

A comparison of federalism in Canada and Australia

May 2006





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Variations on a (familiar) theme

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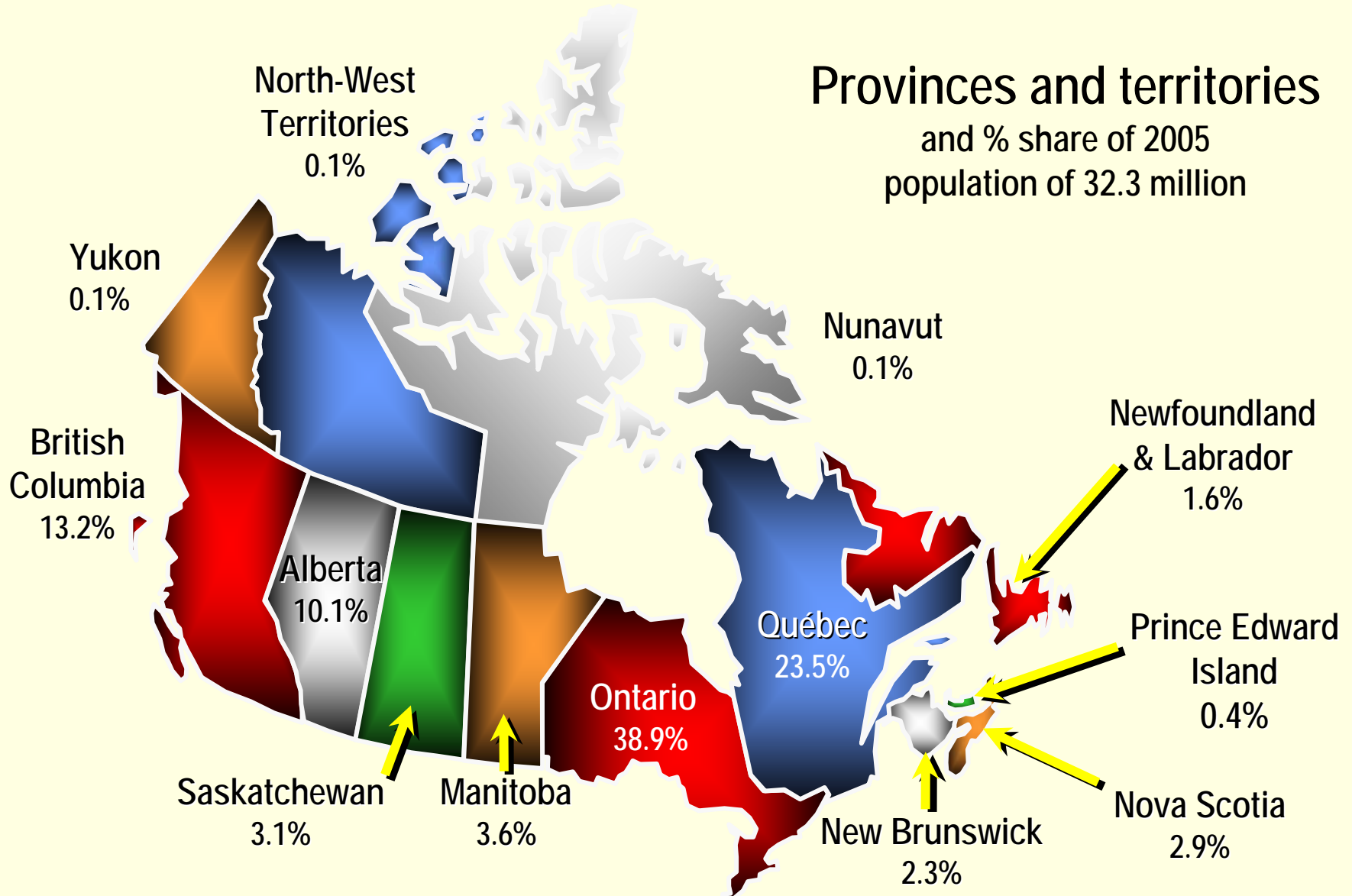
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Current issues in intergovernmental relations





A quick overview of Canada

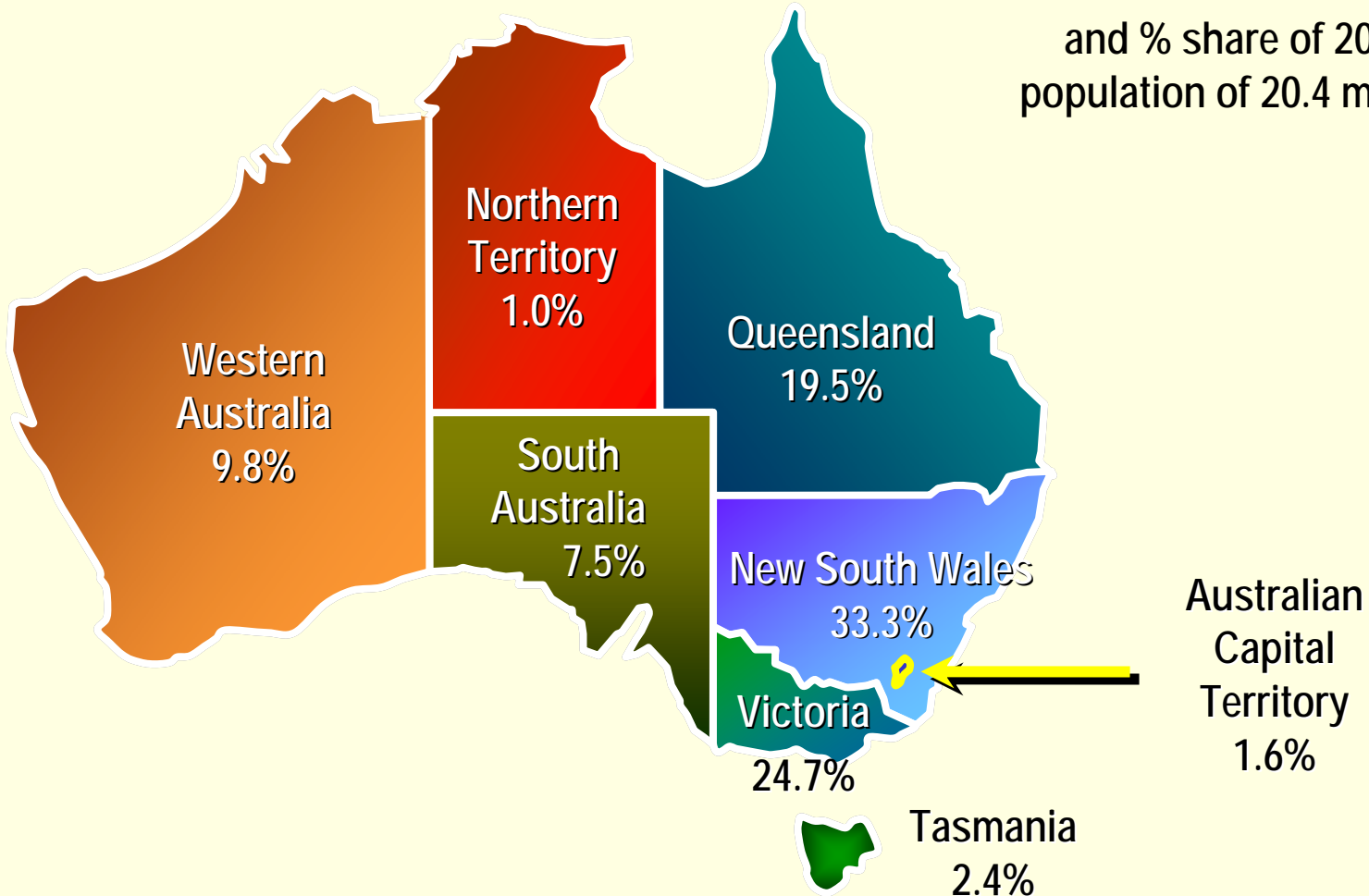




A quick overview of Australia

States and territories

and % share of 2005
population of 20.4 million





1

Variations on a (familiar) theme





Parliamentary systems with strong executives

- Westminster systems of government both federally and in States and provinces
- Executives are particularly dominant in Canada, given that:
 - Canada's elected House of Commons is seen as more legitimate than the unelected Canadian Senate
 - provincial legislatures are all unicameral
- By contrast, all Australian jurisdictions (except Queensland) have retained elected upper houses that
 - are often not controlled by their respective governments
 - exert substantial checks and balances on governments





Autonomy of senior orders of government

- Independent constitutional basis of authority of both federal and state/provincial governments
- Few / no **formal** constraints on:
 - spending power of federal and state/provincial governments
 - taxation powers of federal and state/provincial governments
 - federal and state/provincial governments' ability to borrow
- Limited overlap of legislative / regulatory powers *in theory*...
... but substantial entanglement *in practice*

