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INTER-MUNICIPAL CO-OPERATION AND REFORM: MUNICIPAL AMALGAMATIONS

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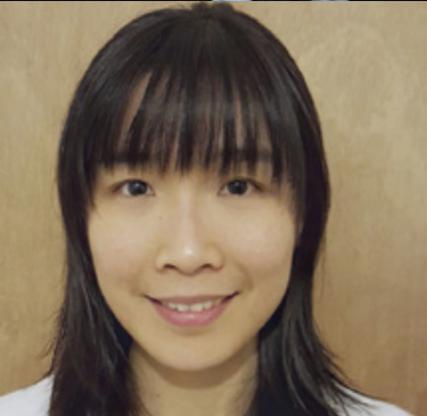


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EXECUTIVE SUMMARY

Section 1: Introduction

Municipal amalgamation has been the subject of protracted debate in Saskatchewan. The issue has been whether municipal amalgamation should be an option (voluntary) or a goal (mandatory). Even so, for at least eight decades, Saskatchewan policy has favoured voluntary rather than mandatory amalgamation.

This paper describes the history of the rural and municipal amalgamation debate and focuses on Devine government policies and their influence in subsequent years. The paper examines policy reviews, the amalgamation experience and academic research and concludes with policy recommendations.

Section 2: Local Government in Saskatchewan

Saskatchewan has witnessed a long history of debate over mandatory amalgamations. In the five decades preceding the Devine government, the province commissioned many reviews (studies, commissions and task forces) of municipal governance. Mandatory municipal amalgamation was a recurring theme in these inquiries.

Proposals for mandatory amalgamations met strong opposition from the municipalities, particularly the Saskatchewan Association of Rural Municipalities (SARM) and the Saskatchewan Urban Municipalities Association (SUMA).

The ultimate arbiter of municipal amalgamation policy is the Legislative Assembly, which, over the period analysed, has enacted policies to facilitate voluntary amalgamations but has not required mandatory amalgamations.

Under the Devine government, the focus of debate shifted toward inter-municipal co-operation. The policy reviews established by the Devine government made no specific municipal amalgamation recommendations.

The Devine government appointed a Special Task Force to review options for improving local economic development. The Task Force recommended the establishment of Area Development Corporations (ADCs), a voluntary grouping of municipalities, to improve economic development. Legislation to establish such organisations (called Rural Development Corporations [RDCs] in the legislation) was enacted soon after the report was published.

The voluntary regionalisation under the RDCs essentially took economic development off the table as a justification for mandatory municipal amalgamation.

Later, the Devine government appointed the Local Government Finance Commission, which recommended health administration boundary changes but only further study on municipal amalgamation, indicating that any such program should be voluntary.

The Devine government's Consensus Saskatchewan was concerned about the large number of municipal governments. However, Consensus Saskatchewan indicated that any reform should be a "co-operative process."

The Devine government repealed *The Municipal Unit and County Act*, which had not been used to amalgamate any municipal governments over its two-decade life.

"Amalgamation should be an option, but not a goal." There were additional amalgamation initiatives under the Roy Romanow government, both a review and legislation, which failed. During this period, premier Romanow declared that, "[A] amalgamation should be an option, but not a goal."

Mandatory amalgamation returned as a recommendation of the Garcea Task Force. The Interim Report (2000) by the Garcea Task Force recommended a mandatory amalgamation program that would have merged all municipalities in southern Saskatchewan. There were to be two types of surviving local governments: metropolitan municipal districts, which would encompass larger urban centres, and the surrounding rural municipalities and regional municipal districts, which would encompass smaller urban centres and the surrounding rural municipalities. This provoked a particularly strong adverse reaction in the municipalities, and the final report did not include a mandatory amalgamation recommendation. There have been no significant calls for mandatory municipal amalgamation since then.

Legislative reforms in the early 2000s provided greater opportunities for municipalities to co-operate in service provision and to amalgamate voluntarily. Since their enactment, a number of villages have successfully sought dissolution into rural municipalities, and one amalgamation involving two rural municipalities has been implemented.

Section 3: Mandatory Amalgamation in Canada and Elsewhere

Provincial governments including Ontario, Quebec and Manitoba have implemented mandatory amalgamations. These initiatives have often generated substantial political controversy, especially from municipalities and their citizens where mandatory amalgamation was implemented. In particular, a strong de-amalgamation campaign resulted in partial dismantling of some mandatory amalgamations in Quebec. British Columbia and Newfoundland and Labrador have provincial policies forbidding mandatory amalgamation.

Municipal amalgamations are not unique to Canada. For example, Australia, the United Kingdom and New Zealand have mandatory amalgamations. However, municipal amalgamations in the United States are typically voluntary.

Section 4: The Research: Amalgamation as a Goal vs Amalgamation as an Option

The municipal amalgamation literature contains two principal views.

Advocates think that larger units of government are more efficient, more professional and more effective in handling regional issues.

Advocates are also concerned about the ability of smaller municipalities to sustain sufficient service levels. They think amalgamation improves the quality of governance and decision-making. Amalgamation advocacy arose out of early 20th century metropolitan governance theories that sought to replace multiple local governments with a single metropolitan government (such as proposed by the Garcea Task Force). The same logic has been used to promote amalgamations outside metropolitan areas, including in rural areas. These views lead to the view that amalgamations should be mandatory.

Opponents (such as the municipalities in Saskatchewan) think smaller governments are more efficient and sustainable.

They also value the greater democratic access that is typical of smaller local governments. These views lead them to the view that amalgamations should be voluntary.

The academic literature indicates that amalgamated governments are often more costly.

This conclusion is the result of research in Canada, the United States and around the world. World Bank researchers concluded, "Consolidations may, but do not inevitably, save money." Labour costs and service-level factors can be a barrier, as political necessity may require levelling up labour costs and service levels with those of the more expensive amalgamating jurisdiction (as occurred in Toronto). Further, analysis of municipalities in the United States shows that per capita expenditures tend to be lower among smaller governments.

Amalgamations dilute democratic access. Amalgamated municipalities are characterised by less potential for democratic access by virtue of their larger populations. The perceived loss in access by citizens may outweigh any potential efficiency gains by citizens.

Political cultures and local situations can vary greatly. The conditions for success vary materially, and achieving the objectives of amalgamation requires not only careful consideration in each situation, but also a process that is driven by local officials and voters. The research also indicates that voluntary amalgamations have a greater potential for achieving their objectives.

Inter-municipal co-operation can be a preferable option. The objectives of mandatory amalgamation can be achieved through inter-municipal co-operation on delivery of some public services and other functions. The advantage of inter-municipal co-operation is that arrangements between municipalities can be altered or even discontinued as the needs of the municipalities change.

The literature indicates that municipal amalgamations often do not achieve their objectives. World Bank research concluded, "... [N]o single policy advice can

be given on whether consolidation is a good idea, with the facts and circumstances of each case determining whether consolidation or not [sic] is beneficial." Amalgamations should be evaluated on a case-by-case basis.

Section 5: Conclusion

Amalgamation will be appropriate in some cases and not in others. However, in the absence of a compelling provincial interest, so long as municipalities operate within the general framework of law and residents are satisfied with services provided, ***amalgamations should be voluntary and initiated by the municipalities to be amalgamated.***

Saskatchewan's voluntary amalgamation policy is appropriate, and it should be strengthened. It may be appropriate for the province to provide additional assurances, similar to the provisions of the British Columbia *Community Charter*, which requires a referendum in each municipality to authorise any amalgamation.

1.0 INTRODUCTION

One of the most contentious issues in Saskatchewan for nearly a century has been municipal amalgamation, specifically whether amalgamations should be mandatory or voluntary (a goal or an option).¹ Municipal amalgamation is an important part of what Nobel Laureate Elinor Ostrom referred to as a municipal “reform movement.”² A principal purpose was to amalgamate multiple decentralised local governments into single, one-tiered governments over functional economic regions (based on labour markets)³ inside and outside metropolitan areas. Proponents argued that the larger governments resulting from amalgamation would have lower unit costs; could better deal with regional issues; could hire staff that is more professional; and that they are financially more stable (Section 3).

This report describes the evolution of the mandatory amalgamation debate in Saskatchewan, focusing on developments in the Grant Devine government (1982-1991) as well as on developments up to the present. In practice, the policy of the province has been to avoid imposing mandatory amalgamations. However, as mandatory municipal amalgamations continue to be proposed and implemented in Canada and elsewhere, the issue could return to Saskatchewan. The purpose of this paper is to propose a policy road map in the form of recommendations based on the experience in Saskatchewan and elsewhere, as well as the academic research.

The proponents of municipal reform in Saskatchewan have generally considered municipal amalgamation to be necessary and, as such, an important public policy goal. They have been supported by a majority of governance experts who supported municipal amalgamation until after the mid-20th century. This literature expects lower costs from economies of scale, sees limitations in the ability of multiple governments to seek regional economic development and handle other regional issues and points to greater professionalism in larger governments. Proponents think that larger municipalities generally provide better governance. Consistent with these views, municipal reform advocates tend to favour mandatory amalgamation (under provincial government direction).

The municipalities in Saskatchewan did not oppose municipal amalgamation outright but saw it as an option to be exercised if warranted. They thought that amalgamated governments, and larger governments in general, have higher per capita costs and that voluntary regional structures could achieve results at least as favourable as those of amalgamated governments. Their principal concern is the reduced democratic access in larger municipalities. Municipalities have seen amalgamation as appropriate only when voluntarily implemented by the municipalities, with the positive vote of residents.

These concerns were *later* enunciated in the public choice economics literature that challenged the view of amalgamation as a goal.

Despite multiple studies and recommendations that would have mandatorily amalgamated local governments, the provincial government has invariably avoided mandatory amalgamation and has made voluntary amalgamation and inter-municipal co-operation easier for municipalities to implement.

2.0 LOCAL GOVERNMENT IN SASKATCHEWAN

Municipal governance and inter-municipal co-operation have garnered considerable attention in the political process throughout Saskatchewan's history.

