

## **Provincial and Municipal Restructuring in Canada: Assessing Expectations and Outcomes**

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Provincial-municipal restructuring in Canada has received considerable attention during the 1990s from both provincial and municipal levels of government. The fiscal download by the Federal government to the provinces and the municipalities, along with the growing acceptance of a new public management philosophy, have been the two common variables encouraging provincial-municipal reforms over the last decade. With Federal initiatives directed towards shifting a greater portion of the financial burden of governance and service delivery on to the Provinces, as evident with reductions in federal grants and alterations to Federal-provincial cost sharing rules, the provinces have themselves been actively involved with the reorganisation of their own financial and political structures. While these fiscal reforms were in part attributed to the economic pressures of the 1990s, they were also attributed to a new approach in public management at all levels of government that increasingly promoted the entrepreneurial spirit of the private sector in the public realm.

The provincial-municipal restructuring initiatives involved increasing municipal fiscal responsibilities in governance and service delivery through the reduction of provincial grants, the reallocation of governance and service responsibilities between the provinces and local governments, and the encouragement of municipal mergers. This

special issue on provincial-municipal reforms in Canada will focus particular attention on municipal consolidations. However, other provincial-municipal restructuring initiatives, including the allocation of service responsibilities and alternative service delivery options, will also be explored in order to review the full dimension of the recent reform strategies.

### **Municipal Consolidations**

Municipal consolidations, whether in the form of amalgamations (the merging of two incorporated municipalities) or annexations (the appropriation of a portion of a municipality by an adjacent municipal unit) have been taking place in North America since the 19th century. Initially, advocates of consolidation have argued that this reform would lead to efficiency improvements that were to be realised by the single, larger, governing unit. Cost savings from consolidation are generally expected with reductions in municipal staff and elected political officials, reductions in the duplication of public agencies, lower costs associated with purchasing in larger quantities, and cost savings from specialisation and coordination improvements in the larger bureaucracy.

While the efficiency argument still remains an important component of the debate on municipal consolidation, proponents of this reform have also advanced other arguments supporting the merger of smaller municipalities. Advocates of consolidation have argued that municipal consolidation can also lead to improvements in equity, regional planning, economic development, and citizen access to services, bureaucracy, and elected officials. With numerous municipal consolidations taking place in Canada in the mid- to late- 1990s, including the consolidation of two major urban regions -- the Halifax-Dartmouth Region, Nova Scotia (1996) and Metropolitan Toronto, Ontario (1998) -- the importance of this reform initiative within Canada remains unquestionable. However, the realisation of anticipated governance and service delivery improvements (in efficiency, equity, regional planning, economic development, and

citizen access) have still not been convincingly demonstrated. Articles in this special issue of the Canadian Journal of Regional Science will examine a number of recent consolidations in Nova Scotia, New Brunswick and Ontario, as well as the current consolidation debates in Quebec and British Columbia, which will reveal the complexity and the controversy of this particular reform.

In her contribution, Enid Slack examines the financial and political impacts of amalgamating six lower tier municipalities and the upper tier metro level of government into the new City of Toronto. Slack recognises a number of benefits stemming from the amalgamation, such as increased visibility for economic development and marketing, greater equity resulting from a fairer distribution of the tax base, a stronger political voice within Ontario and Canada, and the upward standardisation of services within the new municipality. However, her analysis also shows that Ontario's main reason for initiating the amalgamation, cost savings, was not achieved in the interim and will likely not be achieved over the long run either. Slack's work also demonstrates that despite the resources dedicated to this reform, amalgamation will not be able to solve some of the most pressing issues that Toronto is currently facing. These urban pressures include increased levels of poverty and homelessness, the deterioration of basic physical infrastructure, and the increasing gap between the City's expenditure needs and its ability to raise revenue.