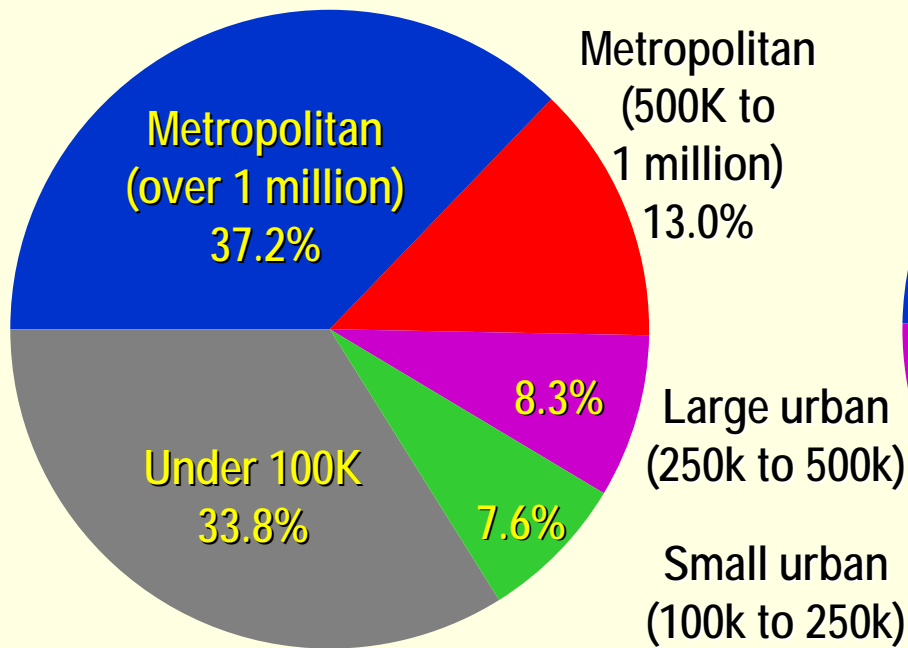




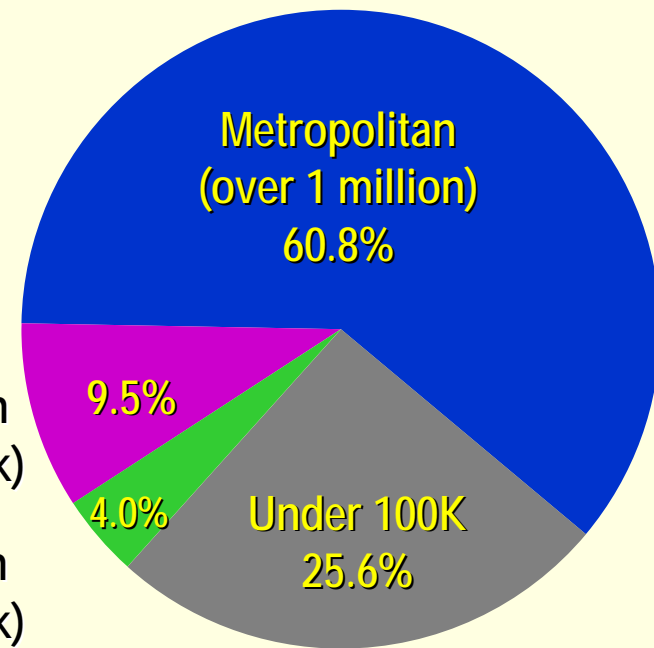
Both are highly urbanized societies...

Resident population by size of metropolitan area

Canada



Australia





... despite different size of local governments

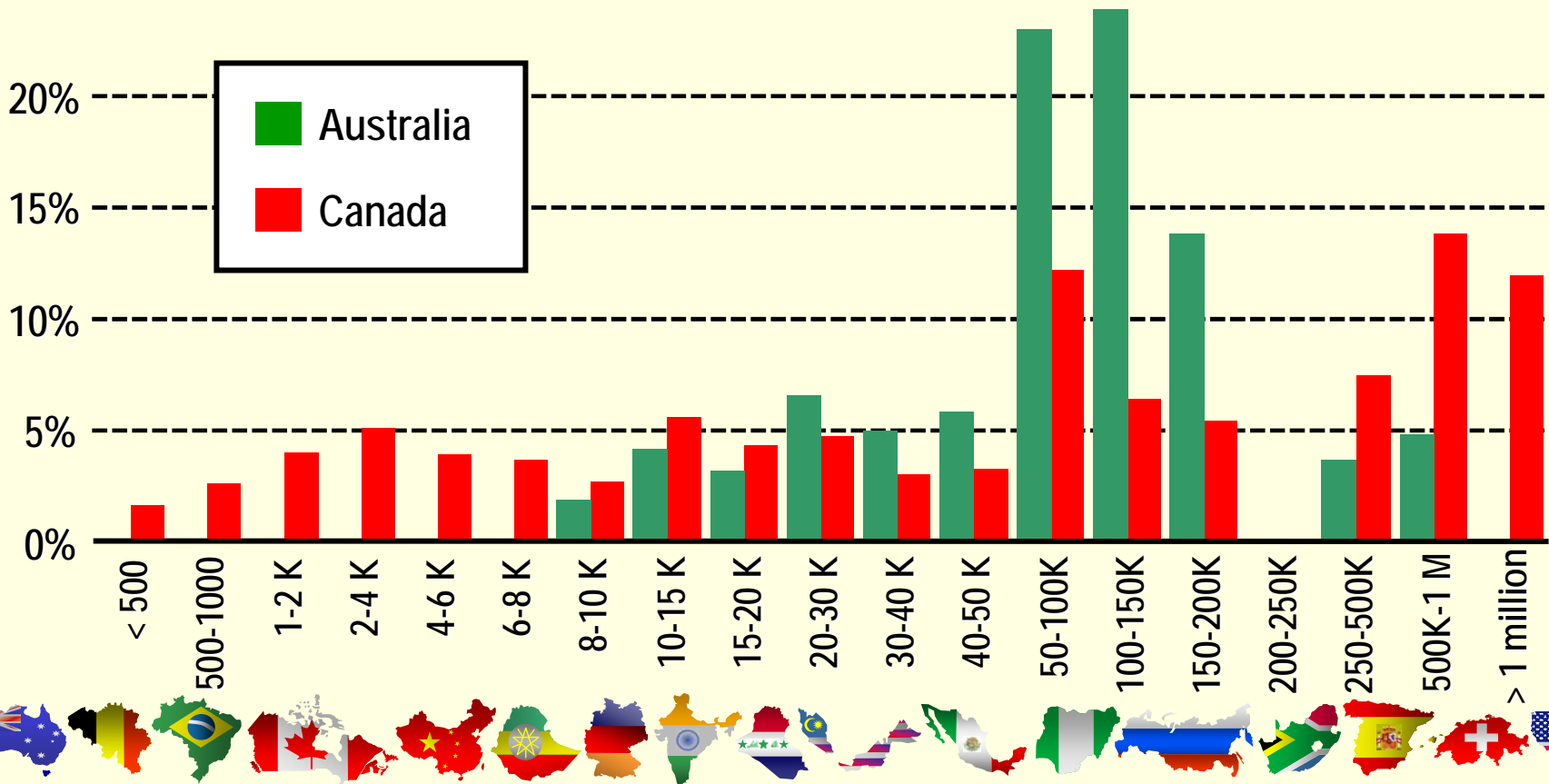
- Canada and Australia are comparable in terms of degree of urbanization and size of major metropolitan areas
- But: Australian and Canadian metropolitan areas are organized very differently:
 - in Australia, almost all large urban centres are divided into multiple local government jurisdictions
 - by contrast, Canada has many larger urban municipalities that achieve greater “critical mass” – but also many smaller (mostly rural) municipal governments



... despite different size of local governments

Many larger urban jurisdictions in Canada...