Saskatchewan had approximately 780 incorporated municipalities in late 2015, which include 756 in the southern portion of the province and 24 in the north. In the south, there are two general categories of municipalities: urban and rural. The urban municipalities include cities, towns, villages and resort villages. In the north, the incorporated municipalities include towns, villages and hamlets. The table below shows the number of municipalities.⁴ There are also 147 organised hamlets, which are located within the rural municipalities of southern Saskatchewan. The organised municipalities are not separately incorporated but are administered as components of their rural municipalities.

LOCAL GOVERNMENTS IN SASKATCHEWAN

SOUTHERN SASKATCHEWAN	755
Urban Municipalities	459
Cities	16
Towns	146
Villages	257
Resort Villages	40
Rural Municipalities	296
NORTHERN SASKATCHEWAN	24
Incorporated Municipalities	
Northern Towns	2
Northern Villages	11
Northern Hamlets	11
TOTAL	779

For at least 80 years, municipal restructuring has been an important political issue in Saskatchewan. Inter-municipal co-operation and municipal amalgamation have captured considerable attention. Recurring themes have been concerns about the ability of smaller governments to perform their functions, an interest in improving governmental efficiency and better organisation of municipal governance to attract economic development.

Despite their recurring advocacy, proposals for mandatory amalgamations have failed to become either provincial law or policy, even though they have been recommended in reports by commissions, task forces and study committees appointed by the provincial government. The result is that provincial policy effectively requires amalgamations to be voluntary.

Essentially, the debate has been between those supporting mandatory amalgamation and those who think such amalgamations should be voluntary (and led by the municipalities). The intensity of the debate is indicated by a history commissioned by SARM that describes the experience as having to fend off "outside" proposals for municipal reorganisation.⁵

Much has been written on the subject, including books by Professor Joseph Garcea⁶ of the University of Saskatchewan, and histories commissioned by the municipal associations SUMA⁷ and SARM.⁸

2.1 BEFORE THE DEVINE GOVERNMENT (Pre-1982)

In a reference to an early initiative, Professor Garcea cited an independent report (the Patrick and Pilkington Report)⁹ that called for the imposition of a county system as early as 1921. This recommendation, while not acted upon, would have required consolidation (amalgamation) of at least some services from existing municipalities into county governments, which would have to have been created.

The provincial government appointed the Commission of Inquiry into Provincial and Municipal Taxation, which in 1936 recommended amalgamation of rural municipalities to improve efficiency. However, the Commission recommended that amalgamations proceed only if approved by local voters.¹⁰

A federal commission, the Royal Commission on Dominion-Provincial Relations (1940) noted, “[M]any local government units are no longer the appropriate areas for government purposes of any description.” (according to Garcea, “particularly in the Prairie Provinces.”) This assessment applied to both urban and rural municipalities, which the Royal Commission said could not achieve efficiencies when “five or ten separate governments operate in a single integrated urban area among people who are economically interdependent.”¹¹

In 1943, the Saskatchewan Urban Assessment Committee, appointed by the government, noted that it was “high time that the attention of the Government and of municipal associations should be directed to the possibility of improving local government in the province through a reorganisation of municipal units.” The Committee also said, “... [I]n general, municipal institutions are not adapted to the ends to be served.”¹²

In 1944, the Saskatchewan Reconstruction Council noted that some officials in rural municipalities were unable to deal with infrastructure and services and “their revenues were too unstable.” The Council recommended further review by a special committee. Garcea noted that, during this period,

there was overwhelming opposition to municipal restructuring from officials of rural municipalities. This was expressed in a 1932 survey and a 1943 SARM convention resolution.¹³

In 1946, the Committee to Investigate the Reorganisation of Rural Municipal Boundaries, appointed by the government, conducted research on a completed municipal amalgamation program in Alberta and held hearings. This experience had been cited as a model for Saskatchewan. The Committee issued a preliminary report only.

Apparently in response to the Committee’s preliminary report, SARM conducted its own review of the Alberta reforms. According to Garcea, SARM found, “... [P]roperly managed larger units could increase efficiency and effectiveness in road construction and maintenance, but that claims of improved efficiency in general operating costs were not evident.” SARM also found that the officials’ impression was that “... residents were most satisfied with the smaller versions of the larger units.”¹⁴

Another provincially appointed body, the Committee on Provincial-Municipal Relations (1950) also favoured amalgamation into larger units of municipal government. This was perceived to be necessary for local governments to have the independence and ability to perform their functions. The Committee indicated that the “... fear that any reasonable increase in the size of Saskatchewan’s rural governing units may take government away from the people is not well-founded.”¹⁵

The Royal Commission on Agriculture and Rural Life (1955), appointed by the provincial government, found that (as characterised by Garcea) “municipalities would find it increasingly difficult to perform their core functions.” “Under modern conditions, the existing rural municipal system is incapable of fulfilling the fundamental requirements of sound local government.” It had found that the population base of rural municipalities was too small to support adequate public services. The answer, according to the Royal Commission, was the establishment of a county system through which rural municipalities would be amalgamated.

At the same time, the government of premier Tommy Douglas agreed that larger units of government were necessary, and the premier himself said in an address to a SARM convention, "... small units of government did not have sufficient capacity to perform their core governance, service provision and taxation functions that were equitable for both municipalities and their taxpayers." Yet, he continued, "The government is prepared to lead but it will not drive. All local government bodies are creatures of the province but no legislature in its right mind would try to make changes unless the people concerned thought them both necessary and desirable." The premier said that the government would not begin municipal reorganisation unless it was "assured of the cooperation of the local governing bodies and the widespread support of the general public."¹⁶

SARM opposed the recommendations of the Royal Commission, since it "always opposed a general reorganisation of municipalities, arguing that it will not accomplish what is expected of it." In a submission to the Local Government Conference following the Royal Commission report, SARM wrote, "[L]ocal self-government is at its best in the smallest unit which can be economically governed."¹⁷

In 1961, the Local Government Continuing Committee reiterated the recommendation to amalgamate rural municipalities into counties through mandatory means. After consultation meetings around the province, it was clear that there was little support for the proposal. The most common response to a questionnaire at local meetings convened by the Committee was that restructuring was simply "not necessary." As the Committee was undertaking its work, the 1959 SARM annual convention adopted a resolution to not include any existing rural municipality in a county or municipal unit.¹⁸ This, of course, would have been a serious barrier to amalgamation in southern Saskatchewan, where virtually all land not in urban municipalities was in rural municipalities.

According to *The Urban Age*, "One of the Committee's recommendations was that there be no general public vote on the reorganisation proposals, apparently

because the public was thought to be not sufficiently informed to give a reasonable response."¹⁹ Jenni Mortin related, "A storm of protest flashed, since it seemed that, perhaps inadvertently the intelligence of rural people was being slurred."²⁰ The Committee recommended against allowing municipalities to vote on amalgamations.²¹

At its 1961 convention, SUMA supported the recommendations of the Committee with the caveat that "no reorganised local government should be instituted without a vote being taken of all the electors in the areas involved and the decision of the majority be made effective." Requiring a majority decision in a municipality would have made the amalgamations into counties voluntary.

SARM was less favourably inclined toward the Committee's recommendations. It was open to pilot projects so long as they were approved by a vote of the people. However, at its 1961 convention, SARM otherwise indicated strong opposition to the Committee's recommendations. A series of informal plebiscites was held in approximately 200 rural municipalities with nearly 90 per cent of voters opposing the proposed amalgamations.²²

In 1963, the Legislative Assembly enacted *The Municipal Unit and County Act*. Counties would be amalgamated governments that provided general government and educational services, while amalgamated municipal districts would administer municipal services and schools, though with separate governing boards. In drafting the legislation, premier Woodrow Lloyd's government required electoral approval to merge units of government, rejecting the mandatory amalgamation recommendation of the Local Government Continuing Committee.²³ Garcea later noted, "That Act included provisions for voluntary and mandatory amalgamations, but neither approach was used to achieve extensive amalgamations in the 22 years from the time it was enacted until it was eventually repealed in 1984."²⁴

The two amalgamations that occurred while *The Municipal Unit and County Act* was law did not happen under its authority, as Garcea has related.²⁵ In 1968, the rural municipalities of Mantario and

Royal Canadian amalgamated to form the rural municipality of Chesterfield. In 1970, the rural municipalities of Cory, Warman and Park voluntarily amalgamated to form the rural municipality of Corman Park, which to this day surrounds the City of Saskatoon.

In 1976, the Rural Development Advisory Group, appointed by the Allan Blakeney government, said that some municipalities had reported possible difficulties in performing their functions. The Advisory Group recommended amalgamation of smaller villages into rural municipalities. It also recommended amalgamation of rural municipalities based on "trading areas." The Advisory Group expected that the changes would be negotiated between the province and municipal governments. But, as Garcea reported, the Advisory Group contended that the "ultimate responsibility for local government, its role, structure and welfare rests with the province."²⁶ Municipal officials may have interpreted this phraseology as a means to mandatory amalgamation.

At a SARM convention in which the president delivered an address suggesting that eventual amalgamation was inevitable, he was defeated in the election that followed at the same convention. Mortin indicated that this was a "rare event" in SARM's history²⁷ and that "the issue of reorganisation contributed" to his defeat.²⁸

There were further indications of considerable concern among municipal officials about the Rural Development Advisory Group report. In response, SARM surveyed its membership over the next year. Given the continuing assumption among proponents of amalgamation that rural municipalities might not be economically and fiscally sustainable, the results seem surprising. Only 12 per cent of respondents indicated a willingness to explore amalgamations with neighbouring municipalities. This may be explained, however, by the fact that 93 per cent of respondents did not think that larger local government units would improve governance.²⁹

2.2 THE DEVINE GOVERNMENT (1982-1991)

The Devine government was in office during challenging times. Interest rates were at their all-time high, and there were droughts and crops infested with grasshoppers. Commodity prices, so crucial to the Saskatchewan economy, declined substantially. Between 1981 and 1985, farmers' net income declined nearly 60 per cent.³⁰ All this occurred during a period of virtually unprecedented general inflation.

