

## **Amalgamations, Service Realignment, and Property Taxes: Did the Harris Government Have a Plan for Ontario's Municipalities?\***

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Drastic change was contemplated by *The Common Sense Revolution* (CSR), the election manifesto that brought Mike Harris to power as premier of Ontario in 1995; the Harris government implemented drastic change; therefore the CSR explains what the Harris government has done. The fact that this syllogism is logically flawed should be obvious. The aim of this paper, however, is to go beyond formal logic and show that, with respect to the Harris-government's municipal policies, its substance is flawed as well. Although Harris has brought dramatic change to Ontario municipalities, such change was not the result of the CSR. On municipal issues, the CSR was too vague to account for any of the policies subsequently implemented. The CSR promised only that "any actions we take will not result in increases to local property taxes; that "regional and municipal levels" of government should be "rationalize[d]...to avoid overlap and duplication that now exists"; and that "we will sit down with municipalities to discuss ways of reducing government entanglement and bureaucracy with an eye to eliminating waste and duplication as well as unfair downloading by the province" (Progressive Party of Ontario 1994).

At great political cost, the government launched a massive campaign in late 1995 to promote municipal amalgamation outside Metropolitan Toronto and in 1997 to compel it within, all the while leaving politically unpopular regional governments untouched (until late 1999 at least). In 1997 it also realigned

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provincial and municipal taxation and service responsibilities in such a way as to make the system more confused and entangled than ever before. Finally, it adopted a new property-tax assessment system, effective in 1998, that will lead to dramatic tax increases for many of its strongest supporters. How did it arrive at this remarkable series of outcomes?

### **Amalgamations Outside Toronto**

Speaking in Fergus, Ontario in the autumn of 1994, only a few months before the election that brought him to power, Mike Harris had this to say about municipal amalgamations:

“There is no cost to a municipality to maintain its name and identity. Why destroy our roots and pride? I disagree with restructuring because it believes that bigger is better. Services always cost more in larger communities. The issue is to find out how to distribute services fairly and equally without duplicating services” (Barber 1997a).

Two months after becoming premier, Mr. Harris addressed the annual meeting of the Association of Municipalities of Ontario (AMO). He made no reference to the need for any form of municipal restructuring (Ontario n.d. a).

The new minister of municipal affairs and housing, Al Leach, addressed the same conference the day before. He made one reference to municipal amalgamation:

“There is no solution that’s going to work everywhere. But there are a lot of measures that can make a difference: successful amalgamations, for example -- like the one that created the Town of New Tecumseth; there’s annexations, sharing services, deciding what services should be provided; there’s the cost management approach used so well by Pittsburgh Township; and there’s government restructuring. I want to say I am fully committed to getting the province off your back” (Ontario n.d. b).

The reference to New Tecumseth was not accidental. To coincide with the AMO meeting, Mr. Leach published a flashy pamphlet (complete with his own picture) reporting on the results of an internal ministry study that purported to demonstrate cost savings from the amalgamation. Prominently displayed in the pamphlet, under the heading “Less Government” was the statement that the total number of municipal councillors had been reduced from 22 to nine (Sancton 1996a).

New Tecumseth is in south Simcoe County, northwest of Toronto. It resulted from legislation sponsored by the Peterson Liberals. Discussing similar

legislation for north Simcoe sponsored by the Rae NDP government in 1993, the local conservative member, Jim Wilson, (one of Leach's cabinet colleagues at the time of the 1995 AMO meeting) had this to say:

"I've spent the last several months reviewing all the regional governments in Ontario, many of which were imposed by my party in the past, so believe me, I come to this with some experience, and the south Simcoe experience to date. There are no cost savings. Bigger is not better. The government cannot point to an area of this province, including south Simcoe, where amalgamating departments [sic] has resulted in savings to the ratepayer. It does not exist. In fact, history shows that smaller units are more efficient... I to this day cannot find anyone in Tottenham, Beeton, Alliston or Tecumseth township who liked restructuring. They do not like it, including a number of people on council. We've had all kinds of problems..." (Ontario 1993: S181-S182).

If the local conservative member was sceptical of the amalgamation's benefits, and if the party was not in any way committed to a policy of municipal amalgamation, why was Mr. Leach touting it within a few weeks of his appointment to office? One possible answer is that officials in the ministry skilfully convinced him that the CSR could best be implemented in his portfolio through a policy of municipal amalgamations. Since they had already conducted a study showing that New Tecumseth saved money and since it indisputably involved fewer local politicians, it could not have been difficult to convert municipal amalgamation -- a longstanding objective of the ministry since the 1960s -- into a policy that was consistent with the CSR call for less government.

Municipal amalgamations did not clearly appear on the Harris government's public agenda until November 29, 1995, the day on which Bill 26, the *Savings and Restructuring Act*, was first made public. Schedule M of Bill 26 defined municipal restructuring in terms of various forms of annexation and amalgamation (and separation of a municipality from a county); established a procedure for municipalities to arrive at locally-agreed restructuring arrangements; and provided for the appointment, in the case of local disagreement, of a commission which would itself have the power itself to impose new boundaries and structures within the affected area. In his book *Promised Land: Inside the Mike Harris Revolution*, John Ibbitson states that, for Tony Clement (now Harris' minister of the environment) "It quickly became clear ... that the government had been shafted by the bureaucrats. 'The bureaucracy tended to put in every item that had been on the shelf for the past five years .... It was almost like a wish list'" (Ibbitson 1996: 145).

