13

Urban Asymmetry and Provincial Mediation of Federal-Municipal Relations in Newfoundland and Labrador

Christopher Dunn

En général, l'asymétrie fédérale est le traitement différentiel des provinces. Ce chapitre suggère que ceci vient peut-être du fait qu'Ottawa ne traite pas tous ses partenaires de la même façon au niveau infraprovincial. Le gouvernement fédéral entretient des relations spéciales avec les plus grands centres urbains et les plus grandes agglomérations du pays, des relations basées sur ce qu'on considère être leurs besoins et leur potentiel économique. Il en résulte donc une « asymétrie urbaine » Ces relations existent avec les villes et les régions métropolitaines, ainsi qu'avec d'autres groupes locaux ou régionaux tels que les universités, les agences de développement économique communautaire et d'autres organismes à vocation particulière. S'intéressant surtout à Terre-Neuve et au Labrador, ce chapitre suggère que la manière dont le gouvernement provincial sert de médiateur dans les relations entre Ottawa et les organisations infraprovinciales est une fonction du contexte général des relations municipales-provinciales-fédérales. Au niveau fédéral, les exigences de l'agenda des connaissances et de l'innovation ont entraîné un ensemble complexe d'associations avec des partenaires nationaux et infraprovinciaux, une baisse d'intérêt envers les programmes provinciaux-fédéraux traditionnels et une tolérance envers des résultats régionaux asymétriques. Une telle province, qui joue un rôle marginal dans les structures de technologie des communications et de l'information nationale et qui possède une infrastructure municipale peu solide tout en dirigeant dans une culture d'égalité régionale, ne peut pas accueillir cette tendance avec sérénité. Le gouvernement provincial a réagi en différenciant le secteur soumis à la médiation du secteur non-soumis à la médiation en ce qui a trait à l'administration locale et au développement économique communautaire. Cette province a tendance à se soumettre à la médiation et à s'investir dans les relations intergouvernementales qui affectent l'égalité régionale. Elle n'a pas tendance à s'investir dans les secteurs où l'aspect distributif n'existe pas.

There has of late been much discussion of a “new deal for cities and communities” – a new urban agenda being developed by the federal government. Much of the discussion surmises that new federal initiatives will likely be felt in such policy areas as transportation, infrastructure, housing, and Aboriginal services. This immediately raises the question of what role the provincial governments will play or attempt to play in this possible new arrangement. In Newfoundland and Labrador the province would mediate – and by that term we simply mean involve itself as a partner in intergovernmental decision making – much as it has in the past. Provincial mediation of federal-local relations tends to take place or be attempted in areas where the regional distribution of public-sector benefits is politically important. That is the main message of this paper and it will be one reviewed in the second part of the paper. First, however, it is necessary to establish the context.

The story of federal-provincial-municipal relations in Newfoundland and Labrador cannot be considered in isolation from developments in federal theory and practice on the national scene. What has transpired nationally is complex and interesting, and forms the substance of the first part of this paper. There has been a collapse of federal-provincial trust and the growth of direct federal relations with subprovincial partners. So the term “federal-provincial-municipal relations” has to be rethought, or viewed in a larger context. Municipal partners are only one kind of subprovincial partner with which Ottawa now wishes to establish relations.

SETTING THE CONTEXT IN FEDERAL THEORY AND PRACTICE

Near the end of the twentieth century there was an epic struggle in Canada between two opposing theories of federalism, symmetrical and asymmetrical federalism. Asymmetry lost. It lost for a variety of reasons. The main arguments against it were that it permitted a checkerboard pattern of public services, that it harmed national standards in federal-provincial programs, countenanced unequal citizenship, encouraged separation, and possessed no natural limit or boundary. In fact, treating provinces alike has been the dominant federal theory of the reigning federal Liberal Party since the mid-1960s, and it has managed to inculcate the provincial equality doctrine as part of the political culture, at least in English Canada.

Some would argue that federal-provincial relations were and still are predicated on asymmetrical principles. In 1997, for example, the federal minister of finance accepted the provinces’ request that they be allowed the option of applying provincial tax directly on taxable income, rather than as a percentage of the basic federal tax, in order to facilitate province-specific social and economic objectives. Also in 1997, New Brunswick, Nova Scotia, and Newfoundland signed on with the federal government to harmonize their provincial sales taxes with the goods and services tax (GST), thus creating the harmonized sales tax (HST); there are separate provincial sales taxes and GST in all other provinces, save Alberta. Moreover, equalization is by definition a program that treats all provinces differently, based on their fiscal capacity.

However, these are revenue matters, which, by their nature, tend to asymmetry. In other areas, symmetry has been the norm. Ottawa under the Liberals has resisted suggested broad constitutional reforms with asymmetrical overtones. It resisted changes in the division of powers. It has not allowed provinces the opportunity, in the Social Union Framework Agreement, to opt out of new shared-cost programs with compensation. Prime Minister Martin is reluctant to engage in non-constitutional Senate reform, a reluctance stemming from the fact that asymmetry in senatorial representation per province would continue.

It is a profound irony, then, that the Liberal government has been pursuing a kind of asymmetry in its dealings with the municipalities and subnational bodies of the country. This "urban asymmetry" has effects not unlike those of the provincial asymmetry theory, namely, that provinces are in fact treated unequally. This is the context for provincial mediation of federal-municipal relations in Newfoundland and Labrador. What the province experiences is the tail end of a number of initiatives designed for larger and more urbanized provinces, a series of disaggregated federal initiatives with few overarching themes. This province does not mediate much, nor does it particularly care to, given the realities of the new urban asymmetry.

Of course, specifying what asymmetry means has not always been one of the easier tasks for academics and other observers of intergovernmental relations. Some, such as Peter Hogg, would (in effect) see it as differences in the constitutional status of the provinces, with special provisions, special status, or larger powers for one province (or more) that are unavailable to other provinces. These constitutional differences are more fundamental than mere differences in the ways the provinces entered Confederation and also more fundamental than language or denominational education provisions that apply unevenly to some provinces but not others (Hogg 2004, 108). On the other hand, some have looser criteria. David Milne, for instance, sees significant asymmetries in "formal differences in law among units [of a federal system] either with respect to jurisdictional powers and duties, the shape of central institutions, or the application of national laws or programs" (Milne 1991, 285). Jennifer Smith prefers to concentrate on the forms of equality and therefore on the inequalities or asymmetries that may flow from deviations from these "equalities." There is jurisdictional equality (member states being equal in matters of jurisdiction); representational equality (equal state or provincial representation in national institutions); and economic equality (efficient horizontal competition, with smaller units being able to compete on an equal footing with the larger units because of the intervention of the natural monitor, the central government, which by several mechanisms – such as equalization payments – engages in province building and the enhancement of each province's ability to compete with others) (Smith 1998, 1–26).

There is much of value in all these approaches, but mine is a little different. I define asymmetry as the different treatment of provinces in terms of funds, special attention, matters appearing on the federal agenda, and comprehensive planning. In this paper I shall suggest that, increasingly, this different treatment is the after-effect of Ottawa dealing unevenly with partners at the subprovincial level. What results is "urban asymmetry," meaning that the federal government has special relationships with larger urban centres and agglomerations across the country, based on what it considers to be their needs and economic potential. The relationships are not only with cities and metropolitan areas; they are also with other regional and local actors, including universities, community economic development agencies, special-purpose bodies, industry associations, and research institutes. An important implication of the term – indeed, it is implied in the expression itself – is that the federal government does not have to treat the actors equitably. It may even choose to deal with only a handful of them in certain provinces, just for special programs – ones that are often conceptualized in terms of the knowledge-based economy. Urban asymmetry has special implications both for smaller provinces and for the municipalities of smaller provinces. The Province of Newfoundland and Labrador stands as a good example of the effects of urban asymmetry, as we shall see.

WHAT IS THE REASON TO [RE]TURN TO URBAN ASYMMETRY?

We have come to the era of urban asymmetry by a complicated chain of events related to the growing estrangement of the senior levels of government. For the federal government, the golden age of federal-provincial relations has passed and will probably not return. This is because, first, the provinces have sought to constrain the federal *marge de manoevre* at every turn by a combination of constitutional and intergovernmental mechanisms; second, Ottawa has realized the fundamental incompatibility between its economic vision and those of some provinces; third, Ottawa has interpreted the impact of globalization as requiring flexible partnerships, including those with cities; fourth, the federal spending power is increasingly being used as an economic instrument rather than a primarily social one; and, most important, for our purposes, Ottawa has found in the urban governments and other local actors willing partners that do not have the jurisdictional worries of the provinces.

The defining element of the federal golden era would have to be the use of conditional grants under the aegis of the federal spending power. From the end of the Second World War to the mid-1960s, this grant mechanism provided a way of circumventing constitutional rigidities and allowing rapid expansion of state economic and social programs. As Donald Smiley explained at the time, “with all their defects, conditional grants have brought an invaluable element of adaptability to a federal structure which has proved remarkably resistant to change through constitutional amendments or evolving patterns of judicial review” (Smiley 1963, 72). However, adaptability became a secondary consideration after the 1960s, when a combination of dwindling federal fiscal leeway and provincial opposition made conditional grants unattractive to both orders of government.