Dale Poel examines citizen attitudes towards amalgamation in one of the most controversial consolidations in eastern Canada, that of the Halifax-Dartmouth Region (1996). Three years following the creation of the Halifax Regional Municipality (HRM), two-thirds of the citizens remain opposed to the amalgamation decision. Poel's article reports findings from a 1999 HRM Citizen Survey that included questions on governance, planning and the relationship between urban and rural communities, as well as questions on municipal services. The article uses the survey data to generate a measure of "regional perspectives" -- that is, a citizen's ability or willingness to identify favourably with the urban/ rural diversity of the amalgamated HRM. The analysis

explores linkages between that dimension and three sets of predictor variables: individual citizen characteristics, assessments of amalgamation and its impact on services, and the citizen's assessment of political leadership. Assessment of governance, views of political leadership, length of residence, and amalgamation's perceived impact on some services contribute to an explanation of a citizen's regional perspective.

With an assessment of the design of tax-service packages in two recently consolidated Maritime regions, the Miramichi Urban Community (NB) and the Halifax-Dartmouth Region (NS), Igor Vojnovic explores the issues that need to be considered in organising a fair and an efficient municipal tax structure after an amalgamation. The analysis illustrates the complexity of consolidating municipalities that maintain different service standards and service levels, explaining in part the difficulties that have been evident with the merger of urban and rural areas. Vojnovic also shows that, despite claims by advocates of amalgamation that the merger of municipalities will alleviate interjurisdictional externalities, it is not municipal consolidation, but rather the design of the local tax structure that will internalise spillovers. In fact, if differences in levels and standards of services among the merging municipalities are not recognised in the design of the tax structure, externalities may be exacerbated after an amalgamation. In order to ensure an efficient and equitable tax, Vojnovic argues that municipal officials must first design a tax structure that can maintain a clear relationship between service beneficiaries and those responsible for costs. In addition, in this process of developing a direct relationship between those who use and pay for the service, municipal and provincial officials must also determine when public services should be strategically under-priced, and to what sub-group, in order to promote optimal levels of service provision.

The final two articles on amalgamation examine the topic from a slightly different perspective since they do not evaluate post-amalgamation impacts, but rather review the current debates

surrounding amalgamation in British Columbia and Quebec. Robert Bish reviews British Columbia's approach to the organisation of its municipalities, offering some comparison to other Canadian provinces, as he examines the optimal size of local political units and the optimal scale in the production of public services. He begins his analysis with a review of the division of service provision and governance responsibilities between the province and municipalities in British Columbia. Bish then examines the political, administrative, and service delivery structure of the 12 municipalities that make up the Capital Region (BC), and compares their organisation to the recently amalgamated Halifax Regional Municipality (NS). His analysis of the political organisation of local governments challenges the advocacy by proponents of amalgamation that larger, single tier municipalities increase access to elected representatives and reduce costs of governance. Bish then examines different approaches to public service provision at the municipal and regional levels, as well as different costing mechanisms used to evaluate efficiency improvements in service delivery. His work reveals that unless there is flexibility in the organisation of service production, the full complexity involved in achieving scale economies of different public service types cannot be realised, and optimal scales of production will not be achieved.

Raphaël Fischler and Jeanne Wolfe's article presents a historical review of policies and debates in Quebec as they assess the political efforts to create a metropolitan government for Montreal and its surrounding municipalities. From the early 20th century arguments that eventually led to the creation of the Montreal Metropolitan Commission (1921), to the recently released "livre blanc sur la réorganisation municipale" (2000), the authors explore the economic, political, environmental and linguistic issues that have shaped policies and disputes in the Montreal region over this past century.

Fischler and Wolfe's work shows that today's debates are in fact "echoes of recurrent discussions" attempting to deal with long-standing problems -- in particular low-density suburban developments, jurisdictional fragmentation, and fiscal inequality. They argue that in

order for these issues to be dealt with effectively, the Province of Quebec will need to promote two initiatives. First, the province must institute fiscal reform to alleviate the financial difficulties of Montreal, a tax-base sharing system in the Greater Montreal Region being advanced as one proposal, and second, the Province needs to curtail its financial support of low-density suburban development.