Certainly the provisions about municipal amalgamation seem much more similar to what one would expect from the ministry's wish list rather than from conservative MPPs and the formulators of the CSR. Regardless of their party platforms, previous ministers of municipal affairs always ended up promoting

municipal amalgamation, but with only limited success. The Liberals cautiously advanced the idea that rural municipalities within traditional counties should amalgamate with each other. They sponsored amalgamation legislation in the Sarnia area and in south Simcoe. The NDP did the same for north Simcoe. The notion of having local restructuring disputes settled by a commissioner with binding authority seems to have emerged from the NDP's experience in settling a longstanding annexation dispute in London (Sancton 1998). Because of this behaviour by previous governments, and in the absence of any pressure for amalgamation from any interest groups, circumstantial evidence suggests that we should look to the public service as a source for the Harris government's commitment to municipal amalgamation. Not surprisingly, individual public servants have not publicly express views in their own right, but anyone who has talked with them knows that they generally believe that small municipalities need to merge together and that periodic -- if not continual -- municipal restructuring is a good thing.

Why do public servants within Ontario's ministry of municipal affairs have such a predisposition toward amalgamation and restructuring. The answer probably relates to their "glory days" of the late 1960s and early 1970s. Prior to this period, the ministry was little more than a mechanism for collecting financial information and insuring that various provincial laws and regulations were properly enforced. But, starting in the 1960s, it became accepted wisdom that municipalities could be harnessed to promote and shape Ontario's economic growth. To do this, however, they had to be appropriately structured: hence the move towards two-tier regional governments. In the mid-1970s, however, provincial politicians of all parties lost confidence in municipal restructuring, both as a policy tool and as an attractive political proposition. From then until the mid-1990s, the ministry of municipal affairs suffered from having too little to do. Everything changed, however, with the passage of Bill 26.

The CSR emphasized concerns about too many "levels" of government, and made special reference to concerns about overlap between "regional and municipal" governments. Significantly, however, the municipal restructuring provisions of Bill 26 specifically excluded any part of the province covered by a two-tier metropolitan (Toronto), regional, or district (Muskoka) government. On various occasions Al Leach tried to explain this aspect of the bill. Here are two examples:

"I should point out that regions and the restructured Oxford county are not included in the new process. This is because many regions are already actively involved in their own restructuring process and some, such as Ottawa-Carleton, recently completed the job of restructuring. Oxford county has done that as well, and that is why it is excluded from the new legislation" (Ontario 1995a).

There have been no major municipal-boundary changes within Ottawa-Carleton

and Oxford for many years. It was not clear what Mr. Leach meant by restructuring. A few days later he said:

“The structure of municipalities in Ontario today has an origin which dates back to the 1840s. While some municipalities have reformed in the context of regional governments, the structures of others are badly outdated and inefficient. Some of these municipalities might want to look at restructuring as a means of managing with less money” (Ontario 1995b).

Here the argument seemed to be that, because regional governments are themselves “reformed” institutions, they need not be subject to further restructuring under the terms of Bill 26. Such a message, if indeed it represented what the minister wanted to say, seemed in direct conflict with the terms of the CSR.

By early April 1997, more than a year after the Bill-26 procedures had been in place, there had been relatively little action with respect to municipal restructuring. The minister had approved 21 plans which, in total, had reduced the number of municipalities by 50 (out of a total of 815) (Ontario 1997a). After this time, the pace of municipal submissions quickened. This was no doubt due to two important developments:

- ▶ The government had, in December 1996 announced its intention to legislate the merger of all the municipalities within Metropolitan Toronto; and
- ▶ At the end of April the first commission appointed under Bill 26 ordered the amalgamation of the City of Chatham with all municipalities within Kent county.

While Mr. Leach could claim that Toronto was a special case and that the request for a commission had come from politicians within Kent county, many municipal leaders outside these areas considered these two developments as clear evidence that, if they did not restructure themselves, the government would do it for them. Many of the subsequent restructuring plans were carried out under a form of perceived duress.

The Chatham-Kent case deserves attention, not just for its influence on subsequent municipal behaviour, but also because it has been the most dramatic and extensive of all the restructurings carried out under the provisions of Bill 26. From April 1996 until January 1997, local politicians in Kent county had debated every conceivable alternative form of structure -- from abolishing the county to merging all county municipalities into one. The only option that failed to win any degree of support was the idea that a complete merger should include the city of Chatham. On January 22, 1997, a deputy reeve died of a heart attack on the floor of the county council while defending the county's continued existence. A week later a majority of members boycotted the next meeting, which was the last opportunity to arrive at a local decision. Seven municipalities had

already asked for a commission to be appointed but Mr. Leach had postponed action until it was clear that local agreement was not possible.

When he appointed a one-man commission on February 6, Mr. Leach prescribed that the area in question include both the city and the county (Ontario 1997b). This was probably the single most important decision in the entire process -- and it was clearly taken by the government, not the commissioner. After issuing an initial report in which he had narrowed the choices to a two-tier system including the city or a one-tier system including the city, the commissioner, Peter Meyboom, reported on April 28 that he had chosen the one-tier option. He acknowledged that only one of the 23 affected municipalities, the Township of Tilbury East, supported his choice (Ontario 1997c).