The last three decades of the twentieth century saw the provinces united in a grand effort to rein in the federal Leviathan. This was expressed first by a series of constitutional packages and then by a series of non-constitutional frameworks, most of which would, among other things, have constrained the use of the federal spending power (Dunn 2002). The Social Union Framework Agreement committed the first ministers to joint planning and collaboration, a dispute-avoidance and resolution procedure, and advance notice and a decision rule regarding the use of the spending power. Nor has the advent of a new century muted the provincial voices calling for reformed federal decision making. At their Annual Premiers’ Conference in July 2003, the premiers agreed to the establishment of a Council of the Federation, with as-yet vague powers other than to provide leadership and to act as an umbrella for provincial/territorial coordinating bodies (Annual Premiers’ Conference 2003). However, big things are foreseen for the body, at least from the standpoint of its main progenitors – Premier Jean Charest of Quebec and his intergovernmental affairs minister, Benoît Pelletier. “Ultimately it would be a joint decision-making body, which would oversee areas of overlapping jurisdictions such as health, education, social policy, and interprovincial trade. Mr. Pelletier said it would be funded first by the provinces, which would appoint representatives, with the federal government signing on later” (Aubry 2003).

Ottawa has also realized the fundamental incompatibility between its economic vision and those of some provinces. Its philosophy is not unlike that enunciated by the Macdonald Commission’s report, which noted that regional economic development was principally the purview of provincial and local governments: “The emphasis on place prosperity is both understandable and defensible when it comes from a provincial government. It should not, however, unduly concern the federal government. Commissioners believe that community preservation, to the extent that people want it, is ultimately the responsibility of citizens and of their local and provincial governments” (Canada 1985, 219). As Donald Savoie has noted, the continuation of federal regional development programs stems not from philosophical commitment, as it once did, but as compensation for Ottawa’s central-Canada-centred industrial policy (Savoie 2003).

In fact, Newfoundland has continued the emphasis on place prosperity and community preservation. One such example was the Renewal Strategy for Jobs and Growth (2001), a high-profile economic plan begun by the Tobin and Tulk governments, which was the mainstay of the government of Roger Grimes. Although the conclusions of the final report of the task force on the Renewal Strategy mention the need for choices and government not being all things to all people, the opposite impression comes through when one examines the content of the report (Newfoundland and Labrador 2001). Regions are given the impression that they will be able to share equally – or at least fairly – in the economic recovery foreseen by the Renewal Strategy. This regional equality theme was an important thread in the government's policy documents, including the Throne Speech and Budget Speech of 2003.

This theme has also been an important thread in the policy documents of Danny Williams's Conservative government. The 2004 budget allocated $1.7 million for the establishment of a Rural Secretariat, whose overriding goal is "to strengthen our rural communities and develop strong regions." In 2005, announcing government policy, the minister of innovation, trade, and rural development said that the province's Comprehensive Regional Diversification Strategy "will put all [nine] regions of the province on a path to economic prosperity," and that specially tailored "short, medium and long-term strategies will be identified for each region that will generate new industry, small business and employment opportunities" (NLIS 2005).

Stronger regional economies were not the concern of the federal government, which has a competing agenda. The predominant concern of the Liberal government has been what might be called "the innovation agenda." This agenda sees the world more in terms of clusters and less in terms of provinces. There has been a series of Liberal government policy documents, such as the *Red Book* (1993), the *Jobs and Growth Agenda: Building a More Innovative Economy* (1994), the *Innovation Strategy* (2002), and a host of throne speeches and budget addresses, all of which have advocated an innovation agenda. The Atlantic Liberal Caucus, reflecting mainstream thought in the party, has spoken of the need for "knowledge-based industrial clusters" as the wave of the future: "Development of a strong knowledge-based economy is not a function of the establishment of one or more individual firms, however independently successful. The emerging body of experience internationally is that a strong knowledge-based economy depends on the existence of a group of institutions at different levels and stages of the innovation process, who interact to feed upon and spur each others' development" (Atlantic Liberal Caucus 1999, 10). These clusters consist of manufacturers and suppliers in various industrial sectors acting in concert with educational institutions, research institutes, financing bodies, and communications and transportation systems. (Counterintuitively, the Atlantic Caucus suggests considering the whole of the Atlantic area as a cluster.)

Ottawa has interpreted the impact of innovation in the context of a globalizing economy as requiring flexible partnerships, including those with cities.

Provinces, revealingly, receive comparatively little consideration. The federal government follows the "innovation systems approach," the central elements of which are "interaction, co-evolution, value flows, institutional adaptation, knowledge creation and sharing (science, technology, and innovation), networks, partnerships, alliances and institutional learning" (de la Mothe 2003, 179). It is significant that Paul Martin places special emphasis on cities as a focus of innovation. Even before becoming prime minister, he influenced the Canadian Advanced Technology Alliance to hold a series of TechAction town meetings to encourage cities such as St John's, Halifax, Montreal, Ottawa, Toronto, Markham, Richmond Hill, Calgary, and Vancouver to visualize their innovative potential in terms of leadership, capital, infrastructure, and people (de la Mothe 2003, 174). Martin's 2004 and 2005 budgets elaborated on these themes.

One way of forging these networks, alliances, and partnerships in pursuit of knowledge and innovation is to use the spending power of Parliament. The federal spending power is now seen as primarily an economic instrument rather than a social one. It is not just about conditional and unconditional grants, it will be remembered; it is also about grants to individuals, corporations, universities, and municipalities for purposes over which Parliament may not always have direct jurisdiction.

It is true that there have been such programs before. The difference now is the rapidity of their growth, their coherence and interrelatedness, and, in the eyes of the last two prime ministers, the manifest importance of the innovation vision which unifies these programs. The 2005 budget reveals that since 1997 the federal government has provided over $9 billion to foundations such as the Canada Foundation for Innovation, the Canada Millennium Scholarship Foundation, Canada Health Infoway Inc., Genome Canada, and the Canada Foundation for Sustainable Development Technology. The combined base budgets of the three granting councils – the Canadian Institute for Health Research (CIHR), the Natural Sciences and Engineering Research Council (NSERC), and the Social Sciences and Humanities Research Council (SSHRC) – now stand at $1.5 billion, double their level in 1997–98. The government's 2005 budget committed $810 million from 2005 to 2010 on research, innovation, and enabling technologies. The goods and services tax rebate implemented in the 2004 budget, the gas tax sharing finally announced in the 2005 budget, and the continuing Green Municipal Funds program will provide Canadian communities with over $9 billion between 2005 and 2010.

Ottawa has found in the subprovincial entities willing partners that do not have the jurisdictional worries of the provinces. Urban asymmetry not only has cities and towns involved; it also involves other regional and local actors: universities, research bodies, community economic development agencies, special-purpose bodies, industry associations, and so forth. Each side sees advantages. The federal government likes urban asymmetry because it has overtones of the cooperative federalism of the 1950s and 1960s; because it can tailor its programs as a response to the size of the jurisdiction because building the knowledge economy is a new form of nation building; and because it allows the federal government to have high visibility. The politics also are important. Urban asymmetry allows the federal Liberal cabinet to court votes where there are a lot of them; to pick "winners and losers" in a seemingly technical, unobtrusive fashion; and to establish a process that involves an immense information cost for critics who want to compare on a regional or provincial basis. For their part, the subnational entities get a federal partner with deep pockets, and one that is not concerned with spreading the money around and thus diluting its efficacy.

THE CONTEXT FOR PROVINCIAL MEDIATION: INNOVATION AMONGST DEPRIVATION

The context for provincial mediation is a complicated one. The Province of Newfoundland and Labrador is underdeveloped, heavily rural, and its provincial and municipal finances (with the exception of St John's and Mount Pearl) are both in trouble. In the case of St John's, the debt service ratio is 10 percent of revenues, compared with almost 25 percent for the province. In the innovation economy the province is a player on the margins. However, government has always been seen as an equalizer and an economic actor, for better or worse. Laissez-faire government is not a current alternative.

HISTORY AND DEMOGRAPHICS

Municipal characteristics Newfoundland and Labrador is not heavily urbanized. In 2001 *The Canadian Encyclopedia* classified only 57.7 percent of the population as urban. While the Newfoundland and Labrador Statistics Agency does not give any official urban/rural designation, the statistics agency in the Department of Finance has a definition of urban/rural that it uses for census population estimates (see table 1). Those it classifies as "urban" include the major urban centres (the census metropolitan area and the census agglomerations) and the communities with a population of 5,000 and over. The remainder are "rural." Using the statistics agency's definition, only 52.6 percent of the population of 512,930 was urban in 2001.

