

The Paradox of Amalgamation: An Analysis of Municipal
Restructuring Practices in Ontario*

Ajay Sharma

Asharm4@uwo.ca

Ph.D. Candidate
Department of Political Science
University of Western Ontario

For Presentation at:
The Annual Meeting of the Canadian Political Science Association
University of Saskatchewan
Saskatoon, Canada
30th May – 1st June

[Comments Welcome]

* I would like to thank Barbara Carroll, David Siegel, Henry Jacek and Mark Sproule-Jones for their invaluable guidance, patience and insight. All errors remain mine alone.

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 redistribute services fairly and equally without duplicating services¹.

Introduction:

The second half of the 1990s ushered in an era of unprecedented change for the structure of municipal government in Ontario. The Progressive Conservative government, under the leadership of Mike Harris, implemented a series of policies that were designed to create a more streamlined, politically transparent and, most importantly, cost-effective structure of municipal governance in Ontario. An unresolved issue, however, centres on how the process of municipal restructuring, specifically amalgamation, was placed on the government's policy agenda.² Municipal amalgamation is not a particularly unique policy decision for a provincial government to take, especially in Ontario where municipal governments have undergone various forms of restructuring as a means to improving planning capacity, service provision capabilities, and cost-effectiveness etc. However, the rationale behind the Harris government's decision to advance amalgamation as the preferred form of restructuring was, quite simply, confounding.

Initially, the province government contended that municipal restructuring could mean many things, of which amalgamation was only one. However, as 1996 slipped by, it became increasingly clear what form of municipal restructuring was preferred by the provincial government. At that time Tindal noted:

...it became increasingly apparent that the Conservative government was really interested in one type of restructuring, amalgamation. Reducing the number of municipalities was seen as an end in itself, although why this was desirable was never satisfactorily explained (Tindal, 1997: 6).

The province argued the number of municipalities in Ontario³ represented a large and unnecessary burden to the taxpayer. Two main factors were cited as undermining the cost-effectiveness of municipal governance in Ontario. First, municipal fragmentation resulted in service duplication - municipalities within close proximity of each other tended to engage in the unnecessary production and provision of similar services. Second, the province argued that there were a disproportionate number of elected officials and bureaucrats at the municipal level, all of whom had to be compensated for their work. Amalgamation, by most accounts, represented a panacea that would minimize, if not eradicate, the structural inefficiencies of municipal governance in Ontario. Newly amalgamated municipal jurisdictions would, in the eyes of the province, have the capacity, and ability, to operate on a much more cost effective basis. Quite perversely however, the opposite effect has been observed. Municipal governments were unable to generate the much anticipated cost-savings following their restructuring.

¹"Harris's words come back to bite him," *The Globe and Mail*, (19 February 1997).

² The importance of this point becomes clear when we take into account that the Progressive Conservative Party's election platform, *The Commonsense Revolution*, made no reference to the substantive changes that lay in store for the municipal system in Ontario.

³ The Progressive government's municipal reform initiative resulted in over 160 restructurings, which, in turn, reduced the number of municipalities from 815 to 445

That the Harris government was unable, or perhaps unwilling, to suitably justify the rationale behind this policy decision owes more to the fact that the perceived benefits of structural amalgamation cannot be empirically supported (Derksen, 1988; McDavid, 2002; Sancton, 2000). This paper seeks to explain why the government of Ontario chose amalgamation as a means to creating a more cost-effective structure of municipal government by examining three cases: the Greater Kingston Area⁴; Metropolitan Toronto⁵, and; the Region of Hamilton-Wentworth⁶. To do so, this paper relies on primary and secondary resources, including interviews with public servants from the Ministry of Municipal Affairs and Housing, elected municipal and provincial officials, and municipal consultants. The main findings of this paper are: political ideology acted as an information shortcut⁷; relevant provincial policymakers did not possess the necessary expertise to impose major legislative and structural change⁸, and; by not sufficiently engaging experts at the municipal level, provincial policymakers placed themselves in a significant knowledge deficit problem⁹.

Setting the Stage for Institutional Change – Bill 26:

The Harris government's first attempt at restructuring came with the passage of the passage of Bill 26, The Savings and Restructuring Act, on November 29 1995 (Tindal, 1996: 3). Schedule M of Bill 26 defined municipal restructuring in terms of various forms of annexation and amalgamation and established a procedure for municipalities to arrive at locally-agreed upon restructuring arrangements. In the case of local disagreement, Bill 26 also provided for the appointment of a commission which would have the power itself to impose new boundaries and structures within the affected area (Sancton, 2000b: 137). At the time, Al Leach, the Minister for Municipal Affairs and Housing indicated which option was preferred by the government:

Local restructuring should not be left up to an independent third party to decide. These decisions should be made by local governments, as they know best the needs of their taxpayers (Vojnovic, 1998: 45).

The standard for restructuring process – *A Guide to Municipal Restructuring* – proceeded on the assumption that restructuring would promote efficiency, accountability, less costly

⁴ The Greater Kingston Area was composed of the City of Kingston, and the Townships of Pittsburgh, Kingston, and Ernestown.

⁵ Metropolitan Toronto was composed of the Cities of Toronto, York, East York, North York, Scarborough, and Etobicoke.