The commissioner's decision sparked predictable statements of outrage from various municipal politicians -- but after a few days the storm passed. Part of the explanation for this is that both politicians and administrators realised they would soon be jockeying for position in the new structure and no one wanted to diminish their chances by arguing that it was illegitimate. Another reason is that the Toronto megacity battle was going on at the same time and, in comparison, Chatham-Kent seemed insignificant. But, unlike Toronto, amalgamation in Chatham-Kent did not require an act of the legislature; it merged entities (the city and the county) that were not previously linked for local-government purposes; and it included a city, a town (Wallaceburg), villages, and rural townships.

The real lesson from Chatham-Kent is that amalgamation was accepted, even though it was not popular. Residents demonstrated remarkably little public concern about the loss of their local governments as a result of one person's decision. It was as though people in the area felt that they deserved a form of punishment or strong medicine because their municipalities had behaved badly by not restructuring themselves before a commissioner was brought in. Remarkably, the government's claims that the appointment of a commissioner was a response to local wishes and that it was not responsible for the content of his decision seem to have been accepted. The fact remains, however: never before in Ontario (or in any other liberal-democratic jurisdiction it seems) has one person had the authority -- and used it -- to so dramatically alter an established system of local government.

From April 1997 onward, Chatham-Kent became the horrible example that no one else wanted to follow. Counties scurried to get on with restructuring so that they would avoid a commissioner. For many, the main object was to devise a plan that would not involve becoming linked with a populous urban centre whose residents could dominate the local political process. Ironically, if all the parties involved were convinced that no one in their group would request a commissioner, the urgency to take action was greatly reduced. This probably explains why some areas acted and others did not.

Prior to the passage of Bill 26, there were 815 municipalities in Ontario. Except for the creation of the megacity in Toronto, all of the municipal restruc-

turings approved by the Harris government have been brought about under the provisions of Bill 26. As of July 13, 1999, the number of municipalities in Ontario has been reduced under Bill 26 by 229 and the number of elected municipal officials by 1059.<sup>1</sup> Some were clearly defensive: assessment-rich townships merged with each other so that they could avoid pressure to share their assessment with poorer neighbours. This explains why there is already talk in ministry circles of the need for “re-restructurings”. The general pattern, however, has been that villages or towns have merged with neighbouring townships, despite longstanding local views that they were best kept separate due to significantly different needs for municipal services. The basic trade-off has been that the village or town shares its richer tax base in return for political dominance (through representation by population on the new council) and for new room for urban expansion.

Except for Chatham, Kingston, Belleville, Peterborough and Trenton, no other Ontario cities have been affected by Bill 26. Second to Chatham, the changes in Trenton were the most dramatic. The city absorbed a village and two townships, one in a different county. That -- in a sense -- was the good news for Trenton. The bad news is that the city of Trenton no longer exists. Its new name is Quinte West (Ontario 1997d). The fact that this was the only restructuring that crossed a county boundary is important. For decades there have been complaints that county boundaries no longer matched patterns of settlement and needed to be changed. Yet, under Bill 26, the counties were the entities within which local support for restructuring was supposed to be mobilised. Quinte West was able to expand westward into Northumberland only because the Northumberland county council agreed. In other areas close to county borders (Ernestown in Lennox & Addington but closely tied to Kingston and southern Huron county abutting Grand Bend in Lambton county), inter-county agreement was not possible and restructurings were approved even though county boundaries still bisected urban areas that were otherwise part of the same urban fabric.<sup>2</sup>

Notwithstanding its inability to expand beyond county boundaries, the city of Kingston annexed two neighbouring townships, including Pittsburgh, the one held up by Mr. Leach in 1995 as being a model for municipal cost containment. Belleville absorbed an entire neighbouring township (Ontario 1997f), and Peterborough parts of two (Ontario 1997g). One of the many complications in Kingston was that Pittsburgh township was not unionised. The Harris government had to introduce amendments to labour legislation to allow Pittsburgh employees to enter the Kingston union with their accumulated seniority rights. The unions were not happy. We do not know, however, what Harris cabinet ministers really thought about their unintended contribution to increased membership in On-

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1. See Ontario (1999). For a full discussion of the process of municipal restructuring in three rural Ontario counties, see Williams and Downey (1999).

2. For Kingston, see Downey and Williams (1998); for Grand Bend, see Ontario (1997e).

tario's public-sector unions.

Table 1 shows the single-tier cities in Ontario that have not been affected by municipal restructuring since 1996. Regional governments were not affected until **TABLE 1 Single-Tier Cities in Ontario whose Territories are Unaffected by Municipal Restructuring, 1996-98**

London	325,000
Brantford	81,000
St. Thomas	30,000
Windsor	196,000
Owen Sound	20,000
Sarnia	70,000
Brookville	21,000
Stratford	29,000
Pembroke	13,000
Barrie	71,000
Orillia	27,000
Cornwall	47,000
Guelph	93,000
Elliot Lake	12,000
Sault Ste Marie	81,000
Timmins	46,000
North Bay	56,000
Thunder Bay	114,000
<b>TOTAL</b>	<b>1,332,000</b>

Note: List excludes separated towns and the cities of Sarnia (70,000) and Woodstock (31,000) both of which, due to actions of previous governments, are now part of two-tier county systems (Lambton and Oxford respectively). The respective territories of these cities have not been affected by municipal restructuring between 1996 and 1998.

late 1999 when the legislature approved the *Fewer Municipal Politicians Act*. This law called for the creation of new single-tier amalgamated municipalities to replace the two-tier systems in Ottawa, Hamilton, and Sudbury.

