DEC 13 2007

His Worship Fred Eisenberger
Mayor
City of Hamilton
230-77 James Street North
Hamilton, ON L8R 2K3

Dear Mayor Eisenberger:

Thank you for your correspondence of October 15, 2007 regarding your support for the “One Cent Now” campaign, which calls on the Government of Canada to provide Canadian municipalities with one cent out of every six cents (approximately 17 percent) of the Goods and Services Tax (GST) and the federal portion of the Harmonized Sales Tax (HST) collected.

Under the Constitution, municipalities are a provincial responsibility. The provinces have the authority to delegate taxing powers to municipalities to enable them to meet their funding needs.

The revenues collected from the GST/HST go into the Consolidated Revenue Fund and are used to fund government priorities. One of these priorities is infrastructure. In Budget 2007, we outlined a new long-term plan for infrastructure that will provide the provinces, territories and municipalities with a total of $33 billion over the next seven years – an unprecedented level.

A key element of the long-term plan is base funding for municipalities. This consists of the extended Gas Tax Fund ($11.8 billion) and funding resulting from the increase to 100 percent of the rebate that municipalities receive on the GST, and federal portion of the HST, they pay ($5.8 billion). In total, base funding will provide municipalities with an estimated $17.6 billion over the next seven years.

The long-term plan for infrastructure also includes:

- An $8.8-billion Building Canada Fund, with spending allocated among the provinces and territories on an equal per capita basis. The Fund will support investments in the core national highway system, large-scale projects such as public transit and sewage treatment infrastructure, and small-scale municipal projects such as cultural and recreational facilities.

- A $2.1-billion national fund for gateways and border crossings, to be awarded on a merit basis. In order to improve the flow of goods and people between Canada and the rest of the world, this fund will help enhance infrastructure at key locations, such as major border crossings between Canada and the United States.

- A $1.26-billion national fund for public-private partnerships, to be awarded among projects on a merit basis. The fund will contribute up to 25 percent of the cost of innovative public-private partnership projects.
• An enriched $1-billion Asia-Pacific Gateway and Corridor Initiative. The increased funding for this initiative will be used to make additional infrastructure improvements at this important trade gateway, such as roads, highways, and road-rail grade separations.

• $25 million per year for each province and territory which represents $2.275 billion over seven years in equal per jurisdiction funding. This will be used to help support national priorities such as trade-related infrastructure including gateways, roads, highways and other transportation facilities.

Together with base funding, this will provide the provinces, territories and municipalities with long-term, predictable funding to help them plan and fund their infrastructure investment needs.

Thank you for communicating your concerns.

Sincerely,

James M. Flaherty