There are only three cities: St John's, Mount Pearl, and Corner Brook. And there is one census metropolitan area (population 172,918) surrounding St John's. The cities of St John's and the neighbouring Mount Pearl, plus the town of Paradise, were home to about 133,744 people in 2001, while Corner Brook had around 20,000 people. There are also 158 towns, 134 communities, and more than 100 local service districts, the latter two usually representing groups of communities. Town and community councils provide

Table 1: Urban/Rural Population (Newfoundland and Labrador Statistics Agency definition) Census Metropolitan Area (CMA), Census Agglomerations (CA), and Communities of 5,000 and over, Newfoundland and Labrador 2001 Census

Area	*Community*	*Population*
St John's CMA		172,918
	Conception Bay South	19,772
	Portugal Cove–St Philip's	5,866
	Pouch Cove	1,669
	Flatrock	1,138
	Torbay	5,474
	Logy Bay–Middle Cove–Outer Cove	1,872
	Bauline	364
	Paradise	9,598
	St John's	99,182
	Mount Pearl	24,964
	Petty Harbour–Maddox Cove	949
	Bay Bulls	1,014
	Witless Bay	1,056
Corner Brook CA		25,747
	Steady Brook	394
	Massey Drive	770
	Corner Brook	20,103
	Humber Arm South	1,800
	Meadows	676
	Irishtown–Summerside	1,304
	Mount Moriah	700
Gander CA		11,254
	Division No. 6, Subd. E	182
	Gander	9,651
	Appleton	576
	Glenwood	845
Grand Falls–Windsor CA		18,981
	Division No. 6, Subd. C	328
	Northern Arm	375
	Grand Falls–Windsor	13,340
	Peterview	811
	Botwood	3,221
	Badger	906
Labrador City CA		9,638
	Labrador City	7,744
	Wabush	1,894
Communities with population 5,000 and over	Bay Roberts	5,237
	Clarenville	5,104
	Happy Valley–Goose Bay	7,969
	Marystown	5,908
	Stephenville	7,109
Total urban		269,865
Total rural		243,065
Total Province		512,930

Source: Canada 2001

few local services. The provincial Department of Municipal and Provincial Affairs leverages infrastructure funding, while health, education, and policing are financed and operated by the provincial government.

Population loss Between between 1991 and 2001, the province's population, as counted in the census, dropped by 9.8 percent, from 568,475 to 512,930. Furthermore, the province's decrease in population since 1996 was the greatest in the country; by contrast, the populations of Nova Scotia, New Brunswick, and Saskatchewan declined by only about 1 percent or less between 1996 and 2001.[1] The 2003 provincial budget estimated that the population decline had cost the province almost $900 million since 1993–94, including an estimated $140 million in 2003–4.

Rural depopulation The Community Accounts, a provincial statistical service, noted: "The decreases in population [between 1991 and 2001] are more pronounced in rural regions. The Northeast Avalon SSP [Strategic Social Plan] region has dropped the least by less than 1% while the Eastern, Cormack-Grenfell and Central regions have dropped by approximately 15% each" (Newfoundland and Labrador [2003]).

Dispersed population Since the population of the province is highly dispersed and is composed of only a few major urban centres, the provision of infrastructure is important. Furthermore, it is imperative to have cost-sharing arrangements that are sensitive to the limited ability of most of the 291 incorporated municipalities to pay for the needed infrastructure.

Crumbling infrastructure One has only to travel around the countryside to realize that municipal roads and provincial highways are not in good shape. In 2002, Transportation Minister Percy Barrett estimated that Newfoundland and Labrador roads would need almost $1 billion in work over a decade (Canadian Press Newswire 2002).

Lack of a strong tradition of organized local government Newfoundland received responsible government in 1855, but the only incorporated municipality in the province for most of the following century was St John's (1888). It was followed by Windsor in 1942 and thereafter by close to nineteen municipalities before Confederation in 1949 (Newfoundland 1974, 25). This meant that there was little of attention given to the training of councillors or preparation for infrastructure development. As well, "many communities have chosen to remain free from local taxes, building codes and other regulations and forgo the benefits of incorporation, such as road repair, garbage collection and street lighting. At present, out of over 800 communities, less than half have any form of local government" (*The Canadian Encyclopedia* 2001).

Municipal debt The province does not release consolidated information on municipal finances, but it is common knowledge that the finances of smaller rural municipalities are in desperate shape. This is due to a combination of an aging population, a historical antipathy to municipal property taxation, and skimpy financial training for municipal councillors. Some indication of the seriousness of the situation is the fact that a total of $47 million has been allocated to fifty-eight municipalities under the Municipal Debt Relief Program program since 1997–98 (NLIS 2002). In 2004–5 alone, the program allocated $9 million to twenty-five municipalities (Byrne 2004).

Provincial Finance A fourth concern is the province's finances. Many see them as unsustainable. By the time the Williams government was elected in 2003, provincial governments had run deficits – even on a cash basis – in fifty-two of the fifty-five budgets. The Williams cabinet undertook a third-party review of the province's financial situation in 2003–4. The PricewaterhouseCoopers Special Review noted that in the absence of restraint measures: (1) the average deficit (then on a newly adopted accrual basis, at $827.2 million) would exceed $1 billion annually for the next four fiscal years (2004–5 to 2007–8); and (2) the debt of the province would increase to $15.8 billion from $11.6 billion by 2007–8.

In response to this appalling financial state of affairs, various measures have been taken: nineteen departments became fourteen in February 2004, and ten departments were restructured: municipal operating grants for fourteen municipalities were reduced by $5 million over three years; fees and licences on practically every source were raised; and as many as four thousand positions in the public service have been targeted for elimination. In 2005 the situation improved somewhat as a result of enriched equalization payments, higher offshore royalties, a lower than expected deficit ($473 million), and the impending multiyear Atlantic Accord revenue enrichments of more than $2 billion. But the latter amounted only to a fraction of the close to $12 billion accumulated debt.

STATUS IN THE INNOVATION ECONOMY

In the innovation economy, the province is a marginal player. Data collected by Wade Locke and Scott Lynch reveal that in 1999 the information and communications technology (ICT) industry in Canada was concentrated mostly in four provinces, where 93 percent of all Canada's ICT firms were located. Ontario was the clear leader with 46.3 percent, followed by Quebec with 22.4 percent, British Columbia with 12.4 percent, and Alberta with 11.9 percent. Newfoundland had only a 0.63 percent share, while Atlantic Canada had 3.56 percent (Locke and Lynch 2003, 169).

Despite lagging behind other provinces in ICT industries, Newfoundland and Labrador has a relatively respectable share of federal innovation funding.

Although it has a population of 1.7 percent of the national total, it went from 1.8 percent to 3.1 percent of total federal innovation funding between 1997–98 and 2001–2 from such bodies as the Industrial Research Assistance Program (IRAP), the National Research Council (NRC), NSERC, SSHRC, CIHR, the Canadian Foundation for Innovation (CFI), the Canada Research Chairs (CRC), and the Atlantic Innovation Found (AIF), which garnered the province a total of $200 million during those five years (Locke and Lynch 2003, 193–5).

The partnerships in which federal actors engage through the CFI and AIF, for example, are mainly with subprovincial actors and not with the province itself. In the AIF, projects funded are with the Canadian Centre for Fisheries Innovation, the Centre for Cold Ocean Resources Engineering, the College of the North Atlantic, Memorial University (several projects), Consilient Technologies Corp, Instrumar Limited, Newfoundland Genomics, Inc., and Northstar Technical, Inc.

It should be emphasized that the innovation agenda in the province, such as it is, is concentrated in the St John's region. Locke and Lynch note: "In 2000, there were 383 ICT firms in Newfoundland and Labrador. The largest concentration was in the St John's region, which accounted for 67 per cent of the ICT firms in Newfoundland and Labrador. However, the City of ST. John's was the base of operations for slightly more than 50% of Newfoundland and Labrador's ICT firms" (Locke and Lynch 2003, 170).

PROVINCIAL MEDIATION AS DISTRIBUTIVE JUSTICE

Faced with rural infrastructural decline and unequal regional economic modernization, the province's reaction in both municipal and economic matters has been to adopt the stance of equalizer; that is, it serves as the arbiter of distributive justice. It has interpreted distributive justice as necessitating a rural bias in economic development, a promise that all regions will share in the post-fisheries crisis economic recovery, equal regional opportunity, and equitable distribution of infrastructure. These themes could be seen in the Liberal government's final report on the Renewal Strategy for Jobs and Growth and in various Conservative government documents.