### The Megacity

For the 2.2 million residents of Metro Toronto dramatic change has already been



experienced.<sup>3</sup> Effective January 1, 1998 their six area municipalities and one metropolitan government were merged to create the new city of Toronto, the megacity. The origins of the megacity decision are exceptionally difficult to determine. On January 5, 1995, the leader of the third party in the Ontario legislature, appointed the “Mike Harris Task Force on Bringing Common Sense to Metro”. The chair was Joyce Trimmer, who had retired a few months previous as mayor of Scarborough (Ontario Progressive Caucus 1995). She was being actively recruited by Mr. Harris to be a conservative candidate in the approaching election but she adhered to her decision to leave politics. There were three “co-chairs,” Al Leach, Derywn Shea and Morley Kells, each of whom did turn out to be a successful conservative candidate in June 1995. The task force conducted six public hearings in Metro in February and March 1995 but the members themselves never met alone to discuss their recommendations. According to handwritten notes kept by Ms. Trimmer, none of the approximately thirty presentations recommended a complete merger, although some suggested that there should be four municipalities within Metro rather than six. There were frequent references to the desirability of eliminating Metro, or at least to weakening its authority and reducing its budget.

In retrospect, it appears that the existence of the task force might have had more to do with preparing for the election than with preparing for government. Recruiting Ms. Trimmer would have given the Harris campaign considerable credibility within Metro; she was certainly better known than any of her three co-chairs. Staff support for the task force came from Mr. Harris’ office, notably David Lindsay and Tony Clement. At one point David Lindsay sent to Ms. Trimmer “a first cut at an ‘Interim Report’ from you to Mike”. He wrote that he was sending “a copy to Mike in North Bay for his comments and suggestions and I would welcome your thoughts and input”.<sup>4</sup> Since Ms. Trimmer was the chair, this last remark seems to speak eloquently as to how people in the leader’s office viewed the independence of the task force. The “first cut” that Mr. Lindsay referred to included drafts of a two-page covering letter dated March 30, 1995 and a six-page report. The letter listed eight “findings”. None specifically referred to the desirability of eliminating the Metro level of government. However, in a separate paragraph in the letter, the following statement appeared:

“[T]hese observations are leading us to conclude that the Metro level of government should be eliminated. Responsibility for the delivery of some services should be moved to the local level; others, such as transportation, should be structured on an expanded regional basis beyond the current Metro boundaries. Some services may have to be

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3. For other accounts of the creation of the megacity, see Horak (1999), Isin and Wolfson (1999) and Todd (1998).

4. Handwritten letter from “David” to “Joyce,” no date, but accompanying a typed draft of a letter from Joyce Trimmer to Michael Harris dated March 30, 1995.

assumed by the Province”.

The “interim report” was never officially released. Indeed, the four task-force members never met to discuss it. There is no evidence that any of them ever signed it. However, on April 3, during a debate on GTA issues sponsored by *The Toronto Star*, Mike Harris stated that “Last Thursday, the chair, Joyce Trimmer, presented an update of their work” (*The Toronto Star* 1995). “Last Thursday” was March 30, the date of the draft covering letter. During the debate Mr. Harris made a number of specific references to the work of the Trimmer task force. He pointed out that the task force concluded that “there are too many arbitrary political boundaries” and that the task force is leading to the conclusion

“That Metro regional government in its current form must go... Eliminating Metro government would result in the elimination of regional taxation. Under this option, local councils, would negotiate a direct payment for their share of the costs of regional services.... This may very well lead to the complete elimination of an entire level of government” (*The Toronto Star* 1995).

Although it was far from clear in this debate exactly what structural arrangements Mr. Harris did favour, three points were readily apparent: he supported the findings of the Trimmer task force (which, in any event, were drafted in his own office); there was no hint of a megacity; and the Metro level of government was being targeted for elimination.

As soon as the election was called, the Trimmer task force effectively ceased to exist, but she was never informed. Meanwhile, she continued at her home to receive written briefs and suggestions as to how Metro could be reformed. Her phone calls to Mr. Harris’ office -- later the premier’s office -- were not returned. On September 19, 1995 she wrote to Premier Harris stating that:

“my attempts to elicit information from your staff as to your direction with regard to your own task force have been singularly unsuccessful... I still have in my possession many of the submissions made to your task force. I am sure the presenters of all submissions would like to think their opinions were of value and warrant better than ending up in the basement of Joyce Trimmer!”

Despite further phone calls to the premier’s office, the letter received no reply.

On April 1, 1995, only two days before the leaders’ debate on the GTA sponsored by *The Toronto Star* Premier Bob Rae created a government Task Force on the Greater Toronto Area, chaired by Anne Golden. It was during this same debate that Mr. Harris, in addition to referring to the work of his own Trimmer task force, promised that, if he were premier, the Golden task force would have to report within 120 days. When this happened on January 16, 1996,

the Golden report made no mention of even the possibility of amalgamating all the municipalities within Metropolitan Toronto. Smaller-scale amalgamations within the GTA were held out as a possibility but the task force concluded that “the benefits of amalgamation and consolidation are often over-stated” (Ontario 1996: 212).