Under the government of Grant Devine, the policy debate about municipal reorganisation shifted away from amalgamation proposals and toward greater inter-municipal co-operation. The most important policy proposals and initiatives were related to economic development, which was largely removed from the amalgamation debate with the establishment of voluntary regional economic development organisations, called Regional Development Corporations (RDCs).

Special Task Force on Rural Development

In 1985, the Devine government appointed the Special Task Force on Rural Development, with a mandate to review alternatives for improving local economic development.³¹

The Task Force concluded that to achieve enhanced economic and social development in rural Saskatchewan would require action on both the provincial and local levels. The Task Force stressed the potential for improving local economic development efforts through co-operation between municipalities.

It noted varying opinions on the strengths and weaknesses of Saskatchewan's municipal system: "During its deliberations, the Task Force was frequently reminded of the large numbers of municipal governments in rural Saskatchewan."

The Task Force reported that opinions on municipal structure varied considerably.

Those who favoured Saskatchewan's smaller governments "... indicated that the large number of small municipal governments was desirable because it made possible a close "grassroots" relationship between councils and voter, provided many opportunities for individuals to participate actively in the democratic process and provided a larger resource of elected leaders."

The Task Force related concerns about electoral access: "In some small urban and rural municipalities, there is one member of council for every 90 to 100 residents, while the comparable figure is one member for every 16,000 or so residents in a city such as Regina. Clearly, there is a very high degree of representative democracy in rural Saskatchewan."

The Task Force also noted the views of those who thought that there were too many local governments:

Those questioning the need for such a large number of municipal governments cited the problems of lack of economies of scale and inadequate financial base, which prevents some small governments from providing an adequate range of services and facilities. ... Further, this group considered that the current system of municipal government was a significant hindrance to the further economic development in some rural areas.

The Task Force recommended economic development reforms that would "... supplement — not supplant — local government efforts in economic development." In that regard, the Task Force recommended the establishment of Area Development Corporations (ADCs), to improve economic development. Specifically, the Task Force recommended that "[T]he Province provide for — but not require — the establishment of Area Development Corporations." Thus, multiple nearby municipalities would be voluntarily formed by ADCs, and it was anticipated that at least six would participate in each. The participating municipalities would form a board of directors, and a full-time general manager would be hired.

The Task Force intended that the ADCs would be locally initiated and supported. It proposed limited

provincial funding in the beginning, which would be phased out. The long-term goal would be self-sufficiency.

The Task Force also said that the province should “[p]rovide financial assistance to rural and small urban (with a population of less than 5,000) municipalities to encourage greater inter-municipal cooperation for the provision of services such as local government office facilities, fire protection, police protection, and roadbuilding and maintenance equipment.”

With respect to differing opinions on reform of municipal structures, the Task Force said that any changes would require that “any action to deal with this sensitive issue must be both cautious and open, and be carried out with a high degree of participation from and cooperation with the organisations directly concerned.”³²

Furthermore, in its preference for inter-municipal cooperation, the Task Force stressed the importance of honouring local autonomy: “New provincial programs for rural Saskatchewan should encourage inter-municipal cooperation wherever possible, but not to the exclusion of those units which wish to remain autonomous.”

The Task force also indicated that there were both service overlaps and gaps in provincial programs relative to municipalities.

Rural Development Corporations

Less than a year after publication of the Task Force report, the Devine government enacted legislation to establish RDCs, which were modelled on the ADCs recommended by the Task Force.

Local Government Finance Commission

The Devine government’s Local Government Finance Commission produced its final report in 1986. The Commission recommended structural changes with respect to health administration throughout the province, and it also recommended revising some municipal responsibilities.

However, the Commission made no recommendations with respect to reorganising municipal structures. The Commission indicated that it would be “highly appropriate for the provincial government to initiate a review of the structure of local government.” However, the Commission cautioned, “[T]his review should not be undertaken with the thought that current structures have failed. Instead, the review should be undertaken with a view to building on the strengths of the past and investigating opportunities for even more effective local government for the future.”

The Commission acknowledged the differing opinions that existed with respect to related issues, such as the size of rural municipalities and the relationship between rural and small urban municipalities.³³

Consensus Saskatchewan

The government announced the Consensus Saskatchewan initiative in the Throne Speech of 1990.³⁴ A committee of volunteers whose task was to propose a “blueprint” for the future led the effort. The strong outreach program included opportunities for citizen participation including more than 100 meetings.

The final report of Consensus Saskatchewan noted the large number of municipal governments and urged considering a program of rationalisation based on the “fundamental principles” of economic gain through efficiencies, economies of scale, reduction in the duplication of services, provision of equitable tax assessment and levy, development of expertise and leadership and provision of equal opportunity for all. At the same time, Consensus Saskatchewan indicated, “The implementation of local government rationalisation should be a cooperative process.”³⁵

Repeal of *The Municipal Unit and County Act*

The Devine government repealed *The Municipal Unit and County Act* in 1984, after the authority to amalgamate had not been exercised by any of the eligible municipalities over its two-decade life.

Assessment: The Devine Government

During the Devine government, there were no legislative initiatives supporting mandatory amalgamation. The commissioned studies made no recommendations to implement mandatory amalgamation. At the same time, the recommendation of the Special Task Force on Rural Development to regionalise rural development voluntarily was enacted into law, and the voluntary RDCs were made an option. This regionalisation of economic development removed one of the stronger justifications cited by proponents for amalgamation and, though revised, remained in place until 2012.

The discussion below is thus divided between municipal amalgamation efforts (Section 2.3) and the regional economic development efforts (Section 2.4), which were voluntarily regionalised under the Devine government. As a result, economic development largely ceased to be an issue in the amalgamation debate.

2.3 MUNICIPAL AMALGAMATION AFTER THE DEVINE GOVERNMENT (1991-)

Efforts to revive the mandatory amalgamation agenda arose without success following the Devine government.

Writing in the early years of the Romanow government, Mortin expresses the attitude of municipal governments from the SARM perspective: "For half a century and more, governments have banged their heads against this position; more recently they have backed away from the idea of wholesale reorganisation and agreed to let the initiative for change come from the local level." The result was "[b]oth Conservative and NDP government[s] agreed that any move towards reorganisation must be initiated locally."³⁶ There have been mandatory amalgamation proposals that were quickly disavowed by sitting governments in the face of public opposition.

The Romanow government appointed the Advisory Committee on Inter-Community Co-operation and Quality of Life in 1993. It indicated a strong interest in "inter-municipal cooperation and structural reforms." This included strategies such as the rationalisation of municipal boundaries and the reversion of villages to hamlet status (amalgamation with rural municipalities). In the end (1994), however, the Committee recommended an approach based on "consultation and gentle encouragement."³⁷

In 1996, the province enacted the Municipal Restructuring Assistance Program, which provided small grants to municipalities that were adjacent to each other, so they could examine potential amalgamations. As Garcea indicated, the program was terminated in less than two years "largely as a result of the remarkably limited demand."

As the provincial government was developing municipal reorganisation legislation, Romanow offered cautions with respect to mandatory amalgamations. In a Dialogue with Cabinet session, he said, "... nothing that is imposed on people is going to work." He also told an annual

SARM convention, "... [A]malgamation should be an option, but not a goal." However, the province's concern about the number of local governments was indicated in the February 1996 Speech from the Throne, which referred to Saskatchewan as having a "higher proportion of local government than any other province in Canada."³⁸

Municipal Services Districts Act: Debate and Withdrawal

In 1996, the government introduced Bill 33, the *Municipal Services Districts Act*. The Bill would have made it possible for multiple municipalities to form service districts. Participation would have been voluntary; however, there was a concern among municipalities that there was no provision for exiting the service districts after having joined.³⁹ Further, municipal opposition arose because Bill 33 would have allowed the service districts to requisition general levies from their constituent municipalities.

As Bill 33 was being considered, increasing opposition developed in SUMA and SARM. Eventually, a consensus statement was issued by the Municipal-Provincial Roundtable, chaired by the minister, to the effect that "local government renewal will not be achieved simply by reducing the number of governing units but by a process that is voluntary, decentralised and based on local needs and experiences with new relationships developing over time." The Roundtable also suggested the withdrawal of Bill 33.

It was withdrawn under terms of an agreement between Romanow and the presidents of SUMA and SARM.⁴⁰

Task Force on Municipal Legislative Renewal (Garcea Task Force)

The provincial government appointed the Task Force on Municipal Legislative Renewal (Garcea Task Force) in 1998. Professor Joseph Garcea of the University of Saskatchewan, who has been a principal proponent and chronicler of municipal reform in Saskatchewan (above), chaired the Task Force.⁴¹

The Garcea Task Force issued an interim report in 2000 in which it recommended that "new types" of

government needed to be established in response to “the emergence of larger, regional economies” around existing municipal governments. The Task Force claimed that without such reforms, “municipalities will become increasingly problematic, irrelevant or marginalised as a result of the regionalisation around them.”⁴² A principal purpose of the recommendations was to ensure sustainability and viability for communities. The Task Force’s doubts about the ability of municipalities to act and survive echoed that of previous amalgamation reports (above).

The Task Force recommended “[t]he number of municipal units should be reduced from over 1,000 to “less than 125.” Rather than focusing principally on the rural municipalities, the Garcea Task Force went well beyond most previous reports in applying its amalgamation proposal to the province’s largest urban areas. “The need for consolidation in metropolitan regions is as great in metropolitan regions as in non-metropolitan regions.”⁴³ The Task Force thought it was inappropriate to distinguish clearly between “what is ‘urban’ and what is ‘rural’ — particularly in light of blurring distinctions among various municipalities surrounding larger cities.”

The Interim Report recommended consolidation of existing governments into two forms of single-tier geographical municipalities.⁴⁴ According to the Report, “All existing rural and urban municipalities would be dissolved and consolidated within the Municipal District.”

- Metropolitan municipal districts (MMDs) would “consist of the province’s larger cities and the urban and rural communities in the surrounding area.”
- Rural municipal districts “would consist of all rural and urban communities within a given region outside the MMDs.”

The Task Force also recommended that the amalgamated municipal governments not be “unduly constrained” in matters relating to “borrowing levels” and “operating deficits.”

