Abstract: Drawing on research that is part of the five-year Major Collaborative Research Initiative project examining public policy in Canadian municipalities, this article provides an overview of the federal-municipal machinery developed to facilitate urban policy and program development. The “federal-municipal machinery” refers to the many programs and initiatives that have been used to structure federal-municipal relations and influence urban policy and development. The research timeframe begins with the period leading up to the creation of the Ministry of State for Urban Affairs, in 1971, and continues through four decades to include recent events of note such as the creation of the Prime Minister’s Caucus Task Force on Urban Issues, the subsequent announcements of the New Deal, and the Gas Tax Fund for Canada’s cities and communities. The authors begin with a discussion of why federal governments involve themselves in municipal and urban affairs and then provide an overview of their analysis by identifying patterns and trends in the evolution of federal-municipal machinery. They then discuss the effectiveness of the machinery, over three periods, and conclude by considering the implications of their findings for the future of federal-municipal relations in the context of the growing pressures facing urban Canada.

Sommaire : Fondé sur la recherche entreprise sur cinq ans dans le cadre du projet intitulé « Grands travaux de recherche concertée » qui examine la politique gouvernementale dans les municipalités canadiennes, le présent article donne un aperçu de l’appareil fédéral-municipal mis au point pour faciliter l’élaboration de programmes et de politiques dans le secteur urbain. L’appareil fédéral-municipal fait référence aux nombreux programmes et initiatives qui ont servi à structurer les relations fédérales-municipales et à influencer la politique d’urbanisme et son développement. Le cadre de référence de la recherche commence avec la période menant à la création du département d’État chargé des Affaires urbaines en 1971 et se poursuit sur quatre décennies pour inclure de récents événements remarquables, comme la création du Groupe de travail du caucus du premier ministre sur les affaires urbaines du Canada, les annonces subséquentes du Nouveau Pacte et du Fonds de la taxe sur l’essence pour les villes et collectivités du Canada. Les auteurs commencent par une
discussion sur la raison pour laquelle les gouvernements fédéraux s’impliquent dans les affaires urbaines et municipales, puis ils présentent une vue d’ensemble de leur analyse en identifiant les modèles et les tendances dans l’évolution de l’appareil fédéral-municipal. Enfin, ils discutent de l’efficacité de l’appareil sur trois périodes distinctes et concluent en examinant les implications de leurs résultats pour l’avenir des relations fédérales-municipales dans le contexte des pressions croissantes auxquelles fait face le Canada urbain.

Drawing on our research, which was part of the five-year SSHRC-funded Major Collaborative Research Initiative (MCRI) project examining public policy in Canadian municipalities, this article provides an overview of the federal-municipal machinery developed to facilitate urban policy and program development. By federal-municipal machinery, we refer to the many programs and initiatives that have been used to structure federal-municipal relations and influence urban policy and development.¹ Our research time frame begins with the period leading up to the creation of the Ministry of State for Urban Affairs (MSUA), in 1971, and continues through four decades, to include recent events of note such as the creation of the Prime Minister’s Caucus Task Force on Urban Issues, and the subsequent announcements of a New Deal for Cities and Communities, and the Gas Tax Fund (GTF).

Issues such as declining competitiveness, urban sprawl, the environment, crime and so on may have urban epicentres, but the political fallout is national, and this has helped to galvanize arguments for a more collaborative and multilevel approach.

The focus on federal machinery during this period reflects a belief that the late 1960s were a watershed in federal-municipal relations in terms of the federal government’s growing interest and investment in urban affairs (Tindal and Tindal 2004) and provides a crucial variable for explaining municipal policies and the quality of urban life in Canada. However, federal-municipal machinery remains a neglected area of research despite the federal government’s penchant for investing in urban infrastructure and renewed calls for a national urban strategy, place-based decision-making, and multilevel governance.

Our research draws on secondary literature, more than thirty semi-structured interviews and two roundtable workshops held in November 2005 and March 2007. The interviewees were selected on the basis of their knowledge and experience in the area. Typically, we identified academics with a long-standing interest in federal-municipal relations and public servants with
either a historical or current perspective on these issues. A number of our interviews were carried out in Ottawa with federal public servants currently overseeing federal involvement and spending in municipalities on behalf of a number of government departments. However, we have also attempted to gain a broader perspective by interviewing officials and academics across Canada.

"[L]ike moths to a flame, the feds are drawn to urban issues, even though they risk getting severely burnt"

The article begins with a discussion of why federal governments involve themselves in municipal and urban affairs and then provides an overview of our analysis by identifying patterns and trends in the evolution of federal-municipal machinery. We then discuss the effectiveness of the machinery, over three periods, and conclude by considering the implications of our analysis for the future of federal-municipal relations in the context of the growing pressures facing urban Canada.

Overview
Why do federal governments intervene in municipal affairs?

Risks and rewards

From the federal government’s perspective, there appear to be many good reasons for not getting involved in municipal affairs. The most obvious reason is that, constitutionally, provinces are responsible for local government and Ottawa is afforded no formal relationship with them. Nevertheless, this fact did not stop N. Harvey Lithwick criticizing the federal government for avoiding an urban role: “The federal government has used the constitution as an excuse to abstain from playing a responsible urban role, despite overwhelming evidence that it is the principal actor in the urban political reality” (1970: 577).

Lithwick’s comment reveals the basic paradox at the heart of federal-municipal relations in Canada: though given no formal powers over local government, the reality for federal government is that almost everything it does and spends has a direct or indirect impact on municipalities and urban centres.