It must be noted that this is not just a comfortable philosophical position that the government has taken; it is dictated by the raw realities of provincial politics. The political culture of the province – the result of centuries of relative hardship – is one that fosters close attention to what the other person, other town, or other region is getting. To some extent, this is a characteristic of all local politics, but the degree of localism here is arguably of a greater degree than elsewhere. It is, after all, the way the people survived – and survived for centuries – even when settlement was banned. Sean Cadigan has termed "the moral economy" the tendency of rural Newfoundlanders to resist the open-access types of resource exploitation promoted by the provincial and federal governments and to promote instead a conservationist policy – often unsuccessfully – of local community preference (Cadigan 2003, 14–42). In the fishery itself, the problem of regional conflicts gave rise to "local values" used to generate "fair" solutions to the conflicts: the principle of adjacency to the resource, the concept of historical use of the resource, and dependence on the resource (Palmer 1995, 72). Localism affects economic policy, at least in part.

Localism drives politics. The provincial legislature, the forty-eight-member House of Assembly, is dominated by forty rural representatives. In spite of the province's slight urban population advantage, the cabinet is disproportionately rural. The cabinet, with fourteen members including the premier, has only six urban members (four of them from the St John's region) if one does not count the premier – an anomaly, since although he is the quintessential "townie," he represents Humber West on the west coast of the province. The declining rural population should result in declining numbers of rural constituencies, but the last electoral boundaries commission was appointed in 1993; Premier Grimes appointed a new commission in 2003, but the Williams government ended it (Westcott 2005). The reigning Conservatives, apparently invincible after their 2003 win and the triumph of the Atlantic Accord, are increasingly vulnerable to charges by both the Liberal opposition and some of their own backbenchers about insufficient attention to rural issues.

For municipalities, the implications are important. The province sees a vital future for rural Newfoundland and Labrador, and municipalities are key actors in assuring it. Since the turn of the century, Newfoundland municipalities have been seen not only as the deliverers of the usual array of local services but as economic actors as well. The new *Municipalities Act,* which came into effect in January 2000, specifically enables municipalities to undertake community economic development. For the purpose of economic development, they may now purchase facilities or businesses, or invest in a business. However, with some exceptions, municipalities are expected to act in concert with a web of other local or regional actors, especially the regional economic development boards and the regional development associations. The regional economic development boards, as the Renewal Strategy clarifies, will continue from an economic development perspective to be the core institutional mechanism to help communities and regions help themselves.

In the context of localism and regionalism, provincial mediation follows a logical road. There is a mediated sector and a non-mediated sector in local government matters and in community economic development matters. The province tends to involve itself – or sometimes tries to mediate – in intergovernmental relations that touch on matters affecting regional equality. It tends not to get involved in areas where the distributive aspect is muted (see table 2).

Table 2: Provincially Mediated and Non-mediated Programs

Areas where the province does mediate	*Areas where the province does not mediate*
Infrastructure funding	The Green Municipal Funds program
Regional economic development funding and operations	Federal innovation programs
Housing agreements	Cases where the municipalities act independently as federal clients
	Federal information infrastructure initiatives

THE MEDIATED SECTOR: INFRASTRUCTURE DEVELOPMENT

The first sector in which the province mediates is infrastructure development. There are two major programs that are involved: the Infrastructure Canada Program and the Canada Strategic Infrastructure Program. We shall cover both in depth. It should be noted in passing that there is a developing interprovincial forum for infrastructure renewal matters. In July 2002 the Canadian Society for Civil Engineering, the Canadian Council of Professional Engineers, the Canadian Public Works Association, and the National Research Council joined forces to develop the Civil Infrastructure Systems Technology Road Map. The result was a report that recommended a national round table on infrastructure and a national council of ministers responsible for local government infrastructure. Negotiations are underway to give effect to the recommendations. We shall not cover these, however, because of their distance from the paper's topic.

INFRASTRUCTURE CANADA PROGRAM

Canada

Resources for municipal infrastructure development come from various own-source and provincial transfers. With some important exceptions, such as highways and harbours, federal funds have not usually been part of the resource mix. However, the federal commitment to municipal infrastructure has been growing across the country, including in Newfoundland and Labrador.

The provincial government has been a partner in the process of rebuilding the province because, of course, infrastructure is an archetypal example of an area in which considerations of municipal and regional equity abound.

Nationally, there has been a variety of halting steps by Ottawa in this area. In 2000 the federal government, through its Infrastructure Canada Program (ICP), committed $2.65 billion over six years for provincial and municipal capital expenditures. The program was twofold: $600 million went to provincial highways through the Strategic Highway Infrastructure Program, and $2.05 billion was dedicated to municipal infrastructure (water, sewer, transportation, and housing). Almost all of the ICP funding has been committed; the federal government estimates that close to three thousand projects benefited from the program. Further rounds are being contemplated.

Also introduced in 2000 were two complementary federal programs amounting to $125 million: the Green Municipal Investment Fund and the Green Municipal Enabling Fund; both were to be managed by the Federation of Canadian Municipalities. The federal budget of 10 December 2001 doubled the amount to $250 million. Budget 2005 reported that the funds had been able to leverage more than $1 billion in municipal, provincial, and private-sector funding for environmentally sustainable infrastructure. It contributed an additional $300 million in 2004–5 to the Green Municipal Funds, as they are now known (Canada, Finance Canada 2005, 186).

Another program, the Municipal Rural Infrastructure Program, which was announced in 2003 and funded to the tune of $1 billion, is designed to aid smaller-scale municipal infrastructure programs. This has no official municipal component, despite the title. Negotiations are underway with provinces and territories to establish co-management agreements.

Newfoundland and Labrador

Provincially, the province has had a longer record of transportation infrastructure transfer funding because of its special historical circumstances. Some of this funding tangentially affects municipalities. Term 31 of the Terms of Union between Canada and Newfoundland committed Canada to take over the Newfoundland Railway and have it operated by Canadian National Railways. In the late 1980s the rail service was ended, and the federal government substituted federal highway funding as replacement. The Canada–Newfoundland Transportation Initiative, commonly referred to as the Roads for Rails Agreement, saw approximately $800 million in federal funding channelled to the province. This was supplemented by another federal-provincial cost-shared agreement, the $235 million Regional Trunk Roads Agreement signed in 1991, which covered feeder roads. Both agreements ended in 2003. An average of $60 million a year was spent over the life of the Roads for Rails Agreement.

Now the province has to rely on only $11.5 million over *four* years – its share of the $600 million Strategic Highway Infrastructure Program (Canadian Press Newswire 2002). In 2002, as noted above, Transportation Minister Percy Barrett said that Newfoundland and Labrador roads will need almost $1 billion in work over a decade.

Federal expenditures transferred under the Canada–Newfoundland Infrastructure Program (CNIP), as part of the Infrastructure Canada Program, affect municipalities more directly. Under an agreement signed in 2000, CNIP is administered provincially by the Department of Municipal and Provincial Affairs and federally by the Atlantic Canada Opportunities Agency, and is cost-shared with municipalities. Expenditures under CNIP are for water and sewers, and for the Disinfection Action Program, which sees to the installation, repair, and upgrading of municipal water disinfection systems. The sharing arrangement is one-third each for the federal, provincial, and municipal governments. Under CNIP, the governments will cost-share $153.738 million in such infrastructure over five years; the federal money allocated to the province over the life of the agreement is about $51.246 million (Newfoundland and Labrador 2001–2, 10). In the first three years of implementation, as table 3 shows, $38.2, $38.6, and $22.1 million were spent on this program. In various years, CNIP accounts for between 40 and 50 percent of the infrastructure spending of the Municipal and Provincial Affairs Department. (Other provincial infrastructure programs either do not qualify for or have been excluded from federal cost-sharing.)

The intergovernmental nature of the agreement means that each level will have a role to play in the nature of the projects; but the distributional aspect means the provincial voice will have the most effect. Municipalities propose most of the CNIP projects, through the he federal and provincial governments also are allowed to nominate projects, to a maximum of 20 percent of the total value of all approved projects. A full 60 percent of the total value of all approved projects must be invested in green municipal infrastructure, and a minimum 56 percent of total approved costs for all projects in this province must be allocated to projects proposed by rural municipalities.

A federal-provincial management committee has been struck. It consists of two federal and two provincial members, the two co-chairs being the vice-president of the Atlantic Canada Opportunities Agency (ACOA), headquartered in St John’s, and a senior Municipal and Provincial Affairs official. Its task is to determine which projects will get chosen. Generally speaking, much weight is placed on the list of priorities that have been set by the province. A consultative committee on infrastructure provides quarterly input from local government on the implementation of the program; however, efforts to have the local governments actually sit as members on this committee have been rebuffed. The province and Ottawa are also negotiating a Municipal Rural Infrastructure Program co-management agreement.