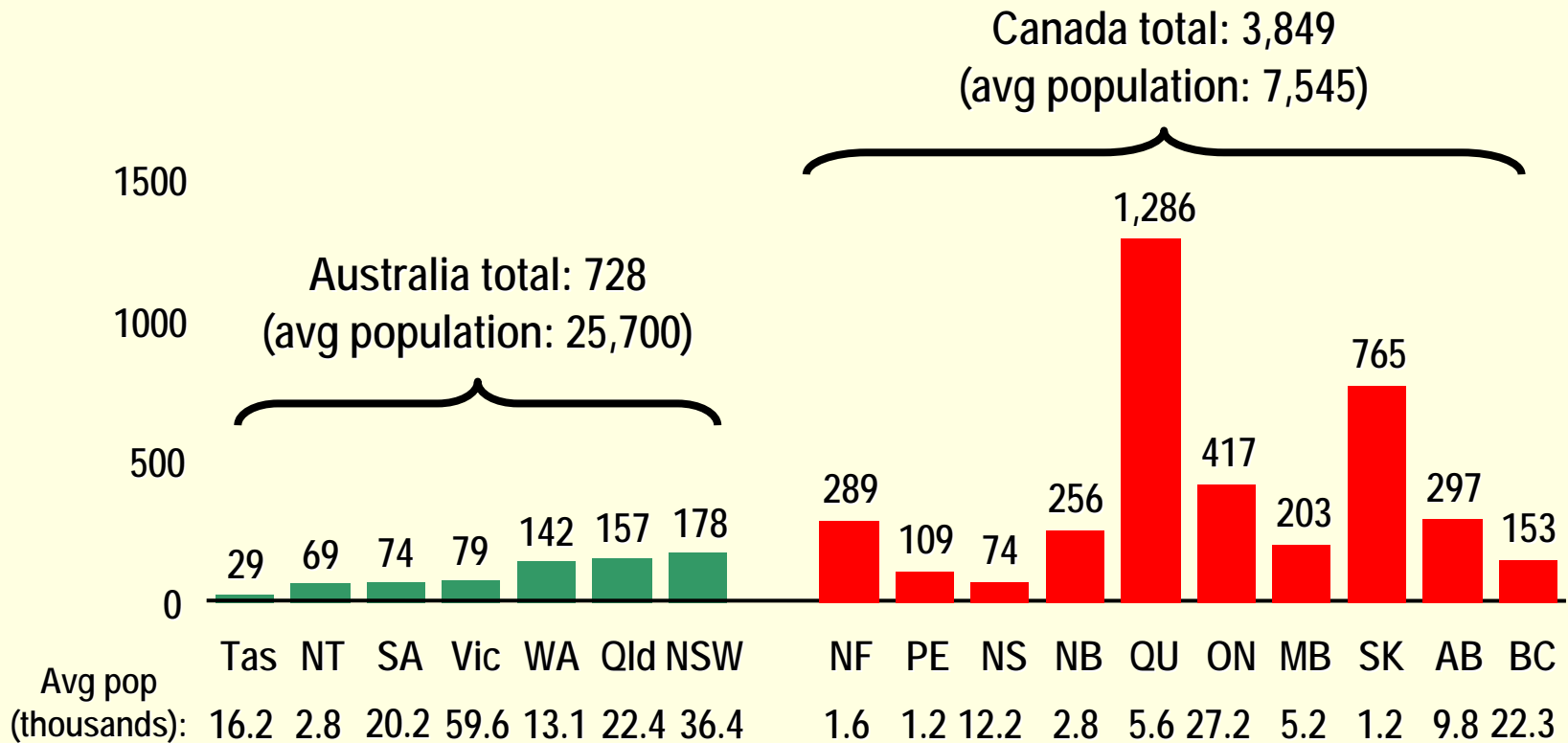
Distribution of population by size of local government jurisdiction (%)





... despite different size of local governments

... but many smaller (rural) jurisdictions in Canada as well





Modest role for local governments in both countries

- In both countries:
 - local governments are “creatures” of the states / provinces
 - “weak mayor” system predominates
 - local councillors usually act as “independents” (i.e. with diffuse, if any, party affiliations)
- Local governments are highly dependent for their finances on a limited range of revenue sources, notably:
 - property taxes and user fees they levy themselves
 - transfers from senior levels of government

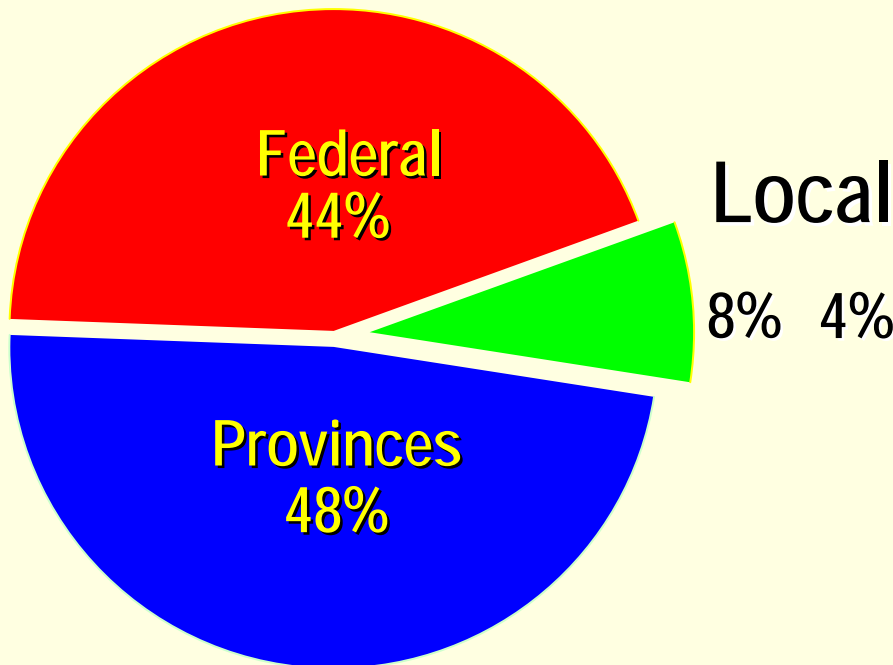




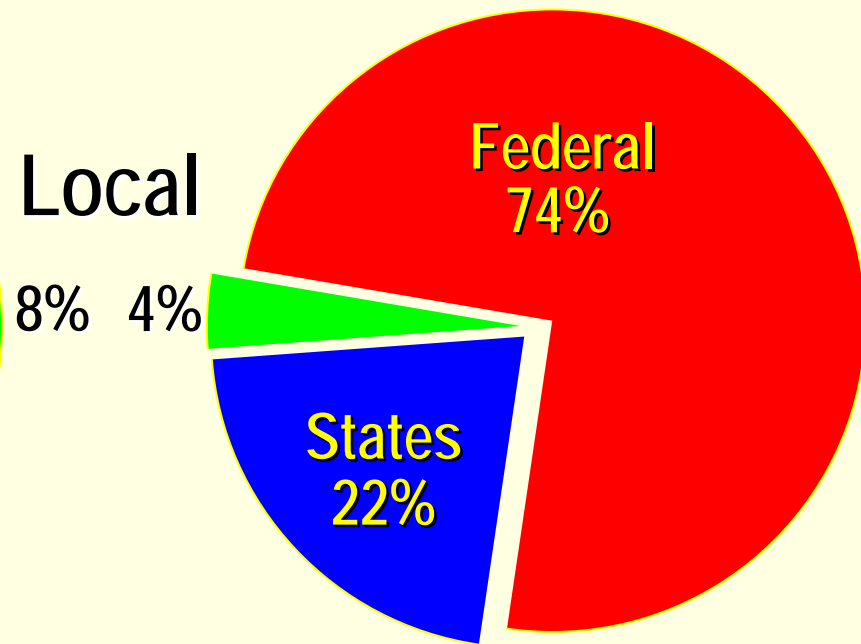
Modest role for local governments in both countries