The Interim Report called for the amalgamations

to be achieved by a “direct consultive approach” managed by the provincial government. This method was recommended because it would lead to the “most optimal and timely consolidation within the municipal sector.” The Report makes it clear that the provincial government would direct this process toward the objective of municipal amalgamation.

The Report specifically rejected the use of voluntary approaches, provincial financial incentives or a (non-directed) negotiation approach. About the voluntary approach, the Task Force said, “Unfortunately, although ideal in theory, the voluntary approach has one major limitation in practice — generally it does not lead to much, if any, consolidation.” The Task Force noted that consolidations had not been widely adopted voluntarily in jurisdictions outside Saskatchewan. It is not surprising that the municipalities and their municipal associations (on behalf of their voters) interpreted this as an attempt at mandatory amalgamation.

In decrying the lack of movement toward consolidation, the Task Force wrote, “The Task Force is convinced that it was more a case of lack of willingness than lack of need.” The Task Force asked the following rhetorical question:

The Task Force asks everyone who favors consolidation to consider the following question: What is the likelihood of major consolidation occurring in our lifetime, if the provincial government were to leave it entirely to the will of individual municipal councils to determine the appropriate nature, scope and timing of consolidation?

In an address before the SUMA 2000 annual conference, Garcea indicated that municipal governments were “too fragmented,” (decentralised) which made it difficult to maintain an effective system of service delivery and to plan economic and social development. He further talked of “lost opportunities” from the mismatch between the capabilities of smaller municipalities and the larger “regional economic communities.”

The Political Reaction: In an evaluation a few years later, Garcea noted that the proposal for the

“creation of one-tier regional municipalities using the “direct consultive approach” became one of the most controversial issues in the municipal sector since the 1950s and early 1960s” There was a strong negative reaction on the part of the municipalities and the municipal associations.

Consistent with previous debates on municipal restructuring, the concept of mandatory amalgamation drew opposition from municipal officials, especially through SUMA and SARM. SARM passed a resolution at its 2000 convention that included the following WHEREAS clauses:⁴⁵

WHEREAS, local governments in Saskatchewan are the most efficient and effective form of government in existence today as exhibited by their financial statements

WHEREAS, it has been proven in other jurisdictions of Canada that amalgamations/consolidations do not result in any wealth creation, only in the redistribution of existing wealth

WHEREAS, the funding provided to local government in Saskatchewan presently amounts to only 2% of the Provincial Budget

The resolution clause follows:

THEREFORE BE IT RESOLVED that SARM demand[s] the Province of Saskatchewan cease[s] all programs and policies which contribute to the mandatory consolidation of government in rural Saskatchewan.

At about the same time, an even more draconian amalgamation proposal emerged. Professors Jack Stabler and Rose Olfert of the University of Saskatchewan published a report recommending that local governance be organised (amalgamated) into 17 functional economic regions.⁴⁶ The report, which was commissioned by Saskatchewan Municipal Affairs, Culture and Housing, was cited by minister Clay Serby as a “logical complement” to the Garcea Task Force report.⁴⁷

Following publication of the Garcea Task Force Interim Report, a second round of public forums

was held throughout the province. There was considerable participation in these forums by those opposed to mandatory amalgamation.

One press report describes a later forum in Saskatoon. The Task Force was told, “[T]he system we have works.” The Task Force recommendations were characterised as treating communities as machines, when they were instead “living organisms.” SARM president Sinclair Harrison told the Task Force that it could gauge the reaction of the people by stacking the briefs into piles for and against its proposals (“almost all were opposed”).⁴⁸

Task Force Chairman Garcea recounted how opponents of mandatory amalgamation used democratic processes to make their case:⁴⁹

The vast majority of the participants had been mobilised by the special efforts of elected and appointed municipal officials to pack the meetings with persons opposed to what they had depicted as “mandatory amalgamation.” The singular and central theme in the vast majority of briefs and oral presentations was captured in the campaign buttons that read “Say No to Mandatory Amalgamation.”

This extent of public participation would seem to illustrate a significant concern among citizens who would be affected by the amalgamations that would have reduced the number of municipal governments in Saskatchewan by nearly 90 per cent (to fewer than 125). Not surprisingly, these mandatory amalgamation proposals were strenuously opposed by SUMA and SARM, which were representing their municipal members.

Before the release of the final report, minister of municipal affairs Jack Hillson had indicated that any final report recommending amalgamation would be “DOA” (dead on arrival).⁵⁰

The final report of the Garcea Task Force was virtually a full retreat on its previous amalgamation recommendation. The reduction to fewer than 125 municipalities had been removed, and mandatory amalgamation survived as only one on a continuum of alternatives from “voluntary amalgamation” to “mandatory amalgamation.”⁵¹

The net effect was that the Garcea Task Force Interim Report was to be the last serious recommendation, at least to the present, for mandatory amalgamation, and it did not even survive into the final report (below).

Provincial-Municipal Roundtable

Following the release of the Interim Report, the government sought agreement on restructuring in the Provincial-Municipal Roundtable. According to *The New Urban Age*, SUMA and SARM gave their representatives to the Provincial-Municipal Roundtable instructions to seek “strictly voluntary and consensual” restructuring including the removal of barriers to voluntary amalgamation.

In the end, the premier, SUMA and SARM agreed upon a “Statement on Municipal Restructuring,” which called for “the development of a timetable and an action plan to move forward in a timely fashion on removing legislative, financial, and other impediments to voluntary restructuring.”⁵²

At about the same time, analyses were published suggesting the potential for considerable savings from municipal amalgamations. A report by a former administrator of the Rural Municipality of Corman Park suggested it was possible to save \$500,000 by amalgamating 20 urban and rural municipalities. A report by Price Waterhouse Coopers estimated a potential \$30-million annual savings from the municipal amalgamations after \$20-million in transition costs.⁵³

Consistent with the “Statement on Municipal Restructuring,” amendments to *The Urban Municipality Act* and *The Rural Municipalities Act*, which removed impediments to amalgamation, voluntary dissolution and restructuring of both rural and urban municipalities, were adopted in 2001. The impetus was to come from the municipalities themselves, with the ministerial role limited to reviewing, approving or rejecting the amalgamation agreements. In 2002, *The Cities Act* added a provision that allowed the minister to attach such conditions to amalgamation agreements as deemed appropriate.⁵⁴

In 2005, *The Municipalities Act* added a provision that allowed residents to petition for an election to determine whether their municipalities should undertake restructuring. Further, residents were given the right to petition for a vote on any restructuring plan. Finally, the minister was given broad authority to attach orders to restructurings.⁵⁵

Legislation since the Early 2000s

Since the enactment of the amendments of *The Rural Municipalities Act* and *The Urban Municipality Act* in 2001, there has been little if any impetus for mandatory amalgamation in Saskatchewan. This may be, in part, due to the co-operative inter-municipal structures voluntarily established under Saskatchewan law that were developed to promote economic development (Section 2.4).

Saskatchewan Municipal Amalgamations in the 21st Century

At the same time, urban and rural municipalities have been voluntarily amalgamating when their citizens find it to be the preferable course. Since the amendments to *The Rural Municipalities Act* and *The Urban Municipality Act* in 2001, 49 villages have amalgamated into their corresponding rural municipalities. In addition, the rural municipalities of Kutawa and Mount Hope were dissolved and merged into the new rural municipality of Mount Hope in 2004.⁵⁶

In each case, village and rural municipality councillors freely entered into agreements, and the village and municipality merged with the assent of the minister. The agreements varied according to the individual circumstances of the amalgamating municipalities. In a number of cases, the former geographical areas of some villages were retained as special service districts for taxation, revenue and service purposes. In the other cases, officials of the amalgamating municipalities did not find special service districts to be appropriate or necessary.

The agreements were different in other dimensions as well. For example, at the end of 2013, four villages were amalgamated into adjacent rural municipalities.

These were the Village of Gladmar (into the Surprise Valley rural municipality), the Village of Antler (into the Antler rural municipality),⁵⁷ the Village of Ruthilda (into the Grandview rural municipality) and the Village of Shackleton (into the Miry Creek rural municipality).⁵⁸ There were duplicate provisions in the agreements, but there was also a number of differing provisions on a variety of subjects such as the continuation of service contracts with outside providers⁵⁹ and the provision of fire services.

In the background interview conducted for this report,⁶⁰ former premier Grant Devine indicated that rural Saskatchewan has strong democratic roots and continues to be vibrant. He suggested that local residents are very much connected to smaller communities and prefer to maintain their local governments. His comments reiterated the sense conveyed by his Special Task Force on Rural Development (above): "... [T]here is a very high degree of representative democracy in rural Saskatchewan."⁶¹

2.4 ECONOMIC DEVELOPMENT AFTER THE DEVINE GOVERNMENT (1991-)

In the background interview, former premier Devine indicated that his government had a strong interest in rural economic development. The high level of democratic participation in the rural municipalities played a major role in the development of important policy initiatives such as the community bond program, crop insurance reforms and the overall improvement in rural economic development.⁶²

As noted above (Section 2.2), the local government reform initiatives took an important turn under the Devine government toward voluntary regional economic development organisations made up of municipalities. This regional approach prevailed for much of the next three decades, though there were revisions. Consistent with the views of the municipalities, the regional bodies were voluntary.

This began in 1986 when the Devine government established RDCs, following the recommendation of the Special Task Force on Rural Development, which had been released in 1985. Eventually, 38 RDCs were established. The RDCs had from four to 14 municipalities as members. In addition to their core economic development functions, they sponsored feasibility training and provided training for rural municipalities.⁶³

This voluntary regional concept went through two subsequent iterations under the Romanow and Wall governments. The changes increased the geographical expansion of the regional economic entities. The Romanow government replaced the RDCs with voluntary Regional Economic Development Authorities (REDAs) in 1993. There were 28 voluntary REDAs. Their responsibilities were similar to those of the RDCs.⁶⁴ In 2009, the Wall government replaced the REDAs with Enterprise Regions, which were also voluntary. There were 13 Enterprise Regions.