Table 3: Municipal Infrastructure Funding, 2001–2004

Project type		*Municipal capital works program*		*Canada/NL infrastructure program*		*Multi-year capital works program*		*Special assistance*		*Inuit peoples agreement*		*Total*	
		no.	*$*	*no.*	*$*	*no.*	*$*	*no.*	*$*	*no.*	*$*	*no.*	*$*
Disinfection assistance program	2003–4	10	366,906	14	880,147	–	–	–	–	–	–	24	1,247,053
	2002–3	13	407,320	49	3,867,537	–	–	51	166,403	–	–	113	4,441,260
	2001–2	14	749,677	105	8,189,764	–	–	209	448,210	–	–	328	9,387,651
Water/sewer	2003–4	87	11,289,745	78	21,268,116	–	23,882,051	99	358,926	4	2,840,000	268	59,638,838
	2002–3	73	8,487,526	123	34,809,238	–	23,882,051	74	588,609	11	1,125,738	343	51,139,270
	2001–2	44	3,706,110	105	30,024,126	18	16,369,600	283	1,039,434	–	–	450	51,139,270
Paving and/or road reconstruction	2003–4	41	6,679,420	–	–	–	7,516,016	11	88,365	–	–	52	14,283,801
	2002–3	44	8,532,272	–	–	–	7,516,016	9	84,965	–	–	97	31,165,286
	2001–2	13	4,642,927	–	–	6	1,304,183	17	150,117	–	–	36	6,097,227
Solid waste management	2003–4	5	136,156	–	–	–	34,000	1	1,000	–	–	6	171,156
	2002–3	9	1,031,862	–	–	–	34,000	3	34,200	1	27,000	14	1,195,062
	2001–2	3	269,404	–	–	–	–	–	–	–	–	3	269,404
Recreation	2003–4	27	4,705,451	–	–	–	1,407,500	4	35,800	1	330,000	32	6,478,751
	2002–3	17	5,862,353	–	–	–	1,407,500	10	112,927	2	182,500	33	10,380,280
	2001–2	14	4,357,916	–	–	–	–	–	–	–	–	14	4,357,916
Buildings/ firefighting equipment	2003–4	19	4,934,425	–	–	–	3,996,046	56	395,355	4	1,727,500	79	11,053,326
	2002–3	9	2,996,880	–	–	–	3,996,046	76	581,460	19	1,904,600	110	17,471,080
	2001–2	21	1,471,500	–	–	2	61,542	100	547,756	–	–	123	2,080,798
TOTAL	2003–4	189	28,112,103	92	22,148,263	–	36,835,613[1]	171	879,446	9	4,897,500	461	92,872,925[2]
	2002–3	16	27,318,213	172	38,676,775	–	36,835,613[1]	223	1,568,564	33	3,239,838	444	107,649,003
	2001–2	109	15,197,534	210	38,213,890	26	17,735,325	609	2,185,517	–	–	954	73,332,266

[1]Notional funding allocation based on a three-year cost-share program
[2]Figures from unaudited internal database
Source: Newfoundland and Labrador 2001–4

CANADA STRATEGIC INFRASTRUCTURE FUND

Canada

Nationally, the December 2001 federal budget included an announcement of the Canada Strategic Infrastructure Fund (CSIF), which featured an additional $2 billion (over and above the $2.05 billion committed under the Infrastructure Canada Program.) CSIF was designed to fund large-scale infrastructure projects of a scope and capacity beyond existing programs. Urban transportation projects and sewage treatment systems, for example, were (implicitly) too large to be considered under the ICP (Brittain 2002, 522–75).

Unlike existing infrastructure programs, where funding is generally on a per capita formula and costs are generally shared in a tripartite fashion, CSIF aims to recognize the unique needs and capacity of different urban areas. CSIF encourages a variety of municipal-provincial-private partnerships in areas of major national and regional significance and with significant economic growth potential. Accordingly, money has been approved for such diverse projects as the following: $435 million for improvements to the GO Transit and York Region Transit networks; $160 million to Manitoba for expansion of the Red River Floodway; money for the Kicking Horse Canyon ten-mile (Park) Bridge; Charlottetown and Summerside wastewater treatment; and highway improvement projects in Nova Scotia, New Brunswick, Quebec, and Saskatchewan. It will provide money (with Quebec and private funding) to finish Autoroute 30 and bypass the Island of Montreal; provide $350 million (matched by the Ontario government and Toronto) to renew transit services of the Toronto Transit Commission; contribute to the Trans-Canada Highway System improvements in Saskatchewan ($65 million from CSIF and $12 million from the Strategic Highway Infrastructure Program); and provide $65 million for transportation infrastructure through the Corridors for Canada project in the Northwest Territories.

In the 2003 Speech from the Throne, the Government of Canada committed itself to an additional ten-year engagement in public infrastructure. However, the Budget Speech of 2003 specified that the additional investment for this ten-year period was only $3 billion nationwide and that this was to be for both strategic and municipal infrastructure. CSIF was to be allocated two-thirds of the new money, so it was now a $4 billion program.

The Martin government was more optimistic than its predecessor, however. Budget 2005 promised that "significant funding will flow towards infrastructure projects" through the CSIF and related programs, such as the Municipal Rural Infrastructure Fund and the Border Infrastructure Fund; and that future budgets would "renew and extend" these infrastructure programs as they expired. By these measures, the government aimed to ensure that the gas tax sharing revenue program announced in the budget would provide additional revenues for municipal governments rather than displacing other funding.

Newfoundland and Labrador

Provincially, CSIF has resulted in the planned clean-up of the infamous "bubble" (as it is known to locals) in St John's Harbour. However, the story is not so much in the plans for the clean-up as in the fact that, as a distributive matter, harbour clean-up has engaged the attention of the provincial government since 1997. Parenthetically, it is also about the inordinate length of time it took for the federal government to become engaged, and the lack of pressure from the provincial government for it to do so.

Millions of litres of untreated sewage flow into St John's Harbour each day. In 1997 an environmental study noted: "Every day 120 million liters of raw sewage and storm water runoff enters the Harbour. This inflow contributes an annual loading to the Harbour of 3,700 tonnes of biochemical oxygen demand (BOD) material, 4,200 tonnes of solids and 200 tonnes of phosphorus. Harbour water is further contaminated with bacterial and pathogens, as indicated by extremely high fecal coliform bacteria counts. The sewage, mainly of domestic origin, includes waste water from industry, commercial operations, and institutions" (St John's Harbour, ACAP 1997). The study went on to list the obvious harmful health effects. Although it did not say it directly, the situation had to some extent been caused by all three levels of government in the first place.

> The present system of urban trunk and relief sewers, that mostly follow the natural gravity gradients to the Harbour, is based on design work carried out in 1974 and adopted by all three levels of government. It was never intended to have untreated effluent flowing directly into the Harbour, as is presently occurring. It was intended to divert all wastewater to the Southside of the harbour and pump it through a tunnel in the Southside Hills to Gunner's Cover, St. John's Bay. Sewage treatment was then to be added at progressive levels into the future. The plan phase was abruptly halted in the early 1980s when Federal funding was suspended. Since then the unintercepted trunk sewers remained in limbo, pouring increasing amounts of raw sewage into the Harbour as population and development increased. (Ibid.)

The Sierra Legal Defence Fund's national sewage report card in 1999 ranked St John's Harbour as the dirtiest in Canada. In 2001 Colin Nickerson of the *Boston Globe* said that it was an example of "harbor pollution on a scale unseen outside the Third World." He noted, by contrast, that "not a single city in the United States deposits untreated waste directly into urban waterways, and most American harbors are dramatically cleaner than in decades past," and he added that "government support for large municipalities in the States is a lot more than it is in Canada" (Porter 2001).

The need to clean up the harbour had been studied since the 1970s, and municipal decision makers in the St John's area had a clear idea of what had to be done to fix the problem. However, little concrete action had been forthcoming from the provincial or federal governments. The provincial government faced the problem of consistency: almost all harbour communities released raw sewage into the ocean waters surrounding them and might put demands on the province to extend a treatment policy to them. The federal government was apparently seized with the need for cleaner harbours, but it lacked a national process with which to go about the task.

Two successive federal regimes have mandated time-consuming consultative efforts, which saw over a dozen years pass with no shovel yet in the soil for a central treatment plant. The Conservatives created the Atlantic Coastal Action Program (ACAP) in 1991 to establish remedial action plans for eleven coastal areas. Federal officials made it clear that any future federal funding was contingent on prior participation in the ACAP process. Accordingly, the St John's Harbour ACAP was established in 1992 as a non-profit organization of concerned citizens and representatives of three levels of government, to be engaged in a variety of planning, education, and action activities. Their actions resulted in the Comprehensive Environmental Management Plan – a master plan for the harbour environment – and a commitment from three area municipalities to share expenses. St John's and the other two municipalities then lobbied the province, which committed finances officially in 2000 and thereby put pressure on the federal government. (The province in fact had been asking the federal government to share in the costs of a clean-up effort since 1997.) St John's also put pressure directly on the federal government, taking advantage of the close relationship which Mayor Wells had with the Paul Martin, who was then minister of finance. The federal government finally decided on the CSIF mechanism as its instrument for large-scale sewage projects such as the one in St John's.

