indigenous groups, environmental NGOs, business organizations, and organizations representative of labour, the government opted to expand the consultation process to the wider public. In 2016 it launched their online discussion space "Let's Talk Sustainability" and received more than 540 written comments and 900 social media posts regarding the draft of the FSDS (Government of Canada 2016).

The public consultation process resulted in guidance for the prioritization of specific goals such as a plan to transition to a low-carbon economy, a more ambitious target for reducing greenhouse gas (GHG) emissions from federal government operations, pricing carbon, and using more renewable energy. In addition, there was support for a renewed emphasis on strategic environmental assessment that should incorporate environmental sustainability considerations on a daily basis in key social and economic policy areas. The Sustainable Development Advisory Council (hereafter the “Council”), which is comprised of three representatives each from environmental non-governmental organizations, organizations representative of business, organizations representative of labour, and Indigenous peoples, highlighted the role of Indigenous peoples in the FSDS, and encouraged enhanced nation-to-nation collaboration and greater integration of Indigenous Traditional Knowledge. Council members identified the FSDS as “having the potential to recognize regional differences while helping to unify Canada,” as they emphasized the importance of developing a long-term vision for Canada.

As we are nearing the end of this three-year strategy, we are in the midst of important decisions that require sustainability assessments, clear directions, and benchmarks, particularly as we are witnessing legacy energy projects such as Muskrat Falls (in Labrador), the Site C Clean Energy Project (in BC), and the Kinder Morgan Trans Mountain Pipeline from Alberta to Vancouver. Premier Trudeau claims that the TransMountain Pipeline is in the national interest, but whose national interest? Are Site C and Muskrat Falls, two provincially sponsored projects, also in the national interest? How can the next FSDS help to better guide decision-making, better incorporate a nation-to-nation dialogue, and provide the right sustainability criteria and enforcements for large provincial legacy projects and provincial autonomy over energy policy? These are some of the questions we wish to address.

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## **CONTEXT AND INSTITUTIONALIZATION OF TRADITIONAL ECOLOGICAL KNOWLEDGE**

Throughout the last 50 years, traditional ecological knowledge (TEK) and participation of Indigenous peoples has been slowly institutionalized into public policy and environmental management processes both within Canada and across the world due, in large part, to a number of key international

agreements. Although agreements like the *Convention on Biological Diversity*, Agenda 21 or the *United Nations Declaration on the Rights of Indigenous Peoples* (UNDRIP) have helped to advance the institutionalization of TEK in environmental and natural resource management in principle, significant challenges in defining what meaningful participation of Indigenous peoples in environmental governance looks like in practice still remain.

The concept of “sustainable development” originated in the *Brundtland Report*, also known as *Our Common Future*, in 1987. The report, commissioned by the World Commission on Environment and Development (WCED), argued that environment and development should be viewed as interlinked, and development must be balanced with environmental conservation (Sanya 2011). Now a seminal document in the legitimization of sustainable development, the report further acted as a catalyst for the recognition of the potential for TEK to be incorporated into sustainable development, with the WCED Global Agenda of Change describing Indigenous communities as having “vast repositories of knowledge” (McGregor 2012).

Since the *Brundtland Report* made its debut on the world stage various international agreements have sought to incorporate TEK into sustainable development including: the 1992 Earth Summit and the *Convention on Biological Diversity*; the 2002 adoption of Agenda 21 at the United Nations Conference on Environment and Development in Johannesburg; and the annual Council of Parties sessions. However, few documents have been able to direct the role of Indigenous peoples in sustainable development like the 2007 *United Nations Declaration on the Rights of Indigenous Peoples* (UNDRIP). The latter serves as a culmination of previous international efforts which strived for the recognition of the inherent rights of Indigenous peoples in environmental management and beyond. The 46-article declaration was adopted by the United Nations General Assembly (UNGA) in September of 2007, but it was originally opposed by the Canadian government until a decision to reverse the position and officially endorse, but not adopt or implement, the document was made in 2010 (*Canada endorses indigenous rights declaration* 2010). At the time, control over resource management and land claims settlement was considered one of the main points of contention with the Canadian government.

Though the declaration is broad and non-binding, and was only officially adopted by the Canadian government in May of 2016, the legal implications



with respect to the role of TEK in environmental governance are expansive. For example, UNDRIP grants Indigenous peoples the right to self-determination (Article 4) and to participate in decision-making in matters which have the potential to affect their rights (Article 18). Further, Article 19 reads: “States shall consult and cooperate in good faith with the indigenous [sic] peoples concerned through their own representative institutions in order to obtain their free, prior, and informed consent before adopting and implementing legislative or administrative measures that may affect them” (*United Nations Declaration on the Rights of Indigenous Peoples* 2007). Within Canadian environmental governance, Article 19 of UNDRIP has the potential to dramatically alter the consultation process and act as a legal precedent for the incorporation of TEK into the decision-making processes.

Despite the fact that UNDRIP was only adopted by the UNGA in 2007 and by Canada in 2016, incorporation of Indigenous peoples into environmental management practices on the national level can be traced back to the Mackenzie Valley Pipeline Inquiry, also known as the Berger Inquiry (1974-1977). The Berger Inquiry marked the first attempt by the national government to determine the impact of large-scale frontier projects before the project was undertaken (Berger 1987), and concluded with a ten-year moratorium on pipeline development in order for the government to settle land claims along the proposed route (Stanton 2012). However, it still took nearly 20 years before the “meaningful participation” of Indigenous peoples in federal and provincial environmental assessments became mandated under federal law in the 1992 *Canadian Environmental Assessment Act* (C-15.2).

While well-intentioned, the 1992 federal environmental assessment act and its provincial counterparts are limited by their lack of Indigenous perspectives, an inability to address Treaty and Indigenous rights and Indigenous titles, and a lack of cumulative assessment requirements, among others (Booth and Skelton 2012, 52). Though British Columbia has adopted its own environmental assessment act, other provinces have been slow to follow and there remains no nationally consistent approach or policy regarding the use of TEK in environmental governance (McGregor 2014).

The Harper government streamlined the environmental assessment process. Recently, the Trudeau government has adopted legislation poised to overhaul the process, which will supposedly offer the opportunity to balance

the economy and the environment while protecting Indigenous rights and assessing overall sustainability (McCarthy 2018). With respect to Indigenous peoples specifically, the revamped environmental assessment process would mandate that Indigenous rights must be acknowledged throughout any review process, and consideration of Indigenous traditional knowledge would be mandatory (McCarthy 2018). Perry Bellegarde, current National Chief of the Assembly of First Nations responded that he “welcomed the recognition of Indigenous peoples’ rights at every stage of the process” but noted “room for improvement” remains (McCarthy 2018). Critics of the overhaul come from all sides of the political spectrum, including executives from resource-extractive industries who warn the proposed legislation would make it “virtually impossible to build oil and gas pipelines,” and environmental activists who lament the Liberal approach of positioning themselves as climate leaders, while simultaneously financially-backing pipeline projects like the Kinder Morgan project currently underway between Alberta and British Columbia (Olive 2018).

This contradiction of positions, simultaneously positioning themselves as “climate leaders” while betting billions on the Kinder Morgan pipeline, may prove to be too tight of a rope for the Liberal government to walk come the 2019 federal election next year. While the Trudeau government ensured voters back in 2016 that a balance could be struck between economic prosperity and stringent environmental protection, the financial and political support the government has offered the Kinder Morgan pipeline project will likely alienate uncommitted voters who are disappointed by the federal government’s decision to support such a contentious project.

Additionally, in the last decade Canada has experienced a return to large-scale hydro projects and refurbishments of nuclear reactors in an effort to mitigate greenhouse gas emissions. The top four infrastructure investments at the moment in Canada are Bruce Power refurbishment (\$13 billion), followed by Darlington nuclear refurbishment (\$12.8 billion), Muskrat Falls (\$12.7 billion), and Site C Clean Energy Project (\$9.4 billion) (see [top100project.ca](http://top100project.ca)). Two further hydropower projects are in the top seven investments, only one of which has direct Indigenous involvement (Keeyask Hydroelectric Project [\$8.7 billion]). Next, we will briefly review two of these major projects to highlight shortcomings in the involvement of Indigenous decision-makers and the definition of sustainable development.

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## RECENT QUESTIONABLE LANDMARK DEVELOPMENTS

### A. *Muskrat Falls*

With federal commitments to reduce national greenhouse gas emissions by 30% below 2005 levels<sup>1</sup>, there has been a renewed push toward large-scale hydroelectric investment across the country (Storey et al. 2011). The Muskrat Falls Hydro Project, located in Lower Churchill Falls, Labrador, was first approved in 2012, and committed to building four turbines generating 4.9 million MWh of energy per year—enough to close the Holyrood thermal plant to the south, and offsetting 96 million tonnes of emissions by 2065 (Storey et al. 2011). While 40% of the power generated would be consumed by Newfoundland and Labrador residents, another 20% would be transmitted via submarine cables to Nova Scotia in an effort to reduce the province's dependence on coal-fired generation plants, which currently make up nearly half the power generated in Nova Scotia (Weill et al. 2012). The remaining 40% is expected to largely be exported to New England.

While originally approved in 2012, the project is billions of dollars over budget and years behind schedule (Bailey 2017). This can largely be attributed to the failure to account for, and consult with, Indigenous groups in the area, including the Innu, the Inuit, and the Metis, on the social, health, and environmental impacts they would face as a result of construction of the project. Indigenous protestors have warned the flooding of the Churchill River will result in the affected vegetation decomposing underwater, and releasing methyl mercury, a harmful toxin which could make its way into the fish, seals, and birds, which the surrounding 200-person community relies on for food, in addition to the Inuit and Innu communities located downstream (Delaney and Boone 2016). Protests against the project have been ongoing, with fall 2016 protests resulting in a nearly two-week standoff, concluding with a deal between the Government of Newfoundland and Labrador and the concerned Indigenous groups to establish an independent panel tasked with reducing health impacts (Goodyear 2016). Most recently, in May of 2018 several protestors and Indigenous elders from Newfoundland and Labrador were detained on Parliament Hill after breaching a designated perimeter, indicating the battle over Muskrat Falls is far from over (Dickson 2018). The Government of Nunatsiavut initiated the *Lake Melville: Avativut, Kanuittailinnivut (Our Environment, Our Health) Review* with independent researchers to assess the potential impacts of the

hydropower project (Nunatsiavut Government 2016). Unfortunately results of the study indicated significant risk to food security and food consumption to Indigenous people in the area. This risk was not factored in by either Nalcor, the crown-corporation responsible for managing the provinces energy resources, or the provincial review process. As Trevor Bell (2016) puts it quite eloquently: “Must Labrador Inuit be given a chronic dose of methyl mercury in order to provide “clean” energy to the rest of the province and beyond?” This summarizes the issues with provincial-federal-Indigenous relations very well in this country. There seems to be a lack of direction and consideration of standing of different groups in this country, and it is often the most vulnerable groups that are losing out on major provincial projects. The federal government has a clear mandate here but either fails to intervene because of provincial sovereignty over energy policy or because greenhouse gas mitigation trumps other environmental impacts.

### *B. Site C*

On the opposite end of the country a similar scenario is playing out following the 2014 approval of British Columbia’s contentious Site C dam in the north-east region of the province. The 1,100 MW site would flood nearly 5,500 hectares of land in the Peace River district, submerging traditional lands of First Nations in the region and sensitive ecological habitats, and threatening local food supplies (Ball 2014). Like in the case of Muskrat Falls, methyl mercury released by flooding could contaminate waters and food sources for a period of between 20 and 30 years (Amnesty International 2016).

While the provincial government is portraying the Site C project as a way to match increasing demands for electricity in a renewable way, the opposition from First Nations and others has been intense. According to one group of Canadian academics, “the number and scope” of harms identified by the independent environmental assessment of federal and provincial governments was “unprecedented in the history of environmental assessment in Canada” (Amnesty International 2016). Others, including First Nations groups in the region, have filed lawsuits and legal motions—though these have been unsuccessful in halting the project. Amnesty International has pointed out that the Peace River Valley falls within the bounds of Treaty 8, which recognizes the right of First Nations to “pursue their usual vocations of hunting, trapping and fishing,” as well as a continued obligation for federal and provincial govern-

ments to uphold rights guaranteed under the UNDRIP (Amnesty International 2016).

It may seem strange that the provincial governments would forge ahead with such a contentious project and the federal government would give its approval for a project that was already rejected in 1983 due to the intense opposition from First Nations groups (Evenden 2009). However, in a similar sentiment to Muskrat Falls, the provincial commitments to the reduction of greenhouse gas emissions from electricity projects appear to be the principal factor for federal approval. The 2007 BC Energy Plan aims to reduce dependence on imported electricity and to find new sources of emissions-free generation (Evenden 2009), in part by pledging “all new electricity generation projects will have zero-net GHG emissions” (Peacock 2009). According to BC Hydro, Site C would be a source of clean, renewable, and cost-effective electricity for more than 100 years, and would have a small carbon-footprint relative to how much electricity it would produce (Ball 2014). There is no doubt, however, that the BC government is in need of additional clean energy for their LNG projects that require large amounts of energy as BC is striving to become a significant player on the trade and export of LNG (The Government of BC 2017). While current BC Premier John Horgan campaigned on opposing Site C, it appears even his newly-minted NDP government will reluctantly move forward with the project (Kurjata 2017).

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## **OUR RECOMMENDATIONS**

As contentious energy projects like large-scale hydro and pipeline projects make a notable return to the Canadian development landscape, it is becoming increasingly clear that there is a vacuum for strong public policy which prioritizes a cross-cutting interpretation of sustainable development and prioritizes Indigenous involvement in environmental management. In the absence of such federal legislation, we feel there is room for the FSDS to be revamped in a way which begins to address some of the shortcomings in the federal government’s approach to sustainable development and protects Indigenous communities from exploitation and harassment at the hands of provincial governments and corporations, the Crown or otherwise. Organized into six recommendations, it is our intention to create greater space for Indigenous voices in the consultation process of resource management projects, and to build a strategy which embodies a wider definition of sustainable development.

*Recommendation 1*

First and foremost, the term “sustainable development” within the strategy must be widened to include social, cultural, environmental, and economic factors that include Indigenous views and preferences. In the current FSDS, the priorities are overwhelmingly environmental, with the focus of eleven of the thirteen goals focusing strictly on the environment (Government of Canada 2016). In addition, while utterly important, reduction in greenhouse gas emissions should not be the sole priority without consideration of all aspects of sustainable development. This broadening would also allow the Strategy to better reflect the Sustainable Development Goals, to which the FSDS is supposedly trying to steer.

As the development of large-scale hydro projects such as Muskrat Falls and Site-C, which threaten to poison the water and food sources for Indigenous communities, make a notable return on Canada’s development spectrum, there is a demonstrable need for a Federal Sustainable Development Strategy which goes beyond strictly environmental considerations, energy needs, and carbon reduction targets to include broader elements of sustainable development.

*Recommendation 2*

Within the same tone, there is a need within Canada for the interactions between Indigenous communities and their provincial governments to be better facilitated in order to prevent short-sighted decisions made in the narrow interest of provincial politics. Highlighted by both the Muskrat Falls and Site-C example of the past few years, it is clear that, despite promises of a “renewed nation-to-nation” approach and total adoption of UNDRIP by the Trudeau government, truly meaningful consultation remains an elusive concept. Beyond just provincial politics, in 2017 the Supreme Court of Canada ruled that Indigenous groups were not properly consulted before the National Energy Board gave oil companies the green light to conduct seismic testing in Nunavut (Fontaine 2017). There is room here for the FSDS to come into play in a way which potentially spells out guiding principles, at the very least, for how provinces and federal bodies like the National Energy Board, soon to be the Canadian Energy Regulator, interact with Indigenous communities. More importantly, it could provide a much-needed opportunity to provide

Indigenous groups in Canada with an equal voice as part of a nation-to-nation approach in federal and provincial/territorial regulations and negotiations.

### *Recommendation 3*

Next, within the consultation process for the development of the FSDS, it is important to approach Indigenous advisors as “rights-holders” rather than “stakeholders.” This is an important distinction, which recognizes the inalienable connection between Indigenous communities and the environment, as well as their historic claims to the land. This would represent a major shift in the way consultation with Indigenous actors is approached, and would create an environment more focused on genuine engagement and explicit authorities in decision-making processes. One of the biggest criticisms of the Site C consultation process, voiced by Chief Wilson of West Moberly First Nations, was that the provincial government “had already made their decision, and then they came to talk to use and told us what their decision was” (Amnesty International 2016). While this is a province-specific example, it represents a broader pattern throughout the entire country of treating the consultation process as “no more than a box to check off” (Bowie 2014). In order to combat these nationwide patterns, there must be change in the mentality behind consultation of Indigenous communities and groups. Shifting the dialogue to address Indigenous partners in consultation from “stakeholders” to “rights-holders” throughout the development of the FSDS can serve to start to shift these ways of thinking.

### *Recommendation 4*

To create a more inclusive consultation process, the responsible parties should allow for contributions to be submitted in a variety of ways, rather than exclusively through written recommendations. Traditional knowledge in Indigenous communities is passed down through an oral tradition, and comprises thousands of years of knowledge, lessons, and experience. To try to take these principles of sustainability which are embedded in Indigenous culture and distill them into policy briefs does not do these forms of knowledge justice, and weakens their ability to inform development of the strategy in a meaningful way. Not only does this alienate Indigenous groups, but it means the strategy itself is missing out on principles and lessons which could strengthen its ability to guide sustainable development. We need to engage in meaningful

knowledge co-production process with Indigenous communities and governments to redefine sustainable development (von der Porten et al. 2016; Tengo et al. 2016; Parsons et al. 2016). This will involve the collection of stories, the use of alternative interactive spatial mapping data tools and other knowledge sharing processes.