⁶ The Region of Hamilton-Wentworth was composed of Ancaster, Dundas, Glanbrook, Flamborough, Hamilton, and Stoney Creek

⁷ Specific behaviour can be categorized as non-rational where actions are carried out in defiance of rational procedure. While the rational path may be strategically noted, it is ignored in the interest of non-rational ends of means which are conditioned by political ideology. This is often done without *purely* rational consideration of costs consequent to abrogating rational procedure (Sica, 1988: 5).

⁸ This does not suggest that governments are at all times aware of all negative externalities that may arise following policy implementation; bounded rationality suggests that they do not. It does however forward the argument that, in crafting its policy, the government of Ontario did not employ the necessary causal analysis to determine the possible outcomes of its policy initiatives. As a result, the government could not rationally support its policy initiatives.

⁹ Initially, municipal officials were regarded by the province as individuals that possessed the necessary knowledge to determine how best to restructure Ontario's municipalities. However, as the restructuring process took hold, municipal officials were slowly marginalized from the decision-making process.

administrative units, and in general terms, what the *CSR* referred to as ‘less government’ (Williams and Downey, 1998: 214). The guide set several principles to be considered as part of restructuring: (1) less government; (2) effective representation system; (3) best value for the taxpayers’ dollar; (4) ability to provide municipal services from municipal resources, and; (5) supportive environment for job creation, investment and economic growth.

By early April 1997, more than a year after Bill 26 had been in place, there had been relatively little action with respect to municipal restructuring. A total of 21 restructuring plans had been approved, which had reduced the number of municipalities by 50 (out of a total of 815). At this time, the pace of municipal submissions quickened. This was largely due to two important developments:

- The government had in December 1996 announced its intention to legislate the merger of all municipalities within Metropolitan Toronto
- 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

The example of Chatham-Kent provided municipal officials with a timely, yet undesirable, lesson. It had become clear that statements by Al Leach, the then Minister of Municipal Affairs and Housing, were simply chimerical in nature – the province was clearly prepared to use its constitutional prerogative to force amalgamation despite prior statements to the contrary.

While the restructurings of the former Greater Kingston Area, Metropolitan Toronto, and Hamilton-Wentworth proceeded along three very different trajectories, each case was heavily influenced by Queen’s Park. The restructuring of the Greater Kingston Area [GKA] that resulted in the creation of the City of Kingston on January 1 1998 was taken prior to the Provincial Government’s official position on municipal restructuring in 1996. Despite pressure from the Province to amalgamate, the process was, for the most part, locally driven.¹⁰ The restructuring of Metropolitan Toronto, in stark contrast, demonstrates the extent to which the provincial Government was prepared to pursue its amalgamation agenda. In the face of vociferous local opposition, the restructuring of Metropolitan Toronto was accomplished through the enactment of Bill 103, *The City of Toronto Act*, on April 23, 1997. The new City of Toronto came into effect on January 1, 1998. The restructuring experience of Hamilton-Wentworth, in contrast to the Greater Kingston Area and Metropolitan Toronto, was a much more protracted and drawn out affair; restructuring discussions between municipal officials dated back to the creation of the region in 1974. Clearly frustrated by the lack of progress, the restructuring of Hamilton-Wentworth would ultimately be forced by provincial edict through the enactment of Bill 81, *The Fewer Politicians Act*, on December 6, 1999. The new City of Hamilton began operating on January 1, 2001.

¹⁰ The initiative to reform the governance structure of the GKA predated the electoral success of the Harris Government, and Bill 26, *The Savings and Restructuring Act*.

Case Study No.1 – The Greater Kingston Area

...the Kingston area is sub-divided into a number of principalities all of which are jealous (to varying degrees) of their own political prerogatives. Intense fragmentation does not lead to coherent local development, does not provide a good vehicle for the provision of services that are needed area-wide, and presents a disorganized community face to the outside world. As such, if reforms are not pursued vigorously and soon, Kingston is bound to lose out on opportunities to capitalize on the changing global economy (City of Kingston, 1995: 28).

While it is difficult to precisely determine when the issue of restructuring in the Greater Kingston Area [GKA] first arose, identifying those municipalities that were opposed to, or in favour of, restructuring is a relatively straightforward task. The primary advocate of restructuring in the GKA was the old City of Kingston. Bordered by the Townships of Kingston, Pittsburgh, and Ernestown¹¹, the City contended that service free-riding and problematic inter-municipal agreements created fiscal inequities that it was being forced to sustain. Not surprisingly, the townships countered on the grounds that not only was the City council anti-business, but that its taxes were unnecessarily high (Hollick and Siegel, 2001: 54). Consequently, restructuring discussions were viewed as an attempt by the City to address its fiscal issues by expropriating the increasing revenue streams of the townships' (Confidential Interview, City of Kingston, 2003). From the province's perspective, the GKA served as the quintessential example of all that was wrong with municipal government in Ontario. The effects of municipal fragmentation combined with the impact of parochial politics had, by most accounts, created an intractable form of municipal governance in the GKA (Bennett, 2003: Wilson, 2003).