Local government share of own-source revenues

Canada



Australia

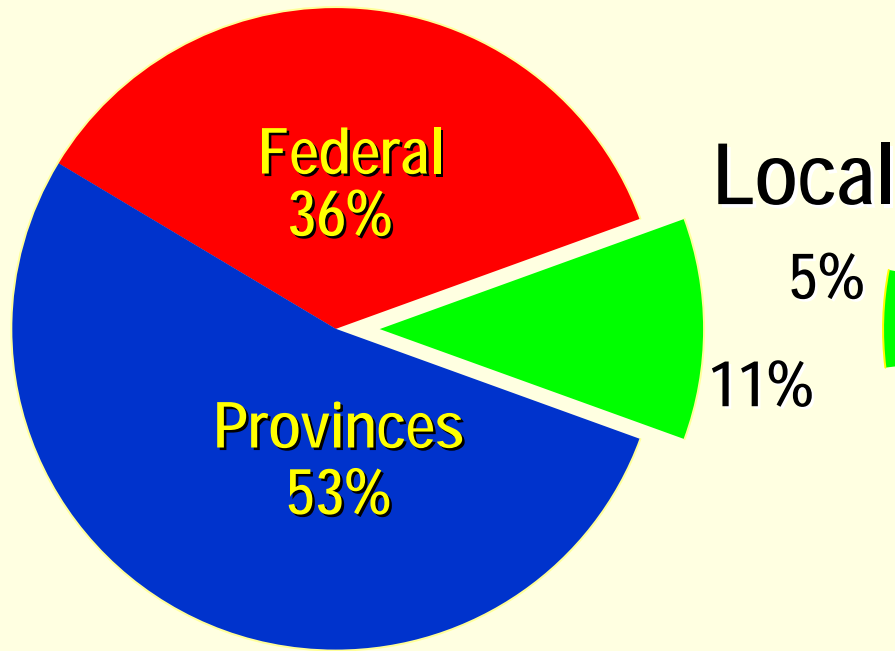




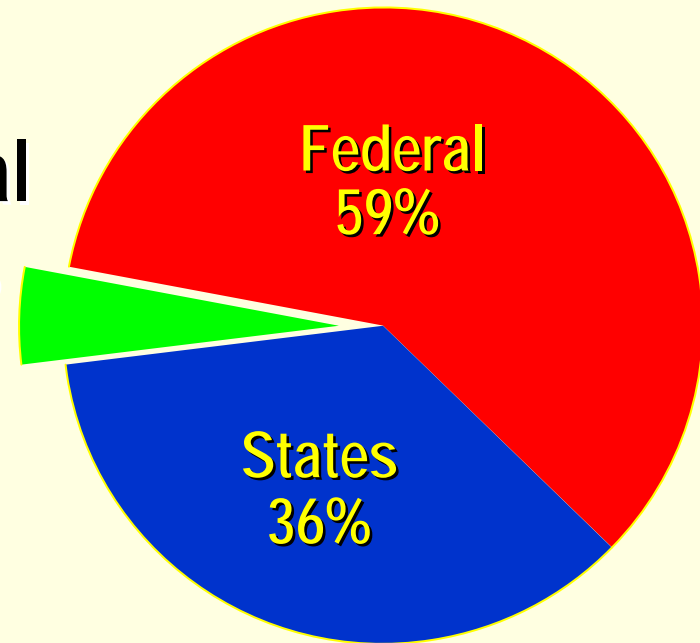
Modest role for local governments in both countries

Local government share of own-purpose expenditures

Canada



Australia



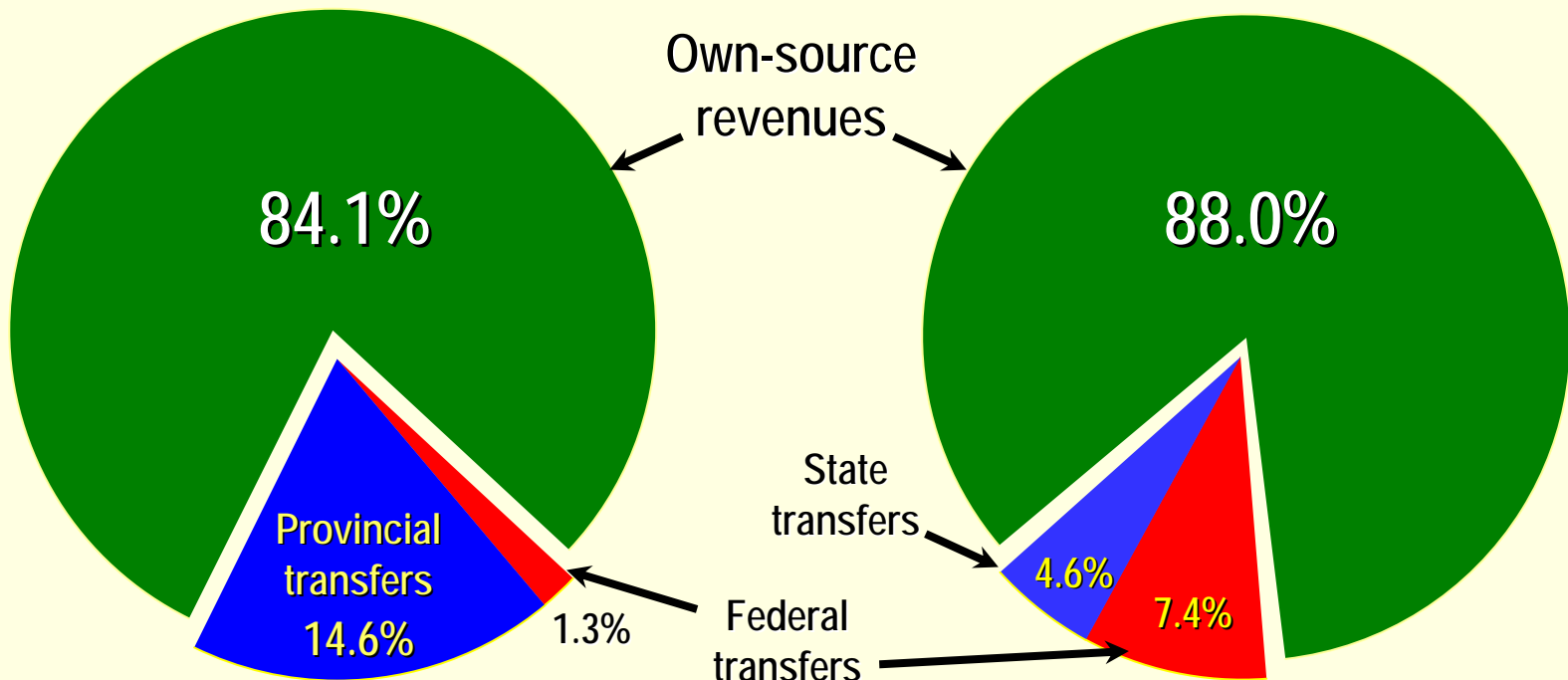


Degree of local fiscal autonomy is similar...

Local government fiscal autonomy

Canada

Australia

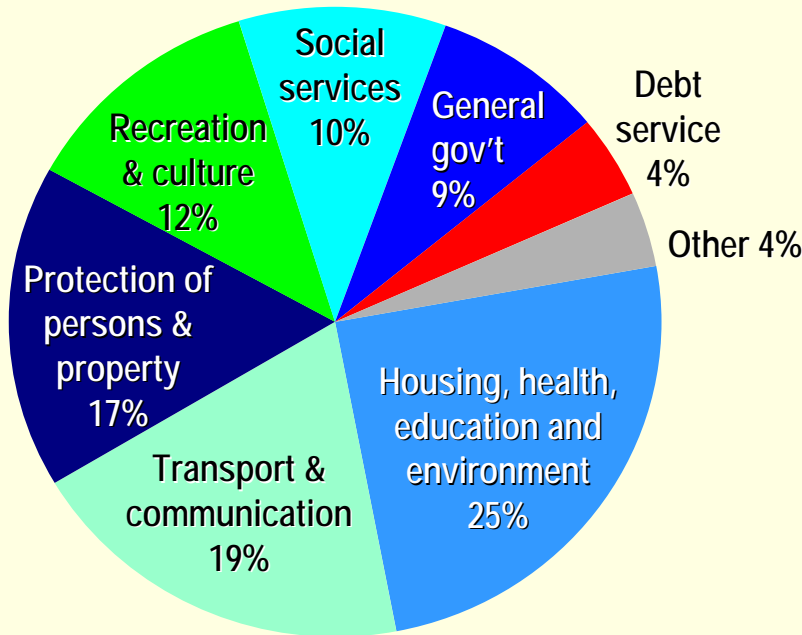




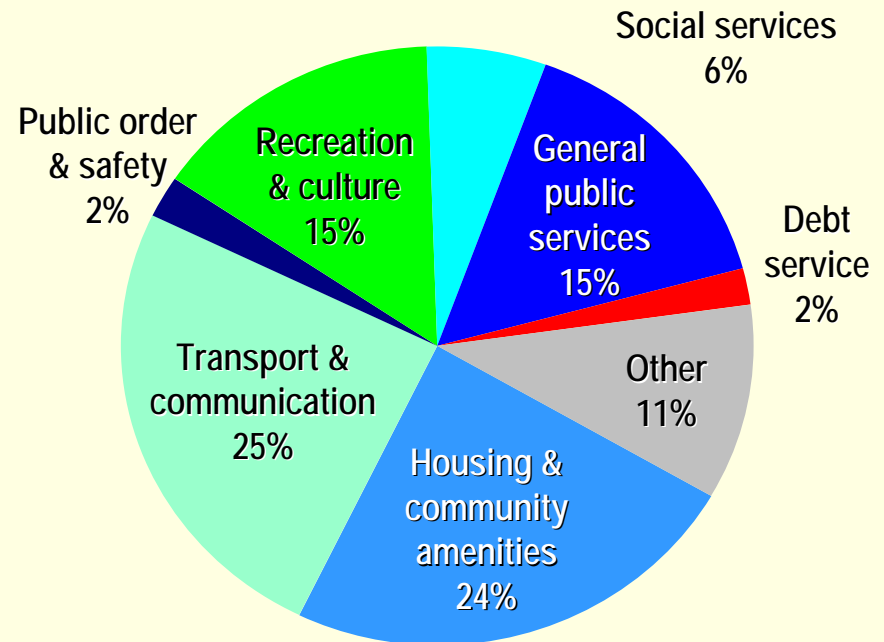
... as are local expenditure responsibilities

Local government expenditures

Canada



Australia





Indigenous issues also pose similar challenges...