#### *Recommendation 5*

Further, adopting a change in the way in Indigenous groups are consulted aligns with the current federal government's promises to develop a "renewed nation-to-nation relationship with Indigenous Peoples" (Liberal Party of Canada 2018), while also tying into the recommendations of the Truth and Reconciliation Commission—a document which the federal government has sworn to uphold. One of the major recommendations of the Truth and Reconciliation Commission is to implement the UNDRIP, which calls on states to go beyond just consultation of Indigenous people, and instead to take an approach which facilitates collaboration (Amnesty International 2016).

#### *Recommendation 6*

Finally, there is the potential for the FSDS to be linked to a National Energy Strategy (currently being debated), which guides energy management priorities across Canada. In 2010, the Banff Dialogue was convened by Canada's leading environmental think tanks and concluded with three overarching themes: (1) a need for a "Canadian Clean Energy Strategy;" (2) a need to emphasize conservation and reduction of energy demand; and finally (3) a need to put a price on carbon to highlight the relationship between energy and the environment (The Council of the Federation 2015). Since then, the "Canadian Energy Strategy" was adopted by the premiers of Canada's provinces and territories at the 2015 annual Council of the Federation meeting in St. John's, Newfoundland (The Council of the Federation 2015). The strategy focused on the collaboration of provinces and territories to shape an energy future, which is environmentally and socially responsible, contributes to economic growth, and provides energy security (The Council of the Federation 2015). However, since then there is little evidence the strategy has been utilized in any kind of impactful way. By linking the FSDS with a revamped national energy strategy, there can be greater space for Indigenous consultation on matters related to sustainability definitions and energy transition policies.



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## CONCLUSIONS AND NEXT STEPS

Throughout this paper, we have argued the 2016 *Federal Sustainable Development Strategy* falls short in multiple aspects, hindering its ability to effectively guide sustainable development across the country. The next FSDS needs to actively involve the true stewards of our land who have different concepts of sustainability, and needs to effectively incorporate TEK in decision-making and guidance. The FSDS also needs to link with any functional national energy strategy which is being developed and provide guidance for provinces on interacting with Indigenous communities throughout the course of energy projects. This is particularly important in light of the continued absence of legislation which prevents the exploitation of communities and the proper protection of Indigenous hunting and fishing grounds.

Finally, there needs to be a fundamental shift in the way in which “sustainable development” is conceptualized and practiced both within the FSDS and across the country. At its inception, “sustainable development” was a holistic term, encompassing social, political, cultural, economic, and environmental elements. However, over the course of recent decades we have seen the term denigrated to a purely environmental concept, abandoning these additional components, which makes it challenging for the FSDS to link with the 2030 Sustainable Development Goals. Broadening the definition and practice of sustainable development will help guide Canada towards a future which is comprised of not only a clean environment, but sustainable political, economic, and social systems as well.

Going forward, energy issues, climate change, and truth and reconciliation will undoubtedly play a central role in public policy and the upcoming federal election, as the Trudeau Liberals will be challenged on their track record on both the environment and the economy. The Liberals will have to convince weary supporters that Truth and Reconciliation, environmental protection, and the implementation of UNDRIP remain key priorities following the recent Kinder Morgan, Muskrat Falls, and Site C dilemmas. However, this will be a tough case to make should the current federal and provincial governments continue on a path of poorly thought-out and inappropriately prescribed energy projects which threaten Indigenous communities, result in undue delays and cost burdens, additional emissions or contamination, and are not necessarily in the complete national interest.

**ENDNOTES**

1 As of COP 21 (the Paris meeting in 2015) this was what Canada committed to. Previously the federal government had a less ambitious goal but individual provinces had their own targets.

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# Chapter 5

## Radical Transformation or Incremental Tinkering: The Vision and Potential of Canada's New Impact Assessment Process

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### INTRODUCTION

A dramatic series of policy changes has unfolded in Canada over the past decade. Successive governments have reworked the environmental assessment and associated regulatory processes, a set of mechanisms designed to assess and minimize the environmental harms of proposed projects, such as a new mine or pipeline. This is a challenging policy area. Competing norms exist over the appropriate path for governments as they seek to balance different priorities. Economic growth is necessitated on getting resources to markets—an abiding concern for a resource-based economy such as Canada, where natural resources accounted for 16% of nominal Gross Domestic Product (GDP), 1.74 million jobs and \$CDN201 billion in exports in 2016.<sup>1</sup> Yet protecting the environment is also a critical imperative, as stipulated in international agreements like the Convention on Biological Diversity's Aichi Biodiversity Targets that inter alia push governments to reduce “direct pressures on biodiversity and promote sustainable use.”<sup>2</sup> Moreover, where land-based resource development projects are proposed for traditional territories that sustain Indigenous livelihoods and cultures, the federal government faces additional requirements arising out of constitutional obligations and international norms.

Canadian governments have held different views on how best to reconcile and balance these priorities. The Harper government's 2012 changes to the environmental assessment process reflected the salience of expedient market access for Canadian resources in a post-recession economic context, as well as a desire to streamline regulation and improve the efficiency of environmental

oversight mechanisms (Kirchoff, 2016). Scholars have since argued that these policies were heavy-handed, in particular given the manner in which they were designed and introduced. Criticism is levelled at the limited opportunities for review given to parliamentary committees (Doelle 2012) and the use of omnibus budget bills, a tactic characterized as an abuse of Parliament (Toner et al., 2016). Successful grassroots political action to impede projects moving forward under this regime (for example, Northern Gateway and Keystone XL), has brought renewed attention to the importance of project proponents seeking and receiving social license to operate (Forrester et al., 2015). Wider concerns around the rights and treatment of Indigenous peoples and the impacts of government cuts on the capacity for evidence-based decision making offered additional historical context for the 2015 election.

The Trudeau government sought to advance a different balance on this file. Restoring public trust in environmental oversight became a key platform plank for the Liberal Party (Liberal Party, 2015), while reconciliation with Indigenous peoples comprised a closely linked political commitment. Given Canada's constitutional obligations to Indigenous peoples as the Crown's representative, and its consistent underperformance on issues affecting Indigenous peoples (including the outcomes of environmental regulatory processes), the Trudeau liberals proposed a different path. They have become full supporters of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), an international declaration rejected by the Harper government, with the stated intention of adopting and implementing the declaration in a manner consistent with Canada's constitutional and legal context (Fontaine, 2016). We thus see a rebalancing of priorities between competing norms, a repositioning that has implications for how the federal government scopes the challenge of regaining public trust in environmental oversight mechanisms.

Our chapter reviews changes made to environmental assessment. The purpose is not to establish causation but rather to interpret the alignment of currently proposed legislative changes with evolving norms and expectations, and comment on the degree to which proposed legislation may strike a new balance, potentially embodying a radical departure from business as usual in Canada. We pay particular attention to Canada's changing views on the role of Indigenous peoples, governance systems, and knowledge. We do so cognizant of our position as non-Indigenous scholars. In this light, we attempt to docu-

ment the changes occurring, allowing others, particularly Indigenous peoples, to draw conclusions about the appropriate way forward. Document analysis and stakeholder interviews form the basis of our analysis, which proceeds in three parts. First, key features of three successive iterations of federal environmental assessment legislation (CEAA 1992, CEAA 2012 and Bill C-69) are discussed with particular attention paid to what changed and what did not from one era to the next. Second, we draw on empirical examples and normative discourses around environment, development, rights, and justice to help conceptualize what “radical” transformation might look like in the Canadian case. The final section develops this conceptualization and assesses whether and to what degree the proposed legislation, Bill C-69, is consistent with international best practices and may thereby lead Canadian environmental assessment into new territory, or whether and how it may fall short of expectations. We close with policy implications for environmental assessment in Canada and the challenge of balancing environmental protection, economic development, and Indigenous rights.

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## HISTORICAL REVIEW

Prior to CEAA 1992, the federal environmental assessment process was triggered by the existence of a definable federal interest (e.g. federal government as the proponent, regulator, land-owner, or financier). With CEAA 1992, “affirmative regulatory duty” (arising out of the Supreme Court of Canada verdict, *Friends of the Oldman River Society v. Canada*; SCC, 1992) was replaced with the Law List Regulations. These regulations clarified the federal role by specifying which provisions under various federal Acts and regulations would, when exercised, trigger an environmental assessment (Olszyski, 2017). With its project list regulation (Regulations Designating Physical Activities, SOR/2012-147), CEAA 2012 shifted the focus to designated project types as being the primary triggering mechanism. However, CEAA 2012 did not operate in isolation from other legislation: changes to the Fisheries Act and the Navigable Waters Protection Act reduced the expected number of listed projects that needed to undergo assessment from thousands to hundreds (Kirchoff et al., 2013; Gibson, 2012). The project list has been retained in Bill C-69, with regulations currently under development (Canada, 2018).

The opportunity for public participation was narrowed considerably under CEAA 2012, with participation being limited to people “directly affected by the carrying out of the designated projects,” or someone with relevant information or expertise (Valiante, 2016). This contrasts with the old language focused on giving voice to interested parties (Salomons & Hoberg, 2014). In conjunction with projects being narrowly defined, this had the effect of limiting public access to decision making (Doelle, 2012), a move seen to undermine the ability of the process to determine the public interest (Salomons & Hoberg, 2014). Timelines introduced in CEAA 2012 have largely been retained in Bill C-69. However, the addition of a mandatory early planning and engagement phase broadens the opportunity for public participation, allowing stakeholders to engage earlier in the process and closer to the project design stage.

Three areas where Bill C-69 diverges substantially from CEAA 2012 are: (1) the scope of impacts under assessment; (2) the introduction of strategic assessments alongside regional assessments of cumulative effects; and (3) the role of Indigenous peoples, governance systems, and knowledge. With the first two points, the stated purpose of the Act is “to foster sustainability,”<sup>3</sup> encompassing health, social, and economic impacts, as well as environmental impacts (Bill C-69, s.6(1)a-b), a move recognizing a broader view of environmental impacts. Provisions for considering cumulative effects are not new. However, consideration for them has been limited in previous laws, in the case of CEAA 1992 because of the limited capacity and perhaps limited interest of proponents in a proponent-driven process (e.g. Duinker & Greig, 2006), and in the case of CEAA 2012 because of narrowly scoped project assessments (e.g. Valiante, 2016). The Act (Bill C-69, s.6(1)m) aims to address the management of cumulative effects through regional assessments and implications for other federal policy priorities through strategic assessments, but the specifics of how this will be done have yet to be developed.

Arguably, the most significant changes proposed in Bill C-69 concern the role and rights of Indigenous peoples. CEAA 2012 does identify a range of environmental impacts that may affect Indigenous peoples and should be taken into account by the environmental assessment process (Canada, 2012, s.5(1)c). These generally correspond to areas of constitutional responsibility. Additional provisions include a commitment to communicate and consult with Indigenous peoples, though this does not extend their position appreciably



beyond that of the general public. There is one reference to traditional knowledge, but incorporating it in assessments is not mandatory. By comparison, Bill C-69 and the entire federal review process is framed within the Trudeau government's stated commitment to reconciliation with Indigenous peoples. The involvement of Indigenous peoples throughout the environmental assessment process has been a consistent feature at all stages of the review process, including in Bill C-69. Provisions in the proposed legislation include: participation of Indigenous peoples from the beginning to end of the impact assessment process; recognition of Indigenous rights from the outset; being responsive to Indigenous rights, jurisdiction, and decision making; cooperation and coordination between all levels of government and Indigenous governing bodies; allowing for the sharing of administrative authority with Indigenous peoples; and incorporation of Indigenous knowledge (Bill C-69, s.6(1), e-g, j).

The balance of this chapter will centre on this third difference between Bill C-69 and CEAA 2012—the role of Indigenous peoples, governance systems, and knowledge. We will first present a concise review of relevant normative concepts and case studies, before circling back to reinterpret changes proposed within Bill C-69 relative to best practices. It is important to note the Bill may well change before it receives Royal Assent. Certain details of the new regime will not become clear until after the regulatory process has concluded, and its broader impact will take still longer to discern, as actors and institutions working within the larger environmental assessment regime adjust to policy changes introduced through Bill C-69.

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## **INTERNATIONAL BEST PRACTICES AND NORMATIVE DISCOURSES**

Environmental assessment presents a policy file where competing norms about the environment, rights, development, and justice are at play. We discuss these competing norms to help establish what a “radical” transformation of the environmental assessment process might look like in Canada. This effort is aided by brief reviews of how Indigenous peoples engage and affect environmental assessments in the Canadian north, in particular in the MacKenzie Valley and Nunavut, how this differs from the rest of Canada, and what are some key mediating factors. Current practices in these cases help establish how far Bill C-69 might take us in a transformative direction.

The broad scope and apparent alignment of Bill C-69, the *Impact Assessment Act*, with sustainable development provides a ready access point. Sustainable development has been called a simple concept that in practice is anything but simple (Langhelle, 2017). Emerging onto the world stage in 1987 with the Brundtland report (WECD, 1987)—a process that defined the concept as development that meets the needs of the present without compromising the needs of future generations—the conceptual strands reach further back in environmental discourse. The Limits to Growth (Meadows et al., 1972) established clear linkages between the environment and economy. In 1976 the World Council of Churches elaborated on the intersection of ecology and justice, stating: “A[n] [ecologically] sustainable society which is unjust can hardly be worth sustaining. A just society that is unsustainable is self-defeating” (Birch et al., 1979, cited from Langhelle, 2000). Nevertheless, growth, and in particular economic growth (the change over time in a jurisdiction’s production of goods and services), is very much a dominant economic principle and the central goal of most governments, including Canada. As a result, Canada has built its environmental apparatus in a manner that is aligned with the norm of sustainable development, i.e. environmental protection that assumes development in the pursuit of economic growth (Lafferty & Meadowcroft, 2000). This normative position has been termed the compromise of liberal environmentalism, as it accepted markets and economic growth as reconcilable with environmental conservation goals, a position that downplays potentially irreconcilable trade-offs between development and sustainability (Bernstein 2001).

As with sustainable development, the concept of environmental rights arose in the early 1970s during the formative stages of modern environmental governance. Stone (1972), following on Darwin’s observation that the circle of human morality is ever-expanding, traced a similar development in the history of law and legal rights. Until the rights of children, all humans, corporations, etc were established, their rightlessness was assumed and apparent, and actions against these entities were deemed morally acceptable in a way that would no longer be acceptable today. The debate around rights and environment has developed considerably during the intervening decades. For instance, we can distinguish between environmental rights as an extension of human rights, i.e. the right to a healthy environment, and rights of the environment itself (Shelton, 1991). However, where people maintain traditional land-based

livelihoods, preserving nature is (quite directly) preserving people, and the rights of nature and the rights of people converge.

Environmental justice is a related concept that refocuses on the human dimensions of environmental degradation, both in terms of attribution and the distribution of harms and benefits. There is a good deal of scholarship from the United States that demonstrates a connection between marginalized communities and the location of environmental harms (Baehler, 2017). A related concern is that of procedural justice and access to decision making that determines these outcomes. Environmental rights in some form (either rights *of* or rights *to*) can provide the legal basis for more just processes and outcomes. Moreover, referring back to attribution and the underlying premise of an expanding moral circle (Crimston et al., 2016), the capacity of humans to effect lasting harm raises issues of responsibility and the possibility of an obligation to care for the environment (Clayton, 2000). However, while moral boundaries are generally expanding, the moral concern for animals, rivers, and other natural entities varies widely at an individual level (Crimston et al., 2016), with the rights of some being paramount relative to those of others (Pizarro et al., 2006). Accordingly, any sense of obligation is also likely to vary widely.

Turning back to Canada to establish current practices of environmental assessment, a first case is that of the Mackenzie Valley Environmental Impact Review Board (MVRB) that conducts environmental assessments in the Mackenzie Valley. This agency is the result of land claims agreements that were forged during the 1990s. A co-management institution, the seat of its authority is in the Mackenzie Valley Resource Management Act (Canada, 1998). The Board comprises a minimum of seven members appointed by the Minister of Indigenous and Northern Affairs: three representing Indigenous communities directly, two nominated by the Government of the Northwest Territories, and two from the federal government.<sup>4</sup> The design and practice of the MVRB do still adhere to western governance norms (a feature for which they have received criticism, e.g. King, 2013; Nadasky, 2003). Within this constraint, the design does attempt to ensure Indigenous perspectives and priorities are mainstreamed from the top down, throughout the MVRB's activities (White, 2008). Indigenous peoples are not stakeholders who should be consulted and accommodated (to the degree deemed reasonable by responsible authorities). Rather, they are at the decision-making table; their authority is legislated,

and they have a great deal of influence on the process and information upon which decisions are being made. It is a similar situation in Nunavut where the Nunavut Impact Review Board (NIRB) was established in 1993 through the Nunavut Land Claims Agreement (NLCA). The NIRB is also a co-management institution with four of nine members being nominated by Designated Inuit Organizations, and preference for chairperson being given to individuals residing in the Nunavut Settlement Area (NLCA, s.12.2.6). The NLCA also classifies 356,000 km<sup>2</sup> as being Inuit Owned Lands (NLCA, s.19.3.1; NPC, 2016). Therefore, in addition to significant decision-making authority, Inuit also have the right of exclusion on these lands.