Faced with this reality, federal government involvement in municipalities and urban centres carries a number of risks. Not least of these is the political wrath of the provinces, which guard their powers jealously. As a result, federal interventions and spending in cities and communities tend to be ad hoc and opportunistic rather than stable and predictable. The absence of
constitutional authority also makes it difficult for the federal government to enforce conditions on provincial and municipal funding. Consequently, when federal money is spent by other levels of government, federal coordination, evaluation and accountability for results becomes increasingly complex. In an era of minority government, when retail politics really matter, the federal government also runs the risk that credit for spending the money will be shared by provincial and municipal governments while the government’s role will go unrecognized by the electorate.

A further concern for the federal government is the sheer scale of the funding required by municipal governments, especially large urban centres. Rapid urbanization and immigration, allied to provincial downloading, has created enormous municipal challenges in areas such as infrastructure, housing and transport. In infrastructure alone, the so-called “infrastructure gap,” whereby urban costs continue to outstrip revenues, is estimated by the Federation of Canadian Municipalities (FCM) to be over $123 billion and growing daily. This represents a potential “black hole” into which federal governments could easily be drawn, as their financial commitments rise and local reliance on them increases.2

In spite of the significant disincentives and constitutional limits, there is a strong history of federal involvement in urban affairs. As C. Richard Tindal and Susan Nobes Tindal observe, “While local government doesn’t have any direct link with the federal government according to the constitution, nothing could be further from the truth” (2004: 207). The reason is that federal governments are acutely aware of the significant opportunities to develop a stronger policy handle and maximize political capital by investing in urban programs and projects. Issues such as declining competitiveness, urban sprawl, the environment, crime and so on may have urban epicentres, but the political fallout is national, and this has helped to galvanize arguments for a more collaborative and multilevel approach.

It was also suggested to us that greater federal spending and involvement in cities and communities, triggered through initiatives, such as the New Deal for Cities and Communities and Infrastructure Canada, were really about raising the profile of the Liberal party in urban centres across the country. Several of the interviewees also suggested that the federal Liberal party had faced increasing pressure to develop an urban agenda from within
its own ranks. In particular, it was pointed out that many Liberal MPs have seats based in Ontario’s big urban centres and have to respond daily to the social, economic and political problems attributed to underfunding and a lack of investment. In Toronto alone, the Liberal party has a large number of MPs, many of whom have marginal seats.

The political lens was also used by several of our respondents to explain why federal government spending is increasingly directed towards high-profile capital investment projects that raise the visibility of federal spending. As one bureaucrat put it, “Such investment is managed by the federal government in order to maximize the ‘ribbon cutting’ and ‘photo opportunities’ that help transform investment and publicity into votes.” The potential risks and rewards that accompany federal forays into urban affairs prompted another interviewee to suggest that, “like moths to a flame, the feds are drawn to urban issues, even though they risk getting severely burnt.”

For their part, provincial governments have tolerated direct federal involvement in municipal and urban issues in recent decades, albeit largely out of fiscal necessity. As provincial resources have been stretched – since the 1960s in particular – through growing expenditure on welfare programs, health and education, provincial governments have been increasingly willing to accept some federal incursions into their constitutional jurisdictions. Quite simply, as J. David Hulchanski points out, “If federal money is made available to municipalities it is politically difficult for a provincial government to deny municipal government access to that money” (2003: 14).

The ebb and flow of federal-municipal relations
Federal involvement in urban and municipal affairs is not a linear progression; it fluctuates over time in response to a number of contingent factors. J. Wolfe (2003), for example, suggests that the concept of a national urban policy has emerged forcefully over the course of the twentieth century, particularly at times of urban crises in areas such as poverty, housing and infrastructure. Connected to this role, federal spending in Canadian cities and communities can be seen as part of its role in nation-building, with resources being re-allocated from relatively affluent parts of Canada to relatively less well-off provinces, cities and regions.

A former civil servant at the Department of Economic Expansion suggested two other factors were crucial in determining the degree of federal involvement in municipal affairs. The first is related to the finances of the federal government and the amount of surplus it has to spend on urban issues and programs. The second is the state of relations between federal and provincial levels of government and, more specifically, the political climate with regard to federal powers and the Constitution. His point is that the greater the tension or conflict between the two levels of government, the less
likely or able the federal government is to become directly involved in urban and municipal affairs. Certainly, in our research, the nature and extent of federal-municipal machinery does appear to correspond with the ebb and flow of constitutional politics and, in particular, the cycle of conflict and cooperation that characterizes different “eras” in federal-provincial relations.

B. Young has argued that other contingent variables also play a part in driving and shaping federal-municipal machinery and investment. Of these factors, he highlights the nature of the municipality, the policy field, the position and policy capacity of the federal government and the role of the province in mediating the relationship (2003: 5). In addition, many of our interviewees believed that Prime Minister Martin’s personal interest in urban issues, for example, was a factor in driving the New Deal and other tripartite initiatives across Canada. This is a view shared by Christopher Dunn: “In 2003 the urban file was not as central to the federal vision, in part because the cities’ champion Martin had been banished from cabinet . . . . The years 2004 and 2005 saw the rebirth of the urban file with the advent of Martin as Prime Minister” (2005: 59).

Not surprisingly, then, many “variables” play a significant role in shaping the extent and type of federal-municipal machinery used in any given period, and, drawing on John Kingdon’s work (2003), the extent and nature of federal-municipal machinery can be seen to vary with the policy windows that open and close with the interplay of problems, politics and policies.

Although others in this special edition of this journal examine the reasons why urban issues rise on the federal policy agenda more closely, we think this framework is useful and remain cognizant of these factors, and the dynamic they create, as we turn our attention to the central issue of how federal governments have extended their reach into urban and municipal affairs.

Patterns and trends in federal-municipal machinery

In order to analyse the federal-municipal machinery of the past four decades, we begin by highlighting the key structures, programs and initiatives that have tended to dominate the relationship at various times and provide a preliminary assessment of their impact. We then examine the scope and “intrusiveness” of the machinery and identify the key trends that have emerged.