For the Townships, autonomy and territorial jurisdiction was non-negotiable. Historically, attempts at instituting a wider decision-making framework to address region-wide issues were either not pursued, or resulted in the proliferation of complex inter-municipal agreements and joint service corporations that lacked direct accountability to the taxpayers in the region. The great paradox, however, centred on the reality that while the Townships sought to maintain their independence from the City, they were, at least on a functional level, very dependent on the City's services (Bennett, 2003: Wilson, 2003). Inter-municipal agreements covered the production and provision of services such as, solid waste disposal, recycling and composting, sewage treatment, social services, transportation and public transit, long range financial planning, and economic development. In addition, residents of the neighbouring Townships took advantage of City amenities, such as the Grand Theatre in downtown Kingston, which were paid for by the City. To wit, the City provided services for the residents of the neighbouring Townships to use free of charge or at a greatly reduced rate.¹²

The GKA's primary inter-municipal decision-making body, the Kingston Area Economic Development Commission (KAEDC), further demonstrated the extent to which inter-municipal agreements worked against the best interests of the GKA as a

¹¹ Hereafter, the Townships of Kingston, Pittsburgh, and Ernestown are referred to as 'The Townships'

¹² An interesting exception to this pattern of behaviour was the Township of Ernestown which was not incorporated into the newly constituted City of Kingston on January 1, 1998. Ian Wilson, the former Reeve of Ernestown Township pointed out that Ernestown comprised approximately 10% of the regions population. Correspondingly, the Township also paid for 10% of the costs associated with services that its residents used in the City of Kingston.

whole. The City contended that divisions amongst the municipalities made the region unattractive to potential investors. In addition, the townships were able to attract significant levels of business investment on account of their artificially low tax rates generated because the City paid disproportionate share of area-wide expenditures. For the City, inter-municipal agreements were a detriment to the region as a whole. Such agreements provided uneven and less than ideal results; demonstrating that the existing political units no longer reflected their logical or most effective communities of interest (City of Kingston, 1995: ii). The City contended that amalgamation would allow for the emergence of a municipal structure that would be better positioned to promote effective economic development, while ensuring greater levels of fiscal accountability within the jurisdiction.

The profile of amalgamation was heightened in July 1993 after the release of 'The Collom Report' which identified the amalgamation of the City and the neighbouring townships as a top priority (de Hoop, 1997: 30). In his report, Frank Collom, the City's interim CAO stated:

The significant savings, in the millions of dollars, will not be realized until the citizens of the GKA come to the understanding that there is for the most part, a quadruple of services in most areas. For example, we have four planning departments, four parks and recreation departments, four fire departments, four engineering departments, four social services, four CAOs, four Clerks departments, etcetera, etcetera (City of Kingston, 1993: 19).

While the report cited the potential for annual savings of millions of dollars to taxpayers in the GKA, no detailed financial analysis was presented to substantiate this position. The salience of Collom's argument rested on the problematic assumption that significant cost-savings could be generated by eliminating service duplication across the four municipalities. While the veracity of the Report from a fiscal savings perspective was questionable, this venture into the GKA restructuring debate did provide the City of Kingston with additional support.

Ultimately, the election of Gary Bennett to Mayor of the City of Kingston in 1994 in conjunction with the Harris Conservative's provincial election victory in 1995 created the necessary conditions for the eventual amalgamation of the GKA. While previous mayors and councillors spoke of greater interregional cooperation, Bennett took a more proactive stance and publicly declared his support for municipal amalgamation. Bennett argues his unequivocal position on municipal amalgamation, galvanised the pro-amalgamation forces not only in the City of Kingston, but in the neighbouring townships (Bennett, 2003). In a move designed to force the issue, the City gave notice that it was pulling out of several key joint service arrangements that involved area wide development, recycling, and emergency services in early 1995. This pronouncement was, however, regarded as a hollow threat - the City needed inter-municipal service agreements as much as the townships. (Hollick and Siegel, 2001: 58). Not only was the City pursuing amalgamation discussions more aggressively, but increasing pressure from the province forced the townships to enter into restructuring discussions (Confidential Interview, City of Kingston, 2003).

In October 1995 The Kingston Frontenac Lennox and Addington Governance Review Committee [GRC] was established to: provide a forum for restructuring discussions, and; present to the Minister of Municipal Affairs and Housing a restructuring

report by January 31, 1996. As part of its mandate, the GRC hired C.N. Watson Associated Ltd. to conduct a value for money study to assess the financial implications of possible restructured governance models. As Bennett (2003) points out, prior to the release of the Watson Report, Pittsburgh and Kingston Townships agreed with the City that fiscal inequities were present in the municipal system. The study estimated that net cost-savings of approximately \$225,000 would result from amalgamation and that while city taxes may decline, massive tax increases in the Townships would result. In light of this information, Pittsburgh and Kingston townships distanced themselves from the negotiations and on November 23, 1995, Ernestown Township withdrew from the GRC to pursue a separate restructuring process. The Township argued that its vital community of interest was not tied to the City of Kingston, but rather, to the County of Lennox and Addington, which also withdrew from the GRC (de Hoop, 1997: 47). Predictably, the strained relationship between the City and Townships had created a hostile and counterproductive forum for discussion.

With the reporting deadline having passed and no locally agreed-upon resolution in sight, provincial intervention increased considerably. On May 9, 1996, the Province's position was clear - the concerned parties would have to complete their restructuring proposals by the end of June. In the event that this did not take place, a provincially appointed commission would resolve the issue prior to the November 1997 municipal elections. At this point in time it became increasingly necessary to negotiate an agreement that was acceptable to each party (Bennett, 2003; Wilson, 2003).¹³ The impending threat of a provincially appointed commission ultimately led to a restructuring agreement, but only after many months of struggle and some intensive last minute mediation.

