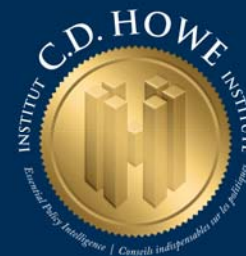


# MANDATE LETTERS



*As Canada forms its next government, the Prime Minister's Office will be preparing ministerial mandate letters. In this special Intelligence Memo series, policy experts highlight key challenges and priorities in each minister's portfolio.*

From: William B.P. Robson  
To: The Incoming Minister of Intergovernmental and Northern Affairs and Internal Trade  
Date: November 12, 2019

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As you embark on the start of your term as Minister of Intergovernmental and Northern Affairs, your top priority should be to fundamentally rethink the model of fiscal federalism in Canada, because:

- Many federal transfers to Canada's provinces, territories and local governments reflect an outmoded view that Ottawa can and should reward and penalize choices for which the recipient governments are, quite appropriately, accountable to their own electorates. You will engage with experts on fiscal federalism and the recipient governments to reform conditional transfers to better reflect the division of powers in the federation.
- Federal transfers currently account for about one-fifth of provincial, territorial and local government revenues, and about one-third of federal program spending. Such large transfers strain the federal principle that governments at each level are sovereign in their respective spheres. You will engage with experts on taxation and fiscal federalism, and with recipient governments, to design a transfer of tax room to provincial governments to decrease their exposure to future changes in federal transfers, increase their autonomy, and enhance their capacity to respond to demographically driven fiscal pressure.
- Transfers of tax room create an opportunity to revisit the operation of the equalization program, which inappropriately penalizes provinces that promote economic development by reducing the associated increases in tax revenue. You will engage with experts on taxation and fiscal federalism, and with the provinces, to design an equalization system that better rewards sound fiscal policies on the part of current and potential recipients of equalization payments.

Your duties as Minister of Internal Trade will prioritize the ability of Canadians to buy, sell, invest and work across the country. The Canada Free Trade Agreement (CFTA) cannot be the end of the road as far as enhanced opportunities for Canadians to benefit from our internal market are concerned. To that end:

- Enforce constitutional provisions underpinning Canada's economic union.
- Bolster the CFTA dispute-settlement mechanism to strengthen its enforcement tools.
- Tackle regulations hampering movement of goods across the country, particularly in trucking.
- Work with provinces to create new mechanisms to enable businesses to operate in multiple Canadian jurisdictions without having to register separately in each province or territory.

*William B.P. Robson is President and CEO of the C.D. Howe Institute.*

*To send a comment or leave feedback, email us at [blog@cdhowe.org](mailto:blog@cdhowe.org).*

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