In 2012, the Wall government eliminated funding for the Enterprise Regions. The government had become convinced that local rather than regional governments handled local economic development best.⁶⁵

2.5 MUNICIPAL AMALGAMATION IN SASKATCHEWAN: ASSESSMENT AND PROSPECTS

There are differing views on the history of inter-municipal co-operation and municipal restructuring (amalgamation in particular) in Saskatchewan.

Proponents of municipal reform have been disappointed at the lack of progress toward municipal restructuring, especially amalgamation. Referring to the legislative reforms in the early 2000s that provided additional voluntary amalgamation of authority to municipalities, Garcea wrote, “Unfortunately, but not surprisingly, the new statute for voluntary amalgamation ended up serving a symbolic rather than a practical function. This was the case of history repeating itself.” (This refers to *The Municipal Unit and County Act* of 1963, above.) In 1962, the Co-operative Commonwealth Federation government had enacted *The Municipal Unit and County Act* amid extensive resistance from within the municipal sector.⁶⁶

Romanow government finance minister Janice MacKinnon characterised the Devine government as not having implemented the necessary rural governance reforms.⁶⁷

The Devine government demonstrated its commitment to rural Saskatchewan not by thinking about what changes were required to equip rural people to meet the new world of the future, but by doing what had been done for generations. It did not, for example, deal with the problem that rural Saskatchewan has hundreds of local governments — more local governments per capita than any other Canadian province — which choke off potential investment in a tangle of red tape.

Yet, this same criticism could have been made with respect to any Saskatchewan government for at least the last 80 years, including the government in which MacKinnon served. None has imposed wholesale government amalgamation.

On the other hand, it is hard to imagine positions that are more polar opposite than between the amalgamation advocates and the municipalities, which have doggedly opposed mandatory amalgamation. Mortin suggested a possible answer when characterising the opposition of rural municipalities, which have more often been the target of mandatory amalgamation proposals.⁶⁸ “They believed that close contact with the ratepayers would be lost in such big units, which would be more expensive and likely result in heavy borrowing and higher municipal liabilities. Most of the current units were functioning satisfactorily,” they said, so why enlarge them? “The larger the forms of local government, the more expensive it becomes as it is not so responsive to local control,” they concluded.

This characterisation of rural municipality attitudes in the middle 1950s paralleled the conclusions from the more recent and critical economic analyses of amalgamations, virtually none of which had been published by this time (Section 4.2).

This is consistent with views expressed by Devine in his interview. He suggested that residents of rural municipalities were committed to retaining their local democracies and that they feared amalgamation would lead to less effective, more expensive government.⁶⁹

The evidence in Saskatchewan seems more favourable to the municipal position than to that of the amalgamation advocates. For decades, amalgamation proponents have been expecting, if not predicting the failure of rural municipalities. Yet, the overwhelming majority of rural municipalities have survived.

On the other hand, where citizens and municipal leadership determined that they could not continue separately, they *voluntarily* amalgamated. There were few amalgamations, which is in itself evidence that the overwhelming majority of rural municipalities have continued to be *viable* and *sustainable*. It appears that where amalgamations were necessary, they have occurred (Section 2.3).

Finally, the arbiter between the two positions is the Legislative Assembly. Regardless of pronouncements by ministry or other provincial officials, in the final analysis, the policy of the province is determined by votes in the Legislative Assembly, orders in council and other legally binding provincial actions. For at least eight decades, the Legislative Assembly has avoided imposing mandatory amalgamations upon municipalities, a policy consistent with the democratic will of the people as represented by their elected officials.

Prospects for Mandatory Amalgamation in Saskatchewan

There has continued to be considerable support for mandatory municipal amalgamation, as is clear from the ongoing proposals and activity across Canada and elsewhere (Section 3). For example, the recent mandatory rural municipality amalgamations in Manitoba could reignite efforts to implement mandatory amalgamation in Saskatchewan. Proposals requiring mandatory amalgamation could re-emerge in Saskatchewan (Box 1: Urban and Rural Government Amalgamation in Saskatchewan Metropolitan Areas).⁷⁰

The remainder of this report will review the experience with municipal amalgamations in Canada and elsewhere, as well as the academic research, which is the basis of the policy road map for Saskatchewan (Section 5).

Urban and Rural Local Government Amalgamation in Saskatchewan Metropolitan Areas

The most recent and most significant mandatory amalgamation proposal, the Garcea Task Force Interim Report, would have comprehensively restructured rural and urban municipalities. Municipalities in metropolitan areas would have been amalgamated into larger single-tier metropolitan governments.

Despite their large populations relative to their respective metropolitan areas, neither Regina nor Saskatchewan has single-tier metropolitan government. The potential effects of mandatory metropolitan amalgamation can be illustrated in Saskatchewan. In Saskatoon and Regina, the metropolitan area contains considerably more territory than is under the municipal jurisdiction of either of the two cities, as is indicated below.⁷¹

Saskatoon: In Saskatoon, the metropolitan area includes the municipalities of Allan (Town), Asquith (Town), Blucher No. 343 (Rural municipality), Bradwell (Village), Clavet (Village), Colonsay (Town), Colonsay No. 342 (Rural municipality), Corman Park No. 344 (Rural municipality), Dalmeny (Town), Delisle (Town), Dundurn (Town), Dundurn No. 314 (Rural municipality), Elstow (Village), Langham (Town), Martensville (City), Meacham (Village), Osler (Town), Saskatoon (City), Shields (Resort village), Thode (Resort village), Vanscoy (Village), Vanscoy No. 345 (Rural municipality), Warman (Town), and Whitecap (Indian reserve).

Although the city is only four per cent of the metropolitan land area (210 square kilometres compared with 5,415 square kilometres for the metropolitan area), it has a sizeable majority of the population.⁷²

Indeed, envisioning a population of 1,000,000 residents in 50 years, the City of Saskatoon produced a map depicting urbanisation (confined to an urban growth boundary) extending well ►

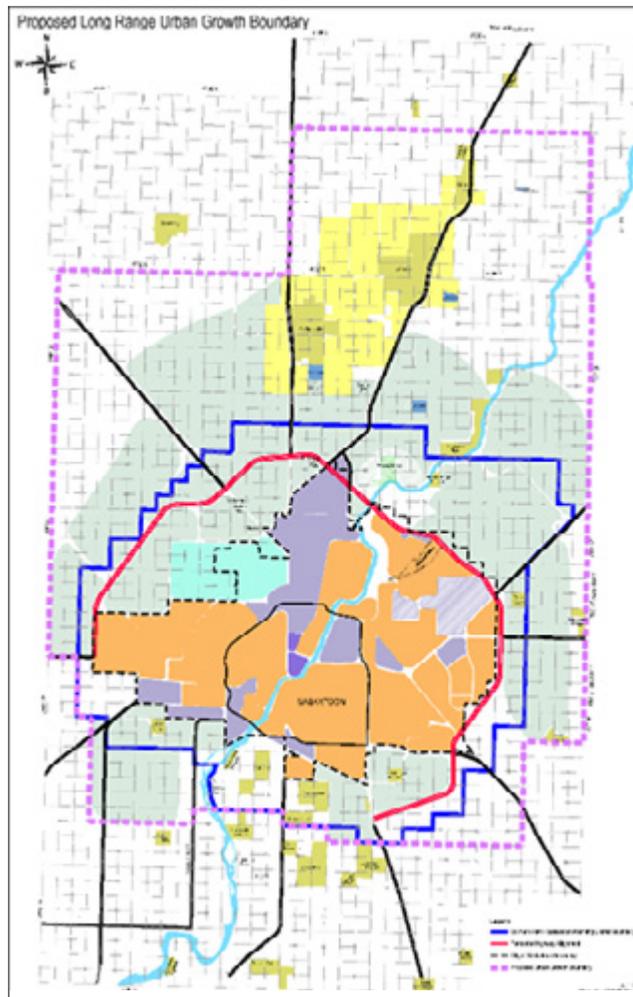
BOX 1

into the adjacent rural municipality of Corman Park and including the urban municipalities of Martensville, Warman, and Osler (Figure: Future Urbanisation: Saskatoon).⁷³ The extent of the Saskatoon municipal boundaries was unclear. However, for an urban growth boundary to be effective would require the imposition of city land-use policies throughout the metropolitan area by virtually banning single-family housing development in the commuting area to the outside.⁷⁴

Regina: In Regina, the metropolitan area includes the municipalities of Balgonie (Town), Belle Plaine (Village), Buena Vista (Village), Disley (Village), Edenwold (Village), Edenwold No. 158 (Rural municipality), Grand Coulee (Village), Lumsden (Town) Lumsden Beach (Resort village), Lumsden No. 189 (Rural municipality), Pense (Village), Pense No. 160 (Rural municipality), Pilot Butte (Town), Regina (City), Regina Beach (Town), Sherwood No. 159 (Rural municipality), and White City (Town).

The City of Regina is less than four per cent of the metropolitan land area (145 square kilometres compared with 3,409 square kilometres for the metropolitan area) and has a large majority of the population.⁷⁵

Each of the rural and urban governments outside the core cities in the two metropolitan areas above is considered by Statistics Canada to be within commuting distance of Saskatoon or Regina. It is likely that proposals to mandate amalgamation (as would have been required by the Garcea Task Force) or to dilute local democracy in these communities would stir considerable opposition, consistent with experiences in other areas.



Future Urbanisation: Saskatoon

3.0 MANDATORY AMALGAMATION IN CANADA AND ELSEWHERE

A number of mandatory amalgamations have been implemented throughout Canada in the last two decades, and often the result has been fierce opposition and even de-amalgamation proposals.

In the 1990s, Ontario forcibly amalgamated a number of municipalities, including the largest, the former city of Toronto. Adjacent municipalities were combined to form the amalgamated cities of Toronto, Ottawa, Hamilton and others. This was a contentious process, which included, for example, referenda in the six municipalities that were later merged to form the present City of Toronto. Voters rejected amalgamation in each case. The No vote won a majority in the six municipalities facing amalgamation. The average No vote was 76 per cent, with a high of 82 per cent in East York and a low of 65 per cent in York.⁷⁶ Nonetheless, the province subsequently implemented the amalgamation.