The mediated¹⁴ agreement announced in July 1996, was implemented by Ministerial order on February 15, 1997 and new City of Kingston commenced operation on January 1 1998. The agreement embodied two unusual provisions that were clear concessions to the townships. The restructuring of the GKA was not a traditional amalgamation in which the City of Kingston would annex the Townships of Kingston of Pittsburgh. Rather, the three existing municipalities were dissolved and a new entity was incorporated. Second, the new City of Kingston would operate with a council consisting of twelve members elected in wards, and a four-member board of control and Mayor elected at large. As Bennett (2003) points out, there was an implicit and explicit understanding throughout the discussions that the restructuring would not appear to be an annexation by the City which would further alienate the two townships. The Minister of Municipal Affairs and Housing, Al Leach (2003), described the restructuring experience of the Greater Kingston Area as one that was both smooth and successful; it was one of the few high profile restructurings that did not generate much controversy. Leach's recollection of events, however, contradicts those expressed by local politicians that were involved directly in the process. It was clear the province's preferred outcome was amalgamation. However distasteful this new arrangement may have seemed, it was a

¹³ It had become clear at this point that the province was intent on only one form of result; amalgamation. If a locally agreed upon decision was not consistent with this, it had become quite clear a provincial directive would impose amalgamation.

¹⁴ Some interviewees took issue with the 'mediated' because of increasing provincial pressure to amalgamate.

lesser evil than having a provincially appointed commissioner determine their fate as the case of Chatham-Kent demonstrated.

Case Study No.2 – Metropolitan Toronto

While amalgamation in the Greater Kingston Area was not a particularly novel idea, this specific form of municipal restructuring had not been recommended in any major governance reports for Metropolitan Toronto [Metro]. Clearly not convinced by the veracity of previous reports, the provincial government introduced the now infamous Bill 103, *The City of Toronto Act*, on December 17, 1996.¹⁵ Put simply, Bill 103 was a sweeping measure designed both to amalgamate Metro's six lower-tier municipalities into a single "Megacity," and recast its system of government. This measure, more so than the restructuring plan that was established under Bill 26, seemed to come "straight out of the blue" (Noel, 1997: 3-4).

To reiterate, the Harris Conservative's election platform, *The Common Sense Revolution*, made no reference to the amalgamation of Metro. Yet, through some confluence of events, the amalgamation of Metro shot to the top of the government's agenda. Several explanations that purport to account for why this decision was taken have been forwarded. Thomas Courchene, for example, posits that amalgamation is, in many respects, a reaction to the forces of globalization. Courchene (2001: 180) argues;

...there needs to be some restructuring of boundaries to internalize the externality arising from the fact that there is a divergence in terms of where citizens earn their incomes and where they consume services. Hence the rationale for amalgamation, not only for the mega city of Toronto but for other Ontario cities as well.

If Courchene is correct, it can be logically concluded that municipal amalgamation is a universal process. This contention, however, does not hold true – municipal amalgamation is not a universal phenomenon. Other explanations for Metro's amalgamation focused on the need to ensure that Canada's major City could compete against the likes of Tokyo, London and New York in a global marketplace exceedingly dominated by transnational corporations.

As appealing as such explanations may seem, the decision to amalgamate Metro was not, according to several interviewees, based upon an overly complex set of arguments. Leach (2003) admits that the issue of amalgamating Metro was not a prominent issue when the CSR was put together, serious attention arose during the "Who Does What" consultation process. Having concluded that the time for restructuring Metro had arrived, he approached the Premier about the matter.¹⁶ The first 'test' as Leach points out was to convince the Premier that this was an appropriate action to take. Once this was accomplished the plan to amalgamate Metro could proceed. Three main arguments were advanced to support the plan to amalgamate Metro. First, the current structure of Metro allowed for the duplication of services - for example, the existence of multiple fire departments that resulted in costly overlaps and inefficiency. Second, the

¹⁵http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&BillID=1489&isCurrent=false&ParlSessionID=36%3A1

¹⁶ Some argue that the idea to restructure Metro came from within the Premier's inner circle and not Leach. Feldman for instance argues that it was Leslie Noble and Tom Long – part of the team that crafted the CSR – that first posited the idea.

duplication of services resulted in government entanglement and unaccountability; taxpayers were unaware of which level of government was responsible for what services. Third, competition between the six municipalities in Metro hindered the region's economic growth. The Elimination of inter-municipal competition would allow the city to be more competitive in the global market place. The amalgamation of Metro was, as one can surmise, based primarily on the normative assumptions of the consolidationist approach.

On December 16, 1996, one day before the official introduction of Bill 103, the Provincial Government released a financial study composed by KPMG. The study concluded that, over the first three years of its existence, a unified Toronto government could achieve gross savings of up to \$865 million. The following are some of the report's key points which the province highlighted:

Savings were found through changes in government structure, service management and delivery... the new government would be able to start with a clean slate, and take "full advantage of the best ideas in government innovation on how to do better with less." ... moving from seven governments to one would remove unnecessary duplications and overlaps, saving about \$100 million of the projected \$300 million annual savings beginning in 1998. By the year 2000, the other \$200 million in annual savings would be realized through enhanced efficiency (Ontario, 1996a).