The land-based authority and co-management decision making bodies found in the Canadian north set these areas apart from the rest of Canada where there exists a diversity of arrangements, largely arising from historical factors such as the timing of colonial expansion, and the era and nature of any existing treaty, land claims, or self-governance agreement that may be in place, if at all. As a result, the level of assurance around strong procedural rights that results from co-management arrangements is not the norm everywhere in Canada. However, when Indigenous culture and values are central to the decision-making process, formal authority can serve to backstop the environmental rights of Indigenous people. The manner in which Indigenous knowledge is understood and brought to bear on the assessment process is a fundamental consideration in this regard.

Discussions of Indigenous knowledge in the literature underscore a few critical features of this form of knowledge. First and foremost, the word “traditional” embodies a sense of the past. While much is made of the nature of Indigenous ecological knowledge in terms of its encompassing long time periods, it is not static and does not belong to the past (Irlbacher-Fox, 2009). Rather, Indigenous knowledge is being continually created and recreated by processes such as “walking the land” (McCreary et al., 2014). Moreover, Indigenous ecological knowledge is not separate from Indigenous culture and values. Rather, they are parts of an interrelated whole. Culture and oral histories embody knowledge which informs and reconstitutes cultural practices, together ensuring the survival of their way of life, at an individual and group level (Stevenson, 1996). These characteristics of Indigenous knowledge, of which “traditional knowledge” typically refers to some subset comprising largely ecological knowledge,

set it apart from western science in fundamental and important ways. The two may complement one another, but Indigenous knowledge requires interpretation on a case-by-case basis by knowledge holders who understand the larger ontological structure within which the ecological subset takes on its full meaning. Thus, attempts to store Indigenous knowledge in large databases are understood to be operationally inappropriate, with the larger issue being that of its interrelationships and importance for ongoing cultural survival.

The preceding case studies and discussion of contrasting normative perspectives on human-environment relationships, and associated rights and justice considerations, provide a number of criteria that can be used to distinguish radical transformation from incremental improvement as we examine changes to Canada's federal environmental assessment process. In the following section we will draw on these ideas to examine the proposed role of Indigenous peoples within decision making processes, and the manner in which Indigenous knowledge is brought to bear on these decisions.

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### **REVOLUTIONARY POTENTIAL, PITFALLS AND POLICY IMPLICATIONS**

There are a number of areas where Bill C-69, the proposed *Impact Assessment Act*, appears to be oriented toward radical change. In this section we focus largely on provisions pertaining to shared governance and traditional knowledge.

One key area of change concerns using the assessment processes of Indigenous people as substitutes, and the inclusion of Indigenous governing bodies beyond those established through land claims agreements or under an Act of Parliament, subject to Ministerial discretion (Bill C-69, s.31(1) and s.2 *jurisdiction* (g)). This provision has implications for meeting UNDRIP commitments under Article 32—the right of Indigenous peoples to determine development priorities on traditional territories—and for the use of Indigenous knowledge in determining these priorities and assessing their impacts. Substitution to Indigenous processes would help ensure Indigenous culture and values are central to decision making. As observed through the MVRB and NIRB, such conditions strengthen procedural and distributive justice. Moreover, where land-based cultures have a strong incentive to preserve the land, this may have positive benefits for the preservation of the environment and species, aligning

the process with positions of strong sustainability and perhaps providing a counterweight for the presumption of development embedded within Canada's formal and informal institutions.<sup>5</sup>

Where substitution is not deemed appropriate, there are other provisions that may realize similar ends in terms of distributive and procedural justice, and the recognition and prioritization of environmental preservation. For instance, Bill C-69 embodies a distinct departure from the past around the integration of Indigenous knowledge, with consideration of Indigenous knowledge a mandatory requirement (Bill C-69, s.22(1)g). A key and complementary change in the proposed legislation is the institution of a planning phase during which the federal Impact Assessment Agency must offer to consult with Indigenous jurisdictions that have powers, duties, or functions in relation to the assessment of a designated project. This offer must be further extended to any Indigenous group that may be affected by the project (Bill C-69, s.12). This requirement has the potential to draw on Indigenous knowledge and identify issues of key concern, such as landscape features or ecological considerations, at the earliest stages before detailed project planning has been undertaken. According to a senior representative from the Mining Association of Canada, sector leaders are already undertaking discovery of this information prior to developing detailed project plans (personal communication, 2018). In that regard, Bill C-69 largely formalizes these practices. When considering the imposition of timelines for the planning phase (and other phases) of an impact assessment, and whether these timelines may undermine full participation of Indigenous peoples, a representative from NIRB indicated that this is not necessarily the case. Rather, the planning phase has the potential to actually improve process efficiency, if sincere efforts are made to respond to concerns expressed by Indigenous peoples (personal communication, 2018). These observations serve to underscore an important mediating factor. In the case of NIRB, the balance of power is such that proponents have a strong incentive to take Indigenous concerns seriously. If Indigenous organizations, actors, and representatives do not have some degree of veto power, the integration of Indigenous knowledge may be more procedural and perfunctory than genuine, which would clearly undermine the transformative potential of this legislation.

Regarding the contribution that Indigenous knowledge can make to inform the impact assessment process, Bill C-69 makes explicit provisions regarding

the confidentiality of such knowledge, reflecting serious concerns stemming from the close relationship between Indigenous knowledge and the survival of Indigenous cultures (Bill C-69, s.119(2)). This should provide some protection from knowledge appropriation and other misuses. However, the manner in which Indigenous knowledge will be considered relative to western knowledge is less clear. For instance, if it is confined to a gap-filling function this would be a subservient position and overlook the full contributions that may be realized. Instead, Indigenous knowledge should be viewed as another body of knowledge that may on occasion challenge the conclusions of western science, raising new considerations for decision makers. There are numerous documented instances where Indigenous practices are at odds with traditional western perspectives (Lewis, 1994; Rodriguez, 2007; Roba et al., 2008). An interesting case in Canada involves differing perspectives on management of beluga whale populations in the southeast Baffin area, where a co-management approach was adopted to help resolve a disagreement between Inuit hunters and government biologists (Stevenson, 1996). These cases speak to the value of ensuring that Indigenous knowledge is considered in its own right, as understood by knowledge holders themselves.

Ultimately, the degree to which Bill C-69's potential is realized will depend on whether any changes are made, the nature of these changes, and how provisions in the Act are translated into implementing regulations. Our analysis has identified a number of specific provisions that could dramatically re-orient environmental assessment toward radically different goals, prioritizing harmony with nature and respect for people relative to efficiency and resource development. Substitution to Indigenous assessment processes, and appropriate positioning and meaningful consideration of Indigenous knowledge could improve procedural and distributional justice. When framed relative to these considerations, reconciliation with Indigenous peoples takes on additional scope. For instance, if reconciliation changes how assessment processes consider ideas around environmental conservation, this would have implications for what would be considered an acceptable environmental impact. This in turn may affect the institutional presumption that resources will be developed (albeit in a way that minimizes or at least contains certain impacts or promises). If combined with procedural justice, in terms of some degree of veto power, this reconsideration of acceptable impacts may be further enhanced, leading to deeper change.

That is the crucial turning point. Incorporation of Indigenous knowledge on its own could lead to significant change but in the face of prevailing economic and political forces, in a country where the dominant narrative is one prioritizing resource development, we could reasonably expect the impact of mandatory consideration of Indigenous knowledge to be constrained. That is not to say that it will be of no value, only that changes will likely be incremental. If, however, decision-making structures move toward co-management or Indigenous-led processes, something that is consistent with Canada's commitment to implement UNDRIP as well as international scholarship on environment rights and environmental justice, then the proposed legislation could lead to more transformative change. Change that, incidentally, has been observed and experienced in Canada's north, and that we can see empirically has not stopped development. The government is working hard to have regulations in place early in 2019, prior to the upcoming 2019 federal election.<sup>6</sup> As Bill C-69 moves through the legislative and subsequent regulatory process, and the government seeks to realize its 2015 goals and commitments, these are important lessons to keep in mind.

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## ENDNOTES

1 Natural Resources Canada (NRCan) [http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/files/pdf/10\\_key\\_facts\\_nrcan\\_2017\\_en.pdf](http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/files/pdf/10_key_facts_nrcan_2017_en.pdf)

2 <https://www.cbd.int/sp/targets/>

3 Defined as “the ability to protect the environment, contribute to the social and economic well-being of the people of Canada and preserve their health in a manner that benefits present and future generations. (durabilité)” See [http://www.parl.ca/DocumentViewer/en/42-1/bill/C-69/first-reading/under\\_definitions](http://www.parl.ca/DocumentViewer/en/42-1/bill/C-69/first-reading/under_definitions), 2.

4 <http://boardappointments.exec.gov.nt.ca/en/boards/mackenzie-valley-environmental-impact-review-board/>

5 See Daly, 1996; Dobson, 1998; and, Neumayer, 2010 for additional discussion of strong sustainability and critical natural capital.

6 <https://www.impactassessmentregulations.ca/>



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## Chapter 6

# Environmental Assessment, Independent Review Panels, and Due Process: Turning Principle into Practice

Peter J. Usher and Frances Abele

And as part of efforts to restore public trust, the Government will introduce new environmental assessment processes. Public input will be sought and considered. Environmental impacts will be understood and minimized. Decisions will be informed by scientific evidence. And Indigenous peoples will be more fully engaged in reviewing and monitoring major resource development projects.

*Speech from the Throne* December 4, 2015

In August 2016, Minister of Environment and Climate Change Catherine McKenna launched a review of existing environmental assessment legislation, aided by a multi-interest advisory committee and a series of public consultations including a review by an expert panel. The result was Bill C-69, which passed third reading in the House of Commons in June 2018. Now before Senate, the bill will amend the Impact Assessment Act, the Canadian Energy Regulator Act, and the Navigation Protection Act.<sup>1</sup> Regulations will be developed starting in Fall 2018, with the whole process projected to be completed in spring 2019, ahead of the (likely) fall 2019 election.

The new legislation responds to widespread dissatisfaction with changes to environmental assessment and energy regulation procedures implemented by the Conservative government in 2012. These were generally understood to reduce capacity for public oversight, weaken environmental assessment, and move the National Energy Board towards industry capture. Bill C-69 replaces the National Energy Board with the Canadian Energy Regulator, revises environmental assessment procedures through the Impact Assessment Act, and makes significant changes to the Navigation Protection Act. Unfortunately, while the new legislation will resolve some of the deficiencies in the 2012

legislation, it does not retrieve all of the beneficial features of Canada's environmental assessment practices prior to 2012 and it misses the opportunity to institutionalize some better practices.

We focus here on one important aspect of Bill C-69's complex suite of changes—the role of independent public reviews of major projects as envisioned in the new Impact Assessment Act.<sup>2</sup> Review panels<sup>3</sup> will continue to be the flagships of the impact assessment system, as they have been under previous legislation. Strong, independent review capacity is critical to rehabilitating Canada's environmental assessment system. Major projects are controversial because of their size and scope, and more importantly, for the purposes of assessment, because of their novelty in the receiving environment. Public concerns arise because such projects may bring unintended, unanticipated, and irreversible effects, and because these will be borne disproportionately by those for whom project benefits may be minimal. Often, though not always, those most affected are Indigenous Canadians in remote communities.

Review panels must be open, evidence-based, transparent, and above all independent. Their credibility depends on these factors. They must be visibly separate from and independent of the responsible authority, and most importantly not be agents of the Crown either in law or in public perception. The system for major project review must provide for due process, both in the creation and appointment of review panels, and in the conduct of review panels themselves.

After setting out the more specific standards against which Review Panels should be assessed, we comment below on three aspects of the new legislation: how Review Panels are structured, how they conduct their reviews, and how the government responds to panel recommendations.

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## **PANEL DUTIES AND RESPONSIBILITIES**

The purpose of a Review Panel is to advise the Minister on three matters.<sup>4</sup> The Panel must determine whether the project being assessed may have significant adverse effects (either on its own or by virtue of cumulative effects with other developments). It must decide whether the project could make durable and equitable contributions to social and economic well-being.<sup>5</sup> Finally, the Review Panel's report must recommend whether a project should be authorized to proceed, and if so, what measures should be taken to minimize or mitigate adverse effects, and enhance beneficial ones. To ensure those objectives are

achieved, post-approval measures must include monitoring and follow-up programs, which are crucial for ensuring that predictions about impact made during project assessment are verified, required mitigation measures are both implemented and effective, any unanticipated adverse effects are detected and addressed, and there exists a prescribed course of action to correct adverse effects.

Monitoring and follow-up thus provide the fundamental basis for ensuring that the review process actually produces tangible results with respect to environmental integrity and sustainability. If effective monitoring and follow-up do not occur, then the public benefit of reviewing major projects is much reduced.

The Review Panel's recommendations provide essential guidance for downstream regulators once a project, if approved, enters the permitting stage. The Review Panel's recommendations are necessarily directed not only to the proponent (as permitting conditions), but also to responsible government authorities at all levels. There may be instances where a thorough review shows that a project proposal is so incapable of mitigation that it should not be approved at all. But for the most part, the result of a major project review is an improved project. While panel recommendations do not carry the force of law, if they are imposed as conditions by the relevant authorities, they may become enforceable. For this reason, panel recommendations should be directed towards specific parties (the proponent or a government) so that responsibilities for action are plainly identified. The foregoing requirements have been more or less clearly stated in previous legislation, and have been reinforced by practice.<sup>6</sup>

Two key principles underlie a credible impact assessment system: a clear separation between assessment and regulation, and the visible independence of Review Panels. As we have observed elsewhere, these principles are partly but not entirely achieved under Bill C-69.<sup>7</sup> Under Bill C-69, assessment of the environmental, economic, social, and health impacts of major projects will come under the sole authority of the Impact Assessment Agency of Canada (formerly the Canadian Environmental Assessment Agency). The Canadian Energy Regulator (formerly the National Energy Board) and the Canadian Nuclear Safety Commission will continue as the regulators, but not the assessors, of projects under their authority.

Major project Review Panels are commonly characterized as “independent,” both by the public and by panels themselves, although that term is not actually applied to Review Panels either in previous or proposed legislation. Yet there is at least a two-fold basis for the term’s currency in popular usage. One is the Review Panel’s actual relationship to the Agency responsible for it. Under both current and proposed legislation, once a panel is established, the Agency by its own practice keeps a respectful distance from it. The Agency provides management services and financial administration to the panel, but provides no information or advice to it directly, least of all with respect to its findings.

The second is that, in both existing and proposed legislation, panel members must be “unbiased and free from any conflict of interest relative to the designated project” (s.41(1)). The strong perception is that Review Panels are free from government interference, regulatory capture, or closed-door accommodation. It is precisely this perception of panel independence—whether or not it is grounded in law—that is crucial to both the authority of their gathering and analysis of evidence and opinion from all relevant sources, and to the credibility of their deliberations and findings, in the public eye. No legislation can guarantee perfection, of course, and it will always be necessary to guard against politically motivated appointments that undermine Panel impartiality.

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### **STRUCTURING REVIEW PANELS**

Review Panels are not standing bodies. Each is created on a one-off basis, in recognition of the distinctive nature of each major project and its potential impacts. While this is a wise and necessary arrangement, it brings certain structural and administrative challenges that are largely unaddressed in Bill C-69 (or its predecessors).

In practice, Panel members are appointed on the basis of familiarity with the type of project and/or the region in which the project occurs, and at least some should be able to bring local or Indigenous knowledge to bear. They are not required to have had legal, technical, or academic training. The key requirement, in addition to being unbiased and free of any conflict of interest, is having “knowledge or experience relevant to the designated project’s anticipated effects or ... knowledge of the interests and concerns of the Indigenous peoples of Canada that are relevant to the assessment” (s.41(1)).<sup>8</sup> This require-

ment is a key element for promoting the credibility of a federal environmental assessment within the project region.

Joint Review Panels are struck where multiple jurisdictions (e.g. federal, provincial, Indigenous) are involved.<sup>9</sup> Joint review panels provide for more efficient assessment, by ensuring that a project undergoes a single rather than multiple assessments. Importantly, this provision has been a key means by which Indigenous communities have gained direct involvement in structuring the review process as well as participating in it. Most major resource development projects occur in rural and remote areas where Indigenous peoples, and their rights and interests, may be the most adversely affected. As amended, Bill C-69 retains this arrangement.

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### HOW PANEL REVIEWS ARE CONDUCTED

Once a Review Panel has been struck, and its members appointed, how does it proceed?

The first matter to be addressed is the “hand-off” from the Minister to the Review Panel itself—that is, the conclusion of the process leading up to the transfer of responsibility for design and execution of the assessment to the Review Panel. Here Bill C-69 appears to leave much room for interpretation, and for Ministerial discretion. Under current legislation, Review Panels are responsible for the entire assessment process, to the exclusion of other parties, from the time of their appointment until they report. The provisions in C-69 are less than clear on this point, as is evident in the assessment phases the Bill outlines.

The first of these is the planning phase, which begins when a proponent files an initial project description. During this phase the Impact Assessment Agency is required to solicit public comments for a fixed period and consult with other affected agencies and Indigenous groups. The relevant line departments are required to seek information from the proponent and provide their expert and specialist knowledge to the Agency. On this basis the Agency is to provide the proponent with a list of the issues raised, and the proponent is then to indicate how it proposes to address these issues, information that is filed in a more detailed project description (sections 10-15 of Bill C-69). At the end of this phase, the Minister decides whether a formal assessment is required and if so whether it should be referred to a Review Panel. Thus



project scoping based upon engagement with both the proponent and the public, and the iterative identification of key issues, will already have occurred by the time a panel is in place.