Three eras of federal intervention

Our preliminary research suggested that there have been three distinct periods, or “eras,” in federal-municipal machinery during the last forty years. In particular, we identified the period of the late 1960s to 1978 (the end of the MSUA), the period 1979–93 (considered to be an interregnum in terms of
Table 1. Changing Nature of Federal-Municipal Machinery, over a Forty-Year Period: 
Analysing Three Eras

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<tbody>
<tr>
<td>Ministry of State for Urban Affairs (MSUA)</td>
<td>Trilateral agreements</td>
<td>Canada Infrastructure Works Program</td>
</tr>
<tr>
<td>Canada Mortgage and Housing Corporation (CMHC)</td>
<td>Urban Development Agreements (UDAs)</td>
<td>Infrastructure Canada</td>
</tr>
<tr>
<td>Department of Economic Expansion (DREE)</td>
<td>Economic and Regional Development Agreements (ERDAs)</td>
<td>New Deal for Cities and Communities</td>
</tr>
<tr>
<td>Neighbourhood Improvement Programs (NIPs)</td>
<td>Department of Regional Industrial Expansion (DRIE)</td>
<td>Minister of state (Infrastructure and Communities)</td>
</tr>
<tr>
<td>Residential Rehabilitation Assistance Program (RRAP)</td>
<td>Atlantic Canada Opportunities Agency (ACOA)</td>
<td>Prime Minister’s Caucus Task Force on Urban Issues (chaired by Judy Sgro)</td>
</tr>
<tr>
<td>Community Planning Association of Canada (CPAC)</td>
<td>Federal Economic Development Initiative of Northern Ontario (FedNor)</td>
<td>National Homelessness Initiative (NHI)</td>
</tr>
<tr>
<td>National trilevel conferences and meetings</td>
<td>Regional Councils for Senior Federal Officials</td>
<td>Supporting Communities Partnership Initiative (SCPI)</td>
</tr>
<tr>
<td>General Development Agreements (GDAs)</td>
<td>Federal Economic Development Coordinators (FEDCs)</td>
<td>National Research Council (NRC)</td>
</tr>
<tr>
<td></td>
<td>Community Development Partnerships (CDPs)</td>
<td>Urban Aboriginal Strategy (UAS)</td>
</tr>
</tbody>
</table>

federal-municipal relations), and 1994–2006 (a period dominated by federal investment in local infrastructure and the New Deal for Cities and Communities) as significantly different eras in federal-municipal relations. All the interviewees felt this classification was helpful and provided a useful way of thinking about the changing nature of federal-municipal machinery. Table 1 sets out the three eras and the key machinery that helped define them.

Late 1960s to 1978: Attempts to institutionalize federal-municipal machinery

Established in 1946, the Canada Mortgage and Housing Corporation (CMHC) was a central component in dealing with Canada’s post-war housing problems and during the period 1950 to 1970 formed an important part of the federal-municipal machinery. Several important programs were introduced by the CMHC, including the Community Planning Association of
Canada (CPAC). Based on the concept of community engagement in planning and land-use decisions, the program was formed in the 1950s, before cuts in grants during the 1970s led to its demise.

In 1967, the Federal-Provincial Conference on Housing and Urban Development was held in Ottawa, and Prime Minister Pearson spoke about the federal role in addressing urbanization. The following year, the Liberals, under Trudeau, came to power promising a strong federalist agenda and subsequently appointed the Federal Task Force on Housing and Urban Development (1968). Led by Paul Hellyer, then minister of transport, the task force report recommended a “greatly expanded federal role” and the establishment of a Ministry of State for Urban Affairs (cited in Tindal and Tindal 2004: 208). The establishment of MSUA is seen as a landmark and is undoubtedly the machinery that dominates reflection on this period of federal-municipal relations. Established in 1971, the MSUA’s official mandate was to effect a beneficial federal government influence on the process of urbanization, integrate the federal government’s urban policies with its other policies, and foster cooperative relationships on urban affairs with the provinces and municipalities.

In 1969, the federal government also created the Department of Regional Economic Expansion (DREE). The early 1960s saw a wide variety of specially focused economic development programs that were perceived to be overlapping and untidy. A major policy review from 1972–74 led DREE to develop a series of ten-year General Development Agreements, which were generally well received and required the full cooperation of the provinces.

Perhaps conscious of the centralizing top-down potential of MSUA, the federal government introduced a number of mechanisms for enhancing citizen and local engagement during this period. Starting in 1973, for example, it initiated annual Federation of Canadian Municipalities (FCM) briefs to the federal cabinet in order that cabinet members be made aware of the municipal perspective. Furthermore, in the same year, it introduced the Neighbourhood Improvement Program and the Residential Rehabilitation Assistance Program. These initiatives required that residents be involved in the planning and implementation of local policies, and so gained some control over what happened to their community in the new environment.

This period in federal-municipal machinery was also characterized by a number of trilevel meetings and conferences aimed at integrating federal, provincial and municipal responses to urban issues. The first trilevel meeting, in Winnipeg in April 1971, helped to set up a national trilevel conference. A second national trilevel conference, held in Edmonton in October 1973, addressed the management of growth, housing and land-use strategy, transportation and public financing and explored a possible three-way approach to managing growth. A third national trilevel conference, to discuss task force findings, was scheduled for the autumn of 1976 in Mon-
tebello, Quebec. However, faced with growing demands for constitutional recognition for municipal government by the FCM, the event was eventually cancelled when provincial ministers of urban and municipal affairs announced they wouldn’t be attending, and no further national trilevel conferences were held.

Along with the demise of the MSUA, the cancellation of the trilevel conference symbolized the end of an era that saw attempts at building a comprehensive multilevel governance approach on a national scale replaced by more opportunistic trilateral arrangements geared to specific cities and regions.