While the projected cost-savings are impressive, the veracity of the KPMG report was questionable on several fronts. First, cost-savings cannot be accurately estimated. There is no clear methodology which can take all possible factors into account. Second, while there are cost-savings attributable to amalgamation, they are insignificant. These savings are typically negated by other factors such as the harmonization¹⁷ of service levels and salaries (Slack, 2003). The KPMG report demonstrated the haste with which the province sought to amalgamate Metro. The report, which took only three weeks to complete, did not conclusively demonstrate that there were unacceptable inefficiencies prior to amalgamation. In a two-tier system service overlap and duplication is sometimes unavoidable. This does not, however, imply that the system is inefficient. If inefficiencies exist there are other corrective measures available such as contracting out, or performance measurement. Such options were not, however, considered by the province

It is difficult to overstate the maelstrom of opposition the province would face following its decision to amalgamate Metro. Local politicians, in particular the Mayors of Metro's six constituent municipalities, argued that the process was entirely driven by the provincial government with little input from the municipal level. The "Six Mayors' Report", for example, aptly illustrates this contention. In October 1996, the mayors of Metro's six municipalities requested that they be granted thirty days to devise an alternative to the government's plans. The report, according to Leach and several officials from the Ministry of Municipal Affairs and Housing was unfeasible and was dismissed out of hand. That the report was not a well crafted alternative was hardly

¹⁷ It should be noted that harmonization applied to only 30% of the total new expenditures of the new city because 70% of total expenditures (social services, transit and policing) had already been amalgamated at the metropolitan level of government.

surprising. Michael Prue, the former Mayor of East York, describes a process that was destined to fail from the offing:

That report was made with guns to our heads. We were called into Minister Leach's office. We were told we were going to be amalgamated. We were told there was going to be one level of government, and he told us, "If you want one level and if you want it to be you, come back with a report." So we came back with a report. For 23 days we studied. We worked out an alternative which he didn't buy. I didn't make that report and I didn't sign that report with a great deal of pride. I did that trying to save my municipality, but don't think for a minute that this was done for any other purpose except that we had a gun to our heads (Ontario, 1997a).

Opposition towards Metro's amalgamation was reflected in two other notable examples. On March 3, 1997, a non-binding plebiscite was held across Metro's six municipalities. Residents were asked to respond to the following question: Are you in favour of eliminating [your municipality] and all other existing municipalities in Metropolitan Toronto and amalgamating them into a Megacity? The answer was no, at an average of 76 per cent, with a 36 per cent response rate across the six municipalities (Ibbitson, 263: 1997). The province stated that it would not be bound by the plebiscite as it was non-binding. While the legitimacy of the plebiscite was also undercut by the low response level, this was another sign of disapproval towards Bill 103. The legislative passage of Bill 103 represented, perhaps, the most visible form of opposition towards the government's agenda. Prior to the third and final reading of Bill 103, the house sat in 'committee of the whole' to vote on any proposed amendments on April 2, 1997. In total, the Liberal and New Democratic Parties tabled approximately 11,000 proposed amendments. The filibuster lasted until April 11, and Bill 103 eventually received Royal Assent on April 21, 1997 (Bill 103, *The City of Toronto Act*, 1997). The decision to amalgamate Metro was, however, supported by several notable entities. For example, the Metropolitan Toronto Board of Trade, The Urban Development Institute, and the Greater Toronto Home Builders' Association supported amalgamation because of its bureaucratic neatness.

Much of the opposition centred on the fact that the government produced no comprehensive studies to demonstrate why amalgamation was necessary. No intellectual capital was expended to articulate the case for amalgamation beyond a simplistic normative argument that could not be sustained under any reasonable level of scrutiny. Over time, amalgamations have resulted in higher expenses. This is not necessarily a negative point if the rationale for amalgamation is premised on factors other than cost-savings. For instance, had the province argued that an amalgamated Metro would increase the region's quality of life, or allow it to develop better economically because of a more coordinated governance structure, then the argument for amalgamation would have been entirely legitimate. As one interviewee pointed out, the reality is that there are no cost-savings to be found in the new City of Toronto (Slack, 2003). In direct contrast, Leach(2003) painted a decidedly different picture by arguing it would take at least a generation for the benefits of amalgamation, such as cost-savings, to pay off. Throughout the process that led to Metro's amalgamation, one point became abundantly clear; this specific amalgamation could not fail. If the government's amalgamation agenda was to proceed with any level of credibility, it was critical to ensure that the most high profile amalgamation be a picture of success.

Case Study No.3 – The Region of Hamilton-Wentworth

From their inception, regional governments were highly controversial and unpopular. Terry Cooke (2003), the former Regional Chair of Hamilton-Wentworth Chairman, argues that the two-tier system of regional government confused lines of political accountability, or in other words, who was responsible for what. The effectiveness of regional government in Hamilton-Wentworth was also undermined by territorial or parochial politics:

The Hamilton-Wentworth system was dysfunctional from the very beginning. The main problem was that the City of Hamilton, because of its high proportion of the regional population, always had more than half the seats on regional council. In the early years of Hamilton-Wentworth, suburban members would sometimes thwart the city by walking out, thereby preventing a quorum (Sancton, 2000a: 143).

The creation of Hamilton-Wentworth in 1974 demonstrated the considerable problems of merging city and countryside. If the new central-city region was relatively strong, outlying areas felt that effective regional government would inevitably serve only that city's interest.

Dissatisfaction with regional government manifested itself in the form of several committees and reports that focused on how to address the structural deficiencies of the system. In 1978, the Hamilton-Wentworth Review Commission (Hamilton-Wentworth, 1978: 40-41) assessed the state of local government in the region and concluded:

...the present institutions do not fulfill our criterion of a government that can respond to the needs and desires of its citizens. In our view, there are three basic problems: there are serious conflicts between city and non-city politicians, which interfere with and retard the development of policies to serve the citizens of the Region; the structure blurs accountability and hinders accessibility, with the result that it cannot respond to the citizens easily; and finally, the structure of the system results in resources not being used as efficiently as possible.