This is a marked change from past practice. It shifts to the Agency and ministerial discretion some of the work previously undertaken by Review Panels. Several elements of previous legislation and practice are conflated, including project screening by the Agency, scoping the review (whether by the Agency itself or by a Review Panel), and setting the terms of reference of the proponent's environmental impact statement (EIS).<sup>10</sup> It may also subsume the early stages of discussions with affected provincial, territorial, and Indigenous governments about the scale and scope of the assessment and the establishment of a joint review panel. Not only is all this going on before a Review Panel is appointed: Bill C-69 also provides for a three-year information gathering phase during which “the proponent must provide the required studies and information” (s.19.1). When exactly this phase begins, why the proponent needs or ought to be given this particular amount of time by legislation, and who sets these requirements—the Agency or the Panel, and if the former, whether on the public record—is entirely unclear.

Proponents do indeed require guidance on what is expected of them in an EIS. Under pre-2012 legislation (the Canadian Environmental Assessment Act 1992), EIS guidance was sometimes provided by review panels themselves by means of a scoping phase that consisted of an initial round of community hearings. This was the case in the Voisey's Bay Mine and Mill review in Labrador (1997-99). However, the government and land claim bodies that established the Mackenzie Gas Project review in the NWT (2004-10) provided EIS guidelines to the proponents before the Review Panel was appointed. It is not obvious that this practice saves time. The Mackenzie Gas Project Review took 63 months from panel appointment to completion, while the Voisey's Bay review took 26 months, including scoping hearings.

Assigning scoping to the Agency during the planning phase will very likely make the guidelines for the proponent's impact assessment statement (IAS) guidelines more generic and less project-specific. Yet in principle at least, the more precise and less generic the EIS guidelines are, the more focused and responsive the EIS will be to the needs of the Review Panel, and the hence the

sooner the Panel can determine its sufficiency in order to proceed to public hearings.

The independence of Review Panels is essential to their legitimacy. Therefore, it should be the Review Panel's exclusive responsibility to determine the sufficiency of information provided by both the proponent and responsible authorities, in order to proceed to public hearings. It is not appropriate to restrict the Review Panel to assessing only material that others choose to provide. There is no guarantee that participants will, on their own initiative, identify and divulge all of the technical evidence required to assess the project. A Review Panel is not a jury. It must decide what evidence it requires. It must not only hear the evidence, it must probe it. If a Review Panel cannot fulfill these responsibilities, then its independent conduct and authority is undermined, and the credibility of the assessment process suffers.

In sum, assigning scoping responsibilities directly to Review Panels enhances efficiency in framing the requirements of the impact assessment statement, and the purposes of public and especially Indigenous engagement. Bill C-69 does not justify or clarify why the planning phase should replace the perfectly functional—and from the point of view of panel effectiveness, preferable—process of scoping hearings by the Review Panel itself. At this stage in the process, with legislation before the Senate, it is possible that this key weakness of the new legislation cannot be remedied. Thus we note that C-69 does not explicitly prohibit the Minister from appointing a Review Panel earlier in the process and charging it with holding scoping hearings. If the legislation itself is not changed, the Minister would be well advised to use his or her discretion to that end, and to institutionalize this as the general practice.

#### *Secretariat assistance to panels*

The one-off nature of Review Panels calls for particular attention to how they are to be supported in technical and legal respects. Most panel members have little or no legal training, and some panel members may have no post-secondary education. There are very good reasons for this practice: the diversity of membership brings invaluable local knowledge and wisdom to the table. But it does mean that Review Panels require both legal and technical support, both to prepare for and conduct hearings, and to prepare their reports. How much

and what type of support varies in each case and is not easily predictable in advance.

Because Review Panels are not standing bodies, they must obtain that support on an as-needed basis. The Agency provides panels with a manager and core secretariat support. In order to preserve panel independence, it does not provide direct support of its own standing legal and technical staff, although it may provide the Panel with analysts and/or a budget for same. Particular difficulties arise, however, when Review Panels must find experts who have not already been secured by the proponent or an intervening party, or must be taken on board quickly, or whose work must be extended beyond the limit of applicable government contracting provisions (usually sole source contracts). It will be a challenge for the Agency to find more flexible financial administration and procurement procedures for contracting expert advice and competent writers on a continuing basis, consistent with the panel's independence. Bill C-69 is silent on this issue, but perhaps it can be addressed in the regulation phase.

#### *Technical support to the review process*

In addition, given the one-off nature of panel reviews, there needs to be a permanent institutional basis for learning from individual reviews and improving the assessment process itself. Bill C-69 appears to address this need by requiring the Agency to establish an Expert Committee to advise it on issues relating to impact assessments, regional and strategic assessments, “including scientific, environmental, health, social, or economic issues” (s.157). Presumably this unit would be charged with considering and improving the methods and practice of impact assessment, for example with respect to cumulative impact assessment, sustainability criteria, impact indicators, and the like. It remains to be seen how this body will be constituted, what mandate it is given, and whether it will be provided sufficient financial and staff resources to do its job effectively.

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### **DURATION OF PANEL REVIEWS**

CEAA 2012 introduced time limits for panel reviews of major projects. Bill C-69 shortens these limits to 600 days, and for what are often the most controversial types of projects—energy and nuclear—300 days. It is reasonable that Review Panels should be expected to conduct their work expeditiously. Yet

the imposition of time limits is not the best means of promoting that objective, despite its superficial appeal.

The most important way a Review Panel gathers its information is through its public hearings. There are usually several categories of public hearings (i.e. technical, general, and community), each of which is tailored to gather specific types of information and ensure appropriate forms of public participation, and each requiring its own rules. Bill C-69 has rightly removed the more restrictive requirements for participation established by CEAA 2012.

It is for the Review Panel to set out the rules for its proceedings, including who may intervene and who may participate, within the requirements of natural justice and procedural fairness. These rules become the most visible aspect of due process while the Review Panel is in operation. If the Panel does not get the matters of procedural fairness, natural justice, and adherence to mandate right, it can be challenged. Panels need to be sufficiently confident that they can apply their rules without frequent threat of challenge, particularly by parties whose sole purpose is to stop the project, or to use the process as a lever for some other and not necessarily related objective. These rules must include reasonable limits on the hearing schedule and on the time allotted to each participant. Another means of streamlining the process would be to limit the number of intervenors by encouraging consolidation of effort by public interest groups. This would at once enhance the effectiveness of interest group interventions, and reduce duplication and repetition of questioning, especially at technical hearings. But perhaps the best way to ensure that a Panel can focus on its core mandate would be to ensure that regional and strategic reviews, newly provided for under Bill C-69, are effectively deployed to provide essential context for project-specific reviews.<sup>11</sup>

Ultimately, Review Panels must be satisfied that they have been able to obtain and test the information they require. If the time limits imposed under Bill C-69 are to accomplish their objectives, then measures must be in place to ensure that panels can complete their work fully and effectively in accordance with public trust. As already noted, the challenge for the Agency is how Review Panels, which are one-off in nature and supposed to be independent, should be supported to ensure they are able to process the information they receive in order to provide timely, sturdy, and persuasive results.

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## RESPONSE TO PANEL REVIEWS

What happens after a panel files its report?

In principle, once the Review Panel has submitted its report, it is dissolved, except insofar as the Minister may ask it to clarify any of the conclusions and recommendations set out in its report (s.51(1)(f)). Under earlier legislation, upon receiving the panel's report, the governments that established the panel were required to respond by stating, with reasons, whether they accepted, rejected, or modified each recommendation directed to it.<sup>12</sup>

Both the government response to the panel's recommendations, and the panel's comments, if requested, must be placed on the public record, consistent with the review process itself. Government can only be held accountable for the implementation of its commitments if these commitments are clearly and publicly stated. The receiving governments are then supposed to direct their responsible authorities to implement these recommendations, and their regulatory agencies (e.g. CER or CNSC) to adopt them as permitting conditions binding on the project operator. To the extent that the panel's recommendations for monitoring and follow-up are accepted, these programs must be implemented by the responsible authorities.

As Bill C-69 is largely silent on these procedures, perhaps they need to be specified through regulation. The public, and especially those participants (including the proponent) who invest their time and energy in the process, have a right to know what to expect of it in the outcome.

As already noted, the purpose of a panel review is not simply to deliver a thumbs up or thumbs down on a project, but to shape the responses and oversight of both regulators and governments respecting the project throughout its operation and abandonment. However, a concern consistently expressed at panel reviews is a lack of public confidence in either the project operators, or the government regulators, to ensure that the conditions of operation will be fulfilled and enforced.

Restoring the credibility of Canada's environmental assessment system must include means to hold governments accountable for their own commitments with respect to project approvals. One solution would be that panel recommendations adopted by government as project conditions be the subject of regular

progress reporting to Parliament by the Commissioner of the Environment and Sustainable Development, for example as was recommended by the Mackenzie Gas Project Joint Review Panel in 2009. Without some such provision, panel reviews risk becoming mere performance, soon forgotten.

So does Canada's new environmental assessment legislation meet the tests the Government set out for it? Does it improve and ensure the due process requirements necessary to restore public trust? Our analysis suggests that the legislation fails on grounds of commission—what it actually contains that runs counter to that objective—and of omission—of failing to grasp significant opportunities for improvement. The former will require legislative amendments, the latter may be amenable to regulatory correction, at least for now.

*We are grateful to Hugh Benevides, Meinhard Doelle, George Kinloch, and Pamela White for critical review and critical support.*

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## ENDNOTES

1 *An Act to enact the Impact Assessment Act and the Canadian Energy Regulator Act, to amend the Navigation Protection Act and to make consequential amendments to other Acts* <http://www.parl.ca/LegisInfo/BillDetails.aspx?Language=E&billId=9630600>

2 In earlier pieces, we have examined the measures related to the conduct and key products of major project reviews: Peter J Usher and Frances Abele, “Strengthening Environmental Reviews of Major Projects” *Policy Options* November 24, 2017 <http://policyoptions.irpp.org/magazines/november-2017/strengthening-environmental-reviews-of-major-projects/>; Peter J. Usher and Frances Abele, “Panels Compromised Under Environmental Assessment Bill” *Policy Options* March 26, 2018 <http://policyoptions.irpp.org/magazines/march-2018/panels-compromised-environmental-assessment-bill/>.

3 For simplicity, we use the term “Review Panel” whether or not it is a joint review panel established by several authorities, and the term “government” regardless of whether in the specific context it means the Governor in Council, the Minister, or a responsible authority. We refer to the Impact Assessment Act (Bill C-69, Part 1, formerly CEA Act) as “the Act,” and the Impact Assessment Agency of Canada (formerly the CEA Agency) responsible for its administration as “the Agency.” We use the terms “effects” and “impacts” interchangeably.

4 These purposes have been variously stated in different iterations of the legislation, but they have become over time the general expectation of both practitioners and participants.

5 The Act specifies that projects are to be “considered in a careful and precautionary manner to avoid significant adverse environmental effects” (6(1)(d)). *Sustainability* is defined in the Act as “the ability to protect the environment, contribute to the social and economic well-being of the people of Canada and preserve their health in a manner that benefits present and future generations.”

6 Panel duties are identified in s.51 of Bill C-69, and are approximately consistent with previous practice.

7 Usher and Abele, *Panels Compromised Under Environment Assessment Bill*, Policy Options 26 March 2018. As amended, regulatory agency appointments cannot constitute a majority on a Review Panel.

8 One might add, for that matter, the interests and concerns of the adjacent populace regardless of its legal status. The provision appears to be compromised, to some as yet undetermined extent, by the requirement that the Minister must establish “a roster of persons who may be appointed as members of a review panel” (s.50(a)(i)), because to the extent that the knowledge required is project- or region-specific, it seems highly unlikely to come from a standing agency roster that is presumably national in scope.

9 Jurisdictions, as defined in the Act, include bodies established under land claims agreements, and Indigenous governing bodies, having powers, duties, or functions in relation to impact assessment.

10 Bill C-69 does not specifically require or refer to the submission of a formal impact statement by the proponent (commonly referred to as an environmental impact statement or EIS), but the process clearly implies the continuation of the long-standing practice whereby it is the responsibility of the proponent to provide such a statement (often a series of documents amounting to several thousands of pages). This statement, when determined sufficient by the Review Panel, becomes the basis for assessing the project by all parties during the review phase, including most especially its public hearings. While some critics have advanced the view that the EIS should be prepared by some party other than the proponent, we eschew discussion of the merits of that argument here.

11 Sections 92-95 of Bill C-69 provide for regional assessments of “the effects of existing or future physical activities” or strategic assessments of any “Government of Canada policy, plan or program – proposed or existing – that is relevant to conducting impact assessments.” The legislation is otherwise silent on the triggers for such assessments or how they will be conducted.

12 CEAA 1992, 37.1.1

# Chapter 7

## A Pan-Canadian Experiment: Pipelines, Carbon Pricing, and Partisan Politics Test the New Era of Energy/Environmental Federalism

Travis Dagg, Jonathan Lippett, Derek Masters, and Glen Toner

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### INTRODUCTION

This is the fourth in a series of *How Ottawa Spends* chapters analyzing the politics of the energy/environment policy domain under the Stephen Harper Conservative (2006-2015) and Justin Trudeau Liberal (2015-) governments. The three previous chapters underscored the close link between ideas, policy instruments, partisan politics, and federalism. The first chapter documented the Harper government's wedge politics approach to governance and its attempt to systematically reverse the sustainable development (SD) policy innovations introduced by the Mulroney and Chretien governments. The Harper Conservatives did not take climate change seriously and steadfastly refused to price carbon while enthusiastically supporting oil and gas development (Toner and McKee 2014). The second chapter explored the Trudeau Liberals October 2015 defeat of the Harper Conservatives and the reestablishment of a policy agenda imbued with SD ideas and values including an intergovernmental engagement approach to governance (Toner et al. 2016a). The third chapter evaluated the Trudeau government's first 18 months as it launched an intensive process of engagement with provincial and territorial governments to entrench sustainability values in the 2016 *Pan-Canadian Framework on Clean Growth and Climate Change* (PCF) (Chahal et al. 2017). Historically, federal governments have struggled to provide serious support to provinces pursuing sustainability goals (VanNijNatten 2016; Doern, Auld, and Stoney 2015). Given this history, the third chapter asked if the Trudeau government's policies could deliver adequate support to provincial/territorial efforts to reduce emissions and strengthen low-carbon economic growth. The chapter concluded that the



Liberal's approach and provincial/territorial actions did indeed represent a new era of cooperative energy/environmental federalism. Without question, the degree of intergovernmental coordination and cooperation represented by the PCF is a historic high for any period since climate change and greenhouse gas (GHG) emission reduction ascended to the national policy agenda in the early 1990s.

Events unfolding in 2018 and 2019 will severely test the will of the federal Liberals to see through the very substantial policy and expenditure commitments made since 2016 to meet Canada's GHG emissions reduction commitments and transition Canada's economy toward a low-carbon future. What makes this era of federalism particularly interesting and challenging is that the Trudeau Liberals are promoting a vision of a Canada that is simultaneously reducing domestic GHG emissions *and* increasing oil and natural gas exports. The Liberal's clarion call has been that the environment and the economy are not in conflict and that the wealth produced by exporting GHG emitting fossil fuels to other countries over the next couple of decades can be used to fund the low-carbon transition at home. Many Canadians who take climate change science seriously and want to see an accelerated low-carbon transition consider these dual goals to be a paradox that undermines the Liberal's credibility. Other Canadians who are invested in the continued growth of the fossil fuel sector are also suspect of this vision and are coalescing around provincial and federal conservative parties who prioritize hydrocarbon production over GHG emission reductions. The federal Conservative party under Harper's successor Andrew Scheer continues to oppose carbon pricing and can be expected to continue to oppose the principles of the PCF leading up to the October 2019 federal election. After a brief flirtation with a carbon tax commitment in the campaign program of the Ontario Progressive Conservatives under then leader Patrick Brown, the newly elected Ontario Conservative Government under Premier Doug Ford has committed to both end the provincial Liberal's cap-and-trade (C&T) system and challenge a federal carbon tax (Selley 2018). In a complex federation comprised of 14 governments, the change of a governing party in any jurisdiction that is a signatory to an inter-governmental agreement can present a challenge if the policies flowing from the agreement require significant coordination, like the PCF does. In this dynamic context, this chapter analyses the intergovernmental implementation effort from June

2017 to June 2018 and asks whether the positive momentum generated by the PCF can be sustained.

Part one explores in detail the multitude of policies, regulations, and programs put in place by the federal and provincial/territorial governments to: 1) institute policy instruments to put a price on carbon; 2) strengthen the resilience of the natural and built infrastructure threatened by extreme weather events and other climate change impacts; and 3) accelerate Canadian contributions to innovative low-carbon technologies. Part two will explore the challenges that are in play that have the potential to derail or at the very least diminish the short-term and long-term impacts of the PCF. The conclusion follows.

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## **OPERATIONALIZING THE PAN CANADIAN FRAMEWORK: POLICIES, REGULATIONS AND INVESTMENTS**

### *Carbon Pricing & the PCF*

The PCF includes a suite of nationally applicable regulatory instruments meant to achieve the necessary emissions reductions. The federal government's "Forward Regulatory Plan" for air emissions and greenhouse gases has 16 listed regulations or amendments under development including regulations for methane in the oil and gas sector, a clean fuel standard, vehicle regulations and volatile organic compound (VOC) controls (ECCC 2017a). Of these regulatory instruments, carbon pricing has received the most attention.