- Education, health and other socio-economic challenges
- Small size / remoteness of many Indigenous communities
- Small overall population (2-3%) and corresponding small political weight federally and in most States / provinces
- Most indigenous people live in States / provinces – but much higher proportions in northern territories
- High (and rising) levels of indigenous urbanization
- Ongoing concerns over Indigenous governance





....but with different histories of Indigenous relations

Canada

- Historical “treaties of equals” with Indigenous allies (17th/18th centuries)
- Relationship grew less and less equal in 19th and 20th centuries
- Aboriginal rights in addition to same rights as other citizens
- Clear federal role (historically) as interlocutor

Australia

- No treaties
- Unequal relationship from first contact
- Formal equality, but with special Indigenous needs acknowledged
- Commonwealth role as prime interlocutor came late (1960s)





....but with different histories of Indigenous relations

Canada

- Constitutional recognition and treaty protection (since 1982)
- Modern treaties with First Nations
- Historical treaties also given new life by courts
- Indigenous interlocutors (usually) obvious

Australia

- No constitutional recognition
- No treaties
- High Court acknowledgement of Indigenous land rights
- Less clear who Indigenous "self" is in "self-government"





2

Key differences





Greater heterogeneity in Canada's population

- Unlike Australia, Canada has:
 - two major languages and a long evolving French-English partnership (but also long-standing French-English tensions)
 - a complex historical relationship with First Nations
 - recognized collective rights (in addition to individual rights) in its *Constitution Act, 1982*
- To a greater extent than Australia, Canada is also home to significant regional identities...
 - ... including long-standing regional "alienation" / grievances





Different intergovernmental institutional mechanisms

In Canada:

- The Council of the Federation is an inter-provincial/territorial body consisting of provincial Premiers only

In Australia:

- The Council of Australian Governments (COAG) is the peak intergovernmental forum in Australia...:
 - ... comprising the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association (ALGA)
- COAG Secretariat is located within the federal Department of the Prime Minister and the Cabinet

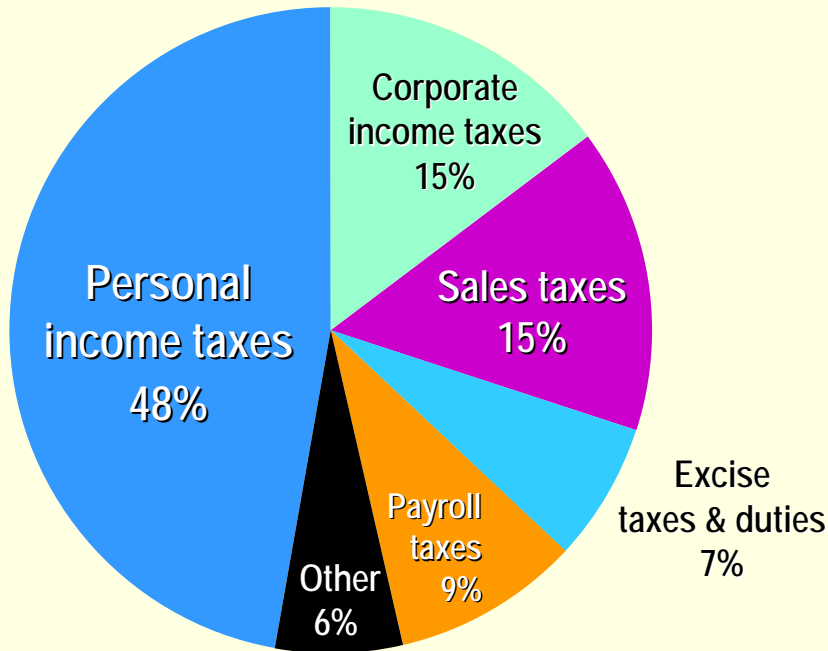




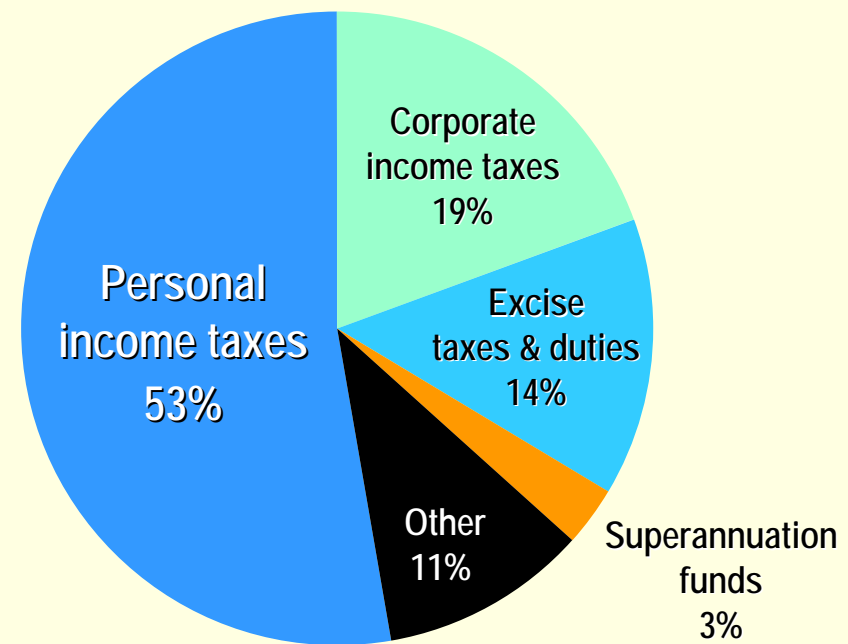
Similar sources of federal government financing ...