1979–93: From national to regional and local agreements

By 1981, a number of trilateral agreements had evolved, and these brought together federal, provincial and municipal levels of government to address complex and spatially concentrated social and economic problems. For example, Urban Development Agreement collaborations pioneered in Winnipeg and later Vancouver, brought together the problem-solving resources of different levels of government, the community and business sectors in an integrated strategy for community-driven revitalization. The best known examples during this period include the Winnipeg Core Area Initiative and the Winnipeg Development Agreement.

As the era of cooperative federalism was replaced with contested federalism, other federal-municipal machinery began to take on a more regional dimension. For example, by the early 1980s, General Development Agreements were being replaced with new agreements labelled Economic and Regional Development Agreements, and, in January 1982, the federal government created the Ministry of State for Economic and Regional Development and the Department of Regional Industrial Expansion. Two significant regional organizations, the Federal Economic Development Initiative of Northern Ontario and the Atlantic Canada Opportunities Agency emerged as a means for targeting programs for regional economic stimulation.

With visibility and responsiveness, two of the key criteria in federal-municipal relations, Ottawa dispatched bureaucrats to the regions to gauge needs and establish a presence: 1982, for example, saw the creation of Regional Councils for Senior Federal Officials and the deployment of Federal Economic Development Coordinators. During this period, importance was also placed on Community Development Partnerships. Also based on the principle of greater local autonomy, the partnerships were intended to cultivate financial and human resources at the grassroots level, so local communities could develop capacity and deliver government policy. Emphasis was on replacing centralized, homogenized policy responses with ones that are community sensitive and innovative – what today might be called place-based, or place-sensitive, solutions.
The late 1980s and early 1990s saw repeated calls for a trilevel approach to infrastructure investment in Canada’s urban centres and communities. In 1993, growing pressure, fuelled by a sense of deepening crisis, led the Liberals to announce the Canada Infrastructure Works Program, and this was launched the following year, with an initial two-year $6-billion infrastructure program to upgrade transportation and local services and improve traditional and modern infrastructure such as the “Information Highway.”

By 2002, the various infrastructure programs were brought together by the creation of Infrastructure Canada. The establishment of Infrastructure Canada, led then by minister of state John Godfrey (Infrastructure and Communities), coordinated federal efforts to build the New Deal for Cities and Communities. The department was also established to make strategic investments in sustainable infrastructure projects through partnerships that meet local community needs.

In February 2004, federal commitments to GST rebates for municipalities were announced, along with an acceleration in infrastructure funding and the exploration of gas tax sharing arrangements proposed for innovative policies for urban social economy and aboriginal peoples in cities. The creation of a new minister for urban affairs was one of the proposals made by the Prime Minister’s Caucus Task Force on Urban Issues. Inaugurated in 2001 and chaired by Liberal MP Judy Sgro, the final report (2002) stopped short of proposing a national urban strategy but recommended more autonomy for municipalities and more collaboration among all levels of government.

As part of its attempt to address urban homelessness, the federal government had already established the National Homelessness Initiative. Launched in 1999, the three-year initiative was designed to help ensure community access to those programs and services aimed at alleviating homelessness in communities across all provinces and territories. The centrepiece is the Supporting Communities Partnership Initiative, which supports local partnerships in putting in place comprehensive local strategies. The federal role is to encourage and enable community partners to lead development and implementation through the designated “community entity” of a municipal government or network of agencies.

The National Research Council established research centres in regions and provided $110 million to help forge links with private-sector partners and the Community Development Partnerships, which received $135 million from the federal government over five years and was formed to support local economic planning and finance small businesses in Canada’s rural Atlantic communities.

Disappointing general election results in 2000 and 2004 in western Canada made it a high Liberal priority for regional investment. Senior ministers and the prime minister were seen spending much more time in the west, stressing the federal government’s commitment to western economic diver-
sification. Consequently, western Urban Development Agreements continue to be prominent into the current era. For example, the Canada-Manitoba Agreement for Community and Economic Development (2004–09) builds on twenty years of community-based experience in Urban Development Agreements and networks in Winnipeg to set out new strategic policies. These emphasize aboriginal participation in community and economic life, sustainable neighbourhoods, and knowledge-based cluster development.

Tripartite urban development models are also being used to address specific urban initiatives. One of the best known is the Vancouver Agreement, a tripartite Urban Development Agreement between the governments of Canada, British Columbia, and the City of Vancouver. The agreement, signed in March 2000, commits these government partners to come together and work with local communities and business interests to develop a coordinated strategy for sustainable economic, social and community development. The first focus of the Vancouver Agreement is the city’s infamous “downtown eastside” area.

A related example of regional federal-municipal machinery in this period is the Urban Aboriginal Strategy, which decentralizes federal funding to local committees in order to facilitate improved responses to community priorities and integrate funding streams from different departments. Created in 1998, with $25-million funding over three years, the agreement was intended to coordinate federal services for the growing number of aboriginal peoples living in cities.

The scope of federal-municipal machinery

In addition to seeing the development of federal-municipal machinery in chronological terms, it is also useful to consider the changing scope of the relationship over the three periods. While the MSUA, and more recently Infrastructure Canada, appear to represent the most overt attempts to institutionalize federal-municipal relations, other federal initiatives and interventions in municipal and urban affairs amount to little more than exhortation and persuasion. In between these two positions is a plethora of federal initiatives, policies and instruments that can have a direct and indirect impact on municipalities. We have divided these various instruments into a range of categories, from direct (formal/intentional) to indirect (informal/unintentional) and use examples to illustrate each one in Table 2.