The Parti Québécois government forcibly amalgamated many municipalities in 2002 including the large municipalities of Montreal and Quebec City among others. This was also a contentious process and led to strong political pressure for de-amalgamation. The opposition Liberal Party, which promised a process for de-amalgamation, won a majority government in the 2003 election. However, the mechanisms for approving de-amalgamation were strenuous. Referendum petitions required 10 per cent of registered voters. Demerger required *not only* support by a majority of voters, but also a total number of Yes votes equaling at least 35 per cent of registered voters. Nonetheless, enough votes to demerge were obtained in 32 municipalities. Peter Trent, former mayor of Westmount, which was de-amalgamated, suggested that the total population of de-amalgamating municipalities was more than cut in half by an extraordinary 35 per cent electoral requirement imposed by the Liberal government.⁷⁷

The process was also contentious in Manitoba, where 2013 provincial legislation required rural municipalities with less than 1,000 residents to amalgamate with neighboring jurisdictions.⁷⁸

Any municipality not meeting that threshold was required to merge with an adjacent municipality. This reduced the number of rural municipalities by approximately one-third. An academic report evaluating the amalgamations criticised the threshold,⁷⁹ noting, "... [T]here seems to be very little evidence that population thresholds are any indication of municipality strength by any measure."⁸⁰

There was considerable opposition to the mandatory amalgamations by the Association of Manitoba Municipalities, which also argued against the 1,000 minimum population threshold.⁸¹ In response to this opposition, local government minister Ron Lemieux characterised critics as "insolent children," for which he later apologised.⁸²

In the mid-1990s, there were two substantial mandatory amalgamations in Nova Scotia, which produced the present City of Halifax and the Regional Municipality of Cape Breton.

New Brunswick had a number of municipal amalgamations in the 1990s, though current policy makes restructuring voluntary.⁸³ Amalgamation votes in three areas failed in the province in 2015 and 2016.⁸⁴

There is the potential for mandatory amalgamations in Prince Edward Island, where the Commissioner's Report on Land and Local Governance has recommended such restructurings.⁸⁵ In 2015, the Minister of Communities, Land and Environment, Robert Mitchell, said, "We're letting the process unfold the way it should, with communities talking to communities." However, he "didn't rule out" a mandatory approach if the present voluntary processes do not produce amalgamations.

Since 1997, there has been a provincial policy in Newfoundland and Labrador of no mandatory amalgamation. Instead, the province favours regional co-operation.⁸⁶ Further, there have been no recent mandatory amalgamations in Alberta.

British Columbia is a notable exception, with its *Community Charter* that forbids municipal amalgamations without a vote of the affected electorate.⁸⁷ There is an effort by a citizens' organisation in the Victoria area to amalgamate

municipal governments. This would require, consistent with provincial policy, a referendum in each municipality that is proposed for amalgamation.

While Saskatchewan does not have a policy prohibition on mandatory amalgamation, politics have prevented mandatory amalgamations.

There has also been considerable mandatory amalgamation activity outside Canada.

Mandatory municipal amalgamations have been implemented by state governments in Australia and by national governments in the United Kingdom and New Zealand. In Queensland, Australia, a mandatory amalgamation program resulted in considerable opposition by citizens. A new government, which had promised to provide mechanisms for de-amalgamation, was elected. As in Quebec, the electoral processes required for de-amalgamation were much more restrictive than those for other elections. Nineteen municipalities sought to de-amalgamate; however, the state allowed only four elections. All four elections authorised de-amalgamation.⁸⁸

On the other hand, municipal amalgamations in the United States are rare and usually involve combining cities and counties. They are typically voluntary, following an affirmative vote of the affected residents.⁸⁹ More often than not, these referenda fail. Some states have single-tiered governments, though at the municipality, rather than county or regional level. This includes Virginia, where there are counties and cities (urban municipalities) similar to the single-tiered governance structure of Saskatchewan, with its urban and rural municipalities. Rhode Island and Connecticut have abolished their county governments, leaving only the more numerous municipalities at the local level. Massachusetts has abolished most of its county governments, following the general policy approach of Connecticut and Rhode Island.⁹⁰ This approach is nearly the opposite of municipal reform preferences. Amalgamation of functions has taken place at the local rather than regional level. The regional governments have been abolished. The municipalities have been given mechanisms to form regional partnerships voluntarily. The sub-national state governments administer other regional issues.

4.0 THE RESEARCH: AMALGAMATION AS A GOAL VS AMALGAMATION AS AN OPTION

The concept of municipal amalgamation as a public policy goal was dominant in the literature during the first 75 years of the 20th century throughout the Western world including Canada. Much of the early literature on local government amalgamation focused on metropolitan areas, with the objective of replacing multiple local governments with a single-tier government (Box 2: Single-Tier Metropolitan Governments in Canada and Elsewhere).⁹¹ Amalgamations were justified based on assumptions that costs would be lower, regional issues would be better co-ordinated, staff would be more professional and economic development would be enhanced.

The same justifications for mandatory amalgamation have typically been made in favour of single-tier governments outside metropolitan areas.⁹² As the Garcea Task Force indicated, the need for consolidation is the same in metropolitan and non-metropolitan regions.⁹³

The most enduring justification for amalgamations seems to be lower costs, which have usually been claimed by advocates in amalgamation campaigns. This argument has provided an important philosophical basis for government amalgamation proposals throughout Canada, Australia, the United States and elsewhere.

In more recent decades, academic research has developed arguments that support the opposite conclusion, indicating principally that the theoretical advantages of amalgamated municipal governments were not necessarily validated in the empirical research and that multiple (polycentric), decentralised governments could often perform as well or better. This strain of thought suggests that amalgamation should not be sweeping mandatory initiatives but should be determined on a case-by-case basis.

BOX 2

Single-Tier Metropolitan Governments in Canada and Elsewhere

Despite the major local government amalgamation initiatives in Canada, none of the top 10 metropolitan areas is a single-tiered government. The largest such government is in 13th ranked Halifax. The contentious amalgamations in Toronto and Montreal, for example, fall far short of metropolitan government, even as originally proposed.⁹⁴ Andrew Sancton of Western University questioned whether it was possible to establish metropolitan governments due to the fluidity of their economic limits⁹⁵ (not political boundaries).⁹⁶ Despite strong academic support, amalgamation at the metropolitan area level is unusual.

Only one metropolitan area in the Western world with more than 1,000,000 people has amalgamated government (Auckland), though population growth will soon add another, Honolulu. Paris may be the antithesis of the amalgamation ideal, stretching into eight regions (tier below national government) including 15 departments (second tier below national government) and more than 1,800 municipalities.⁹⁷ Recent legislative changes established stronger regional co-ordination organisations (similar to the special districts described under “Inter-municipal Co-operation,” below) in the Paris area but left the municipalities in place.

Amalgamation as a Goal (Mandatory Amalgamation)

4.1

The debate in most jurisdictions, including Saskatchewan, has often been dominated by advocates of amalgamation, who seek single-tiered local governments for economic regions, both metropolitan and non-metropolitan. Arguments such as the following support the case for mandatory amalgamation.

Larger units of municipal government would be more efficient than smaller governments because larger governments enjoy greater economies of scale — as the amount of service provided increases, their costs per capita are expected to decline.

There would be fewer elected officials, which would reduce costs.

Larger units of local government would be better equipped to deal with regional issues.

Larger units of municipal governments would be able to employ staff that is more professional. As a result, professional staff rather than elected officials would make more decisions, which, it is claimed, would be more neutral and less political.

Larger units of government would result in greater economic development.⁹⁸

Smaller governments, largely due to their more-modest revenue sources, are likely to have difficulties sustaining service levels. This argument has most frequently been used in proposals for amalgamation of smaller governments and governments in rural areas (including in Saskatchewan).

Based on these expected advantages, advocates have supported mandatory municipal amalgamation.

In Saskatchewan, cost reduction (efficiency), concerns about the financial ability of smaller jurisdictions and economic development have been particularly important considerations in the various policy reviews and amalgamation advocacy.⁹⁹ As noted above (Section 3), mandatory municipal amalgamations, from metropolitan areas to rural areas, have been implemented in Canada over the past quarter-century by people who relied largely on efficiency arguments.

4.2 **Amalgamation as an Option (Voluntary Amalgamation)**

In recent years, research results have questioned the assumptions of mandatory amalgamation advocates.¹⁰⁰

Nobel Laureate Elinor Ostrom expressed concern that the theoretical propositions of the reform movement (which include mandatory local government amalgamation) have not been confirmed by

empirical research: "The changes recommended are presumed to lead to the postulated consequences without need for empirical investigation of the relationships involved."¹⁰¹ The researcher cites a city-county amalgamation plan in which the validity of proposed benefits "was assumed, for they were part of the over-all ideology of the movement to save the cities."¹⁰²

Ostrom also noted concerns raised in the literature as early as 1972 that suggested that few economies of scale had been identified, except in metropolitan districts.¹⁰³

Another early critical researcher offered a particularly stark assessment:

In terms of metropolitan political structure, I maintain that the merger position is a rather tired, weak and unimpressive one. What is surprising is that this view of the normative nature of urban political structure was able to maintain its dominant intellectual position for such a long period of time. It appears that the ambiguous wisdom of the electorate, as manifested by its general negative political behavior toward reform proposals, exceeded the perception of scholars of urban government.¹⁰⁴

Some, but not all, of this research was produced by the comparatively new public choice school of economics, which holds that the theoreticians failed to take sufficient account of the role of self-interest among those who make legislative and administrative decisions in government ("Box 3: Public Choice Analysis").

Jack Knott of the University of Southern California and Gary Miller of Washington University in St. Louis described the fundamental problem. The researchers suggested that reformers sought "an ideal structure, one whose structural characteristics would legitimise its policy outcomes." They contend, "[W]e must recognize that an institution is justified by its outcomes, rather than the other way around." They characterised this as "the most revolutionary critique to be made of the classical reformers.