Federal taxes and other revenue sources

Canada



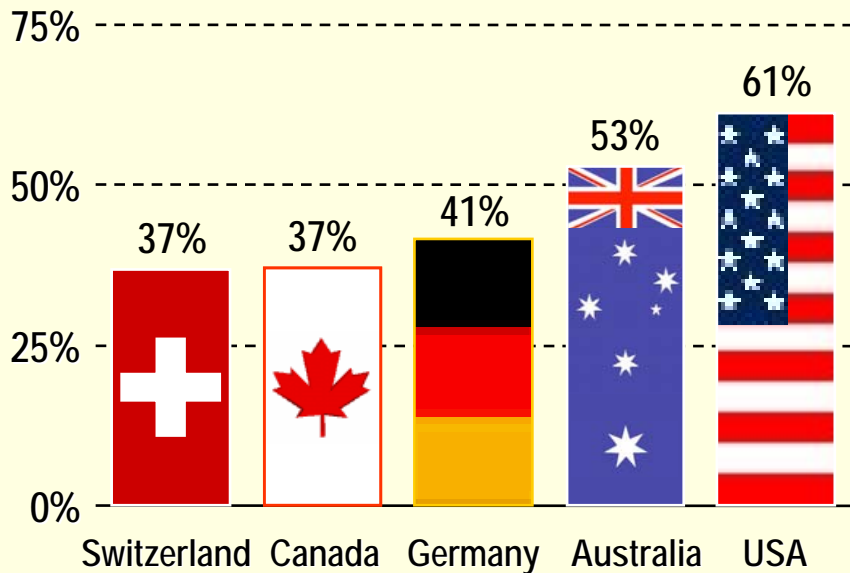
Australia



... but Canada is much more fiscally decentralized

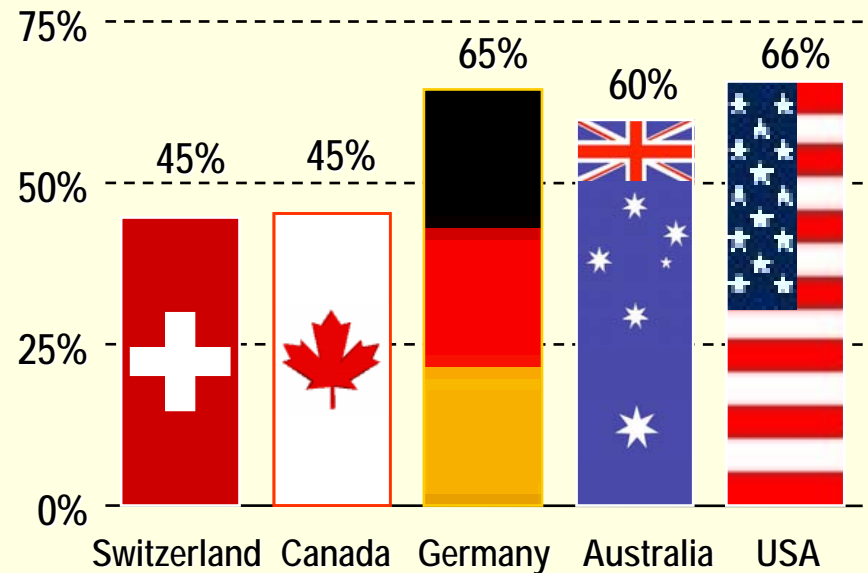
Expenditures

Federal share of direct spending



Revenues

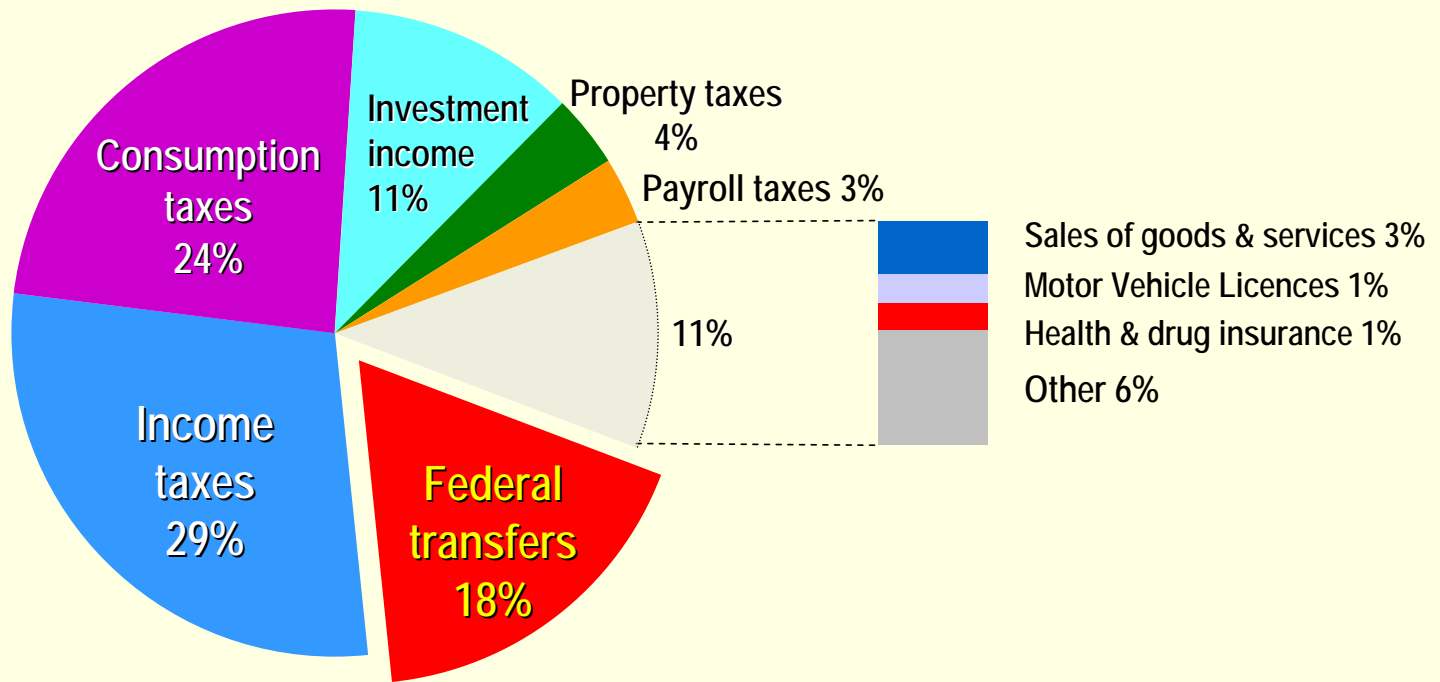
Federal share of own-source revenues





Canadian provinces are more fiscally autonomous

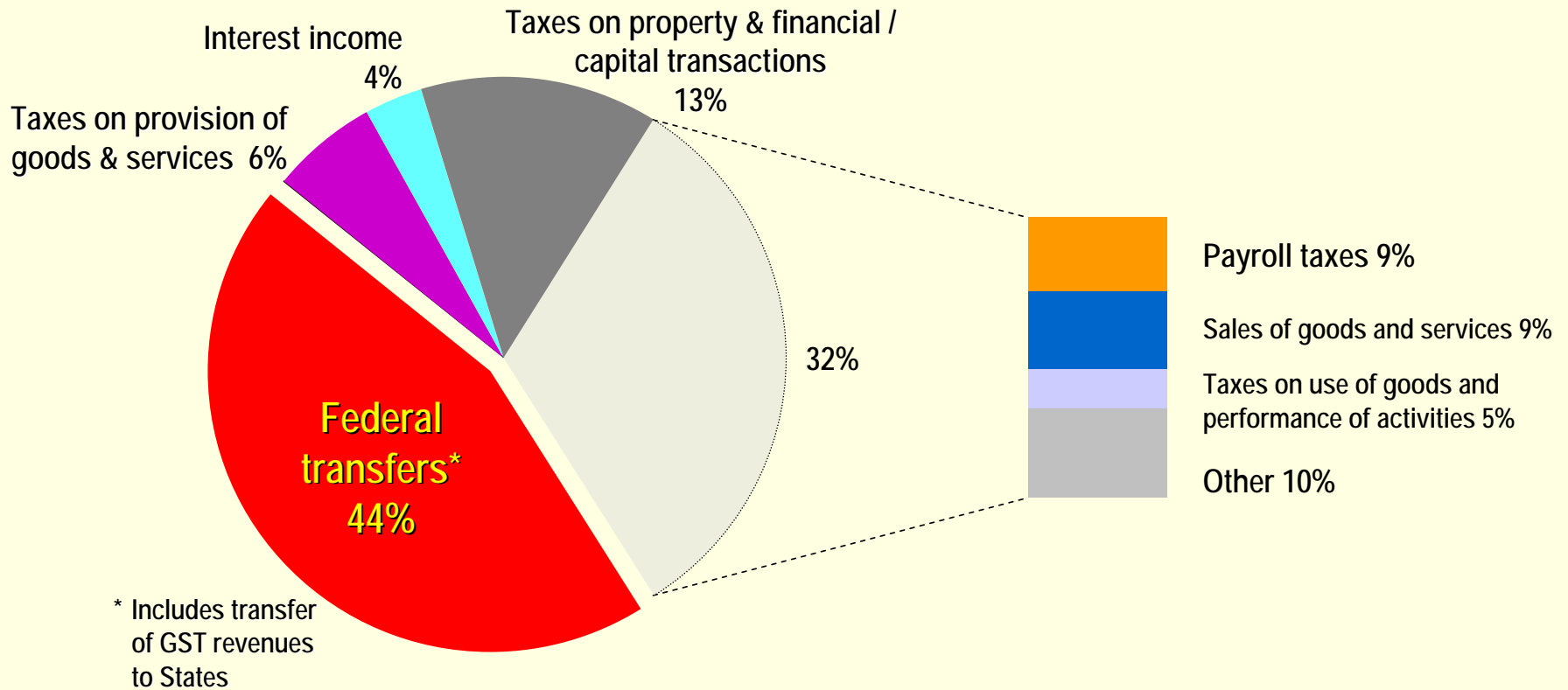
Highly diversified provincial revenues in Canada...