In addition to highlighting the multitude of ways that federal government affects municipalities, Table 2 also illustrates the various degrees of intention and intrusiveness associated with different aspects of the machinery. For example, the CMHC makes strategic policies designed to address urban problems, such as housing and homelessness, whereas the enormous impact that federal immigration policy has on cities such as Vancouver, Montreal and Toronto tends to be viewed simply as an externality by policy-makers in Ottawa. Such policies often produce unintended fiscal and social consequences
### Table 2. The Scope of Federal-Municipal Machinery

<table>
<thead>
<tr>
<th>Built structures</th>
<th>Unilateral projects</th>
<th>Trilevel/regional machinery</th>
<th>Fiscal leverage</th>
<th>Task forces/commissions</th>
<th>Indirect urban impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov. depts./agencies</td>
<td>Public Works projects</td>
<td>National and regional agreements</td>
<td>Transfers and funds</td>
<td>Federal, urban reports</td>
<td>Federal policies and presence</td>
</tr>
<tr>
<td>Dept. of Regional Industrial Expansion (1982)</td>
<td></td>
<td></td>
<td>Urban Aboriginal Strategy</td>
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<td>Trade policy</td>
</tr>
</tbody>
</table>
for municipalities that can undermine the intended outcomes of policies and programs developed by CMHC and other parts of the machinery.

The scope of the federal-municipal relationship has also been analysed using other useful classifications. Loleen Berdahl, for example, suggests that “the informal and ad hoc federal-municipal relationship has evolved around three primary points of contact: political interaction, bureaucratic interaction and joint tripartite agreements” (2004: 31). She suggests that the degree of federal-municipal political interaction, though only modest, consists of occasional dialogue among mayors and federal and regional ministers and occasionally city councillors, especially if they are members of the Federation of Canadian Municipalities. She also identifies the lobbying power of the Big City Mayors Caucus (the “C5”) as an important factor in this relationship.

Emerging trends in federal-municipal machinery

While the sheer scope of federal-municipal relations makes it difficult to identify themes and patterns, we suggest that certain broad trends have emerged during the last four decades, and these are summarized in Table 3. Although Table 3 is simplified to illustrate these trends, we do not suggest that the changes have been linear or particularly coherent over the four decades. In reality, the changes have been largely ad hoc, inconsistent and episodic. Nevertheless, it appears that the clearest and most significant trend has been the gradual shift from attempts to “build” federal-municipal machinery to the practice of “buying” federal influence. From attempts in the 1960s and 1970s to establish federal departments and corporations such as the MSUA, and before that the CMHC, to coordinate and deliver the federal government’s urban policies, the trend away from this has seen federal spending as the preferred means of influencing urban affairs.

Accompanying the shift from “building machinery” to “buying influence,” particularly in areas of physical infrastructure, has been the move towards more decentralized forms of project-based trilevel cooperation, which have emerged as the modus operandi in federal-municipal machinery. Trilevel agreements usually involve the transfer of federal and provincial funds to municipalities, and, although this provides some local autonomy about which projects to prioritize, this is limited by the need to get support from higher levels of government and by an elaborate framework of rules and procedures that govern grants and contributions.

Dunn’s summary of the 2005 budget encapsulates several of the trends, indicated in Table 3, that underpinned the so-called New Deal for Cities and Communities:

For the mayors of Canada’s cities, fiscal federalism means the funds flowing to them through the federal gas tax sharing and sales tax relief in the 2005 budget, as well as new funding for infra-
structure and the Green Fund for environmental initiatives. With $5 billion in gas tax funding topping the list, more than $9 billion will be transferred to cities and municipalities over a five-year period. Paul Martin calls it a new deal for cities (2005: 58).

Although not yet fully evaluated, commitments to make the Gas Tax Fund a permanent feature of federal-municipal funding are consistent with the trend for longer-term funding.

Table 3. Analysing Trends in Federal-Municipal Machinery, for the Last Forty Years

<table>
<thead>
<tr>
<th>Trends</th>
<th>Late 1960s</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building machinery</strong></td>
<td>Broad national structures emphasizing departmental and bureaucratic links</td>
<td>Buying influence</td>
</tr>
<tr>
<td><strong>Centralized</strong></td>
<td>Top-down decision-making in Ottawa (shallow federalism)</td>
<td>Decentralized</td>
</tr>
<tr>
<td><strong>Unilateral</strong></td>
<td>Direct federal intervention into cities and urban affairs on a broad range of issues</td>
<td>Intergovernmental</td>
</tr>
<tr>
<td><strong>Social infrastructure</strong></td>
<td>Federal initiatives centred on addressing social urban problems, such as housing, homelessness, poverty and aboriginal issues</td>
<td>Physical infrastructure</td>
</tr>
<tr>
<td><strong>Short-term funding</strong></td>
<td>Federal funding for urban programs and initiatives largely ad hoc and ephemeral, subject to changes in economic performance and political direction</td>
<td>Longer-term funding</td>
</tr>
</tbody>
</table>
Detailed analysis of the forces driving the changes identified in Table 3 are beyond the scope of this article, but a plausible case can be made that they are indicative of broader bureaucratic, political and social changes over the past forty years. For example, Donald Savoie (2008) has made a persuasive case arguing that federal bureaucrats have been disempowered during this period relative to their political masters, and this may have contributed to a lack of confidence and capacity with respect to public servants attempting to build institutional trilevel machinery. Over the same period, changes in mass media and communication have transformed politics and politicians, with much greater emphasis on ensuring political capital is effectively derived from government spending. In terms of social change, the relatively strong emphasis on a pan-Canadian role for the federal government under Trudeau, for example, manifested itself through programs that promoted equalization, nation-building and the development of a Keynesian welfare state system. Constitutional crises, greater provincial and regional autonomy and demands for subsidiarity and a smaller federal government role have subsequently transformed Canadian federalism over the last four decades. Together, these broader changes may help us to explain the trends highlighted in Table 3 and, in particular, the current preference for a more “arm’s-length” federal approach to urban affairs that relies more on money than machinery for political leverage.