It means that institutional choice is inherently political”

Knott and Miller suggest that since institutional structures are the “result of politicised choices by political actors, it is pointless and perhaps harmful to maintain the myth of administrative neutrality.” They concluded, “There is no neutral political structure; there is not a structure whose neutrality, expertness, or other characteristics can automatically legitimize the policy choices it makes.”¹⁰⁵

Yet, the newer literature is often absent from the political debates about amalgamation. Sancton indicated concern that the conventional view has retained its dominance in Canada, largely ignoring the research developed in recent decades.¹⁰⁶ He further noted that consultants and public servants “seem to speak or write about their own particular areas without any reference to empirical academic evidence or even to similar debates elsewhere in Canada, let alone other countries.”

Based on these and other factors, opponents of mandatory municipal amalgamation have held that amalgamations should be voluntary.

Public Choice Analysis

Public choice economics was developed in the latter half of the 20th century. The first exposure to the field for many was the awarding of the Nobel Prize in Economics to James Buchanan in 1985.¹⁰⁷ Buchanan characterised public choice as “politics without romance.”¹⁰⁸ Economist William Shughart said, “[P]ublic choice, like the economic model of rational behavior on which it rests, assumes that people are guided chiefly by their own self-interests and, more important, that the motivations of people in the political process are no different from those” of people outside government. He continued, “voters ‘vote their pocketbooks,’ supporting candidates and ballot propositions they think will make them personally better off; bureaucrats strive to advance their own careers; and politicians seek election or reelection to office.”¹⁰⁹

This can have important implications with respect to governments, municipal, provincial and federal. The public choice interest in achieving “politics without romance” indicates a view that human element, including political pressures, can interfere with maximising efficiency (minimising unit costs) so that taxes and fees can be lower.

Indeed, it could be difficult to find a better exposition of the public choice position than what Mortin summarised as the view of municipalities on mandatory amalgamations. She called municipalities the antithesis of “centralisation.” Yet, it appears that these attitudes are the result of practical experience, since there is little or no indication that public choice research played any role in the continuing debate over municipal amalgamation in Saskatchewan. Mortin described municipalities as “... the only form of government in this huge province and giant country which has regular two-way communication with its constituents. You may see your Member of Parliament at election time and a few other occasions. You may see your Member of the Legislative Assembly a little more often. But you are likely to see your municipal counselors every few days, at the curling rink or at the implement dealership, in the coffee shop or the post office, you can hold them accountable you have a direct impact on how they decide” Further, larger municipal governments were characterised as “less efficient” and “more expensive.”

4.3 Literature Review

The empirical evidence on municipal amalgamation is summarised in this section. The discussion follows the general form used by Ostrom¹¹⁰ and Wikstrom¹¹¹ in focusing on the extent to which empirical research undermines the theoretical propositions of mandatory municipal amalgamation.

Efficiency

Municipal amalgamation proposals are often justified by claims that amalgamated governments will be more efficient. A World Bank paper evaluated efficiency using measures of cost efficiency and noted, "Efficiency is providing the maximum amount of service at a given level of resources."¹¹² Advocates routinely cite cost savings from the economies of scale perceived to be inherent in larger local governments. In an environment in which resource levels (spending) is paramount, another way of defining efficiency is "providing a given level and quality of service for the lowest cost." Thus, to improve efficiency in an environment of amalgamation, an amalgamated government must spend less (or less per capita) than the former governments that were amalgamated.

In her lecture accepting the Nobel Prize in Economics in 2009, Ostrom questioned the appropriateness of amalgamated governments. "Scholars criticised the number of government agencies rather than trying to understand why [they were] created and how they performed. Maps showing many governments in a metropolitan area were used as evidence for the need to consolidate."¹¹³ In a research paper, she noted the lack of empirical evidence to support economies of scale in municipal service production and suggested that local government restructuring initiatives be preceded by an emphasis "on the empirical warrantability of the assumptions that we use to guide reform." She suggested, "... [T]he evidence leads us to be skeptical of automatic acceptance of an assumption that larger scale always leads to improved performance."¹¹⁴

Literature Syntheses

Various syntheses of the literature on municipal amalgamation have indicated that improved

efficiency often does not occur.

World Bank: A review of international research by the World Bank indicates that municipal amalgamations do not necessarily result in reduced expenditures or even reduced expenditures per capita. The researchers continued: "Governments should not assume consolidation will solve problems, because benefits and costs are specific to each situation. Consolidations may, but do not inevitably, save money."¹¹⁵

Literature Summary: U.S. City-County Amalgamations: Lawrence L. Martin and Jeannie Hock Schiff of the University of Central Florida conducted research limited to peer-reviewed journal articles focusing on city-county amalgamations¹¹⁶ in the United States. Of the nearly 3,150 county level governments in the United States, fewer than 50¹¹⁷ have become amalgamated city-county governments.¹¹⁸

City-county amalgamations are particularly relevant to Saskatchewan, because they are similar to the amalgamations that would occur under the most recent proposal (the Garcea Task Force) for metropolitan and regional municipalities. Most U.S. city-county consolidations combine one or more cities (or towns) with a county that administers virtually all local government services outside the boundaries of the city. The populations of the consolidations vary from amalgamated units that have approximately 2,500 people to New York City, with 8.5 million residents.

The authors conclude, "Overall, the research provides little support for the efficiency argument."¹¹⁹

New Jersey Legislature: A literature review conducted for the New Jersey legislature that covered the United States, Canada and elsewhere concluded, "Cost savings are not assured."¹²⁰

Michigan Senate: A review for the Michigan Senate of U.S. local government amalgamations found "... the implementation of a local government consolidation or intergovernmental cooperative effort is often very different than the proposed changes."¹²¹

Other Research

Other more-focused studies have found similar results.

- David J.A. Douglas of the University of Guelph found that the Ontario rural government amalgamation initiative was based on assumptions that the smaller governments were less efficient and less effective. His evaluation indicated that the expected cost savings justifying the amalgamations were “fictitious.”¹²²
- Sancton concluded that, in Canada, “...the evidence does not support the position that municipal consolidation promotes cost-savings.” (The Toronto amalgamation is reviewed in Box 4 below.)
- A report of the U.S. Transportation Research Board of the National Research Council reviewed the amalgamation literature and found “[t]here is general agreement that consolidation has not reduced costs (as predicted by some reform advocates) and, in fact, may have even increased total local expenditures.” This federal committee, charged with examining the future of U.S. cities, included amalgamation advocates. The Committee declined to recommend amalgamation and instead favoured reform and retention of smaller local government structures.¹²³
- The potential for saving money by reducing the number of elected officials has often been raised in amalgamation debates. Yet, councillor salaries and other direct expenses tend to be only a small part of municipal budgets — less than 0.5 per cent of expenditures in Canada.¹²⁴ Saving this money would have little impact on municipal expenditure. For example, Igor Vojnovic found “the cost savings to the Halifax Regional Municipality from the reduction of elected officials from 60 to 24 amounted to only \$298,878, while the annual operating budget for the city was approximately \$414-million.”¹²⁵ This is a savings of only 0.07 per cent. Opponents of mandatory amalgamation may consider the loss in access to their elected officials to be more important than these small financial gains (Section 4.33).

- In her Nobel Prize lecture, Ostrom added that the competition between more multiple decentralised governments is associated with lower costs.¹²⁶ A detailed study of U.S. local governments by the U.S. Advisory Commission on Intergovernmental Relations found that decentralised governments could offer services less expensively than larger governments can.¹²⁷ This represented a reversal of its previous position, which had generally favoured amalgamation.¹²⁸

Efficiency and Larger Local Governments: Five U.S. States Research:

There have been efforts in at least five U.S. states to either force or strongly encourage local government amalgamations over the last 15 years. A principal objective was to improve efficiency, with proponents claiming, in each case, that the multiplicity of local governments resulted in higher spending levels and higher taxes. They contended that amalgamations would reduce local government costs and taxes.

In each of the five states, amalgamation was proposed in metropolitan areas as well as in small towns and rural general purpose (as opposed to special purpose) governments that predominate outside the metropolitan areas. Four of the five states rank in the top 10 in the number of government units: Illinois (#1), Pennsylvania (#3), Ohio (#5) and New York (#9), while Indiana ranks 13th. The number of governments ranged from 2,700 in Indiana to nearly 7,000 in Illinois.¹²⁹ Many of the general purpose governments in each state have fewer than 1,000 residents.

Little, if any, quantitative research was cited to support these claims. Amalgamation campaigns generally asserted that larger governments were more efficient and that a larger number of governments necessarily spent more. However, as University of Victoria (B.C.) municipal expert Robert Bish noted, efficiency has little to do with the number of governments. “The ultimate measure of local government efficiency is not a count of jurisdictions or taxing districts, but rather their relative expenditures per capita for quality public services.”¹³⁰

In response to these initiatives, one of the authors of this report¹³¹ was commissioned to produce reports covering Pennsylvania, New York, Indiana, Illinois, Ohio and the Chicago metropolitan area.¹³² The starting assumption was that if amalgamations were inherently more cost effective, then larger governments should be more efficient, spending less per capita. Generally, expenditures per capita should fall from the highest levels in the smallest municipalities to the lowest levels in the largest municipalities.

All municipality data from four of the states and the Chicago metropolitan area underwent examination. This yielded the opposite conclusion — *lower* spending per capita is associated with *smaller* units of government (measured in populations). Analyses of municipality data in the United States Census Bureau database revealed the same general tendency.

In addition, it was found that general government debt per capita tended to be lower in smaller jurisdictions.

In Ohio, a well-financed campaign had claimed that small local governance structure “creates a staggering array of costs” and implied that this reality led to a “trade-off” between the “desire of citizens for more accessible and responsive governments” (smaller governments). Yet, as the analysis of all local governments (approximately 2,500) and their expenditures indicated, the opposite was true. Smaller governments spent considerably less per capita than larger governments did, whether in metropolitan areas or in rural and agricultural areas.¹³³

Proponents of municipal amalgamation in Illinois have often relied upon the fact that the state has the most local government units (7,000) of any state. Yet, spending and debt per capita decline overall with municipality population. One municipality, however, has been threatened with municipal bankruptcy, Chicago, which is by far the largest in Illinois and the third largest municipality in the United States.¹³⁴

None of the five states has adopted large-scale mandatory amalgamation programs, though New York law has been changed to make it easier for local voters to commence voluntary amalgamation processes.