That the Harris government would end up taking a different position than an NDP-appointed government task force is not surprising. That it would go against the findings of its own pre-election party task force, one of whose members became minister of Municipal Affairs, requires more analysis. There are conflicting journalistic accounts of what happened. William Walker, writing in *The Toronto Star* on December 21, 1996 relied primarily on an unnamed official within the Ministry of Municipal Affairs. The official claimed that Golden’s plan for a GTA council was rejected early on because “we were concerned about creating what would be like a small country, let alone a small province”. But, if Harris’ election promise was to be delivered by abolishing Metro, the problem then became what to do about Metro-level services. Walker quotes David Crombie, whose “Who Does What” panel could not reach internal agreement on the Metro issue, as saying that it was clear that such Metro services could not be returned to the municipalities. In fact, Walker claims that it was Crombie himself who first seriously proposed the megacity at a meeting in July of 1996, shortly after he became involved in “Who Does What”. The ministry official is quoted as saying, “Crombie was the key. When we heard the king of neighbourhoods, the guy who grew up in Swansea, say there won’t be damage to neighbourhoods, then we felt pretty good about it intellectually. It just put everybody at ease”.

John Ibbitson’s account makes reference to Crombie only by pointing out that he (like the Golden task force) was more concerned with the GTA as a whole than with municipal structures within Metro (Ibbitson 1996). According to Ibbitson, Al Leach was the originator of the megacity. Harris was initially sceptical but was won over by arguments about how amalgamation promoted coherence and competitiveness while at the same time conveniently eliminating the source of much political opposition: the Toronto city council (Ibbitson 1996).

When confronted in the legislature about the apparent conflict between the CSR and the megacity policy, Al Leach stated the following:

“I think by now we’ve all heard the comment that there was no mention in the Common Sense Revolution about amalgamating Metro Toronto. What exactly did we promise in the Common Sense Revolution? We said that Ontario would have less government. We said that there should be fewer politicians, there should be less bureaucracy and there should be less overlap and duplication. This legislation will help us reach those goals” (Ontario 1997h).

In response to opposition questioning in the legislature, both Messrs. Leach and Harris even claimed that their actions were in accord with the eight major recommendations of the Trimmer report, without mentioning that they contradicted its one central conclusion.<sup>5</sup>

All the evidence seems to suggest that the Harris conservatives did not come to office favouring municipal amalgamation, either in Toronto or anywhere else. Outside Toronto, it became an issue in late 1995 through Bill 26, the details of which were -- it is almost universally acknowledged -- driven by a civil-service agenda rather than a political one. The bill was so wide-ranging that the procedures for bringing about municipal amalgamations can be seen as details. In any event, the government was protected politically because no mergers were to be forced, except when at least one municipality specifically requested that a commissioner be brought in to sort out local disagreements -- as in Chatham-Kent.

Toronto's megacity did not emerge until more than one year after the introduction of Bill 26. The combination of the Golden task force report and Mr. Harris' own election promises about Toronto compelled the government to do something. The Golden recommendations were doomed because they called both for what was clearly a GTA-tier of local government and for intermunicipal service agencies that looked fairly similar to the Metro and regional governments that were supposed to be abolished. The Golden task force never articulated a vision of metropolitan governmental arrangements that would be attractive to anti-government market-oriented conservatives (Sancton 1996b). The Trimmer

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5. Mr. Leach's remarks were on January 15 and Mr. Harris's on January 21. In early January a copy of "The Metro Task Force Summary" began circulating among opponents of the megacity legislation. It bore no date; it was on plain paper with nothing to identify it as having anything to do with the conservative party or with the Trimmer task force. It is identical to a document within Joyce Trimmer's own files, but the text is not identical to that of the six-page draft report sent to Ms. Trimmer by David Lindsay (Ibbison 1996: 249). Ms. Trimmer explained in an interview with me on November 17, 1998 that she made changes to the first draft and sent a revised copy back to Mr. Harris' office. I now have in my possession three different versions of the Trimmer report, each without a date. They all say essentially the same thing, although the document that circulated in January -- and the one that Ms. Trimmer claims is the final draft -- contains the following statements not contained in the first version:

"...the task force recommends the elimination of the Metro level of government as the cornerstone of the reform process. We must be aware of so-called "false economies of scale" in which smaller operations are subsumed into larger ones for the sake of efficiency but are soon bogged down by the growth of bureaucracy"

It is not clear what version of the Trimmer report the various members of the legislature were referring to, or even if it was the same one. In any event, the eight "major recommendations" referred to by Messrs. Leach and Harris were in the covering letter from Ms. Trimmer, not in the report. It is highly unlikely that the opposition members even knew that this letter existed.

party task force attempted such a task, but without any serious intellectual framework and without confronting all the apparent loose ends that would be left from abolishing existing upper-tier governments. Since Harris' public pronouncements at the time of *The Toronto Star* debate focussed primarily on eliminating a level of government rather than sketching out alternatives, the government came to office without any clear commitment as to its course of action.

The real source of the difficulty relates to the apparent confusion between the concept of "less government" on the one hand and the number of governments, government agencies, or politicians on the other. Although avowedly free-market promoters such as local chambers of commerce (including the Toronto Board of Trade) often equate the two, no serious analyst would ever make such an obvious mistake. But the chamber-of-commerce position has a degree of internal logic. Sometimes businesses want a single big government dominated by a few politicians that is capable of resolving big problems over large territories. But such a desire is not the same thing as wanting a single big government because it is cheaper. Nobody who has studied the issue can seriously believe that this latter proposition is true (see Sancton (1996a) for a literature review on this).