The Commission concluded that a new single-tier City of Wentworth should replace the region and its six lower-tier municipalities. Not surprisingly, this recommendation was rejected by the province because the region had only been operating for four years. In 1993, Hamilton-Wentworth Regional Council directed Regional Chairman R.J. Whynott to conduct a review of the region's political structure and report back with recommendations for consideration. Whynott's report (Hamilton-Wentworth, 1994: 7-10) identified the regional government's indirect electoral system as the key impediment to effective municipal governance across Hamilton-Wentworth. When faced with the reality that councilors are elected to council by voters in their local municipality or ward, it is difficult if not impossible to consider regional issues without a "local" bias - parochialism, argued Whynott, played a major undermining role at the regional level. Not unlike previous governance reports, Whynott called for a task force to design a single-tiered regional government. The report and its recommendation, however, fell into abeyance and no immediate action was taken.

The election of Terry Cooke to the position of Regional Chairman in 1994 further heightened the profile of amalgamation. The central message of Cooke's election

platform was similar to that of former City of Kingston Mayor Gary Bennett; the status quo is not an option. Under Cooke's leadership, the Hamilton-Wentworth Regional Council approved the formation of the Constituent Assembly in February 1995. The Assembly was directed to examine the existing municipal government system and to evaluate whether change to the existing system was necessary, and if so, what options exist for providing such change (Hamilton-Wentworth, 1996: i). The Assembly recommended a restructuring of the six area municipalities and the region into one municipality. This option, supported by the City of Hamilton and the District Chamber of Commerce, was rejected by the five area municipalities and the regional council on July 5, 1996 (Hamilton Spectator, July 6, 1996: A1).

With relations between the regions municipalities reaching a point of crisis, local MPPs and Hamilton City Council sought to resolve the issue with the province's assistance. The province, however, was not willing to facilitate action at this time. Minister of Municipal Affairs and Housing, Al Leach stated:

It would be presumptuous of me at this stage to say I'm sending somebody in to sort out your problems. They've been debating this issue for months and months and months. I don't think it would be reasonable for them to expect me to make a 24-hour knee-jerk decision (Poling, October 3, 1996: A1).

In somewhat of a turnaround, the province asked Gardner Church - who had been instrumental in achieving a settlement in the protracted negotiation in the Greater Kingston Area - to serve as a conciliator to try to bring the competing municipalities together. The Province, while not yet publicly unequivocal on the fate Hamilton-Wentworth began to take a greater public interest in proceedings.

I think it's been studied to death. There have been gobs of paper. Let's just get all of the players together and get them to sit down and reasonably talk about the options that are available to them. I think everyone agrees that chance is needed. The majority of them agree what that change should be (Poling, October 24, 1996: A1).

On November 8, 1996, a settlement was negotiated and approved by twenty-six regional councilors and four of the six area municipalities which represented 85% of the region's population. Referred to as the "Memorandum of Negotiations," the main points of the agreement were as follows (Ontario, 1996b):

- A single unified municipality for the Hamilton-Wentworth area;
- "One-Window" delivery of all local services'
- Creation of a single taxing and priority setting authority;
- Broad-based, local representation for residents at a community level to give a clear voice to community priorities and enhance their identity;
- Savings of \$30 million in annual operating costs would be mandated by legislation.

On December 10, 1996, Hamilton City Council chose not to endorse this provincially endorsed agreement. Perhaps foreshadowing what would take place three years later, Leach stated:

Hamilton-Wentworth will not get a better supercity deal than the pact currently proposed. No amount of talking, negotiating or compromising will get a better deal for residents. I

don't think any additional studies or reviews will produce any closer consensus than we have now. They've exhausted the process and I think that it is important to respond to that process before everyone starts wandering off in different directions (Poling, December 12, 1996: A1).

According to Cooke, even though the final agreement was not implemented, the Church negotiations did not fail. The primary mistake with the negotiations was that they were held in an environment conducive for collective agreement, which ruled out public consultations. The environment in which these discussions took place was quite similar to the GKA experience; elected officials were under pressure to reach a locally agreed upon restructuring plan as an alternative crafted by the Province would be worse. By most accounts, the province posed the biggest problem in restructuring discussions, as it refused to take an unequivocal stance as it had done in other restructurings.

With a provincial election looming in June 1999, the province no longer entertained the issue of municipal restructuring. Clearly cognizant of the effect that a forced restructuring may have on the reelection chances of local area MPPs, the government backed away from this issue. As Leach (2003) pointed out, local area MPPs requested that the government wait until after the election before proceeding with a forced restructuring. The omission of future amalgamations from the government's electoral platform was not, as Cooke (2003) points out, a sign that the government had abandoned its amalgamation project, but rather a tactical maneuver designed to lower the profile of the municipal amalgamations, so that they could be revisited in the Government's second mandate.