In November 2002 the federal government announced its intention to sign a formal agreement on the harbour clean-up. All the partners were on board: the federal and provincial governments and the three municipal governments (the cities of St John's and Mount Pearl and the town of Paradise). Together, they would commit $31 million to build a centralized treatment facility on the south side of St John's Harbour, together with infrastructure for sewage collection and the disposal of treated effluent. The facility will apparently be a world-class one (Canada, Infrastructure Canada 2002). The provincial and federal governments spent over $11 million in preparatory engineering work. Initially, the federal government felt that the management committee, which manages the contribution agreement, should merely be a federal-provincial one. However, the province was amenable to St John's involvement (especially since it is paying 87 percent of the municipal share). Accordingly, the management committee is a tripartite one, with three co-chairs: federal, provincial, and StJohn's.

THE MEDIATED SECTOR: REGIONAL ECONOMIC DEVELOPMENT

Regional economic development is an important area in which the province mediates with municipalities and other actors. As actors with an explicit, legislated economic development role since 2000, municipalities have come to be seen as viable partners for senior governments. However, it is useful to make some extensive comments about the regional economic development regime of the province, because it provides the focus for many of the activities of municipalities and their senior government partners. It also puts in relief the concern of the province for regional equality and the increasing indifference of federal authorities for this concern. Both Conservative and Liberal governments have supported balanced regional development for decades, and the efforts are becoming more intense, the structures to achieve it more intricately elaborated, and the political semaphore more insistent.

REGIONAL DEVELOPMENT ASSOCIATIONS

Historically, regional development associations (RDAs) were the chosen instrument for economic development. Originally generated in the late 1960s by citizen activists in the Great Northern Peninsula, the Eastport Peninsula, and Fogo Island, they became institutionalized as provincial instruments for regional development by 1972–74 (Newfoundland and Labrador 1995). They involved a decentralized, volunteer-driven approach. For various reasons, not the least being that they were implementation mechanisms instead of planners and developers, they came to be perceived as suboptimal instruments, especially in the context of the cod moratorium of the early 1990s and its associated effects.

REGIONAL ECONOMIC DEVELOPMENT BOARDS

Regional economic development boards (the REDB mechanism) succeeded RDAs as the main development instrument in 1996. REDBs are community-based volunteer boards. They consist of representatives of municipalities, business, labour, community development groups, education and training institutions, and other interests in the zone. They have five core functions, some of which call implicitly for municipal involvement: (1) to establish strategic plans in the zones; (2) to establish a window for businesses to seek various forms of funding and administrative support from government; (3) to provide capacity-building support to agencies at the subzonal level; (4) to aid implementation of the initiatives that are undertaken by the zonal boards; and (5) finally to establish community life, community education, and community empowerment.

Their evolution began with the province's Strategic Economic Plan: Change and Challenge, which was introduced in 1992. Some of its guiding principles were instrumental in setting the direction for regional economic development policy in the province for the next decade. These guiding principles included an emphasis on strategic industries, on a private-sector-led strategy, and on industries that were innovative and technologically progressive.

One guiding principle was never enunciated clearly, but it was apparent in the institutional design suggested by the plan's designers: equal regional opportunity. The Strategic Economic Plan suggested a system of seventeen economic zones. These zones were to work in cooperation with regional government offices throughout Newfoundland and Labrador, which would see to it that the zonal plans were incorporated into the work of government departments and agencies. This was the concept introduced for public discussion in 1992. The *Change and Challenge* report caught the public's attention. The emphasis on equal regional opportunity was practically guaranteed by the rural-based nature of two of the provincial bodies that had been influential in pushing for the plan in the first place: the Newfoundland and Labrador Rural Development Council (NLRDC) and the Newfoundland and Labrador Federation of Municipalities (NLFM). They continued to push for its implementation after the report had been tabled, maintaining that they wanted a more orderly approach to regional development. Whether or not regional equality was consistent with a strategy of innovation and private-sector leadership was never explicitly explained by the report or its supporters.

The province's reaction to the favourable reception to the plan was to strike a task force on community economic development, which produced a report called *Community Matters* (Newfoundland and Labrador 1995). Its mandate was to translate the strategic plan into the equality-premised institutional framework. The result was the regional economic development boards. The next stage was to establish an organizational structure and functions for the REDBs, working on a combination of guidance from previous reports and local common sense. The aim here was to assert local ownership of the boards, to establish methods of accountability, and to put in place an orderly process of succession. For the provincial government, the political aim was both to disentangle the province from messy local economic disputes and to be seen to be treating the regions equally.

The constraints that are faced by the REDBs should be noted. The zonal board is meant to be only a policy centre. The operational side is meant to be undertaken by other agencies, such as municipal economic boards, regional development associations, and educational institutions. The provincial funding mechanism for the REDBs' memorandums of understanding, in keeping with the regional equality theme, provides for equal core funding for all zonal boards, large or small. But it provides no programming monies, only a skeletal staff and an administrative budget for each zone; the staff and board are expected to leverage money for projects from outside.

As is the case with most reforms in public or quasi-public agencies, there comes a time to revisit the original design. The *Taking Stock* report (Baird Planning Associates 2001), a reassessment of of the REDBs, was a joint effort undertaken by the major federal and provincial funding agencies (ACOA and the Department of Industry, Trade, and Rural Development (DITRD) and by the REDBs themselves. It never occurred to the writers of the report that one level of government would shut the other level out of the loop. But that is what happened with the ending of the Comprehensive Economic Development Agreement (CEDA). As will be demonstrated, ACOA now considers that its role is to interact as it wants and with whom it wishes, including municipalities, without the province as an intermediary.

FEDERAL DISENGAGEMENT FROM REGIONAL DEVELOPMENT COST-SHARED PROGRAMS?

Various federal-provincial cost-shared mechanisms have been used over the years to fund zonal activities. They have included the Canada/Newfoundland Strategic Regional Diversification Agreement (SRDA); the Fisheries Restructuring and Adjustment Measures – Economic Development Agreement (FRAM–ED); the Canada/Newfoundland Agreement on Economic Renewal (ERA); and the Labour Market Development Agreement (LMDA).

However, the major cost-shared mechanism has recently been CEDA, a five-year cost-shared program that ended on 31 March 2003. It provided 70-30 cost sharing of core funding for the REDBs. (A qualification to this, of course, is that the federal and provincial governments also provided assistance in kind by donating the work of their field staff: DITRD's field offices and ACOA development officers in St John's and in field offices around the province.) The future of CEDA-type instruments for development was put in doubt as early as 2001 by Robert Thibeault, the new minister for ACOA. He noted during a "familiarization" tour of Atlantic Canada projects that he supported "the philosophical change at ACOA to move away from tying money to federal-provincial programs in favour of partnering on individual projects, opening the doors for partnerships with the universities or private industry" (Barron 2001). The five-year $700 million Atlantic Investment Partnership (AIP) – which belies its name by having no (mandated) provincial partners – would, he said, be the vehicle that would supersede CEDA. What was not apparent at the time was whether REDBs would still be funded under the new arrangement.

The Grimes government reacted to this uncertainty by mentioning in the 2003 Throne Speech a new model of federal-provincial cooperation: a Canada–Newfoundland and Labrador Economic Development Board. While this was being organized, the province called on Ottawa to extend CEDA by one year, through to 31 March 2004, with a $20 million allocation to be cost-shared on the traditional 70-30 basis between the two governments. The provincial budget allocated $5.5 million of the provincial share. If Ottawa did not cooperate, the province would commit the money to economic development. The Throne Speech made it clear that the government considered that external and community-based economic development organizations that had been supported under CEDA were being put in danger.

There was profound federal disinterest in the type of traditional co-management style advocated by the Grimes government. Ultimately, the federal government continued to support the zonal boards through ACOA and the AIP. The notable change is that there is no CEDA management board any more and therefore no joint federal-provincial decision making.

THE WILLIAMS GOVERNMENT'S REGIONAL DIVERSIFICATION STRATEGY

After the Williams government was elected in 2003, it concluded that regional development needed to be conceived as a set of interlinked initiatives, with no necessary dependence on federal partnership. In March 2005 it announced the Comprehensive Regional Diversification Strategy, with the familiar theme of implied regional equality – the strategy would "put all regions of the province on a path to economic prosperity" (NLIS 2005). A new regional system would be superimposed on other provincial agencies and coordinated by the Rural Secretariat, a part of the Executive Council. There would be be nine Rural Secretariat regions, each containing two or three large communities and a network of smaller communities; each region would have a regional council; each would have a representative on the provincial council of the Rural Secretariat; and each would develop its own economic development strategy. This structure has been supplemented by new programs, including a $10 million SME Revolving Fund to finance small and medium-sized businesses, a $5 million Regional/Sectorial Diversification Fund to address funding gaps of REDBs and other community-based economic organizations, and an Innovation Strategy, developed in conjunction with regional development agencies, federal and provincial agencies, and technology industries and interests. Conspicuous by its absence is any mention of a significant federal role.