When the Harris government started confronting governance issues within the GTA, it discovered that any plan to abolish Metro and the regions actually resulted in a system that, in terms of organisational charts at least, was more complicated. Complexity was seen as the enemy -- especially if it involved establishing new intermunicipal boards and commissions to replace metropolitan and regional governments. Such an approach was never a problem for the Thatcher government in Britain, a government that Harris was presumably trying to emulate. Thatcher eliminated upper-tier city governments, replacing them with a collection of special-purpose bodies.<sup>6</sup> But Thatcher clearly understood the difference between less government and fewer governments, between the desirability of reducing the bureaucracy and the desirability of reducing the number of politicians.

Given its lack of theoretical and intellectual equipment, the Harris government apparently stumbled into the megacity solution. Once the policy was decided, serious debate was not possible. Government spokespersons -- from Premier Harris down to officials within the ministry of municipal affairs -- could only repeat the mantra: megacity eliminated a layer of government; reduced overlap and duplication; and cut the number of politicians. Such words were congruent with the vocabulary of the CSR. The fact that the policy itself violated its core idea -- the need for less government, more efficient government, and more responsive government -- was by this stage immaterial.

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6. The Blair government is in the process of creating a new upper-tier government for London (See U.K. n.d.)

## Service Realignment

The “Who Does What” story has been well told elsewhere (Ibbitson 1996; Graham and Philips 1998). The basic problem for the Harris conservatives was that they did not have a plan to reconcile their CSR pledges relating to:

- ▶ Personal income tax;
- ▶ Property taxes;
- ▶ Education; and
- ▶ Municipal government.

They promised a 30 % decrease in provincial personal income taxes combined with no increases in property taxes. Their pledges relating to education clearly involved a dramatic increase in provincial controls over school-board spending and taxing. For municipal government, they promised to “sit down with municipalities to discuss ways of reducing government entanglement ... as well as unfair downloading by the province”.

In its megaweek announcements of January 1997 (Ontario 1997i), it appeared that the government’s primary objectives were to remove education costs from the residential property-tax bill and to eliminate the authority of school boards to levy taxes. In May, the government retreated on its first objective: to respond to widespread concern about having municipalities cover 50 % of all welfare costs, it stated that the municipal social-welfare share would be reduced to 20 % but that there would be a provincial residential property tax for education to raise half the amount formerly raised by school-board taxes on residential property (Ontario 1997j). In terms of simplicity and clarity for the ordinary taxpayer, this decision was disastrous. Property taxes would still be levied by two different kinds of governments (municipal and provincial rather than municipal and school board) but now the proportion of municipal taxes going to pay for welfare -- a cost over which municipalities have no control -- would be significantly higher.

Within the Greater Toronto Area, the welfare situation turned out to be even more complicated. Since the number of welfare recipients was disproportionately higher within the megacity than within its suburbs, Toronto would have faced significant tax increases and suburban areas, tax decreases. Attractive as this was to many of the government’s supporters, it was unacceptable to important allies within Toronto, notably David Crombie and the Toronto Board of Trade. On August 6, 1997 the government announced that welfare costs would be pooled:

“Historically, the heart of the GTA -- Metro -- has faced a greater demand for social services than other parts of the GTA. In 1994, welfare caseloads in Metro were 50.4 per 1,000 population, compared

to 24.3 in Durham, 16.8 in Peel, 16.5 in York and 9.8 in Halton. That is because the GTA is really a single catchment area for social and health services. People who need services cross municipal boundaries to get them. Historically, people with lower incomes have tended to move to the core, where public transportation is more convenient, social services are more readily available and low-cost housing may be easier to find” (Ontario 1997k).

At one point, it appeared that the proposed Greater Toronto Services Board (GTSB) would be the mechanism through which this pooling would take place. The obvious problem, however, was that, if all the welfare money flowed through the GTSB, it would look like a huge operation, certainly like another distinct tier of local government. Since there was virtually no opportunity for sub-provincial decision-making relating to welfare, there was no point in turning the GTSB into the GTA welfare authority. The result, however, for GTA-taxpayers is that there is absolutely no relationship between the amount of money that the new city of Toronto or the regional municipalities spend on welfare and the actual cost of delivering welfare within their respective territories. It is the cost of welfare within the GTA as a whole that is the relevant factor. This might be good public policy, but it is hardly an example of the “reduc[ed] government entanglement” promoted by the CSR.

The government’s service-realignment policies have made municipal government more costly and complicated rather than less so. In theory, the increased costs to municipalities -- for welfare, social housing, ambulances, and public health -- are offset by the 50 % reduction in the funds needed from residential property tax rates for education. Why did the government not simply impose mandatory spending and taxing constraints on school boards while increasing provincial regulation? Such a policy would indeed have accomplished the government’s educational objectives. But the service realignment, from the government’s point of view, did involve significant political and financial benefits:

- ▶ By eliminating provincial welfare (and social-housing) administrators and provincially-employed land-ambulance drivers (where they existed), the size of the provincial civil service was significantly reduced;
- ▶ While the government took on new financial burdens for education, school boards remained as the main employers and no new provincial employees were added;
- ▶ Since municipal social-service administrators were generally paid less than provincial ones, there were financial incentives to assign the integrated

system to the municipal level and financial disincentives to provincialise it.<sup>7</sup>

Who could possibly have predicted a few years ago that in 1998 Ontario would have a provincial residential property tax for education and that municipalities would be paying 20 % of all welfare costs (not just short-term general welfare assistance)? No commission of experts, no party task force, and no document remotely connected to the Common Sense Revolution ever suggested even the possibility of any of these outcomes. But such policies enabled the government to increase its control over education and reduce the size of the provincial civil service. Welfare and other services were added to the municipal property tax because the government had promised to reduce personal income taxes, not property taxes. Service realignment was driven by the CSR but the CSR said nothing about what service realignment actually produced.