**Assessing federal-municipal machinery**

One of our research questions invited interviewees to reflect on how effective they perceived federal-municipal machinery to have been during each of the three periods. Because the question of effectiveness is so subjective, and because the results produced in each era are so much a product of their time, this approach is limited. However, we equated effectiveness with the federal government’s capacity to deliver “timely interventions” in municipal and urban affairs, and this provided a useful framework for reflection and a means to engage with the existing literature.

Of the institutions aimed at building federal-municipal machinery, the Canada Mortgage and Housing Corporation was one of the earliest and most prominent. As part of the federal government’s Keynesian management of the economy, the corporation was used to stimulate local economies and later moved into areas of urban renewal and neighbourhood planning. According to Mary Louise McAllister, until the 1980s, the CMHC “played a huge role” in assisting in the building of new homes, and, citing Donald Higgins (1986), she points out that between one-third and one-half of all new homes built each year in Canada since 1946 have been financed through the National Housing Act (2004: 120). However, as McAllister also points out, the CMHC initiatives did not come without social or environmental costs. In particular, C. Leo (1995) argues that CMHC policies contributed consider-
ably to suburban development, low-density planning and the rapid growth of automobile use compared to public transit.

The Ministry of State for Urban Affairs marked the most ambitious and direct attempt to institutionalize federal-municipal relations during this period. Introduced as a response to the urban crisis of the late 1960s and 1970s and a fear that, as in the U.S., Canadian cities would become the breeding ground for social unrest and civil protest, the MSUA was intended to design national urban policies and coordinate federal departments whose activities have an impact on local government. One interviewee commented that the MSUA was an attempt to “construct modern government through new horizontal linkages.”

The main weaknesses of the MSUA were identified as its lack of funding and the resentment of provincial governments and federal departments and agencies, including the CMHC. As one of our interviewees commented: “MSUA challenged the notion of departmental authority (horizontality) – but no real levers, no sanctions, programs, inducements or fiscal clout – so basically it was a ‘thought factory’ . . . very few of the federal officials had municipal experience, and there was a cultural divide with officials unable to speak the same language.”

The severe lack of funding and political commitment that limited the efficacy and potential of the MSUA brought about its demise in 1979, though several interviewees believe its decline was precipitated by the impending constitutional crises of the early 1980s. According to Berdahl, the legacy of the MSUA’s demise is that, to this day, “[The] MSUA is often given as an excuse for inaction rather than motivation to find a better model for managing the federal government’s urban role” (2004: 29).

Ironically, the MSUA’s main legacy was to mark the end of the period wherein federal governments attempted to build centralized intergovernmental machinery. The bitter and sometimes painful experiences of this era, combined with the changing political climate, led to the more flexible local and regional agreements that characterized another distinct period in federal-municipal relations.

In addition to digesting the lessons from the MSUA, several reasons were put forward as an explanation of why the period between the late 1970s and the early 1990s became a relatively quiet period in federal-municipal relations. On the international stage, the federal government was consumed with its negotiation of the NAFTA agreement, while, domestically, the constitutional wrangling epitomized by the Meech Lake and Charlottetown accords was a drain on federal resources and created a climate in which federal-municipal relations were effectively off the table.

Paradoxically, in spite of these changes, many of our interviewees believe that federal government’s limited urban policies were successfully delivered and relatively effective during this period. A key factor in this appears to have been the increased use of regional bodies and trilevel agreements
for undertaking specific project such as the regeneration of Winnipeg’s downtown core. Regional councils were established in 1982, with one in each province and territory. Typically, council membership includes regional directors, general and assistant deputy ministers and gradually they have grown in importance (Berdahl 2004). According to Luc Juillet’s research (2002) into Federal Regional Councils, more people are looking to federal councils for help when dealing with the formulation and implementation of horizontal policies, and, recently, they have been asked to play important roles in the management of two long-term federal government policies to address homelessness and urban aboriginal policies. Since their introduction, successive federal governments have been willing to fund many such agreements. As a collaborative exercise between federal-provincial and municipal levels of government, it is argued that they avoided the need for political or constitutional wrangling over jurisdictions at a time when strong federal-municipal machinery was not possible.

However, a significant note of caution in the auditor general’s report concerns the potential confusion caused when the federal government’s funding for trilevel initiatives comes through a variety of federal departments and programs

As these initiatives indicate, it would be misleading to suggest that nothing happened during this “interregnum” period in respect of federal-municipal relations, but, without exception, our interviewees considered it to be the least ambitious and uncoordinated of the three eras. The emphasis on regional initiatives was the defining characteristic of the period, and, while some of these were effective in delivering timely interventions, the main feature appears to have been that they did not antagonize federal-provincial relations.

As we discussed earlier, the third period in our study of federal-municipal relations is characterized by federal spending on specific urban projects and, since the early 1990s, increased investment in local infrastructure. Although one of our interviewees believed the federal commitment to municipal infrastructure remained largely rhetorical until almost a decade later, the willingness to invest was seen as very timely, given the recession and the large number of unemployed construction workers at the time. During the 1980s, the federal government resisted the lobbying efforts of FCM and the numerous calls for federal money for local infrastructure. However, C. Andrew and J. Morrison suggest that because of the preoccupation with job creation in the early 1990s, urban infrastructure was viewed as a way to create jobs; hence the program proposal was included in the Liberal Party’s 1993 election strategy (2002: 245).
By 2002, the various infrastructure programs were brought together by the creation of Infrastructure Canada, and there was broad support for this and the longer-term investments in municipal infrastructure that have resulted. Because of its coordinating role, Wolfe (2003) senses a “slight case of déjà vu” with the MSUA. There were a number of comments to this effect in our interviews. In particular, it was suggested that the creation of Infrastructure Canada, the Cities Secretariat, and the minister of state (Infrastructure and Communities) constitutes a return to a more direct federal role not seen since the break up of the MSUA.