On August 23, 1999, Steve Gilchrist, the new minister of Municipal Affairs and Housing unveiled the Provincial Government's new plan to protect taxpayers by making local government simpler, more efficient, and more accountable. The Minister noted that, in areas of the province where local government has already been streamlined, municipalities had reported total savings expected to benefit taxpayers by \$220 million annually (Ontario, 1999). On September 24, 1999, Mississauga City Manager David O'Brien was appointed as the Minister's special advisor for municipal restructuring in Hamilton-Wentworth. O'Brien was given 60 days to consult with local taxpayers, businesses and other key stakeholders, review municipal reform proposals, and submit a written report with recommendations to the Minister. In assessing options for municipal structures in Hamilton-Wentworth, O'Brien's task was to determine how best to achieve the following five goals (Ontario, 1999: iii):

- Fewer municipal politicians
- Lower taxes
- Better, more efficient service delivery
- Less bureaucracy
- Clear lines of responsibility and better accountability at the local level

Predictably, suburban opposition centred on avoiding a single city, or one-tier solution. The city argued that a one-tier structure would improve economic efficiency, increase cost savings, enhance capacity for area-wide planning, improve the region's competitive position in the global market, and enhance accountability (O'Brien, 1999: 26-27). On balance, O'Brien concluded that the "One City" model could best achieve the five restructuring goals that had been set out in his terms of reference.

Regarding the projected financial savings that a single-tier structure could generate, Hamilton-Wentworth was a special case. In 1998 the administrative structures of the Region of Hamilton-Wentworth and the City of Hamilton were combined with a saving of approximately \$13.6 million in the first year - 91% of the total expenditure of local governments in the Hamilton-Wentworth area was already centred within one administration (O'Brien, 1999: 27-28). The reduction in locally elected officials from 59 to 14 would provide further savings. Taking these factors into consideration, O'Brien could only identify a further savings of \$10 million dollars, which represented 1.1% of total municipal operating expenditures in the area (O'Brien, 1999: 33). Transition costs for the amalgamation were estimated to be \$10 million and O'Brien recommended that the Province assist the new municipality in covering such costs.

On December 6, 1999, the Provincial Government introduced Bill 81, *The Fewer Politicians Act*. Promoted as a bill that would "lower taxes and reduce the number of municipal politicians," the Act established a new system of single-tier municipal government in Hamilton. The new City of Hamilton began operating on January 1, 2001. For some, single-tier government in Hamilton-Wentworth was an inevitability that dated back to the creation of regional government in 1974.

Many knew that a single tier of government in the region was inevitable, but could not sell it to their constituents. This inevitability dates back to the creation of regional government. At the formation of the regional government all recommendations pointed to a one tier system. The provincial government in effect created a hybrid compromise that kept local municipalities in place, while most of the responsibility for the area went to the regional level. Once the region was formed and responsibilities were being pushed upwards, it was inevitable that single tier would come about in the future (Cooke, 2003).

While it may have been difficult to incorporate rural interests within a single-tier structure, persuasive intellectual arguments, non-political in nature, over the course of two decades demonstrated why single-tier government was inevitable (Feldman, 2003).

Analysis:

While the Harris Conservatives electoral platform, *The Common Sense Revolution*, made many of the Conservatives' policy goals very clear, it said little about municipal government. It has been suggested that the government's primary goal was to reform Ontario's primary and secondary educational systems and that municipal restructuring was possibly an unintended consequence (Graham and Phillips, 1998; Ibbitson, 1997). While such an explanation is highly plausible, the vigour with which amalgamation was pursued suggests, quite clearly, that municipal restructuring became a policy on its own terms - it could not be considered an unintended consequence. According to Leach (2003), the time to once again restructure Ontario's municipalities had arrived. Leach's views were also echoed within the Ministry. In fact, he contends that ministry officials made the case that municipal restructuring was an issue that the Government should pay some attention to and, if politically motivated, it would be the right thing to do as a matter of good public policy.

Such observations do not, however, tell us why amalgamation was advocated as the most effective form of restructuring. This paper suggests that three explanations can help us understand why this was the case. To recap: political ideology acted as an information shortcut; relevant provincial policymakers did not possess the necessary

expertise to impose major legislative and structural change, and; by not sufficiently engaging experts at the municipal level, provincial policymakers placed themselves in a significant knowledge deficit problem.

First, the presence of ideology as an intervening variable allowed policymakers to simplify their decisions by reducing a complex high-dimensional problem to a simple unidimensional one. Ideology is more than a rational informational shortcut. People generally identify emotionally as well as cognitively with a political ideology. When they identify with a political ideology, it can serve to motivate them and, in effect, becomes a proximate cause of a decision (Jones, 2001: 153). Amalgamation sat neatly within the government's neoconservative agenda as reflected in the *Common Sense Revolution*. Amalgamation promised less government, fewer politicians, reduced overlap, and clearer lines of accountability. It also promised a less costly structure of government. This, however, only holds true up to a certain point which, according to several analyses of this issue, the government did not sufficiently investigate. The combination of ideology and the appealing, yet highly problematic, assumptions of amalgamations prevented the government from offering a rational or legitimate explanation for the expeditious implementation of complex initiatives. A rational case for amalgamation can be made on the basis of negative externalities. To demonstrate this we need look no further the examination of the Greater Kingston Area. However, the government was unequivocal in its assessment that amalgamation would ultimately benefit the taxpayers of Ontario.

In its electoral platform, the PC party stated that, "we will work closely with municipalities to ensure that any actions we take will not result in increases to local property taxes" (Common Sense Revolution, 1994: 5). On January 17, 1997, Minister of Municipal Affairs and Housing Al Leach stated:

When you add up the figures on both sides of the ledger, you see that municipalities will have tax room to maneuver with. By the year 2000, municipalities should have enough room to reduce property taxes by up to 10 per cent (Ontario 1997b).