Environment and Climate Change Canada (ECCC) has been charged with creating national policy convergence through the implementation of the regulatory elements of the PCF. In May 2017, ECCC released its Technical Paper on the Federal Carbon Pricing Backstop, which was followed by its Guidance on the Pan-Canadian Carbon Pollution Pricing Benchmark in August. In December 2017 the Supplemental Benchmark Guidance was issued and federal Environment Minister Catherine McKenna and Finance Minister Bill Morneau announced a deadline of 1 September 2018 for each province to outline how it intends to implement a carbon pricing system that meets the federal standard (Canada 2017a). On 15 January 2018 the federal government published for public comment *The Greenhouse Gas Pollution Pricing Act*, with the intention of officially codifying its proposed national carbon pricing system (Canada 2018a). The legislation would require provinces and territories to implement carbon pricing systems by 1 January 2019 or adopt a federally administered

carbon pricing system that the federal government calls the “backstop.” The backstop, which is applicable to jurisdictions where no carbon pricing system is adopted or where the pricing system fails to meet the standards outlined under the Paris Agreement, would similarly come into effect 1 January 2019 (Canada 2017b). At time of writing, four Canadian provinces—British Columbia (BC), Alberta, Ontario and Quebec—covering over 80% of the Canadian population have adopted a price on carbon that is consistent with the federal guidelines (See Table 1). Apart from Saskatchewan, which has indicated its refusal to comply with the PCF and adopt a carbon pricing system, Canada’s remaining provinces and territories have either announced pricing systems, indicated their near-term adoption, or are studying the question.

Since the inception of the PCF, the Liberals have made a commitment to ensuring that provinces and territories have a measure of flexibility in the design and implementation of their regulations. To respect existing emissions pricing frameworks the Trudeau government allowed Canadian jurisdictions to choose between two pricing systems: a direct price-based system (BC and Alberta) or a cap-and-trade system (Ontario and Quebec). The federal government is ambivalent as to which system is chosen as long as each jurisdiction adheres to pricing minimums and a 2030 emission reduction target equal to or greater than Canada’s emissions reduction target committed to in the Paris Agreement of 30% below 2005 levels by 2030. Direct pricing systems create a fixed price for GHG emissions, but leaves the actual quantity of emission reductions to be determined by the market, whereas C&T creates a regime where the quantity of emissions is fixed, but the price is determined by the market.

Under federal pricing, policy jurisdictions that choose an explicit price-based system must have a carbon price that starts at a minimum of \$10 per ton in 2018 and rises by \$10 per year to \$50 per ton in 2022. Hence, jurisdictions that currently do not have a price in place will begin on 1 January 2019 at \$20 per ton. Alternatively, jurisdictions that choose C&T must introduce an emissions trading market that allows the jurisdiction to meet or exceed Canada’s emissions reduction goal.

In sum, between late 2016 and mid 2018 the Liberals successfully established a policy touchstone for the provinces/territories by introducing a carbon pricing instrument that accommodates both tax and trade jurisdictions.

Given that carbon pricing already covers most Canadian citizens, the federal government has rightly taken a hard line with provinces seeking exemptions (Manitoba, Saskatchewan, New Brunswick) with the carbon pricing backstop ensuring equitable treatment for all citizens regardless of where they live in Canada. In this way, the PCF does a good job of setting national policy benchmarks, accommodating provincial preferences, but not too much, thereby weaving a delicate balance.

### *Climate Change Adaptation and Resilience*

Understanding the nomenclature of climate adaptation is critical. The Intergovernmental Panel on Climate Change's *Fifth Assessment Report* (IPCC 2014) defines "climate adaptation" as the process of adjustment to actual or expected climate change and its effects. "Adaptation deficits" are the gap between the current state of a system and a state that minimizes adverse impacts from existing climate conditions and variability. "Adaptive capacity" is the ability of systems, institutions, humans, and other organisms to adjust to potential damage, to take advantage of opportunities, or to respond to consequences. Regardless of the outcomes of GHG mitigation efforts, changes to the climate are already underway and adaptation action will be required.

The 7<sup>th</sup> National Communication and 3<sup>rd</sup> Biennial Report (Canada 2017d) notes that Canada will likely experience warmer temperatures, more rainfall, more extreme weather events, ocean rise, ocean acidification, and a loss of snow coverage in the coming decades. Although Canada is recognized as one of the least vulnerable nations in overall terms, it is one of the most exposed due to its large landmass and dispersed population (University of Notre Dame 2016). The Insurance Bureau of Canada (IBC 2016) highlighted the growing cost of natural disasters in Canada. The average insured losses from extreme weather events between 1983 and 2004 were roughly \$370 million per year. While significant, these figures pale in comparison to the accelerating costs of twenty-first century events. The Commissioner of Environment and Sustainable Development found that "over the past 6 fiscal years, the Disaster Financial Assistance Arrangements program provided more recovery funding than in its first 39 fiscal years combined" (CESD 2016). Indeed, insured losses for extreme weather events rose to an average of \$1.2 billion per year between 2004-2015. This dramatic increase in costs has been linked to recent fires and floods across Canada (See Table 2). While already causing increasing amounts of

damage, experts predict the costs associated with climate change will continue to rise. The National Round Table on the Environment and Economy estimated climate change could cost Canada roughly \$5 billion per year by 2020, and between \$21 and \$43 billion a year by 2050 (NRTEE 2011).

In contrast to the historic reactive “clean up” approach, the Trudeau Liberals have chosen to use federal spending power to take a proactive approach to climate change adaptation by supporting capacity building to shrink the adaptation deficit. Table 3 illustrates the various adaptation-related spending commitments from the 2016, 2017, and 2018 Budgets. These commitments, particularly those aimed at improving information, infrastructure, and disaster mitigation, represent a landmark shift in priorities that will close adaptation deficits. The Canadian Centre for Climate Services (CCCS) will become the federal government’s “official source of reliable climate information, data and tools... and will provide training and user support to help increase climate resilience across Canada” (ECCC 2018). The Centre will support existing regional, provincial, and industry-led adaptation networks. The information products will be used by city planners, transport engineers, forest managers, farmers, Indigenous communities, and other relevant stakeholders. The \$2 billion earmarked for disaster mitigation and adaptation will help national, provincial/territorial, Indigenous, and municipal decision makers prepare for increasingly frequent extreme weather events. This funding for large scale infrastructure projects aimed at improving preparedness represents a paradigmatic shift from reactive disaster management to proactive risk reduction. It also directly responds to the 2016 CESD Report which found that Canada was woefully unprepared for future climate-related disasters.

This shift to a proactive approach to climate adaptation has been notable. In April 2018 Infrastructure Canada identified 28,000 projects that have been approved (\$11.8 billion), including 20,000 projects (\$9.4 billion) that are already underway (Meyer 2018). Another significant success is the Liberal’s commitment to establishing a set of indicators for tracking adaptation efforts. The creation of an Expert Panel on Climate Change Adaptation and Resilience Results should provide valuable tools for monitoring and evaluating adaptation efforts, as well as enhancing communications with Canadians.

### *Low-Carbon and Clean Technology and Innovation*

As Table 4 shows, the combined commitments from Budgets 2016, 2017, and 2018 directed significant financial resources in support of the clean technology pillar of the PCF. Canada's Innovation and Skills Plan also highlights cleantech as a priority sector of the Canadian economy (Canada 2017c). The Green Infrastructure Fund will target projects that reduce GHG emissions, improve air and water quality, promote renewable power, and support adaptation measures. The Fund will distribute \$21.9 billion over 11 years through: bilateral agreements with provinces and territories; the Canadian Infrastructure Bank; and through a series of national programs for Indigenous communities, smart grids, renewable energy technologies, electric vehicle infrastructure, energy efficiency technologies, and reducing the reliance of rural and remote communities on diesel fuel. The Low-Carbon Economy Fund has two streams. The Leadership Fund provides \$1.4 billion to support provinces and territories that adopt the PCF, starting with a base amount of \$30 million and adding additional funding based on population. The second stream is the \$500M Challenge Fund. It is open to all provinces, territories, municipalities, Indigenous communities, businesses, and not-for-profits and will be awarded based on a project's ability to reduce GHG emissions thereby encouraging a wide variety of actors to support of the PCF.

The federal government is also embracing experimental approaches to funding by encouraging federal departments to devote a fixed percentage of funds to incentive based funding, challenge programs, and micro-funding (TBS 2017). These mechanisms are particularly useful when addressing complex policy problems by creating space for non-governmental actors to propose solutions. Budget 2017 builds on this new flexibility with the launch of the Clean Growth Program and the Impact Canada Initiative. The Clean Growth Program supports research, development, and demonstration of clean technologies in the mining, energy, forestry, agriculture, and fisheries sectors. For the first time, project proponents will be able to access federal research facilities to develop and test their technologies. The Impact Canada Initiative funds a series of prize-based challenges in collaboration with the private, academic, and non-governmental sectors to significantly advance clean technology solutions.

Clearly, the Liberals have backed up their political commitments with historically significant financial investments to ensure robust implementation of the

PCF. The sheer number of programs and sizeable investments demonstrate this. Efforts to transition Canada towards a low-carbon, clean growth economy through the PCF have yielded early successes. In turn, provincial carbon pricing systems are facilitating Canada's shift to a clean growth economy. In 2017, the four provinces with a price on carbon were the best performing provinces in Canada based on GDP growth, illustrating that a well-designed price on carbon does not significantly hurt economic growth (Kniewasser and Becker 2018) and reinforcing the OECD's position that a price on carbon can spur investments in programs that will reduce emissions and continue to grow the economy (OECD 2017).

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### CHALLENGES FACING THE PCF

Clearly, there are both political and policy challenges associated with implementing a federal-provincial-territorial action plan of historic proportions, while following a strategy that seeks to reduce domestic GHG emissions and shift Canada's energy base from emissions intensive coal/oil/natural gas hydrocarbons to a clean energy system, while growing hydrocarbon exports.

#### *Ideas and Partisanship*

Despite demonstrable successes, the future of carbon pricing in Canada is still uncertain. The idea of carbon pricing has become a major wedge issue between conservative and non-conservative parties with the leader of the federal Conservative party, Andrew Scheer, vowing to repeal the national price on carbon should his party be elected in 2019. Ontario Premier Doug Ford has promised to work with the conservative government in Saskatchewan and Jason Kenney's United Conservative Party, if it forms government in Alberta in 2019, to provide a unified conservative front against carbon pricing while the Trudeau Liberals are still in power. Politically motivated conservative opposition to carbon pricing stands in contrast to a widespread consensus amongst market-oriented economists about the benefits of pricing pollution and spreads pervasive misconceptions amongst Canadians (CEC 2018a). A 2018 Abacus Data survey on perceptions of carbon pricing in Canada found that 79 percent of respondents said they had a positive view of carbon pricing (46 percent calling it a "good idea" and 33 percent saying it is "acceptable"), but only half of respondents (52 percent) reported being familiar with the federal government's carbon pricing policy and among respondents whose home provinces

had a price on carbon only 49 percent reported having knowledge of their system. Furthermore, when asked about the purpose of a carbon tax, only 58 percent said they thought that the primary purpose was to change behavior, compared to 42 percent who said the purpose was just to raise money (Abacus 2018). This gap in popular understanding creates a window for conservative politicians to undermine the policy by framing carbon pricing negatively. Current conservative political rhetoric is not new, echoing Stephen Harper's charge that carbon pricing is a "job killing tax." The Abacus data suggests that one of the greatest challenges facing the PCF is the Liberal government's apparent inability to effectively communicate the benefits of carbon pricing to citizens. The critical bottom line is that there has never been as much at stake before as Canada's Paris climate commitments and the PCF risk being undermined if a national price on carbon is not maintained for ideological reasons.

Since the very inception of the PCF, Trudeau has maintained that Canadian action on climate change rests on a grand bargain between resource development for export and emissions reductions domestically. The Liberal's 2015 electoral campaign and subsequent governance approach was built on an ideological foundation that increased production/export of oil and gas can be supported because it is coupled with enhanced environmental protection initiatives such as strengthened environmental assessment, regulatory instrument improvements, and carbon pricing. Consequently, the Liberals are being attacked from both sides by the major opposition parties. The Kinder Morgan Trans Mountain Pipeline Expansion project has become a symbol of energy and environmental politics in Canada and, unsurprisingly, brought partisan politics to the fore. For the Conservatives, the Liberal's decision to buy the pipeline was not about "investing in Canada's future," as stated by Finance Minister Bill Morneau, but was instead about Kinder Morgan divesting from Canada as part of a broader trend of capital flight from Canada amidst concerns that Liberal environmental policy has made Canada an unwelcome place for hydrocarbon industries. Conversely, the Federal NDP and Green parties have criticized the Liberals for choosing to promote oilsands and pipeline development over environmental protection.

Clearly, climate change adaptation governance is complex. Henstra argues that "Adaptation requires action at all scales—from local to global—but coordinating these nested responses to achieve a vertically cohesive course of action is



a key challenge” (Henstra 2017). Politically, adaptation efforts are hampered by the difficulty of communicating the value of adaptation. While floods and fires highlight the salience of disaster mitigation and adaptation, the long-term horizons of adaptation infrastructure often result in psychological gaps requiring strong communication campaigns. Contributing to these already weak political incentives to commit to long-term adaptation efforts is the “short-termism” of four-year electoral cycles which discourage prioritizing climate adaptation investments as the costs are immediate and the benefits long-term. Short-termism creates a regime that encourages a reactive clean-up mentality, rather than proactive long-term approach to adaptation; hence, the federal, provincial, and territorial leaders who signed the PCF deserve credit for looking over the horizon. Interestingly, all the signatory governments to the PCF were Liberal or NDP.

Canada’s municipal/territorial/provincial/national adaptation network will improve with the launch of the CCCS, but the serious policy coordination and coherence-building efforts that have been launched must be vigorously maintained if adaptation is to be mainstreamed into all policymaking, and this will require political will. These infrastructure investments will not be cheap and will be a major test of parties that form governments at all levels going forward. For political parties to commit to long term adaptation strategies, they must first believe the science of climate change.

### *Federalism and Intergovernmental Tensions*

As implementation of the PCF ramps up in year three, challenges are emerging. Trudeau tied carbon pricing in the PCF to the successful completion of the Trans Mountain Pipeline expansion project (TMX) to dramatically increase bitumen exports from Edmonton to Vancouver to Asian markets, demonstrating his government’s dual focus on domestic GHG emission reductions and enhanced fossil fuel exports (Morgan 2018). TMX has become a major flash-point for the Liberals precisely because it reflects the tensions in their core dual focus, with BC championing environment protection and Alberta bitumen development. The Trudeau government, which has final regulatory authority on the inter-provincial project, approved TMX in 2016 after the mandated assessment and review process, declaring the project to be in the national interest. In essentially guaranteeing Alberta that bitumen exports would reach tidewater and international markets, Trudeau allowed the then new Alberta

NDP Premier Rachel Notley to commit to a broad-based carbon pricing regime and sign onto the PCF. This was critical as Alberta produces most of Canada's additional GHG through emissions-intensive oilsands bitumen operations and Alberta's emission reductions are critical if Canada is to meet Canada's Paris Agreement. The 2017 election of a NDP minority government in BC, supported by the Green Party, disrupted the planning of the TMX project by raising questions about the environmental risks of bitumen transport through BC coastal waters. In response, Houston-based Kinder Morgan suspended non-essential spending on the \$7.5 billion TMX in April 2018 citing political challenges and uncertainty. This announcement divided the Western provinces with Alberta and Saskatchewan threatening legislation to restrict the flow of oil products to BC citizens.

The Liberals clearly feared that the delay or cancellation of TMX might harm its goal of attracting foreign investment to Canada by raising doubts about the ability of the Canadian government to ensure approved projects succeed. To counter this, the Liberals first committed to indemnify the project against politically triggered construction delays and then on 29 May 2018 announced that the federal government would buy the core assets associated with the existing pipeline system for \$4.5 billion, and if no other private owner comes forward, will provide the financing to construct the new \$7.5 billion TMX. The Liberal's extraordinary decision places it in direct opposition to the BC government. TMX will proceed as a federal crown project in the national interest granting it special allowances that are not available to a private sector company, thereby significantly increasing the chances of project completion.

Canada's judicial system plays a critical role in adjudicating jurisdictional disputes between provinces and between provinces and the federal government. With a political resolution amongst the federal Liberal government, and the BC and Alberta NDP governments not forthcoming, BC resorted to the courts by posing a reference question to the BC Court of Appeal on the province's jurisdictional authority to restrict the flow of bitumen to protect its environment, essentially asking in what circumstances, if any, provincial environmental jurisdiction can prevail over national interest authority. Indeed, all actors are prepared to use the courts if they view it to be to their advantage. As discussed above, the federal government has crafted legislation allowing it to impose the legislated carbon price on provinces if they do not have their own

pricing systems. The conservative government of Saskatchewan, supported by the new Conservative government in Ontario, and potentially Alberta, have threatened to challenge the federal government's power to do so before the Supreme Court. Moreover, there are many lawsuits by various First Nations and environmental groups challenging the approval of the TMX project before the Federal Court, potentially causing further delays and uncertainty.

