JAN 19 2006

His Worship Larry Di Ianni
Mayor
City of Hamilton
71 Main Street West
Hamilton, ON  L8P 4Y5

Dear Mr. Di Ianni:

Thank you for your correspondence of November 22, 2005 forwarding a resolution passed by the Council of the City of Hamilton. I appreciate the opportunity to provide my comments.

Federalism only works – Canada only works – if there is a national commitment to shared prosperity and fairness for all Canadians, no matter where they live. That is why both the federal and provincial governments design programs to help ensure that the most prosperous among us help those less prosperous.

For its part, the Government of Canada achieves this through a progressive income tax system, through pursuing national priorities with its provincial and territorial counterparts, and through the constitutionally mandated Equalization program which enables less prosperous provincial governments to provide their residents with public services that are reasonably comparable to those in other provinces, at reasonably comparable levels of taxation.
The federal income tax system is based on the principle that citizens with higher incomes contribute relatively more to public services through federal taxes than do citizens with lower incomes. Since a greater proportion of higher-income earners paying federal income tax live in Ontario than in other provinces, it follows that Ontario citizens contribute more on average to federal revenues than do citizens in provinces with fewer higher-income earners. The progressive nature of the federal income tax system supports fairness in the federation because it applies equally to all Canadians, no matter where they live.

Since balancing its budget in 1997-98, the Government of Canada has made significant investments in federal transfers to provinces and territories to assist them in the provision of programs and services. For instance, under the $41.3-billion 10-Year Plan to Strengthen Health Care, Ontario will receive $16 billion over ten years in increased support for health care. Similarly, under the New Deal for Cities and Communities, Ontario cities and municipalities received some $173 million in 2004 resulting from the increased rebate to 100 per cent of the GST paid on certain goods and services – a benefit that will be ongoing. Ontario communities will also receive more than $1.8 billion over five years in gas tax funding for environmentally sustainable infrastructure and another $310 million over two years in additional funding for public transit infrastructure.

In the spirit of such collaboration, the Prime Minister met with Premier Dalton McGuinty, on May 7, 2005 in order to work together and improve services for the people of Ontario. Indeed, during this meeting they made significant progress in areas of shared priority. Overall, as a result of this agreement, Ontario will receive a total of $5.75 billion over five years, from now to 2009-10.

Following up on the May 7 agreement, an Immigration Agreement was concluded with Ontario on November 21, 2005 that will provide an additional $920 million over the next five years in Ontario to help immigrants successfully integrate more quickly into Ontario communities and achieve their full potential. A Labour Market Partnership Agreement was concluded on November 23, 2005 that will provide Ontario with $1.368 billion over six years to fill key gaps in labour market programming, by assisting individuals who are not eligible for Employment
Insurance (EI) programming. A Labour Market Development Agreement was also signed with Ontario on November 23, 2005, transferring full responsibility to the Government of Ontario, beginning January 1, 2007, for the design and delivery of these EI-funded programs and services, which are designed to help unemployed workers to get the skills, work experience and employment assistance they need to find and keep jobs.

These important agreements will provide substantial new funding for the Government of Ontario and its residents.

In closing, I would like to thank you for your comments, and provide my assurances that the Government of Canada will continue to work in partnership with all provinces and territories for the betterment of Canadians.

Yours sincerely,

Ralph Goodale