### **Provincial-Municipal Reforms**

In the 1990s, reductions in federal appropriations to lower levels of government have encouraged significant reform initiatives among both provinces and municipalities, as provincial and municipal officials attempted to make adjustments not only to the new economic circumstances, but also newly developing attitudes towards the role of government. With respect to these changing attitudes, particular interest during the last decade has been placed on new public management techniques that have emphasised the privatisation of the public realm, promoted the management of government as business, and enforced customer-oriented service in the provision of public goods, services and information. Both the new political and economic realities have encouraged a number of provinces and their municipalities to pursue efficiency and accountability improvements of their agencies and departments. This also led to the reassessment of roles and responsibilities between and within different levels of government. In some provinces, this reexamination and restructuring of government not only encouraged municipal consolidations but also service disentanglement, perhaps the most comprehensive type of provincial-municipal reform experienced during the 1990s. This reform involved the reallocation of service and governance responsibilities between provinces and municipalities, with the goal of establishing an administrative and financial structure in which a single level of government became politically and financially responsible for the delivery of a specific public service. Louise Quesnel and Andrew Sancton explore the nature of these more comprehensive provincial-municipal restructuring debates and reform initiatives in Quebec and Ontario.

The articles by Quesnel and Sancton look at changes in municipal governments from the perspective of the respective provincial governments. Quesnel approaches the question of municipal restructuring as a process of agenda setting in Québec provincial-municipal politics. The article focuses on municipal reorganisation initiatives that began in the 1990s and continue to this time. It is a case study of a policy in process and, as such, does not report a final stage of provincial-municipal decision-making. The case uses a typology of "opportunities for action" organised around problem, political and policy priority streams.

The study reviews the Bédard report -- *Le Commission national sur les finances et la fiscalité locales* -- and the subsequent political, professional and academic responses to that report's recommendations. The article highlights the lack of consensus at each stage of opportunity, including the first, the definition of the problem. The lack of consensus, both between the provincial and municipal governments and within the provincial government itself, has to date been a barrier to change.

Sancton also examines the relationships between a provincial government and its municipalities. He considers changes in Ontario municipal governments in the context of the Harris Conservative Government's "Common Sense Revolution" -- a 1995 election platform that anticipated major changes in Ontario policies and programs. Three major changes in the provincial government's municipal policies occurred together: municipal amalgamations, including the creation of Toronto mega-city, provincial-municipal service re-alignment and changes to municipal taxation and assessment. The article discusses the agenda and objectives of these introduced changes and finds clear inconsistencies between public pronouncements regarding municipal policies and subsequent government actions. In spite of these inconsistencies, Sancton describes some of the government's strategies as "nothing short of brilliant".

The analysis shows the intermingling of political and policy agenda -- with some objectives coming from the Ontario civil service and others

from the Government. The author sees a consistent political direction developing that is not, however, articulated in the Government's Common Sense platform.

### **Alternative Service Delivery Arrangements**

Another public sector reform that has received considerable attention in Canada over the last decade has been the 'contracting out' of the production and delivery of public services. As in the case of service responsibility realignments, contracting out has been advanced as an initiative that is expected to increase efficiency in service provision by increasing the level of private and public sector competition in service delivery. Advocates of contracting out have maintained that by increasing the number of bidders, both private and public, municipalities can seek out the best price for any given level and standard of service. Jim McDavid's article on alternative service delivery focuses on the complexity of contracting out and illustrates some recent results among Canadian municipalities that have adopted alternative service delivery arrangements.

McDavid examines whether private producers of municipal services are in fact more efficient than public producers. He considers this question in the municipal solid waste management industry and uses findings from three cross-Canada surveys of municipal governments to arrive at the necessary comparisons. The article presents analysis of the efficiency-related factors involved in solid waste collection, land fill operations and recycling services. In addition to type of producer (public/private), the analysis includes service levels, technology and equipment, human resources and management practices and contracting practices. Private producers were more efficient in solid waste collection and landfill operations (with the exception of private producers in Quebec), but were not more efficient in recycling services. The analysis includes a multivariate modeling exercise that identifies the important predictors of efficiency in the three service production areas.