There are also political risks for the Liberals in buying the Kinder Morgan pipeline. Alberta comes off as the big winner, yet the Liberals have modest hopes of adding seats there in the 2019 federal election. However, Trudeau's dramatic show of support for TMX—and getting a bitumen export pipeline built (something Stephen Harper could not do)—could bolster support for climate policy ally Premier Rachel Notley and prove the Liberals support resource development as an engine of growth. Yet there are serious risks in BC for the Liberals in the 2019 federal election in the populous Lower Mainland where opposition to TMX is strongest. Losing his biggest climate policy ally in Liberal Premier Kathleen Wynne in the 7 June 2018 Ontario election was a blow. If Alberta Conservative leader Jason Kenney defeats Notley in 2019 and forms a united provincial front with Ontario and Saskatchewan against the PCF, and with diminished goodwill in British Columbia, Trudeau may face a federal-provincial confrontation on implementing the climate change and clean growth pillars of the PCF.

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## CONCLUSION

As argued in the previous chapter of this *How Ottawa Spends* series, the adoption and early implementation of the PCF marked a new and positive era of energy/environmental federalism (Chahal et al. 2017). For the first time, Canada had a tangible roadmap for meeting its international climate commitments supported by significant federal investments and resources, backed by every provincial and territorial government except Saskatchewan. Canada would join over 40 other countries with a national price on carbon, with most provinces and territories working with the federal government to enact clean growth and climate adaptation programs for citizens and businesses. To be clear, the PCF is one of the largest intergovernmental projects the Canadian federation has embarked upon in recent decades. Pushback and challenges are to be expected as governments change over time as happens in democra-

cies, particularly in shared federal-provincial domains like environment and energy. And, historically, issues of shared jurisdiction often trigger political conflicts amongst governments and then rely on the judicial system for resolution.

The PCF was born at a politically opportune time in 2016 when the interests of federal and provincial governments on climate change coming out of the Paris COP 21 were in rare alignment. It has catalyzed a pace of change whose scale and fundamental nature are unprecedented. Given the challenges identified above with the PCF's implementation, one must ask whether this paradigm shift is inherently fragile or has staying power.

The clash of ideas, conflicting interests, and questions of jurisdictional authority are risks to the continued implementation of the PCF. Unwavering federal leadership will continue to be critical in the short to medium term as provincial elections take place and some governments change. With respect to the 2019 federal election, the PCF likely has staying power if the Trudeau Liberals retain power. The Conservative Party of Canada has offered no valid alternative to the PCF and the election of a Scheer Conservative government would end the critical PCF carbon pricing pillar.

Upon becoming Premier, Doug Ford announced that he would kill provincial carbon pricing by withdrawing Ontario from the C&T program even though it may be financially very costly for Ontarians. The large Ontario firms that have invested nearly \$3 billion buying C&T allowances, which Ford would render worthless, may seek compensation (Coyne 2018). Moreover, Ford could be challenged in the courts by the governments of Quebec and California whose markets are linked to Ontario's as "[i]t is much harder to dismantle a market than it is to repeal a tax" (McCarthy 2018). The federal government may also withdraw the \$420 million that Ontario would have received from the \$2 billion PCF Low Carbon Economy Fund to support projects that reduce emissions and create jobs in low-carbon clean tech sectors (Wechsler 2018a). Speculation is that Ford's ideologically driven "on the fly" behaviour could cost Ontario up to \$4 billion at the outset of his term (Reeveley 2018). Moreover, Ford's decision to kill the C&T program in Ontario despite these considerations, will require the Trudeau Liberals to impose the backstop pricing system on Ontario as they have promised to do in Saskatchewan (Wechsler 2018b). Trudeau, therefore, will be forced to walk the talk of his commitments

against both a small province and the largest one. In the end, Trudeau may relish the opportunity to run against Ford as well as Scheer.

On the surface, emerging partisan divisions amongst major federal-provincial actors and the position on climate change taken by the Trump Administration in the United States could impact the PCF. Three of the four major provinces—whose support for the PCF is key—are prepared to challenge the federal government over key energy/environment issues. From bitumen pipeline and coastal tanker politics in BC to carbon pricing conflicts with Ontario and potentially Alberta, the Liberals' climate change plan is under stress. In 2017 the Trump Administration withdrew the United States from the Paris Agreement and began an environmental deregulatory campaign (Brookings Institute 2018), prompting many Canadian conservatives and business executives to call for Canada to follow Trump's lead to maintain the competitiveness of Canadian industry. But running against Trump's approach may very well be an advantage for Trudeau in 2019.

The view that the actions catalyzed by the PCF are at risk due to provincial oscillation and/or pressure from the political right due to Trump's actions may not, however, be determinative. The PCF, while being the central climate change/clean growth plan for the country, is part of a much larger global transition to a low-carbon economy; a transition whose momentum and durability outweigh the vulnerability of its individual parts (see Mission Innovation 2018; Breakthrough Energy Coalition 2018). The Trudeau Liberals have taken several measures to ensure their efforts are sustained, including key legislative action and long-term spending. Bill C-68 will restore the *Fisheries Act* to its pre-Harper stringency. Bill C-69 will restore the *Navigable Waters Act* and reconfigure the federal major project review process to consider key climate, environmental, sustainability, and indigenous components, illustrating a legal commitment to balance energy and environmental priorities in the review process. The forthcoming clean fuel standard (CFS) is arguably the single largest mitigation instrument being undertaken in the PCF. Fuel suppliers will be required to use different fuels and modelling suggests that the CFS could deliver an additional 30 megatonnes of reductions, which is almost twice what the federal carbon price might deliver (CEC 2018b). Furthermore, should jurisdictions prove uncompliant with the federal government's carbon pricing escalation schedule, the *Greenhouse Gas Pollution Act* will legally ensure that

emissions are priced in all jurisdictions so that all Canadians are engaged—not just some. The federal government may choose to return the revenues collected from the carbon tax directly to citizens, rather than to the governments, in those provinces which refuse to deploy their own systems, like Ontario and Saskatchewan.

In addition to the strengthened legal and institutional capacity are the fiscal instruments already deployed to support billions of dollars of federal, provincial, territorial, municipal, and private investments in climate change/clean growth programs, policies, and infrastructure projects for the next several years. It is unlikely that a different political party forming the federal government in 2019 would claw this money back right away, if at all, as provinces, territories, municipalities, and businesses will have made significant and ongoing investments in infrastructure and R&D projects based on contracts with federal and provincial governments. Finally, though not a result of the federal Liberal's efforts, is the determination of jurisdictions such as Quebec and BC to strive for climate goals and clean growth targets despite what their conservative peers may do. Though the PCF itself may be somewhat fragile, the clean growth and climate change activities it has catalyzed are well underway and, at present, embedded in legislation. As Don Lenihan argues in his assessment of Trudeau's performance in this domain to date: "those who care about sustainable development should take the long view" (Lenihan 2018).

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## APPENDICES

**Table 1: Carbon Pricing: Techniques and Jurisdictional Plans**

CARBON PRICING TECHNIQUES	DESCRIPTION
Direct pricing system – tax	Direct pricing systems apply a transparent, explicit price on emissions by fuel based on GHG content.
Direct pricing system – “hybrid”	Output-based pricing systems (OBPS) or “hybrid” systems create an incentive for GHG emitters to reduce emissions by exempting them from paying a carbon price on their fossil fuel consumption. Like C&T, facilities that exceed their annual limit under a hybrid system must acquire additional GHG credits.
Cap-and-trade system (C&T)	C&T sets limit on the quantity of GHGs that may be emitted in an economy (or a sector of the economy) over a time period.  Governments issue a pool of emission allowance credits that corresponds with the GHG cap for that period. For each period, registered emitters must ensure they own sufficient emission allowance to cover their emissions.

JURISDICTION	PRICING SYSTEM	COMPLIANCE WITH FEDERAL CARBON PRICING POLICY
Alberta	Hybrid system with a tax and OBPS for large industrial emitters	Compliant
British Columbia	Tax with OBPS for Liquified Natural Gas sector	Compliant
Manitoba	Tax with an OBPS for industry (beginning in 2019).  No planned increase to tax rate beyond \$25 over the period 2018–2022	Compliant – Until January 2020
New Brunswick	Proposed OBPS	Currently uncompliant
Newfoundland & Labrador	Proposed GHG emission limits for industrial facilities	Currently uncompliant
Nova Scotia	Proposed C&T system	Currently uncompliant
Ontario*	C&T linked with Quebec and California	Compliant
Prince Edward Island	No system indicated	Currently uncompliant
Quebec	C&T linked with Ontario and California	Compliant
Saskatchewan	Proposed OBPS that exempts upstream oil and gas and electricity sectors	Currently uncompliant
Northwest Territories	Tax	Compliant – Beginning January 2019
Nunavut	Tax	Compliant – Beginning January 2019
Yukon	Tax	Compliant – Beginning January 2019

\*A Progressive Conservative government was elected on 7 June 2018. Incoming Premier Doug Ford has pledged to end Ontario's participation in the Ontario and California linked C&T system but no legislation to that effect had been implemented at time of writing (Coyne 2018).

**Table 2: Major Canadian Natural Disaster Insured Losses**

EVENT	INSURED LOSSES
2013 Alberta Floods	\$1.9B
2016 For McMurray, Alberta Wildfires	\$3.6B
2017 Ontario/Quebec Spring Floods	\$223M
2017 BC Wildfires	\$127M

(Swiss Reinsurance Company, 2016; Canadian Underwriter, 2016, 2017; IBC, 2017)

**Table 3: Adaptation Initiatives**

YEAR	FUNDING	LEAD DEPARTMENT	ADAPTATION-SUPPORTING MEASURES
2016	\$2.0B/4 (years)	Infrastructure Canada (IC)	Sustaining Healthy Communities Through a New Clean Water and Wastewater Fund
	\$129.5M/5	IC	Broad adaptation program funding to 7 federal departments and agencies
	\$75M/1	N/A	Federation of Canadian Municipalities' Municipalities (FCM) for Climate Innovation Program
	\$2.65B/5	Global Affairs Canada	International Climate Finance (part of which will help the poorest nations adapt to climate change)
	\$94M/2	IC	Adaptation and Climate Resilient Infrastructure
	\$2.9B/5	(ECCC)	Low-Carbon Economy Fund, and to advance science and understanding of climate change
2017	\$73.5M/5	ECCC	Canadian Centre for Climate Services (CCCS)
	\$47.0M/5	Health Canada (HC)	National Climate Change Health Risk Plan
	\$18.0M/5	HC	Climate change and health adaptation program for First Nations and Inuit communities
	\$21.6M/4	Fisheries and Oceans/ Transport Canada (TC)	Aquatic Climate Change Adaptation Services Program and the Northern Transportation Adaptation Initiative
	\$2B/10	IC	Disaster Mitigation and Adaptation Fund
	\$9.2B/11	IC	Bilateral infrastructure funding agreements with provinces (a portion to support adaptation)
	\$5B/11	IC	Canada Infrastructure Bank (Green Infrastructure Projects)
2018	\$131M/5	ECCC	Adapting Canada's Weather and Water Services to Climate Change

(Government of Canada 2016; 2017b; 2018)

**Table 4: Low-carbon and Clean Technology Investments**

BUDGET YEAR	PROGRAM NAME	LEAD DEPARTMENT AND STATUS	MONETARY AMOUNT (\$) / YEARS	OBJECTIVE
2016	Low-carbon Economy Fund	ECCC	\$2B/5	-support implementation of PCF by leveraging investments in projects that will generate clean growth and reduce GHG emissions
2017	Clean Growth Hub	NRCan and ISED	\$12M/4	-whole-of-government focal point for clean technology, focused on supporting companies and projects, coordinating programs/tracking results
2017	Innovation Superclusters Initiative	ISED	\$950M/5	-accelerate growth and development of business-led innovation superclusters -foster new commercial opportunities for Canadian companies
2017	Green Infrastructure Fund	IC, Canada Infrastructure Bank and NRCan	\$21.9B/11	-accelerate deployment of next-generation clean energy infrastructure by investing in: technology demonstrations, community capacity building, and targeted R&D
2017	Impact Canada Initiative			-challenge based approach for the federal government -accelerate solutions to challenges like diesel use in remote communities.
	<ul style="list-style-type: none"> <li>Cleantech Stream</li> <li>Smart Cities Stream</li> </ul>	<ul style="list-style-type: none"> <li>NRCan</li> <li>IC</li> </ul>	<ul style="list-style-type: none"> <li>\$75M/2</li> <li>\$300M/11</li> </ul>	

2017	Financing for Cleantech Firms	Business Development Bank (BDC) and Export Development Bank (EDC)	\$1.4B/3	-new financing, including equity investments, working capital and project finance to help Canada's clean technology firms expand
2017	Recapitalization of SD Tech Fund	Sustainable Development Technology Canada (SDTC)	\$400M/5	-develop and demonstrate new clean technologies that promote sustainable development
2017	Pan-Canadian Clean Technology Data Strategy	Statistics Canada	\$14.5M/4	-measure impact of clean technologies and environmental goods and services on national level  - regular publication of data on clean technology
2017	Clean Growth Program	NRCan	\$155M/4	-support clean technology RD&D and adoption of clean technologies in Canada's natural resources sectors
2017	Economic Strategy Tables	ISED and NRCan	n/a	-industry-government collaboration, focused on turning economic strengths into global advantages
2017	Greening Government Operations	NRCan and Treasury Board Secretariat	\$13.5M/5	-provide expertise to federal departments to implement energy efficiency and clean energy technologies, including building retrofits
2017	Northern Responsible Energy Approach for Community Heat and Electricity program (REACHE)	Indigenous Services Canada	\$53.5M/10	-reduce Northern communities' reliance on diesel by increasing the use of local renewable energy sources
2018	Development and implementation of the federal carbon pricing system**	ECCC and Canada Revenue Agency	\$109M/5	-costs to implement, administer and enforce the federal carbon pollution pricing system
2018	Review and assessment of PCF**	ECCC	\$20M/5	- external assessments of the effectiveness of the PCF to identify best practices moving forward

\*This table is not an exhaustive list of all programs that support the PCF but highlights a substantial majority. All programs are active unless otherwise stated.

\*\*Planned

Sources: *Government of Canada, 2016; Government of Canada, 2017; Government of Canada, 2018.*

# Chapter 8

## A New Social Care Act for Canada

*Allan Moscovitch and Ginette Thomas*

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### INTRODUCTION

The cancellation of the Canada Assistance Plan in 1996 was a pivotal policy shift that was not only short-sighted as a cost-cutting measure, it also did not reduce the need for, nor the costs of, social care services. Instead, it fundamentally changed the characteristics of the Canadian federal state that had evolved from the post World War II welfare state ideologies that were based on state provision.

Until the 1960s, social care in Canada was highly underdeveloped and largely dependent on the combination of provincial, municipal, and private charitable funding. The focus of the activities of what were largely non-profit organizations was to provide assistance to individuals and households with low and moderate incomes who were in need.

What changed this picture was the advent of the federal Canada Assistance Plan in 1966. The Canada Assistance Plan led to the consolidation of the funding and the delivery of income assistance programs. Substantially increased federal (50/50) cost-shared funding was made available to the provinces to support their spending on social assistance programs on the basis that federal programs for people with disabilities would be terminated, and that Canadians who were dependent on such programs would receive provincial assistance instead. According to the preamble, the Canada Assistance Plan would provide funding for programs to alleviate poverty and for programs intended to prevent poverty. It was this phrase in the preamble that led to increased funding for the significant expansion of provincial social services.

WHEREAS the Parliament of Canada, recognizing that the provision of adequate assistance to persons in need and the prevention and removal of the causes of poverty and dependence on public assistance are the concern of all Canadians, is desirous of encouraging the further development and extension of assistance and welfare services programs throughout Canada by sharing more fully with the provinces in the cost thereof; (Canada Assistance Plan, 1966-67, c.45, s.1, 711)

Since the 1990s, beyond the social costs to Canadians due to reduced community and social services incurred as a result of the Chrétien government's cuts to federal funding, the true damage was the loss of the basic principles that had framed the Canada Assistance Plan for 30 years. These basic principles, inherent in the preamble to, and the text of, the Canada Assistance Plan went beyond simply framing a social program. They were a validation of Canadian social values that were not replicated in the Canada Health and Social Transfer agreements that replaced the Canada Assistance Plan. Even with the 2000 Social Union Framework Agreement, under the guise of enhancing cross-Canada jurisdictional relations, the federal government's negotiation objective shifted to one where it would only maintain the illusion of providing over-arching national guidance while still limiting its financial obligations. There were no underlying principles to bind provincial commitments to social services in the same manner that the five principles under the *Canada Health Act (CHA)* have assured Canadians of the government's commitment to ensuring their access to health services.

Throughout the period that followed the termination of the Canada Assistance Plan, poverty and socio-economic inequalities have persisted in Canada, although the Trudeau Liberal Government's introduction of the Canada Child Benefit holds the promise for making a difference for lower income families with children. Growing concerns about the impact of poverty and persistent social inequalities is the reason that we believe that a new *Social Care Act* is a timely public policy approach.

The reductions in federal assistance to provinces for social services that served as austerity measures since the 1990s contributed to the conditions that have promoted poverty and social inequalities. Although there was a decline in the unemployment rate from 8.7% to 6.9% between July 2009 and July 2016 (Statistics Canada 2017, January 6), more than 3 million Canadians continue to live in poverty.<sup>1</sup> Statistics Canada's 2014 Income Survey found that 1.9 million families struggle to make ends meet because they do not have jobs that provide a living wage, workplace pension plans, predictable schedules to facilitate work-life balance, or opportunities for advancement (Statistics Canada 2016). As a result, they have poorer health outcomes, lack access to healthy food, and do not live in safe, adequate, and affordable housing.