However, many were dismissive of such parallels and pointed to some key differences between the two; in particular, the current federal role was seen more as “facilitation,” “capacity-building” and “promotion” rather than a return to the priority and agenda-setting role that had made the MSUA so unpopular with other departments and agencies. Moreover, as one prominent federal actor pointed out, a key difference is that the MSUA suffered from a real lack of funding, which meant it lacked credibility and was always dependent on other departments. Infrastructure Canada, on the other hand, has considerable funding, and this provides the department and the minister with “real clout and respect across Canada.”

In terms of the Gas Tax Fund, it was also felt to be significant that it was long-term and has a “place-based” component that is designed to address the dilemma posed by Neil Bradford: “Canada’s new urban agenda must strike a balance between valuing local flexibility and community-based innovation on the one hand, and safeguarding equity and accountability across cities on the other hand” (2004: 71). The GTF faces a number of challenges concerning results and accountability (cf. Stoney and Bellefontaine 2008), but, because of its alignment with current trends in federal-municipal machinery and its potential to accommodate the contradictions and constraints that underpin the federal-municipal relationship, the GTF could provide a template for federal-municipal relations into the foreseeable future.

Trilevel agreements around specific projects also characterized this period. For example, the traditionally national role of the CMHC in providing new housing stock was replaced in favour of specific trilevel cooperation with provincial and municipal governments. Although the CMHC does not influence national housing policy to the same extent it did in previous decades, this new approach has delivered a number of large-scale, affordable housing programs since 2000 (McAllister 2004).

Other trilevel agreements have been tried in areas such as transportation, infrastructure, community health and sustainable development. It is difficult to assess trilevel agreements as a whole, but many we interviewed cited individual examples that they felt had produced positive outcomes. The Vancouver Agreement (funded in 2003), was frequently raised as a good ex-
ample of what could be achieved by trilateral collaboration. In addition, the Vancouver Agreement was one of several initiatives to be assessed by the Office of the Auditor General, in 2005, and judged to be a fine example of horizontal management and accountable government:

Vancouver Agreement – a promising model
The Vancouver Agreement has become a benchmark for other urban development agreements in Western Canada. It began in 2000 as an unfunded agreement to dovetail existing federal programs from different departments with provincial and municipal services so that the needs of the community could be more effectively addressed. In April 2003, the agreement became a funded initiative when the federal and provincial governments agreed to commit $10 million each.

The agreement has received three major awards:
- the Institute of Public Administration of Canada’s Award for Innovative Management for Horizontal Collaboration in 2004;
- the United Nations’ Public Service Award for “improving transparency, accountability and responsiveness in public service” in 2005, which cited the agreement for its innovative partnership with government agencies, community groups, and businesses; and
- the Association of Professional Executives of the Public Service of Canada Partnership Award in 2005.

Officials from all three levels of government told us that flexibility was an important characteristic of the agreement. They identified broad principles but there was flexibility in how the objectives would be achieved. This allowed the arrangement to evolve as the relationships between the governments were built

(Canada, Office of the Auditor General 2005: Chapter 4, Exhibit 4.5).

The auditor general’s report draws particular attention to the fact that the Vancouver Agreement governance model facilitated provincial, municipal and federal governments working together to meet the needs of the community and found that the Western Economic Diversification Canada “provided leadership as the federal representative” (Exhibit 4.50). There was also some coordination between the activities of the Vancouver Agreement and the National Homelessness Initiative: “The Vancouver Agreement’s task team on homelessness and housing met monthly leading to increased co-ordination between Human Resources and Skill Development and the British Columbia and Yukon office of the Canada Mortgage and Housing Corporation” (Exhibit 4.5).

Concerns were also raised that the more the federal government relies on money to wield municipal influence, the more it is neglecting the development of machinery and programs that could better facilitate and coordinate federal-municipal relations.
However, a significant note of caution in the auditor general’s report concerns the potential confusion caused when the federal government’s funding for trilevel initiatives comes through a variety of federal departments and programs. In April 2003, when the Vancouver Agreement became a funded initiative, the federal government committed $10 million to the agreement: $5 million from Western Economic Diversification Canada; $3 million from the Urban Aboriginal Homelessness Strategy; and $2 million from the Urban Aboriginal Homelessness Program.

There is always a danger that this approach will descend into a “fiscal piñata,” with federal policy being determined by individual projects and political advantage rather than by being part of a coordinated strategy of urban renewal.

It’s not difficult to see why trilevel contribution agreements appeal to federal politicians, since federal money goes into specific projects that produce visible outcomes from which they derive political capital. However, as the auditor general has alluded, trilevel agreements also present some serious challenges in respect of evaluation and good governance. In particular, the involvement of three levels of government necessarily complicates evaluation and has the potential to undermine accountability. For example, the saga of Ottawa’s failed LRT project in 2006 illustrates some of the problems that trilevel funding can produce (cf. Stoney and Hilton 2007).

In addition, several respondents pointed out that in spite of their limited fiscal capacity, trilevel agreements often require municipalities to contribute one-third of the total cost of the project and leaves them to finance the costs of maintaining the asset over the remainder of its lifespan. This type of funding arrangement makes investment and renewal difficult to plan for, and, ironically, by increasing the likelihood of deferred maintenance, fuels the vicious cycle that has helped produce Canada’s infrastructure gap in the first place.