### Property Assessment

The only reference to property taxes in the CSR is this: “We will work closely with municipalities to ensure that any actions we take will not result in increases to local property taxes”. Both the Golden task force (Ontario 1996) and David Crombie’s<sup>8</sup> “Who Does What” panel recommended a new assessment system based on the value of a property “in its current use”. The distinction between this system and “market value” is that the former attempts not to take account of any value brought about by a potential future use of the property. In short, it attempts to eliminate speculative value. Both Golden and Crombie recommended that municipalities be given the authority to levy different tax rates for different classes of property. The main object of this recommendation was to enable municipalities to reduce massive tax-burden shifts among different classes. Without such authority, single-family homeowners would have been hit especially hard.

During megaweek in January 1997, the government announced that it was accepting the Crombie and Golden recommendations because of a desire to make the system “fair, clear, more consistent, and more accountable”. Finance minister Eves claimed that because previous governments had not acted on this matter “thousands of homeowners and businesses are paying more property tax than they should be” (Ontario 1997: 117). What he failed to point was that thousands were paying less than they should be. The government’s basic problem on this issue from then on was that introducing the new assessment system

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7. The Crombie “Who Does What” Panel recommended continued municipal administration even though it favoured 100 % provincial funding of welfare assistance. See letter from the sub-panel on social services to the Honourable Al Leach dated October 11, 1996, p.4.

8. Letter from the sub-panel on assessment and property tax reform to the Honourable Al Leach dated August 20, 1996, p.2



inevitably meant higher taxes for many taxpayers. Each one would consider the CSR promise on property tax to have been violated. Dealing with such people was an enormous political challenge that has not yet been overcome. Mr. Eves also failed to point out that he was in fact introducing market-value assessment, not assessment based on value in current use.

For twenty years no Ontario government had been willing to force the implementation of market-value assessment, even though the concept was, in theory, at the heart of the province's property-assessment system. The main problem was that owners of older, under-assessed residences and commercial properties would face huge tax increases. This problem was especially acute within Toronto and that is why the city of Toronto had been one of the strongest institutional bulwarks in the fight against market-value assessment. The city's position, however, was potentially self-defeating because unfair assessment was one of the factors led to high taxes on newer downtown office buildings, taxes so high that they disadvantaged downtown Toronto in relation to the rest of the GTA and to other North American cities (Ontario 1996).

By introducing assessment reform at the same time as the megacity and service-realignment proposals, the government dramatically reduced the visibility of the assessment issue. Inner-city opponents of the megacity were reluctant openly to link the two issues because such linkage would alienate potential suburban Metro megacity opponents who stood to benefit from changes in the assessment system. Indeed, the government's political tactics in relation to changing the assessment system, especially within Toronto, were nothing short of brilliant.

Once again, however, we must wonder about why the government did what it did. Running as a conservative candidate in central Toronto in 1995, Al Leach stated: "my party and I will never support the imposition of MVA [market-value assessment in] Metropolitan Toronto" (Barber 1997b: A6). There was much confused debate in the legislature and elsewhere about the words "market value," "actual value," "current value," and "value in current use". The government ended up calling its system "current value assessment". The tone of the debate is perhaps best captured in this exchange in the legislature on May 5, 1997:

"Mr. Monte Kwinter (Wilson Heights): My question is to the Minister of Municipal Affairs and Housing. Bill 106 amends the Assessment Act by adding the following definition: 'Current value' means, in relation to land, the amount of money the fee simple, if unencumbered, would realise if sold at arm's length by a willing seller to a willing buyer.

Minister, I have been a real estate professional, I have taught the course, and I can tell you that this definition is verbatim what the definition is for market value. Yet at our committee hearings, an official from the Ministry of Finance said there is a difference. I would ask you if you could explain to the House the difference between this

definition of current value and that accepted by lawyers and by real estate professionals of what market value is.

Hon Al Leach (Minister of Municipal Affairs and Housing): Obviously both systems are value-based, and we've always stated that. It's a matter of how the systems are implemented. The 1992 version of market value assessment that was introduced by Metro and rejected by the NDP government had certain features which made it completely unpalatable to the citizens of Metropolitan Toronto, including myself. It called for assessments every four years; there are opportunities for lots of spikes -- a totally volatile situation.

The assessment system we're proposing calls for the assessment to be done on an annual basis with a three-year rolling average, which takes all the volatility out of the system. This is a system that will work well for Metropolitan Toronto. We've also put in aspects to protect seniors and the disabled and also to phase it in over eight years" (Ontario 1997m: 9856).

This exchange makes it abundantly clear that "current value assessment" is based on market value, and nothing else. By implementing it, the government was doing what other governments had tried and failed. Its policies in this regard were not in any way inspired by the CSR. For the government, however, the policy did have significant benefits: within Toronto it lessened the tax burden on downtown office buildings and on residential taxpayers in newer suburban areas of Metro and it increased the burden on many inner-city residents who would never vote conservative anyway. But, unfortunately for the government, things were not that simple.