The Income Survey confirms that, while the national low-income rate in 2014 was 8.8%, changes to social programs over this period had a disproportionate impact on Canadians who were most likely to be poor: unattached people aged 45 to 64 (30.2%), single parents (23.7%), people with disabilities (22.5%) recent immigrants (20.3%), and Indigenous peoples (First Nations, Métis, and Inuit) living off reserve (18.7%).<sup>2</sup>

The Liberal Platform that led to Prime Minister Justin Trudeau's win in the October 25, 2015 general election promoted a Keynesian approach to government intervention aimed at ensuring Canadian prosperity. Following on the heels of the 2008 global economic downturn and 10 years of Prime Minister Harper's fiscal constraints, the Liberal Platform with its promises of increased funding for social programs proved to be popular with voters.

Poverty and inequality are not just problems for individual Canadians—all of us are affected. For Canadians, poverty makes it more difficult to get and stay healthy, and more difficult to find and keep good work. For Canada, the costs of poverty—seen in higher health care costs and greater demand for social assistance—are immense. Our plan will lift Canadians out of poverty starting immediately after the next election. (Liberal Party of Canada 2018)

The purpose of this brief is to propose a new *Social Care Act* for Canada which would provide the federal government with a viable public policy framework to address the persistent social inequalities in Canada through ensuring a common set of principles for social care across the country.

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## WHAT IS SOCIAL CARE

We use the term social care to refer to the range of publicly provided personal and community social services which have become a key part of the fabric of Canadian society over the past 50 years. Social care encompasses more traditional services such as child care, child welfare, and services for people with physical, developmental, and psychiatric disabilities. It also encompasses services for homeless people, for women who are seeking shelter from abusive relationships, for the LGBTQQ population, for youth, for people with an addiction, for families, for immigrants and migrants, for seniors, and for anyone in the community who is in need of special assistance. Services for people who are poor or who are likely to become poor are an important part of social care.

Before 1970, social care was limited to a few publicly provided services and a few that were often funded jointly from public and charitable funds and provided by non-profit organizations. Public services were often strongly focussed on large scale institutions. Since 1970 there has been a rapid expansion of social care in a wide range of forms as community expectations have changed around what should be available publicly and what should be funded publicly. Unlike health care, provincial and territorial social care practices vary widely. While provincial and territorial health care is subject to agreed national principles contained in the *Canada Health Act*, there are no similar national principles for social care.

While some national principles were a part of the Canada Assistance Plan under which the federal government provided important support for provincial expansion of social care, they were terminated with the end of the Plan in 1996. The Canada Health and Social Transfer replaced the funding provisions of the Canada Assistance Plan and in part those of the Established Programs Financing and Fiscal Arrangements Act, but not the principles. In fact, the Canada Health and Social Transfer and its successor Act, the Canada Social Transfer, does not even mention that its purpose is to provide funding for social care. The federal government and the provinces came close to reaching an agreement on social care in the 1990s as part of the discussions around the idea of a social charter. It is now long past time for the federal government and the provinces to deal with this.<sup>3</sup>

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## BACKGROUND

### *Demographics*

The population in Canada is not only growing, it is also changing. According to Statistics Canada, the total population in 2016 was 35.15 million, representing an increase of 1.70 million people from 2011. About two-thirds of that growth was the result of migratory increases (the difference between the number of immigrants and emigrants), with natural increases (the difference between the number of births and deaths) accounting for the remaining third. Statistics Canada estimates that in the coming years, population growth in Canada is projected to be increasingly linked to migratory rather than natural growth primarily because of low Canadian fertility rates and an aging population (Statistics Canada 2017, February 8).



First, the aging population group of baby-boomers is cited as a predictor of increasing costs for health care and social care in Canada. Aging is considered one of the drivers of health care costs since seniors generally require more health care services than younger people.<sup>4</sup> Aging will also be a key reason for increasing demand for social care in a variety of forms. From a socio-economic perspective, an aging population is expected to have an adverse effect on the labour market as seniors retire from the active workforce, and contribute to a significant increase in demand for government pensions (Édison 2011).

Economists believe that the effects of the aging population can be offset by market and institutional feedback mechanisms in the Canadian economy, and public policies to increase employment rates among population groups such as immigrants could help to mitigate the adverse effects of population aging on the overall employment rate (Édison 2011, 2-3). It should be noted that increasing immigration levels requires availability to social care services, especially in the first few years of their settlement in Canada.

Second, the scope of poverty in Canada is extensive, affecting the lives of many marginalized populations. According to the government's own Discussion Paper, in 2015, 3.2 million Canadians (representing 9.2% of the population) lived with incomes below current standards of poverty. This included more than half a million children. As well, in 2015, about 701,000 Canadians lived in families that had family members in the labour force but were poor. While relatively low, Canada's rate for seniors in poverty was still 4.4 percent (Liberal Party of Canada 2017). It is important to add that the federal government's data, derived from Statistics Canada, likely underestimates poverty, especially profound poverty, because homeless people and many Indigenous peoples are not included in the surveys.

Poverty is presented as a political priority by the current government, with the need to move to action on behalf of all Canadians (Government of Canada 2016). One of the key challenges of a national poverty strategy is its wide-ranging reach into the complex division of authority and responsibility between the federal, provincial, and territorial governments for social issues such as health, housing, social welfare, social security, and the regulation of employment. It appears that the federal government has not yet engaged its provincial and territorial partners in the poverty discussion.

### *Political shifts*

The Canadian political landscape underwent major political shifts in the transition decades between the twentieth and twenty-first centuries. The welfare state that took shape in the post World War II years gave way under the pressure of neo-liberal governments which, by the end of the twentieth century had started to dismantle some of the legislation and principles of social security that had formed the basis of federal-provincial relations on health and social policies in the preceding decades.

By the turn of the twenty-first century, social welfare policies had been transformed by neo-liberal governments that had focussed federally on reducing the funding for social programs and eliminating restrictions on how the provinces and territories spend within the cash transfers within their jurisdictions. The underlying principle of meeting the needs of individuals was replaced with a business model that was focused on containing spending. Without national standards, the provinces moved back towards the pre-Canada Assistance Plan model of separating welfare programs for people with disabilities who were to be considered unemployable, from those for everyone else, who were to be considered employable.

Only the health sector was provided some measure of protection, thanks to the five principles of the 1984 *Canada Health Act* (accessibility, comprehensiveness, portability, public administration, and universality) that spared insured medical and hospital health services from a total transformation. Each of these principles acted as a safeguard for citizens that the provincial governments would continue to be involved in their health care if they were to receive funding designated for that purpose.

The same could not be said for the provision of social care services. As part of its austerity measures to address the growing federal deficit, the Chrétien Liberal government announced the termination of the Canada Assistance Plan (CAP), along with significant reductions in federal funding for social assistance, social care services, post-secondary education, and health care. CAP was replaced in 1996 with a cash grant to the provinces for health, social assistance, and post-secondary education.

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## A NEW CANADA SOCIAL CARE ACT

This instability in federal funding levels and the resultant cutbacks in social care services across the country has created considerable uncertainty and variability. New legislation should be brought forward by the federal government to outline the broad objectives for funds available through the Canada Social Transfer (CST) for the provincial and territorial provision of social care services. Given the widespread support for the Canada Health Act, its five principles are a sound and logical starting point for a new Social Care Act. To these five principles we added another five which we believe are necessary to ensure a reasonable standard of social care for all Canadians across the country.<sup>5</sup>

The ten principles put forward here for a new *Canada Social Care Act* include the five which are a part of the *Canada Health Act* but adapted to the range of community and social services which are delivered and/or funded by the provinces and territories:

### 1. *Public administration*

This principle requires that provincial and territorial social care services be managed by a public agency, on a not-for-profit basis. It also requires that social care be delivered by either a public or a private but non-profit organization. It is recognition that social care services are best made available when the profit motive has been removed.

### 2. *Comprehensiveness*

This principle means that in each province or territory there is an agreed range of services included in social care. Each government is responsible for determining what comprehensiveness means within their jurisdiction. At the same time, they are willing to engage in a public consultation process leading to the determination of what should be included within their jurisdiction.

### 3. *Universality*

This principle means that all citizens can avail themselves of the same quality of social care services, as needed, throughout the province or territory. There remains the issue of authority and responsibility for social care for Indigenous people wherever they are resident within a province

or territory. This legislation does not settle the issue, it simply means that as citizens all Indigenous people have the same rights as all other citizens. Indigeneity will no longer be a barrier to the delivery of social services nor a reason for delivery in a culturally inappropriate way.

#### 4. *Portability*

This principle means that citizens who move within provinces/territories or between provinces/territories should experience uninterrupted access to social care services as needed. This principle incorporates the ban on residence requirements which is currently the only limitation in place in regard to the Canada Social Transfer.

#### 5. *Accessibility*

This principle means that there are no financial or other barriers to the provision of publicly funded social care services. Services are available to all Canadians as needed. Access does not preclude the possibility of a test of need, but this test has to do with the individual and social conditions of the applicant(s). Each province and territory must show that access to social care services is not limited by a financial barrier. Each province and territory must outline the range of social care services available to meet the basic needs of the citizenry (also see Comprehensiveness above).

#### 6. *Fairness*

This principle requires that all citizens have the right to apply for any publicly supported social program, and to have their application reviewed by an appropriate body within a reasonable period of time. Applicants have the right to a written decision within a reasonable period of time and the right to appeal any decisions taken within a reasonable period of time, to have their appeal heard within a reasonable period of time, and to receive a written appeal decision within a reasonable period of time. During the period of appeal, applicants have the right to temporary financial support and/or services.

#### 7. *Effectiveness*

Citizens have the right to be assured that every attempt will be made to ensure social care services will work for them. Some services rely upon the

relationship between a worker (service deliverer) and a client (consumer). Thus, the efficacy of social care services can sometimes depend on the efficacy of this relationship. Service effectiveness is dependent on the cooperation of both parties. Nonetheless, there is an agreement in the field that some approaches are more effective than others. Agencies and workers have an obligation to provide services as effectively as possible. At the same time, active participation is a responsibility of the citizen seeking service.

#### *8. Accountability and Transparency*

The principles of accountability and transparency mean that each province and territory will publish an annual report explaining how CST funds have been expended on social care. The report will make it possible for citizens to understand the costs of each type of service and the numbers of people being served.

#### *9. Rights and Responsibilities*

The principle of rights and responsibilities means that social care services are based on mutual responsibility where possible. Social care services should be established such that citizens have the right to apply for service, and the right to receive services if they meet the criteria for the service. They also have the right to appeal decisions that are made about their application. At the same time, and based on mutuality, organizations delivering social care services have the responsibility to establish contractual expectations about the active participation of the citizen being served.

#### *10. Comparability*

The principle of comparability means that citizens should have a reasonable expectation that the services available to them are comparable to those available elsewhere within their province or territory and their available range of choices is broadly comparable to those available to them in other parts of the country. Provinces and territories have an obligation to take account of what is being offered elsewhere in the country and ensure that their citizens have available a range of broadly available choices of services to meet their needs.

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## CONCLUSION

The 2015 election saw a dramatic turn in the federal government approach to cut-backs in social programs in the name of austerity—the federal government has recognized increased social spending as a means to stimulate economic growth. There are, however, no standards in social care in Canada, and there is no leadership in trying to address inconsistencies in access to care and inequalities in outcomes. The market has not been successful in addressing these problems, and the austerity measures and the retrenchment of social policy in both the Chrétien and Harper forms of neo-liberalism failed to provide for social care at an appropriate level.

This lack of consistency of access to social care services across jurisdictional lines is not acceptable and needs to be addressed. As is the case in health care, Canadians need assurances that social care services will be available as a matter of policy, and not at the whim of a political ideology.

Canada's experience in developing social policies offers valuable lessons which could serve to shape the principles guiding the development of twenty-first century legislation on social policy reform. A new *Canada Social Care Act* is an excellent way for the federal government to ensure that all Canadians can have access to a similar standard of social care. The original purpose of federal funding for social care services was to support people in need, and those who were likely to be in need in order to prevent poverty. The clear orientation of the Canada Assistance Plan was towards those people currently living in poverty, or those considered likely to be living in poverty due to factors such as precarious employment or other personal circumstances. It was further concluded that social care services should be available to all citizens, as any person may have a need for them at some time in their lives.

The principle of universality that is the hallmark of the Canadian health care system and citizens' rights to access health care when they need it are protected. Universally available community and social services are equally important as they are directed to citizens who need them—not necessarily all citizens—without distinction. This approach conveys recognition that all citizens may need social services at some time.

Social care that is widely available, on an as-needed basis, can make an important contribution to the quality of life of all Canadians through assisting them

to exercise rights, assume responsibilities, and generally participate in the community. These are the same goals that are expressed in the National Poverty Reduction Strategy. Further, access to social care could be instrumental in assisting individuals, families, and communities to prevent or change the social conditions that adversely affect them. These points speak to the objectives of the Canada Social Transfer which should be incorporated into a new social care act. Just as the Canada Assistance Plan had a preamble to express the purpose of the legislation, we suggest that a new Social Care Act have one as well.

With a set of basic principles that mirror those established in the *Canada Health Act*, a new *Canada Social Care Act* would bring consistency to the provision of health and social services to all Canadians regardless of where they live, and would provide a framework for the availability of resources for provinces and territories to manage the anticipated growth in the aging population, in the numbers of immigrants, and the reduction of poverty—all of which will require a growth in social resources.

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## RECOMMENDATIONS

### *A New Canada Social Care Act*

The federal government should draft legislation to entrench a set of principles to which the provinces and territories must be willing to agree in the expenditures of federal social transfer payments. The legislation would include the five principles of the Canada Health Act but adapted to social care as well as five additional principles which are outlined here in this brief.

### *A new federal department: Health and Social Care Canada*

The federal government should expand Health Canada's mandate to include the authority to ensure compliance under the new Canada Social Care Act. A new Directorate would duplicate the scope of responsibilities under Health Canada's current Canada Health Act Division and would administer and provide policy advice related to the Social Care Act. It would monitor a broad range of sources to assess provincial/territorial compliance with the principles of the Act, inform the Minister of possible non-compliance with the Act and recommend appropriate action. The new department would work collaboratively with the Federal-Provincial Relations Directorate at the Department of Finance with respect to administration of payments under the Canada Social Transfer (CST).

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## ENDNOTES

- 1 This information is based on after-tax Low Income Cut-offs (LICOs).
- 2 We do not have data on Indigenous people on reserve and on homeless people who together would raise the poverty rate.
- 3 A more detailed discussion of the evolution of federal social programs in Canada is available in Moscovitch, & Thomas 2015.
- 4 Information provided by the Canadian Institute for Health Information (CIHI), National Health Expenditure Trends, 1975 to 2010 as cited in Deraspe 2011.
- 5 For a more detailed analysis of the 10 principles that are proposed for a new Social Care Act in Canada, please refer to Moscovitch & Thomas 2015.

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# Chapter 9

## Implementing the New Innovation Agenda

Peter W. B. Phillips and Aaron Hertes

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### INTRODUCTION

The Liberal government’s “New Innovation Agenda,” introduced in the 2015 election campaign, has been incrementally revealed and implemented in the 2016, 2017, and 2018 budgets, but impacts remain unproven. One big challenge is that business engagement with R&D has dropped even as federal interest has accelerated. A self- assessment of progress delivered in 2017 identifies the appointment of Dr. Mona Nemer as the new Chief Science Advisor as the only definitive success. However, the initiatives in the 2017 and 2018 Budgets are both many and substantial, indicating a continued commitment by this government to research innovation.

There are two notable features of this government’s approach to innovation policy formulation and implementation. First, through the 2017 and 2018 budgets, this government has shown a commitment to evidence-based policy by implementing many of the expert recommendations from recent reviews. Second, the effort is paced rather than rushed. The strategy is rolled out over multiple budget cycles, with major strategic initiatives such as the Innovation Superclusters Initiative (ISI) announced first as concepts, and then implemented in following years.

This budget has been hailed both by government officials and some observers as an “historic” win for science and innovation, with approximately \$7 billion in new or renewed funding for research and research infrastructure over five years and a soon to be streamlined suite of innovation programs. These initiatives are designed to drive higher productivity and strong economic growth. However, in addition to the traditional focus on business innovation, this budget delivered a strong focus on gender equity and social innovation.

This review first discusses the economic and scientific context for the 2018 Budget, outlines the major science and innovation expenditures contained in

the budget, and compares these actions to the recommendations in a number of major recent expert reports. Overall, while the spin-doctors are claiming an historic win, there is little evidence this will move the dial in any significant way.

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### **THE ECONOMICS CONTEXT FOR THE S&T MEASURES IN THE BUDGET**

Since 2009, several influential reports have raised concerns over Canada's slow post-recession recovery. The sluggish recovery drew attention to Canada's long-term stagnation of multifactor productivity growth. The latest report from the OECD shows that whereas the United States and Australia enjoyed productivity growth of around 25% between 1990 and 2014, Canada realized gains of only 5% in the same period (OECD, 2016, p. 17). This has put the spotlight on innovation, and specifically on spending on research and development.