We witness here an attempt at provincial mediation that became ineffectual because of the national Knowledge and Innovation Strategy. Ultimately – after leaving open the possibility of leaving the field altogether – the federal government continued to support regional economic development in the province. However, it found it unnecessary to engage in the traditional federal-provincial co-management that had marked thirty years of development activity by the RDAs and the REDB/CEDA models. Instead, Ottawa would decide matters itself, its decisions increasingly being driven by its Atlantic Innovation approach; and the province itself would assume the responsibility for place prosperity, under a province-driven regional diversification strategy.

THE MEDIATED SECTOR: FEDERAL AND PROVINCIAL HOUSING INITIATIVES

One of the areas touted as part of the new federal "urban agenda" is housing policy. Housing, of course, is another area where the distributive aspect is important. The province has involved itself here in order to influence the distribution of devolved and cost-shared federal housing programs. Strictly speaking, it may be stretching matters to call this a "local issue," since municipalities other than St John's are not involved in housing policy, but certainly coordination with local governments takes place in housing matters. There are currently certain aspects of housing policy that involve the province. One is the Canada-Newfoundland and Labrador Social Housing Agreement; another is the Provincial Home Repair Program (PHRP); a third, not yet a done deal in this province, is the Affordable Housing Agreement.

The Social Housing Agreement was signed in 1998 between the province and the federal government. Also known as the Devolution Agreement, it was part of a nationwide effort by the federal authorities to disengage from social housing. By this agreement, the provincial government took over the social housing component of the Canada Mortgage and Housing Corporation (CMHC) programs and assumed responsibility for properties that had previously been run directly by CMHC. There is to be a gradual withdrawal of financial contributions by the federal authorities over thirty years, after which time the federal contributions will stop. In the 2003–4 fiscal year, the provincial budget provided for around $93 million to be spent through the Newfoundland and Labrador Housing Corporation (NLHC) for various social housing initiatives; of this amount, the federal government is to contribute $54.8 million in block funding support (NLIS 2003). NLHC also delivers the Provincial Home Repair Program, an $11.5 million combination grant/loan program to assist about 2,000 low-income households with home repairs, mainly in rural communities. The program is cost-shared with CMHC and dictates a minimum cost sharing by the province of 25 percent; currently the province provides around 55 percent of the cost.

The province announced its intention to enter into a cost-shared Affordable Housing Agreement with the federal government through CMHC in the 2003–4 fiscal year. In the federal budget of 2002, Ottawa had announced a $680 million Affordable Housing Initiative; in the 2003 budget, it announced $320 million in additional funds, bringing the total federal expenditure to $1 billion by the end of 2007–8. The Canada-Newfoundland and Labrador Affordable Housing Agreement was signed with Newfoundland early in 2004. The province foresaw $4 million being committed in the 2003–4 fiscal year under this new program. It is 50-50 cost-shared. Newfoundland and Labrador's first affordable rental-housing development, Brookside Estates, was constructed in Stephenville in 2004–5 under the agreement. There is no management committee as there is in other programs; the program is administered by the NLHC according to the provisions of the federal-provincial agreement.

There is no municipal role in social housing, apart from that provided by the City of St John's. St. John's has several hundred units managed by its Department of Buildings and Property Management, so it is a fairly big actor in the city. The city provides some social housing and some in-fill housing (the Riverhead Project and "Jelly-Bean Row" on Forest Road), but there is no role analogous to that played by certain Ontario municipalities.

THE NON-MEDIATED SECTOR: THE FEDERAL GOVERNMENT AND THE NEWFOUNDLAND AND LABRADOR FEDERATION OF MUNICIPALITIES

The province tends not to get involved in areas where the distributive aspect is muted. A large number of federal-municipal interactions are largely unmediated by the province simply because they are small scale, have no policy implications of note, or amount to a welcome savings of provincial and municipal tax dollars. They include economic development workshops, the Green Program, cases where the municipalities are applying for grants as independent economic actors, and federal information infrastructure initiatives.

One possible exception to this pattern involves the dynamics surrounding the gas tax. The province is currently (2005) negotiating a gas tax rebate agreement with the federal government. The province is interested in this because of the distributive aspects of the rebate program. However, it has given the Newfoundland and Labrador Federation of Municipalities (NLFM) "observer status" in the decision-making process surrounding the negotiations, to make sure that all parties' concerns are dealt with. To this end, it has signed a memorandum of understanding on a "partnership climate" with the NLFM.

There are a few things to notice about the developing role of the NLFM. One is that it is becoming a means by which the federal government can have direct access to municipal officials without being mediated by the provincial government. Another is that the NLFMis becoming an active deliverer of federal services, rather than just an interest group. Another is that its meetings have come to be forums for legitimation of municipal sector/federal government partnership.

ACOA/NLFM COMMUNITY ECONOMIC DEVELOPMENT WORKSHOP INITIATIVE[2]

Traditionally, Newfoundland municipal councils had limited legislative flexibility in shaping community economic development. They had the ability to formulate land-use policy, manipulate property and business taxes, establish business improvement areas, and have a community plan – although most of the content of such plans was established by regional planners in the Department of Municipal and Provincial Affairs (Pollett 1995, 4–5).

This situation changed with the introduction of the new *Municipalities Act*, effective January 2000, which specifically enabled municipalities to undertake community economic development (CED). They may now purchase facilities or businesses, or invest in a business, for the purpose of economic development. In practical terms, this means that 291 incorporated municipalities and a multiplicity of municipal councillors had to be brought up to speed on their new responsibilities. They had to be able to identify what economic tools they had at their disposal, how to go about investing in a local business, and what best practices were available for consideration.

Into the breach to strengthen municipal capacities came not the province, but the federal authorities. ACOA, created in 1987, was especially interested in establishing close relations with local actors. One of its identified strategic priorities was in fact community economic development: to help communities take responsibility for their own future. ACOA therefore reacted favourably when the NLFM approached it with a proposal to prepare municipalities to undertake CED and to use the existing REDB mechanism to fulfill their responsibilities. The possibility of establishing close relationships not only with the NLFM but with hundreds of municipal councils, with provincial knowledge but without the need for provincial approval, proved to be an inviting one. Thus was born the ACOA-NLFM Community Economic Development Workshop Initiative. The partners designed it originally as a multi-year, three-phased approach: first, an introduction to CED and to the REDBs and their strategic economic plans; second, the development of practical skills; and third, learning from relevant international "best practices." Each phase featured workshops designed and delivered by the executive of the NLFM and other municipal councillors, with the involvement of invited ACOA representatives. A fourth phase, with the intent of extending the municipal role in regional development, will complete the initiative. Two-thirds of the incorporated municipalities in Newfoundland and Labrador have taken part in the workshops.

THE NON-MEDIATED SECTOR: THE GREEN PROGRAM

Another partnership between the federal government and the NLFM involves the Green Program. As was noted earlier, the Federation of Canadian Municipalities (FCM) manages the Green Municipal Funds, a municipal infrastructure program for the federal authorities amounting to a quarter of a million dollars (previously called the Green Municipal Investment Fund and the Green Municipal Enabling Fund). The fund provides money for R&D and various pilot projects that show how to develop municipal services in environmentally friendly ways, and it also performs a lending function, lending at rates below the Bank of Canada lending rate. These are programs that are free of provincial involvement; there is no provincial role in committees that decide on priority spending in the Green Municipal Funds, and there is no structural link to existing federal-provincial funding.

In Newfoundland, this pattern also pertains, and there has been tentative use of the program, mostly at the behest of the FCM. The FCM had noticed that the province's municipalities had not used the program, and it approached the NLFM to discover why. The answer was simple: the program had been overwhelmingly urban – oriented towards larger municipalities – and the application process was too complicated and time-consuming for towns with just one clerk running things. The NLFM stepped in as an intermediary, and it now helps municipalities expedite the process. There have been applications from St John's and Gander for retro-fits of some of their municipal buildings. This arrangement is proceeding over and above the normal decision making on infrastructure programs. In mid-2005, St John's completed negotiations to borrow $20 million from the Green Funds as part of its borrowing requirements for the harbour clean-up. The difference between the funds' interest rates and commercial rates will have to be reinvested in water conservation projects.

One has only to read the minutes of the annual autumn convention and trade show of the NLFM to realize that some interesting dynamics are taking place. One is that the annual meetings of the NLFM serve as a forum for the legitimization of the federal role in municipal affairs in the province. Increasingly, the federal government is praised for its various efforts. This is now the case with ACOA. Its community education effort has paid handsome dividends in goodwill.

Another interesting development is that over the years there has been a subtle change in the image of municipal councils and councillors. No longer are they just the deliverers of services; they are *bona fide* democratic representatives. Resolutions of the annual meeting are taken seriously. Provincial and, increasingly, federal politicians are taken to task for their policies and feel compelled to respond to the NLFM for actions they are taking or are contemplating. To some extent, this role has devolved to them by default.

There are few upper-level representatives. There are only seven MPs. The provincial house was downsized under Clyde Wells, and there are fears that future reforms could result in an even smaller House of Assembly. It is a sign of the increasing legitimacy of local government that any minister, federal or provincial, who is identified as a target in an NLFM resolution usually responds, and in detail.