Canadian provinces are more fiscally autonomous

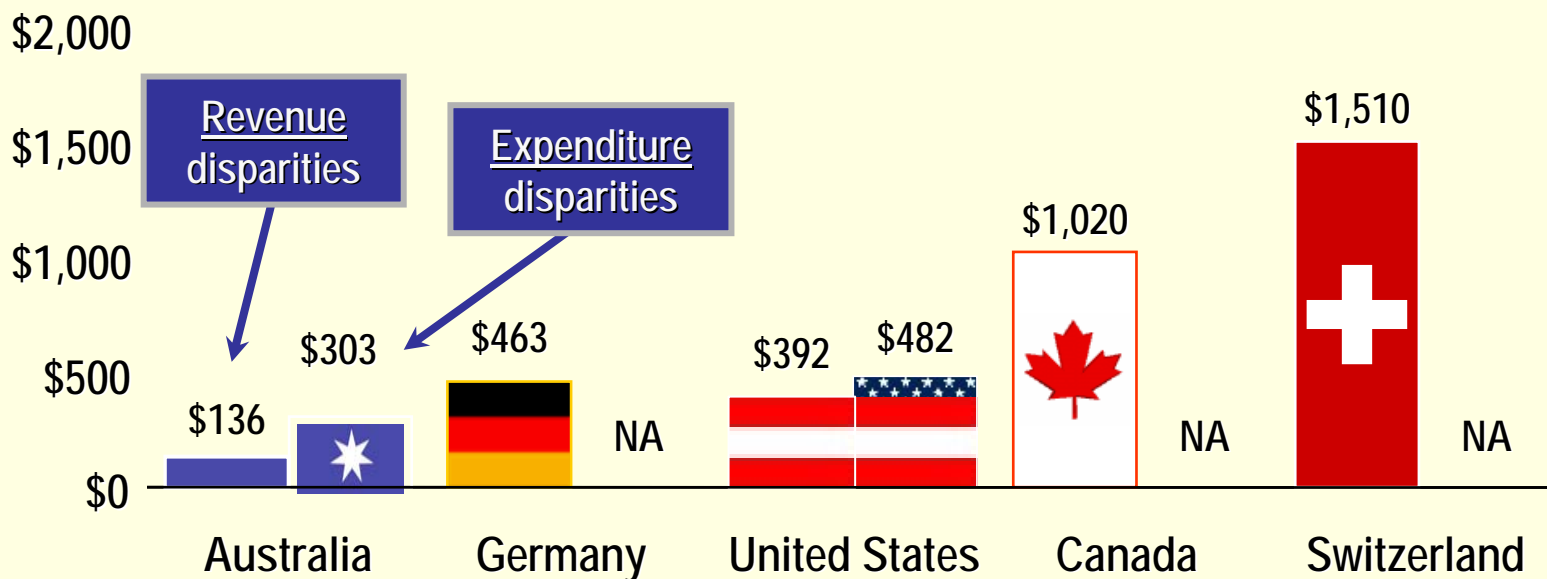
...versus less diversified Australian States revenues





Larger horizontal fiscal disparities in Canada...

Standard deviation of population weighted fiscal disparities (in USD per capita at PPP)

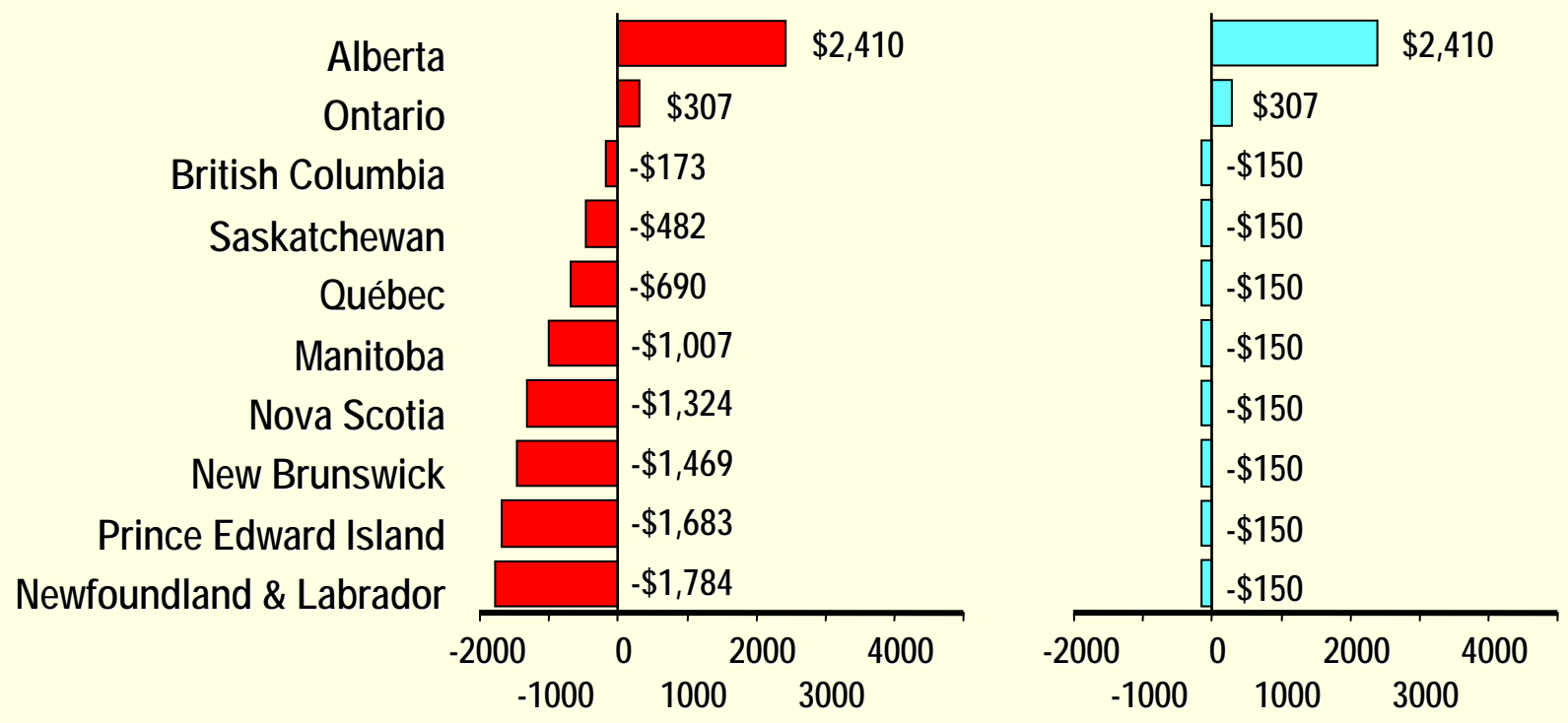


... are significantly reduced through equalization

Revenue
disparities:

Pre-
equalization

Post-
equalization



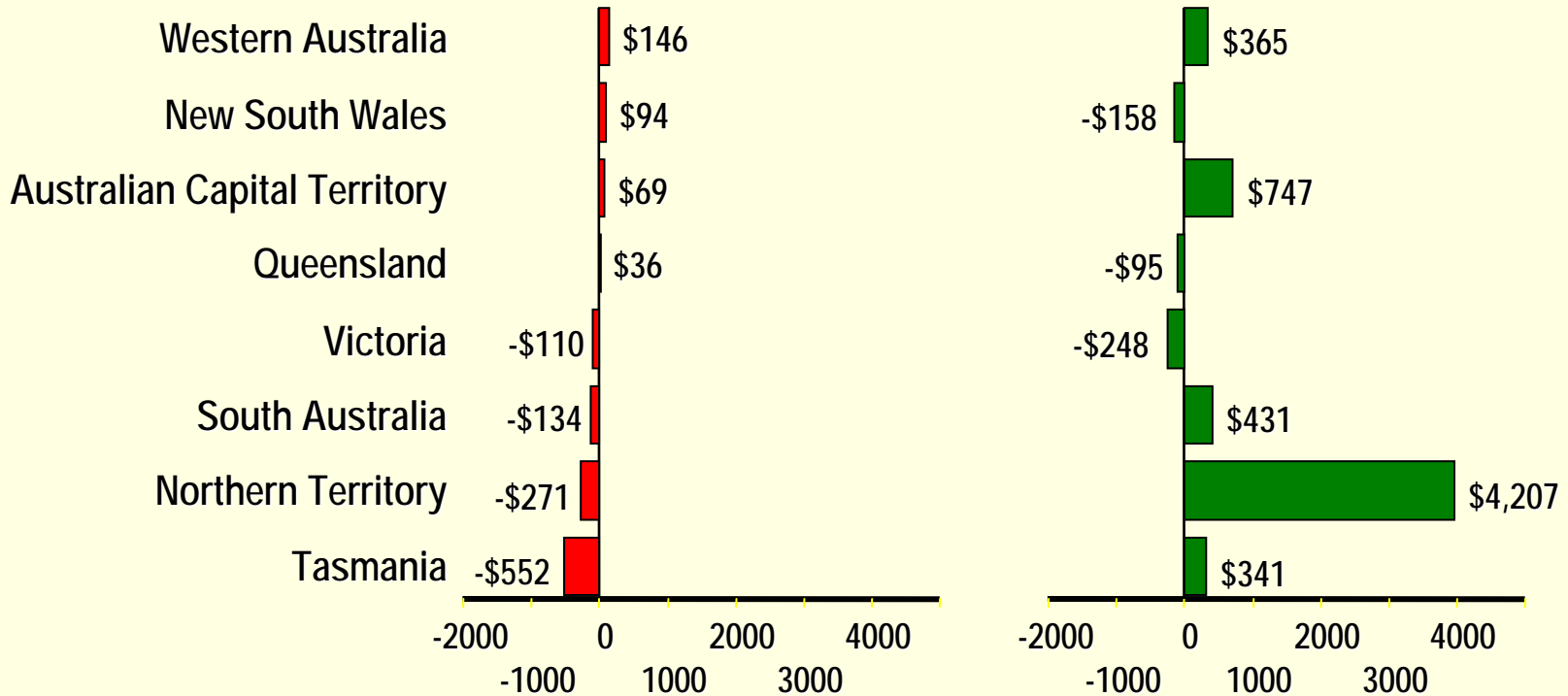


Australia's much smaller horizontal disparities...