When Toronto's new assessments were made public in February 1998, inner-city residences were not affected as negatively as had been expected, leading to accusations that there had been a deliberate effort to minimise the impact of the changes (Honey 1998). Small commercial holdings along traditional shopping streets were another matter. Here there were examples of small merchants potentially facing tax increases of more than a 1000 %. Almost 80 % of commercial properties within the new city of Toronto faced increases of more than 100 % (Armstrong 1998). Tax increases of this size for so many small businesses were in obvious conflict with the provisions of the CSR. It was the CSR that would prevail.

More than eighteen months after the announcement of the government's commitment to current-value assessment, we can still to this day watch the government twist and turn as it amends the new scheme to limit tax increases for some particular class of property owner. At least four separate government bills relating to property tax have been introduced after the passage of the initial legislation in early 1997 (Ontario n.d.c). There are new classes of property, new phase-in procedures, new bands of permissible rate ratios, new municipal limitations, and new deadlines: each amendment makes the system more

complicated and more impenetrable for ordinary taxpayers. Every amendment the government has introduced has been designed to soften and/or postpone the impact of the system it sponsored in the first place. Both the initial policy and the subsequent changes have all been justified in terms of fairness to property-tax payers.

## Conclusion

Very little of what the Harris government has undertaken in relation to municipalities owes its origin to the CSR. There appear to have been three main sources for the government's actions:

- ▶ Civil servants in the Ministry of Municipal Affairs seem to have been mainly responsible for pushing municipal amalgamation outside Toronto. They have promoted such a policy for decades regardless of the party in power, but never with as much success as under Harris. They never before had the kind of opportunity provided by Bill 26. Nor had they ever been able to link municipal amalgamation to an attractive political agenda, in this case the desire to reduce the number of politicians in the province and to appear to have less government by having fewer governments. The fact that Harris and his party opposed amalgamation in opposition apparently made little difference. While in opposition they seemed more concerned with keeping government "close to the people" rather than with reducing the number of politicians. The point, of course, is that these two propositions are ultimately incompatible.
- ▶ The impact of service realignment on municipalities resulted indirectly from the CSR. Once in office, the government decided that it could only accomplish its CSR objectives in relation to education by eliminating the authority of school boards to levy property taxes. Given that the CSR also called for income-tax cuts, the government's only alternative was to let the municipalities take over tax room vacated by the school boards in return for taking on increased funding responsibilities, especially for welfare, social housing, and ambulances, items that heretofore had been deemed by everyone as functions that should remain in provincial jurisdiction.
- ▶ Any incoming government would have had to confront issues relating to property assessment and the Greater Toronto Area. The Rae government had launched assessment reform in Toronto and backed away. It then set up the Golden task force. The province's largest newspaper, *The Toronto Star*, had become obsessed with insuring that something was done to prevent the city's apparent economic decline. It is no coincidence that Harris first became enmeshed in Toronto governance issues during a pre-election debate sponsored by *The Toronto Star*.

The real source of the Toronto amalgamation decision remains a mystery. It clearly did not emerge from the CSR or from any other pre-election statement of party policy, including the Trimmer report. John Ibbitson's account of the issue seems entirely plausible. Attempts within the ministry of municipal affairs to draft legislation to implement the Golden report ran into problems, especially when it became apparent that welfare could not be uploaded to the province. If Metro and the regions were abolished -- as both Golden and Crombie recommended -- either the GTA council would be far too powerful or sub-GTA intermunicipal servicing bodies (that would look embarrassingly like the old regional governments) would have to be created. Since Mr. Harris had promised to "abolish Metro" things could not be left as they were. Amalgamation had become the only alternative.

Since most members of the old Toronto city council were seen by Harris conservatives as irresponsible spenders who used the city's huge tax base as a source of inexhaustible funds, the attraction of merging them with a more numerous group of sympathetic suburban politicians must have been obvious. Similar attractions could well explain other aspects of the government's policies. The same people who elected the Toronto city council elected school trustees who, from the government's point of view, were the most notorious examples of spendthrift school boards. Removing the taxing authority of all school boards did more harm to the Toronto school board than to any other: its tax base had been so strong that it could maintain the province's highest per-student spending levels without needing any provincial grants. Compounding the government's frustration was the fact that voters in Toronto's trendy older neighbourhoods paid low taxes due to outdated low assessments. The spending decisions of their elected representatives at both the city council and the school board were then passed on disproportionately to owners of high-rise apartment buildings (and indirectly to their tenants) and office buildings. Such property owners were, of course, more likely to be supporters of the government than the homeowners in the older neighbourhoods.

While the CSR turned out to be largely irrelevant to what the government has done in relation to municipal affairs, it would be wrong to argue that the Harris conservatives became captives of the bureaucracy or that each of their decisions was a pragmatic response to a particular crisis. There does appear to have been a consistent political direction, but one that was not explicitly articulated in the CSR. Had the government somehow been able to restrict the impact of its policies to the intended targets in central Toronto, its political difficulties would have been dramatically reduced (John Sewell notwithstanding).<sup>9</sup> The creation of the megacity, the end of school-board-taxing authority, and the reform of property assessment have sparked a complex set of

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9. For a record of the remarkable accomplishments of Citizens for Local Democracy, of which Sewell was the main leader, see Citizens (Web site No date). See also Horak (1999).

unanticipated reverberations within all of the GTA and in the province as a whole. Their long-term impacts are from clear. Whatever they turn out to be, it seems obvious that most of them will have little or no connection to the original provisions of the Common Sense Revolution.

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