THE NON-MEDIATED SECTOR: MUNICIPALITIES AS FEDERAL CLIENTS

As previously noted, there are numerous federal-municipal interactions that go largely unmediated by the province simply because they are small scale, have no policy implications of note, or amount to savings of provincial and municipal tax dollars. Municipalities in this context are just one of a number of clients for federal programs. Other clients could include REDBs, Memorial University, private-sector businesses, and non-profit organizations.

Activities undertaken by the City of St John's reflect the variety of federal services that municipalities can access. The city is an avid applicant to ACOA. The new St John's Civic Centre received a $4 million contribution from ACOA. It received another contribution to help pay for an overpass to connect Mile One Stadium and the Delta Hotel; the $800,000 cost was half paid by ACOA. The city partners with the St John's Board of Trade for economic development materials, and it regularly applies to ACOA for funding to offset their cost. An extensive scenic walkway and beautification system organized by a body called the Grand Concourse Authority was begun by the Johnson Family Foundation, but the bulk of its funding involves a partnership that includes ACOA, Human Resources Development Canada (now Human Resources and Skills Development), and the city. ACOA now has an "urban file," a result of the profile given to urban issues in the 2003–5 federal Throne Speeches. Other federal departments and programs are also used by municipalities. The St John's Economic Development Department has a Canada Business Service Centre funded by Industry Canada situated in its satellite office in the downtown area.

St John's and other communities also make frequent use of the Community Investment Support Program (CISP) in International Trade Canada. CISP is the federal government's instrument to help Canadian communities attract, retain, and expand foreign direct investment. Partnership with local private-sector actors is encouraged. The program is cost-shared, with successful applicants eligible for federal support of up to 50 percent of the cost of suitable activities in two categories: for community training and for FDI targeting. The provincial government can be brought in as one of the cost-sharing partners, but this is not necessary. The program's great advantage is that its criteria are clear and the turnaround time on decisions is short (six to eight weeks, compared with an average of four to six mnths with ACOA). In the past, St John's has used such funding to develop an investment database for international site selection conferences. It has not availed itself of the 2005–6 program. However, others have, in the advanced category – for example, the towns of Wabush and Labrador City, and the Irish Loop Development Board.

Another department, Human Resources Development Canada (HRDC), was used for employment subsidies. HRDC was especially relevant for low-employment areas and municipalities that are not unionized. While St John's does not fit this profile, HRDC funding has been an integral and valued aspect of rural municipalities and REDBs.

In 2003 the Martin government split the controversy-prone HRDC into two departments: a new Human Resources and Skills Development HR&SD) for the labour market side, and a new Department of Social Development (DSD) for income security issues and programs. One of the HR&SD programs, the Labour Market Partnerships, encourages communities to create local employment and can, in theory, involve employers, employees or their associations, provincial, territorial, and municipal governments, non-governmental organizations, health and educational institutions, band and tribal councils, and individuals and groups; but in Newfoundland and Labrador the only body it has involved has been a provincial department, Human Resources, Labour, and Employment (NLIS 2004).

Occasionally, cities receive emergency funding. Relatively recent cases include the famous 9/11 plane landings in Newfoundland and the damage wrought in the fall of 2001 by tropical storm Gabrielle. In such cases the province does mediate and administrate, because federal legislation provides for it. In both of the above cases, the province paid St John's first and then recovered the costs from the federal program.

THE NON-MEDIATED SECTOR: FEDERAL INFORMATION INFRASTRUCTURE INITIATIVES

Another form of federal-municipal interaction occurs between Industry Canada and selected municipalities in an initiative known as the Smart Communities Program. Industry Canada, one of the federal "superministries" created in the early 1990s, launched the Smart Communities Program in 1999 as a three-year program to make Canada a world leader in the use of information and communication technologies. The Smart Communities Program is part of the Government of Canada's "Connecting Canadians" initiative, which aims to make Canada the most connected nation in the world.

The fashion in which the program was administered by Industry Canada demonstrates a federal intent to influence the information infrastructure policies at the municipal level of government. There was a national competition which ultimately selected a dozen world-class “smart communities” – one per province, one northern, and one Aboriginal. Five million dollars in program funding was awarded over three years to support each smart community. The chosen communities were designated “demonstration projects” because they were intended to share the lessons they learned with other communities.

The services provided by SmartLabrador, the project that won in Newfoundland and Labrador, were ambitious. They included telemedicine for all Labrador nursing stations and health centres, enhanced distance education, an online Labrador regional news network, government services online, a virtual museum, the Heritage Mall e-commerce project, and computer training to improve citizen access to information technologies. Twenty-two communities were involved and $12 million in leveraged services. The project partners included REDBs, municipalities, educational institutions, departments, and private-sector businesses. SmartLabrador was a joint project of the five REDBs, and the management team was made up of zone representatives and the other partners.

The competition was intense. In Newfoundland alone, half a dozen communities were involved. The experience was a mixed one for the participants. Labradorians were overjoyed, of course. However, the unsuccessful candidates were disconcerted by the amount of work that the whole application process had involved, and many felt that the money involved could have been spread around to more districts. In one notable case, participants in the Clarenville area’s Discovery Project decided to proceed as if they *had* won and expended their smart services.

CONCLUSION

This paper has suggested that the mechanics of provincial mediation must be considered within the general context of federal-provincial-municipal relations. Federally, the imperatives of the knowledge and innovation agenda have resulted in a complicated set of partnerships with national and subprovincial partners, a declining concern for traditional federal-provincial programs, and a tolerance for asymmetrical regional outcomes. A province such as this one – a minor actor in the national ICT structure, possessing a threadbare municipal infrastructure and operating in a culture of regional equality – cannot greet this with equanimity.

We have established that there is a mediated sector and a non-mediated sector in local government matters and in community economic development matters. The province tends to mediate or involve itself (or sometimes tries to mediate) in intergovernmental relations that touch on matters affecting regional equality. These involve such concerns as infrastructure funding, regional economic development funding, and housing agreements. The province tends not to get involved in areas where the distributive aspect is muted – for example, in the Green Municipal Funds, in programs where municipalities act as federal clients, and in federal information infrastructure initiatives.

In some cases, the province is being edged out of federal-local relations. We saw that the provincial attempt at mediation in regional development became ineffectual because the national Knowledge and Innovation Strategy obviated the need for traditional federal-provincial co-management. Ottawa would decide matters itself, in the context of the Atlantic Innovation approach, and the province itself would assume the responsibility for place prosperity under a province-driven regional diversification strategy. In many cases, the province does not even get to the mediation stage. Federal green funds to bring municipalities on board for the Kyoto Protocol and federal programs to expand local readiness for foreign direct investment and internet connectivity did not have enough financial import or political salience to warrant provincial interest.

For the foreseeable future, the province will have to contend with the fact that Ottawa tends to see problems and policy in a broader economic perspective, especially that of cluster development. Ottawa wants to throw off what it sees as the shackles of decades of programs that concentrated on place prosperity and get on with the job of national prosperity. What is province such as Newfoundland and Labrador, which is concerned with place prosperity, to do?

One thing will be to avoid the advice of Jack Mintz, who sees problems that involve a federal role in municipal areas of responsibility, to be taxation without representation. He prefers clear jurisdictional lines and expanded municipal taxation power. "Municipal fiscal issues are a provincial, not federal, responsibility," he says. "Federal intrusion in municipal affairs only worsens political accountability by undermining provincial authority. Moreover, the provinces are in the better position to deal with municipal problems, since the federal government is unable to balance political interests when thousands of municipalities are involved" (Mintz 2002, 17). But this will not work in Newfoundland and Labrador in the foreseeable future. The province is too dependent on federal transfers, and the municipalities are too debt-ridden to insist on such constitutional and economic purity. As well, the Newfoundland public sees the problem as being too few federal dollars rather than too many.

However, this province, like others, is likely to react to perceived threats to its authority and to the balancing of municipal and regional interests. Ultimately, one can see some new protocols being drawn up through provincial intergovernmentalism, perhaps by the Council of the Federation. These would specify new measures for accountability, for fair shares, and for performance measurement in this new era of urban asymmetry. Failing that, ironically the most logical approach for the province would be to adopt an asymmetrical approach of its own. Newfoundland tends to benefit when the asymmetrical or co-management style of arrangement is followed. One can think of satisfactory past arrangements, such as the Canada-Newfoundland Offshore Petroleum Board and the Atlantic Accord. Future ventures might feature fisheries, regional economic development, culture – and, last but not least, municipal affairs.

NOTES

1 For statistical information, see Newfoundland and Labrador Community Accounts, a provincial statistical service, at www.communityaccounts.ca/SALandscape/section6.asp?section=f1#f1.

2 Much of the following depends on material gracefully supplied by Shirley Dawe of ACOA's St John's office, and Craig Pollett, executive director of the Newfoundland and Labrador Federation of Municipalities.

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