When interviewed, officials from the Ministry of Municipal Affairs and Housing (Confidential Interviews, 2003) agreed with Leach and added that the overriding goal of restructuring was to increase the operational capacity and efficiency of small municipalities which could only be achieved through amalgamation. In retrospect, the short-term projections made by Leach and Ministry officials seemed overly optimistic and, in fact, were incorrect. It is, however, extremely difficult to measure the impact of amalgamation as this was packaged with other measures¹⁸. By packaging amalgamation with other reforms, the provincial government was able to implement a public policy that was sufficiently broad so that problems could not be identified and dealt with effectively (Slack, 2003). Cynics argue that the Progressive Conservative government was in a hurry to deliver on its election promises. Those municipalities that benefited most were in the Tory friendly '905' areas while those most detrimentally affected by this process were Tory opposed urban Centres. By consolidating their political base the Conservative Government's actions equated to good politics, but poor public policy (Confidential Interview, City of Kingston, 2003; Cook, 2003).

¹⁸ Other measures that impacted municipal government during this period were: disentanglement or downloading; property tax reform, and; provincial grand reductions.

Turning to the second finding, there is sufficient evidence to suggest that the government did not reasonably understand the cause-effect of this policy initiative. Taking into account the expediency with which this process unfolded, one would logically expect the Ministry to take a proactive role and assist municipalities throughout the restructuring process which would presumably allow some form of policy learning to take place. Ministry officials (Confidential Interviews, 2003), however, pointed out that they took a ‘hands-off’ approach and that there was no ‘formal’ approach to learning. Milt Farrow (2003), the province’s special advisor for the restructuring of Haldimand-Norfolk stressed that because no two restructurings are the same, it was necessary to create a ‘made at home solution,’ - experiences from previous restructurings could not be applied in subsequent restructurings. Consequently, no generic template or best practices guide can be referred to when municipalities undergo restructuring. That there was no ‘formal’ approach to learning does not suggest that learning did not take place during this process. Ministry officials point out that emphasis was placed on consultation. In restructurings that required a special advisor (i.e. Hamilton-Wentworth) or a commissioner (i.e. Chatham-Kent), considerable time was spent going back to previous studies in order to identify problems so that they could be corrected. This was necessary as special advisors and commissioners were wary of requesting information from affected municipal councilors. This presents somewhat of a paradoxical situation. On the one hand, the ministry officials contend that each restructuring is unique. As such it is problematic to look at other restructurings to guide a restructuring process. On the other hand, ministry officials provided information to special advisors and commissioners, who, with the notable exception of Farrow, all recommended the creation of single-tier municipalities.

Turning finally to the third finding, it is relatively clear that the provincial government suffered from a general lack of intellectual resources that would have potentially allowed for a more informed policy decision. In addition, recommendations from provincially appointed ‘local experts’ that did not fit ‘hand-in-glove’ with the government’s objectives were dismissed.¹⁹ In 1996, prior to the restructuring process, Minister of Municipal Affairs and Housing AL Leach stated:

...local restructuring should not be left up to an independent third party to decide. These decisions should be made by local governments as they know best the needs of their taxpayers (Vojnovic, 1998 :45).

This statement seems to suggest that the province was not in a position to conduct this ambitious restructuring process without the knowledge and expertise of municipal officials. Whether local expertise was critical to the restructuring exercise soon became a moot point – the province determined that its restructuring agenda could be implemented more expeditiously if the message from the top stressed amalgamation as ‘the only way to go’ - if local politicians did not arrive at a suitable restructuring arrangement then the province would step in.²⁰ As many interviewees pointed out, this process was conducted in a political vacuum in which only ardent proponents of the government’s ideological agenda provided substantive input. For many interviewees, especially municipal level

¹⁹ The province’s reaction towards the “Who Does What” panel’s recommendations towards social service and education funding illustrates this point. Please see, Graham and Phillips, 1998, and; Ibbitson, 1997.

²⁰ As demonstrated in restructurings of Kingston, Hamilton, Chatham-Kent and Toronto

officials, the province's approach demonstrated a problematic lack of understanding and appreciation towards the complex nature of municipal governance.

While ideology seems to be the most compelling explanation for this policy decision, all three findings possess a degree of utility. The level of interaction between the three findings suggests we can arrive at a more comprehensive explanation for this policy decision if they are considered together.

Concluding Thoughts:

Typically, developments at the municipal level tend not to elicit the highly charged reactions that are observable at the federal and provincial level. Yet, the furor that surrounded the amalgamations of Kingston, Toronto, and Hamilton reached an almost inconceivable level. For others it was simply another evolutionary step – there was no need to raise the proverbial Spockean eyebrow to the perceived irrationality of the action. Of course, the debate that centres on why amalgamation was preferred to other restructuring options still persists in several quarters. Opponents of amalgamation, to this day, continue to stress that the promised tax cuts, cost-savings, increased levels of service efficiency and enhanced levels government accountability have yet to surface. It is, however, too early to provide a comprehensive analysis that details the impact of this policy decision.

Perhaps in defence of what his opponents refer to as an indefensible policy, Leach argues that will take at least a generation for the benefits of amalgamation to pay off. Whether or not the arguments posited by opponents and supporters of amalgamation hold any long-term currency will, of course, have to be evaluated in due course. The next logical step is to extend this research and examine the post-amalgamation results in Kingston, Toronto, and Hamilton from both a qualitative and quantitative perspective. The objective of future research will not be to issue a normative verdict on municipal amalgamation, but rather an assessment of the benefits and costs of this policy decision.

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