Pre-equalization:

Revenue disparities

Expenditure disparities



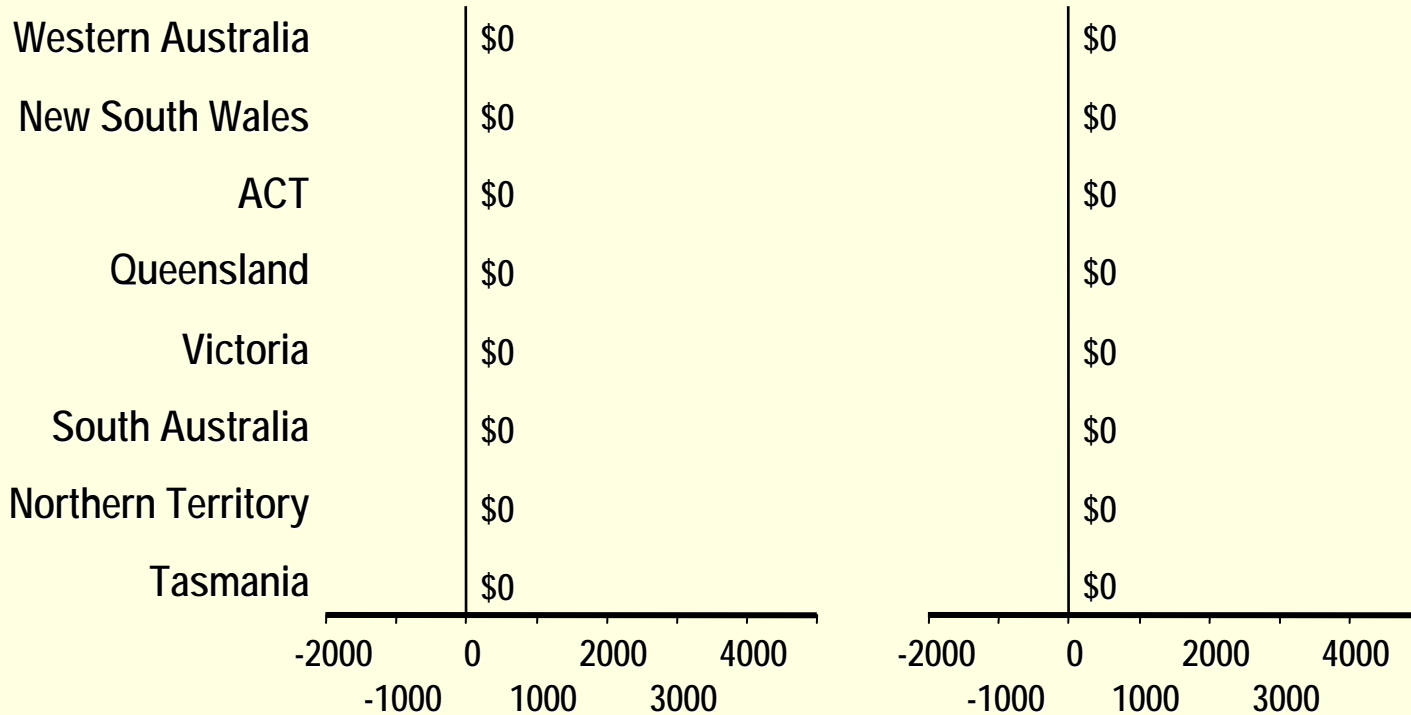


... are more fully equalized than in other federations

Post-equalization:

Revenue disparities

Expenditure disparities

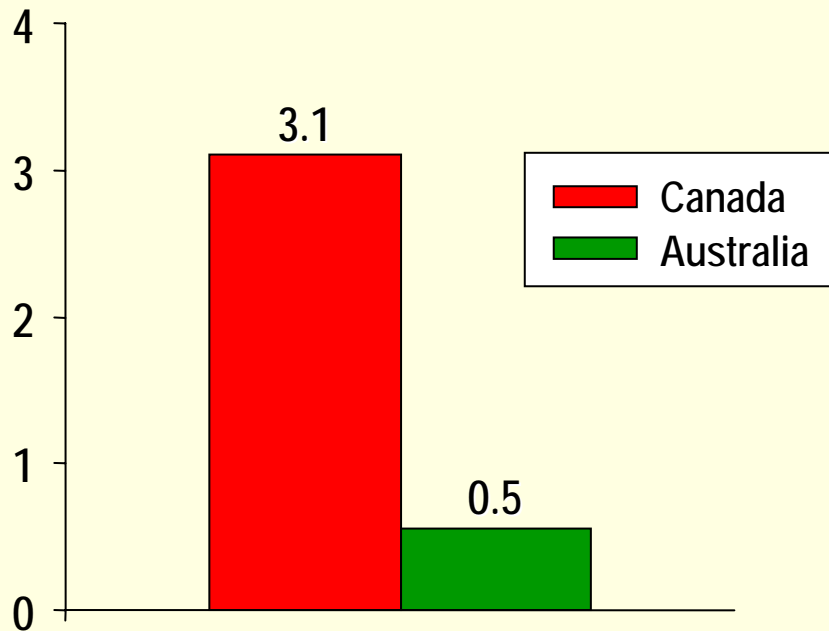




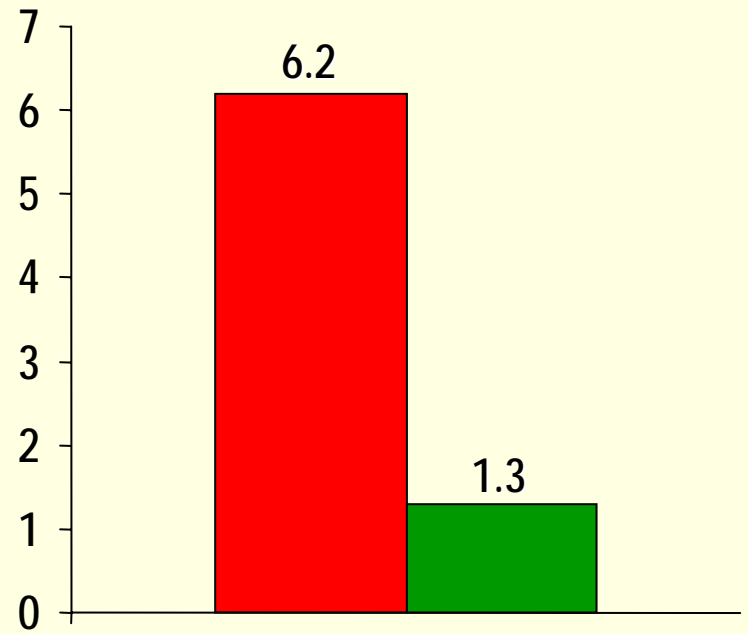
Revenue disparities in part reflect oil & gas revenues

Canada's oil & gas production is larger...

Oil production
(millions of barrels / day)



Natural gas production
(trillions of cubic feet)





Revenue disparities in part reflect oil & gas revenues

... and its oil & gas revenues are regionally concentrated

- Most Australian oil & gas production is offshore, with most resulting revenues flowing to the federal government
 - e.g. virtually all revenues from production beyond the three-mile limit
- By contrast, most Canadian production is from provincially owned onshore resources...
 - ... whose revenues flow mostly to provinces (especially Alberta)
- Revenues from Canadian offshore oil & gas also accrue to provinces (pursuant to federal-provincial accords)





3

Current issues in intergovernmental relations





Similar issues in intergovernmental relations...

- Modernizing and overhauling the delivery of health care:
 - core issues of improving access to care services, improving the supply, flexibility and responsiveness of the health workforce
- Promoting national competitiveness, including coordination of:
 - national investments in postsecondary education and vocational training
 - national investments in infrastructure and transportation
- Net inter-regional transfers resulting from equalization and other federal policies are a recurring source of controversy





... as well as some key differences

- High natural resource prices are placing significant stress on Canada's Equalization program
- Provinces' responsibility for most fast-growing health spending has raised growing concerns over vertical fiscal imbalance
- Australia's highly variable and often scarce water resources have made the National Water Initiative a key issue
- Counter-terrorism and security issues are also significant recurring themes on the IGR agenda in Australia





Recent intergovernmental agreements

CANADA

- Early learning and child care agreements 2005
- Transfer of Federal Gasoline Tax 2005
- Equalization Framework Agreement 2004
- A 10 Year Plan to Strengthen Health Care 2004

AUSTRALIA

- Australian Better Health Initiative 2006
- GST Distribution Agreement 2006
- Agreement on National Energy Market 2006
- Intergovernmental Agreement on Surface Transport Security 2005