Conclusions
This article has provided an overview of the federal-municipal machinery of the past four decades and identified three periods in which federal approaches have been markedly different. Following attempts to build institutional machinery in the 1960s and 1970s, the “interregnum” period of the 1980s and into the 1990s saw the federal government adopt a more low-key approach based on establishing regional capacity and programs. Since the mid-1990s, the strategy has shifted towards federal involvement in trilevel agreements and, in particular, investment in municipal infrastructure.
In addition, we have explored the scope of federal-municipal machinery by illustrating the many and varied ways that federal governments influence municipal affairs and identified some broad trends that have emerged during this period. In particular, we highlighted the tendency to buy rather than build federal influence, the move from a unilateral, centralized federal approach to a more decentralized intergovernmental approach, the shift from social policies to investment in physical infrastructure, and some tenuous signs of a trend towards longer-term funding through programs like the Gas Tax Fund and the Building Canada initiative.

We also invited our interviewees to reflect on the effectiveness of the different periods. Although this is clearly a massive and very subjective question, well beyond the scope of our article, it was useful in highlighting some of the perceived strengths and weaknesses within each of the periods. While the MSUA lacked resources, it was considered to be an ambitious attempt to coordinate activities across federal departments through the development of an urban lens. Building a local federal presence within regions and communities was seen as the most effective aspect of the 1980s’ federal-municipal machinery. In particular, the Federal Economic Development Coordinators and the Neighbourhood Improvement Programs were seen as progressive initiatives that devolved decision-making to the local level. In the current period, the more permanent sources of funding for infrastructure are regarded as encouraging developments and, with the introduction of Integrated Community Sustainability Plans now a condition of the Gas Tax Fund, there is cautious optimism that federal leverage could again be used to promote community engagement around “sustainable” tri-level projects. That said, there is also concern that the federal government is extending its reach into municipal planning, and some scepticism that Integrated Community Sustainability Plans will facilitate the kind of community participation envisaged by advocates of place-based planning.

Concerns were also raised that the more the federal government relies on money to wield municipal influence, the more it is neglecting the development of machinery and programs that could better facilitate and coordinate federal-municipal relations. In particular, defeat of the Martin government appears to have killed whatever momentum was being generated by the New Deal’s urban agenda, and, while many spending commitments have been extended, the rhetoric around finding long-term solutions to urban issues has changed significantly. For example, faced with a new study that shows urban infrastructure is “near collapse” (FCM 2007), finance minister Jim Flaherty’s dismissive remarks that “we’re not in the pothole business in the government of Canada” (Campion-Smith 2007: A1) does not bode well for those seeking a more prominent federal role in a collaborative national framework within which to advance the urban agenda. In short, having been partially opened, the policy window for enhanced federal-municipal
machinery may now be closing, as the political context and policy agendas change and problems become re-defined and re-cast.

Furthermore, with the provinces able to exploit the federal government’s minority mandate, massive federal surpluses have helped to fuel open or asymmetrical federalism, and the attempt to coordinate a national agenda is rapidly being replaced with seemingly ad hoc federal funding for major capital projects. While this is a legitimate federal role, there is always a danger that this approach will descend into a “fiscal piñata,” with federal policy being determined by individual projects and political advantage rather than by being part of a coordinated strategy of urban renewal. In the broader context of Canadian federalism, the federal government appears to be particularly vulnerable in Quebec where the federal role of dirigeant continues to meet with fierce resistance in spite of providing disproportionate and sustained levels of funding (Graefe and LaForest 2008). Given these challenges, it seems likely that the federal role will continue to be that of arm’s-length financier, and the prospects for a national urban strategy appear increasingly remote.

In terms of the existing literature on federal-municipal machinery, our findings support Wolfe’s conclusion that the federal government has essentially three approaches to urban policy: first, internal coordination of its own activities; second, consensus-building on nation-wide federal-provincial municipal programs; and, third, trilevel consensus-building around a particular urban project that involves the private sector and civil society as well (2003: 14). In relation to our findings, the first approach dominated the period between the late 1960s to the late 1970s, the second approach characterized the regional machinery and agreements of the 1980s, and, since the mid-1990s, federal-municipal relations have increasingly relied on the third approach.

Though important differences exist between the three periods, two common threads include the scant attention given to the urban consequences of federal policies by politicians and bureaucrats and the continued lack of intergovernmental communication and coordination. As Berdahl observes, “Communication with municipal governments tends to be ad hoc, and this ad hocery limits the ability of Canadian governments to work together to address urban issues” (2004: 30).

To develop a coherent urban framework, the federal government would need to pursue all three options identified by Wolfe, not just the latter, which, in spite of providing federal cash, is really policy by project. That said, our research confirms that the state of federal machinery is really best understood as “the art of the possible” and provides little evidence that significant changes in multilevel collaboration are afoot. Building intergovernmental collaboration in Canada is a Herculean task that ultimately depends on the economic and political realities of the day.
Berdahl concludes, “Federal engagement in urban affairs is unavoidable, a fact of political life” (2004: 27), but, as with all aspects of Canadian politics, it is impossible to understand federal-municipal machinery without locating it within the broader context of the Constitution, federal-provincial relations, and the fiscal and power imbalance they create for municipalities. Consequently, for all those interested in multilevel governance, place-based policymaking, and federal attempts to develop a “more robust national framework for local problem solving” (Bradford 2004: 85), we hope that our research provides a timely overview of federal-municipal machinery and of trends current and past.

Notes
1 This broad conceptualization of “machinery” could more accurately be thought of as federal-municipal “architecture.” We employ this definition because, as Loleen Berdahl (2004) points out, to date the federal-municipal relationship has been informal and limited in scope.
2 A report commissioned by the Federation of Canadian Municipalities (2007) claims that the country has used up seventy-nine per cent of the service life of its public infrastructure and set the price for eliminating the municipal infrastructure deficit at $123 billion.
3 In 1997–98, the Canada Infrastructure Works Program received a further $425 million in new money to support local high-tech infrastructure projects, and this money had to be matched by provincial and municipal contributions.
4 This metaphor was coined by colleague Ellen Russell.

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