Canada has a strong reputation for its ability to engage in research: between 2009 and 2014, Canada ranked ninth in the world for production of research publications; from 2003 to 2014, Canada's publication output increased by 26%, greater than in many other developed countries; and 36% of top-cited researchers in the world identify Canada as one of the top five countries in their field. However, the composite indexes developed by the Expert Panel on the State of Science and Technology and Industrial Research in Canada show that while Canada is strong in the humanities, social sciences, medical, and environmental fields it is comparatively weak in the natural sciences, engineering, and enabling and strategic technologies. Weakness in these fields of critical importance to innovation is a concern (Council of Canadian Academies, 2018, pp. xviii-xxi).

Compounding this is the relative decrease in Canada's Gross Expenditure on R&D (GERD) compared to other OECD countries. The average real growth in GERD for the OECD was 2.5% between 2006 and 2015, but Canada's spending, adjusted for inflation, remained virtually unchanged (Council of Canadian Academies, 2018, p. 13). Between 2006 and 2016, Canada's GERD as percentage of GDP fell from 1.95% to 1.60% (Table 1), while GERD for the OECD increased from 2.17% to 2.35%. Left unattended, this gap between Canada and its international peers is expected by many to erode Canada's competitiveness in the global economy. Canada would need to almost double its investments

in R&D in order to attain the OECD target of 3% of GDP, which would require more effective coordination of the government, business, and higher education sectors.

Table 1: Gross Expenditure on R&D (GERD) and number of Researchers

	Canada			US			OECD		
	2006	2016	Average Yearly % Change	2006	2016	Average Yearly % Change	2006	2016	Average Yearly % Change
Gross Domestic Expenditure on R&D – GERD (current PPP \$M)	24125.22	26071.98	0.81*	353328.00	511089.00	3.79*	846442.91	1270660.79	4.17*
GERD as a % of GDP	1.95	1.60	-1.90	2.55	2.74	0.76	2.17	2.35	0.80
Business-financed GERD as a % of GDP	1.00	0.65	-4.08	1.64	1.71	0.49	1.37	1.45***	0.62
Government-financed GERD as a % of GDP	0.61	0.53	-1.26	0.76	0.69	-0.84	0.63	0.63***	0.17
% of GERD financed by the business enterprise sector	51.15	40.60	-2.23	64.28	62.32	-0.25	63.24	61.38***	-0.31
% of GERD financed by government	31.10	33.08	0.67	29.86	25.08	-1.64	28.83	26.74***	-0.78
% of GERD financed by other national sources	10.01	15.94	4.98	5.86	7.42	2.41	4.77	5.58	1.61
% of GERD financed by the rest of the world	7.74	10.39	4.30	--	5.17	9.28	--	6.41***	5.83
% of GERD performed by the Business Enterprise sector	56.66	50.91	-1.04	70.10	71.17	0.16	68.56	68.88	0.05
% of GERD performed by the Higher Education sector	33.10	41.04	2.22	13.85	13.21	-0.42	17.26	17.84	0.36
% of GERD performed by the Government sector	9.73	7.55	-2.17	11.96	11.55	-0.28	11.66	10.90	-0.64
% of GERD performed by the Private Non-Profit sector	0.53	0.51	0.42	4.09	4.07	0.03	2.53	2.39	-0.47
Total researchers (FTE)	140660	162090**	1.86	1130233.00	1351903**	2.31	3810414.00	4664731***	2.56
Total researchers per thousand labour force	8.01	8.45**	0.73	7.40	8.60**	1.94	6.68	7.63**	1.68

\* Not Adjusted for Inflation

\*\* 2014 Value

\*\*\* 2015 value

Canada has a significantly different R&D profile than most OECD countries. Our governments invest proportionately less in R&D than in other countries (about 0.53% of GDP, compared with about 0.63% in the OECD), but due to other weaknesses, governments finance about one-third of Canada's effort, compared with about a quarter elsewhere. Moreover, governments in Canada actually do less research themselves (less than 8%) compared with the OECD (11-12%). Meanwhile, firms financed only about 40% of total Canadian R&D, compared with more than 60% in the OECD as a whole, and performed only about 51%, compared with about 70% in the rest of the OECD. Foreign sources of capital were particularly important, funding about 10% of our effort, almost double the U.S. share. Both governments and business rely relatively heavily on our higher education sector to actually do the research—post-secondary

institutions do about 41% of all research in Canada, up about 25% in the past decade, and 2 to 3 times more than in the OECD and U.S.

The trends are equally problematic. Between 2006 and 2016, Canada's Business Enterprise R&D (BERD) as a percentage of GDP decreased by from 1.10% to 0.82% of GDP, equal to almost a 3% per year annual decline. In contrast, BERD for the OECD and the U.S. increased 9% over the same period, so that by 2016 business in Canada was investing less than half of what business in the OECD was doing. Moreover, domestic firms fund less than three quarters of their own effort; foreign capital funds almost 20% of the effort.

Table 2: Business Expenditure on R&D (BERD)

	Canada			US			OECD		
	2006	2016	Average Yearly % Change	2006	2016	Average Yearly % Change	2006	2016	Average Yearly % Change
BERD as a % of GDP	1.10	0.82	-2.91	1.79	1.95	0.93	1.49	1.62	0.85
% of BERD financed by the business sector	84.66	73.26	-1.38	90.19	86.09	-0.44	89.59	86.61	-0.33
% of BERD financed by government	2.52	4.54	6.84	9.81	6.83	-2.82	6.80	5.95***	-1.04
% of BERD financed by other national sources	..	2.55	..	..	0.14	15.38	0.10	0.24***	12.27
% of BERD financed by the rest of the world	12.83	19.64	5.77	..	6.94	8.14	..	7.42***	4.79

\*\*\* 2015 value

This evidence goes a long way to explaining the context for the budget—Canada has created a research system that produces high-quality knowledge but, due to weak industrial engagement, it struggles with transferring that knowledge into economic gains. This presents two challenges—a need to increase overall spending on R&D and a need to improve knowledge transfer between academia and business.

## THE FISCAL PLAN FOR S&T

As a reference point, it is worth noting that the federal government spending intentions based on decisions up to Budget 2017 showed that S&T outlays were estimated to have risen 9.4% in 2016/2017 and 5.7% in 2017/2018; expenditures in the year just ended were projected to reach a record \$12.1 billion, surpassing the previous high of \$11.6 billion in 2009/2010 (<http://www.statcan.gc.ca/daily-quotidien/180327/dq180327c-eng.htm>). Based on appropriations to that point, overall S&T outlays would have fallen 6.1% in 2018/2019, or about

\$740 million, about 80% of which would have been withdrawn from support for external performers.

This budget allocated new or renewed funding of almost \$7 billion over the next five years, which is unambiguously more than needed to make up the projected dip in outlays for this year but is probably not an “historic win” for science. Given the nature of budgeting, where authorizations lapse at different times, one cannot be sure how much of the \$7 billion promised is new rather than sustaining existing effort. If we are charitable, removing the monies needed to make up the 2018/19 shortfall, we are looking at about \$3.3 billion in new money, which spread over five years would translate into somewhat less than a 5% sustainable rise in effort.

Where and when the funds will be disbursed is more interesting. In many ways, the plan follows the advice laid out in the Fundamental Science Review (2017), a series of reports and recommendations from the Advisory Council on Economic Growth (2016, 2017, 2018), and the recommendations of the McKinsey Institute on diversity in science. This section first discusses some of the more prominent new science initiatives, then reviews the changes made to existing science and innovation programs, and finally examines some of the initiatives designed to promote women in research and business.

The science portion of the 2018 Budget allocates approximately \$1.7 billion in incremental funds over five years for Canada’s granting councils and research institutes, and approximately \$1.3 billion over five years for investments in laboratories, equipment, and research infrastructure, both through the Canada Foundation for Innovation and directly to other ventures. The focus of the granting council and research institute allocation is on creating opportunities for researchers at the start of their careers, especially women. The allocation for the granting councils includes \$275 million over five years for a Tri-Council Support Fund, administered by SSHRC, to promote multidisciplinary research and greater collaboration between the councils and to support investment in high-risk, high-return (hr<sup>2</sup>) research. The budget allocates a further \$572.5 million over five years for the Digital Research Initiative to increase accessibility to big data, \$140 million over five years for the College and Community Innovation Program to facilitate collaboration between business and academia, \$540 million over five years to restructure the NRC in a way that facilitates international and multidisciplinary collaboration and provides greater support

for projects with high potential benefits, and \$58 million on an accrual basis over five years to support a new science infrastructure program management office. The funding for the \$950 million, five-year, ISI was included in ISED's allocation, and the five winning applications were announced a week before the budget speech: Ocean Supercluster in Atlantic Canada, SCALE. AI in Quebec, New Generation Manufacturing in Ontario, Protein Industries Canada in the Prairies, and Digital Technology Supercluster in BC.

Beyond the science initiatives, this budget also includes plans for a new Intellectual Property (IP) Strategy, regulatory reform, and a new procurement strategy designed to promote Canadian innovations. The new IP Strategy includes \$30 million in 2019/20 to pilot a Patent Collective to pool patents and facilitate access to intellectual property for small and medium-sized enterprises (SMEs), and \$21.5 million over five years to ISED to develop increased intellectual property expertise and capacity to provide legal advice to the innovation community. Additionally, the IP Strategy includes \$33.8 million over five years for ISED to develop an intellectual property marketplace which will provide a single point of access to a list of all public-sector owned intellectual property. Beyond the IP Strategy, the budget allocates \$11.5 million over three years to review Canada's regulatory system and its impact on innovation, in part to provide online access to regulations. Finally, the Build in Canada Innovation program is merging with Innovative Solutions Canada to develop and implement an electronic procurement platform (\$196.8 million over five years).

The budget also introduced a range of reforms to existing initiatives in response to recommendations of the Advisory Council on Economic Growth (ACEG). The stated goal is to treat business as the primary client of the government's innovation programs. First, this involves consolidating the Accelerated Growth Service and the Industrial Research Assistance Program's (IRAP) Concierge Service into Innovation Canada to create a single-window service for businesses seeking to access government programs. Second, four flagship platforms will consolidate and streamline programming through the single portal offered by Innovation Canada: IRAP; Strategic Innovation Fund (SIF); Canadian Trade Commissioner Service (TCS); and Regional Development Agencies (RDAs). IRAP will be responsible for R&D projects under \$10 million, while SIF will support projects costing more than \$10 million. The

TCS will be modified to include numerous trade promotion programs such as CanExport and the Canadian Technology Accelerators program. The RDAs—Western Economic Diversification (WD), CanNor, FedNor, FedDev Ontario, Canada Economic Development for Quebec Regions (CED), and ACOA—will manage strategic ventures, such as women’s entrepreneurship, skills development, and economic diversification. The government also announced plans to simplify its programming, targeting to reduce from an estimated 92 programs to about 36. This affects most agencies in executive government.

The budget put a significant emphasis on social innovation and gender equity in science. The funds allocated to the granting agencies and the \$210 million for the CRC program come with an emphasis on promoting women’s involvement in research. In addition, several new programs designed to promote women’s entrepreneurship and women-led businesses have been consolidated into the Women Entrepreneurship Strategy. The budget provided the RDAs with \$150 million over five years to promote women-led businesses and regional innovation systems, \$10 million over five years for the Business Women in International Trade Program to support women’s business activities in foreign markets, \$1.4 billion for the Business Development Bank of Canada to finance women entrepreneurs, and \$250 million over three years for Export Development Canada to provide financing for women-led businesses looking to begin exporting. The Strategy also commits to increase the level of government procurement from women-led businesses, with \$9.5 million over three years for gathering data on women-led businesses and women entrepreneurs in Canada.

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## ANALYSIS

One of the prominent aspects of this budget is the extent to which it is driven by evidence and professional advice. The science and innovation and program review portions of the budget were obviously influenced by the findings of the Fundamental Science Review (hereafter the Naylor Report) and a series of reports from the ACEG while the overall gender focus drew heavily on the McKinsey Institute report, *The Power of Parity: Advancing Women’s Equality in Canada*. This section reviews the recommendations of these reports and analyzes how they have been fulfilled by this budget and, in the case of the ACEG recommendations, previous budgets.



The recommendations of the Naylor Report are wide-ranging (Table 5). Budget 2018 includes initiatives which address most of these recommendations in some way or another and includes several initiatives not suggested in the report. These initiatives have already been described in the previous section and so will not be discussed again. The budget allocations themselves only address a portion of the Naylor recommendations—many are addressed through non-financial measures such as the changes in mandates to the granting councils and the reforms to the NRC. Overall, this budget was more focused on reforming and streamlining existing administrative bodies rather than introducing new ones, hence the structural advice was ignored (for now at least).

**Table 3: Recommendations of the Naylor Report and corresponding Budget 2018 initiatives (Naylor Report, 2017)**

NAYLOR REPORT RECOMMENDATION	BUDGET INITIATIVE
Review innovation-related programming	Horizontal Business Innovation and Clean Technology Review conducted and completed in 2017
Improve mechanisms for collaboration and coordination in research between departments	\$2.6 billion for new federal research facilities
Create of Four Agency Coordinating Board to improve coordination and collaboration between granting councils	\$275 million Tri-Council Support Fund, administered by SSHRC, and mandates more focused on collaboration
New mandate for granting councils which encourages support for high-risk research	\$275 million Tri-Council Support Fund, administered by SSHRC, to support fast-breaking, higher-risk research
Increase level of funding for granting councils and CRC program	\$925 million for granting councils, \$210 million for CRC
Increase funding for independent investigator-led research	No action taken. Focus is still on priority-driven research.
Implement policies to promote diversity in allocation of research funding	New funding and mandates for granting councils and CRC
Implement policies to support early-career researchers	\$210 million over five years to the Canada Research Chairs Program to support early-career researchers
Develop strategic plan to support Indigenous researchers	\$3.8 million for SSHRC to develop a strategic plan that identifies new ways of doing research with Indigenous communities and to support Indigenous research capacity
Create[AM3] Standing Committee on Major Research Facilities to oversee federal investment in research projects	No action taken
Create National Advisory Council on Research and Innovation to provide oversight for federal research and innovation ecosystems	No action taken

Many reforms can also be traced to the recommendations of the ACEG. Unlike the Naylor Report, the ACEG recommendations were released over the course of several reviews. In all, it has made eleven recommendations, mostly initiatives unrelated to science and innovation, such as investing in infrastructure, increasing Canada's trade access and increasing immigration. The ISI, the review of innovation-related programming and the economic strategy tables

are already being implemented, while streamlining innovation-related programming, the new procurement strategy, and the planned regulatory review are clearly responding to the ACEG. Two further recommendations warrant some discussion. The focus on increasing skills and diversity of the workforce were both first mooted by the Advisory Council. Budget 2018 responded with \$225 million over four years to establish the FutureSkills Lab to work with provinces, the private and non-profit sectors, and educational institutions to identify skills needed by employers, develop new approaches to skill development and training, and collect and share information to inform future training programs. In addition to the gender-directed programming described earlier, the budget also allocated \$2 billion over five years for the creation of a new Indigenous Skills and Employment Training Program to replace existing programming, to strengthen the focus on training for high-quality jobs rather than focusing on rapid employment. Other parts of this volume review these initiatives in more detail.

Taken together, this analysis suggests that this government is committed not only to evidence-based policy, but also to a more heterogeneous mix of objectives and mechanisms. The emphasis on accelerating commercial activity at the same time as promoting social innovation and greater inclusivity is innovative in its own way.

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## **DISCUSSION AND CONCLUSION**

In the context of Canada's declining productivity and recent sluggish economic recovery following the 2008-09 recession, the emphasis on innovation in the modern economy has become even more forceful. Several prominent reports have argued that Canada's long-term trend of reduced spending in R&D, particularly reduced business expenditures on R&D, is a major impediment to innovation and that this trend must be reversed if Canada is to retain its international competitiveness. The science and innovation initiatives taken in the 2018 Budget represent the federal government accepting this challenge and trying to start a process of renewal.

While this budget certainly represents progress, we should be cautious in labelling it an "historic" win. Most of the allocations are weighted to the latter half of the five-year period, after the 2019 election. For example, of the approximately \$3 billion allocated for the granting agencies and research infrastruc-

ture, only \$803 million will be mobilized before the 2019 election. Furthermore, and more substantively, the science and innovation initiatives and their underlying recommendations are premised on the idea that there is a disconnect between academia and industry, whereby Canada produces high-quality knowledge but struggles to transfer it to economic gains. However, a new Council of Canadian Academies (CCA) report suggests the transfer of knowledge between academia and business may not be the issue. The data presented above shows that business financing in Higher Education R&D (HERD), while down, is greater proportionally than the OECD average and recent partnership programs have demonstrated firms are able and willing to engage with academia (Council of Canadian Academies, 2018, pp. 21-22). The CCA argues that the relationship between academia and business is not the problem; rather it is that Canadian firms are unable to grow innovations to scale, preventing businesses from realizing the benefits of R&D. The lack of return is thus the reason firms invest less (Council of Canadian Academies, 2018, p. 148). The CCA identifies several factors contributing to this deficiency, including the nature of the integration of the Canada and U.S. economies, shorter-term time and risk preferences that lead entrepreneurs to sell their businesses rather than grow them to scale[AM4], an R&D tax-credit structure which favours firm start-ups over firm growth, and a lack of managerial experience and skills to carry firms through the period of rapid expansion into global markets (Council of Canadian Academies, 2018, p.167). None of these measures are addressed in any substantive way in this budget, which may mean we are treating symptoms and not causes.

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