Why Savings are Often Not Achieved

Two factors tend to be cited frequently as reasons that municipal amalgamations often fail to achieve their projected cost savings.

Levelling up of labour costs. In some cases, costs rise after amalgamation, especially labour costs. Labour costs are normally the largest expenditure item of local governments. Employee costs (wages, salaries, benefits and paid time off) are generally harmonised (levelled up to achieve uniformity). It can be virtually impossible politically to avoid the higher costs, as the Toronto case indicates (Box 4).¹³⁵ To achieve cost savings, lower labour costs are required. This is likely to be virtually impossible politically. The World Bank report faults an unwillingness to undertake necessary employee reductions as an important factor in the failure to achieve cost savings.¹³⁶

Levelling up of service levels. In addition, electorates can have differing preferences in public services or levels of public services.¹³⁷ This can present difficulties in an amalgamated municipality, because standardised services and service levels are likely to be required. More often than not, services will be harmonised upward to match the highest service levels in the amalgamating jurisdictions (levelled up to achieve uniformity). This leads to higher total expenditures unless there are sufficient unit-cost reductions to keep overall expenditures per capita from rising, as also occurred in Toronto (Box 4). Yet, cost savings may require retention of the differing service provision standards, with some areas receiving lower service levels.¹³⁸ Political reality can make this impossible.

BOX 4

Municipal Amalgamation in Toronto

The mandatory amalgamation of six municipalities in Toronto in 1997 was marketed principally using cost-reduction projections that research generally indicates were not achieved. The Ontario government cited a report by KPMG indicating that the amalgamation would reduce expenditures by \$300-million. There is considerable disagreement in the research about the extent to which, if at all, savings were achieved. Some researchers found that there were some savings, but they did not reach the projected level. Others found there were no savings or that costs rose.¹³⁹

During the amalgamation debate, proponents often cited expected savings from merging the six fire departments into one. In fact, there was a staff reduction of seven positions during the first decade. However, labour costs were harmonised through arbitration by ordering payment of wages equal to those of the most costly merging municipality, and overall costs rose by \$122-million (55 per cent) over the same period.¹⁴⁰

Harmonisation of personnel costs was an important factor in making the Toronto consolidation more expensive, according to the Toronto City Summit Alliance, a central city business association.

The amalgamation of the City of Toronto has not produced the overall cost savings that were projected. Although there have been savings from staff reductions, the harmonisation of wages and service levels has resulted in higher costs for the new City. We will all continue to feel these higher costs in the future.¹⁴¹

Efficiency Conclusion

There are cases and situations where efficiency might be improved. However, the evidence suggests that greater efficiency is not generally associated with amalgamated or larger municipal governments. Because amalgamation does not routinely achieve cost savings, mandatory programs are largely inappropriate. Case-by-case analysis should be required.

Viability and Sustainability

One of the principal concerns underlying the drive for local government amalgamation in smaller communities is the fear that they may not be viable and sustainable. This has been a principal concern in municipal amalgamation proposals, for example, in the report by the Garcea Task Force in Saskatchewan and the recent mandatory amalgamation initiative in Manitoba.

The research in Pennsylvania and Ohio indicated that smaller governments tend to be the *most* sustainable.¹⁴² Both states have supervisory programs into which governments are placed if they encounter financial distress.

Since 1997, the smallest general purpose governments (under 1,000 people) are the least likely to be placed in the Ohio Fiscal Distress program. Residents of cities and villages with fewer than 1,000 people are one-third as likely as those in the largest municipalities (50,000 people and up) to live in distressed municipalities. Further, in the 1,300 townships (median population under 2,200) that are principally rural, the propensity for fiscal distress was less than 1/150 of that of the cities and villages with more than 50,000 residents.¹⁴³

The situation was similar in Pennsylvania's Distressed Municipalities program.

In 2007, 20 years after [the program's] enactment, 23 of the state's 2,562 non-county general purpose governments (compared to 2,246 in Ohio) remained in financial distress, including more than 20 percent of the jurisdictions with 50,000 residents. Among the state's more than 1,500 non-county governments with less than 2,500 population, only 0.1 percent were in financial distress.¹⁴⁴

Moreover, as noted above with respect to Manitoba, research indicates that there is little evidence that population thresholds are an indicator of municipal strength.¹⁴⁵

Finally, across Saskatchewan, smaller governments have demonstrated their viability and sustainability for decades, despite serious concerns to the contrary that go back (at least) 60 years to the Royal Commission on Agriculture and Rural Life.

Dilution of Democratic Access

As suggested above, those who would require that amalgamation be voluntary may generally perceive a greater loss in reduced electoral access than any potential (and often illusory) savings. As a municipality becomes larger, the importance of an individual vote becomes less. This can lead to a diminished incentive to participate in the political process. Voter participation may be reduced in amalgamated municipalities.¹⁴⁶ One researcher characterised the political and financial trade-offs in the Halifax amalgamation as follows: "... [W]hile HRM [Halifax Regional Municipality] saved 0.07% in its annual operating budget by political restructuring and reducing the number of counselors, amalgamation cost Halifax County constituents more than half of their voting power."¹⁴⁷

Advocates of mandatory amalgamation tend to discount the importance of voter access. This has been evident in the Saskatchewan considerations. The Committee on Provincial-Municipal Relations (1950) characterised such concerns as "not well-founded."¹⁴⁸ It was even suggested that local electorates were "not sufficiently informed to give a reasonable response" to the question of amalgamation.¹⁴⁹

Some researchers point to not only a loss in accessibility, but also a concurrent increase in the influence of special interests (which more often than not seek higher spending levels). Bish expressed concern that "... regional organisations may be governed by directly elected officials, but the scale of elections is such that the officials are much less likely to represent the views of the electorate and more disposed to the special interest groups that are willing to finance their election campaigns." In addition, the "... amalgamation of municipalities

inevitably leads to less voter access to elected officials. This occurs simply because the ratio of voters to elected officials increases."¹⁵⁰

Hendrick Slegtenshorst, a former town manager in St. Stephen, New Brunswick, criticised the reduction in elected officials per capita in amalgamations, because it dilutes the influence of the individual voter. He said, "There are no economies of scale in the democratic process." He also said, "Forced amalgamation is unpopular because it can produce bigger, not necessarily better, government."¹⁵¹

Finally, mandatory amalgamations can be unpopular with voters, as is indicated in Section 3.

Economic Development

The evidence of a connection between amalgamated government and economic development is weak.

Martin and Schiff reviewed the literature on the effect of city-county amalgamations on economic development in the United States. They concluded, "Overall, the evidence in support of improved economic development is less than convincing."¹⁵² For example, one study covering nine city-county amalgamations between 1950 and 1993 found no support for a connection with greater economic growth.¹⁵³ A review of results in 314 U.S. metropolitan areas found higher economic growth where local government was more decentralised.¹⁵⁴ Diverging results, showing better economic development associated with amalgamated governments, were indicated in multiple studies covering a single case, Indianapolis.¹⁵⁵

An Organisation for Economic Co-operation and Development researcher looked at a measure of economic development in terms of Gross Domestic Product (GDP) per capita in regions in 23 nations and found that per capita economic growth was greater from 1996 to 2011 where municipal governments had larger populations.¹⁵⁶ The research was an econometric analysis that considered factors such as education, patents and GDP at the beginning of the period. However, the research did not control for other factors that can be important in influencing economic development such as industrial (business) concentration, differing regulatory and taxation structures¹⁵⁷ and weather.¹⁵⁸

Despite the overall results, the conclusion for Canada was consistent with research that found a weak relationship between amalgamated government and economic growth. Only one of the regions (provinces) was predicted to achieve greater economic growth from larger municipal governments, while nine would have had slower economic growth.¹⁵⁹

Local Government in the 21st Century

Proponents of mandatory amalgamation often suggest that small local governments are “out of step” with the modern world with its faster transportation and Internet access. Proponents of voluntary amalgamation believe that, on the contrary, the times favour retention of smaller governments.

Bish suggested that the attraction of amalgamation results from a “19th century idealisation of bureaucracy” that is out of step with the rapidly changing challenges of the 21st century.¹⁶⁰ He suggested that the misalignment would only get worse:

Finally, and most important, changes are likely to occur much more rapidly in the twenty-first century than in the twentieth. A system comprising self-governing, fiscally equivalent local governments of a variety of sizes and that draws in turn on a variety of different organizations for the provision of local services in a competitive environment will be much better able than any large, monopolistic local government to adapt to change. The future will require us to abandon any nineteenth-century idealization of bureaucracy and to recognise the benefits of polycentric systems. Only with such a change in thinking are we likely to realise the benefits from local governments that we have already achieved through markets and federalism.¹⁶¹

Differing Political Cultures

Different municipalities have differing political cultures, even municipalities that share borders. It is important that elected officials and municipal staff have a stake in (believe in) amalgamation. If municipalities are mandated from above to amalgamate, this is less likely. World Bank research

suggests that elected officials, government employees and others “may thwart or enable the consolidation, depending on the design. They will to a very real degree determine whether it works or fails.”¹⁶² Research indicated that mandatory amalgamations tend to be less successful than voluntary ones.¹⁶³

Further, situations differ between municipalities proposed for amalgamation. One-size-fits-all approaches, which use population or other criteria, cannot effectively take these differences into account. Each amalgamation is different. This may not be obvious to the legislators who oversee provinces with hundreds of jurisdictions, but it may be obvious to officials and citizens at the municipality level. World Bank research described the unique nature of individual amalgamations:

The potential cost savings must be carefully and realistically evaluated in terms of the actual setting where consolidation will take place to determine whether there will be real savings — and if there will be savings, how the redundant employees and other inputs will be eliminated from government. These generalisations can be made: First, the extent of size economies will be lower than may be anticipated — bigger does not always imply lower costs and can imply higher costs. The traditional means of producing many public services — using many small facilities near people (such as schools) and employing labor-intensive technologies — do not lend themselves to economies that extend to wide geographic areas. Some other services, of course, offer a greater potential for economies.¹⁶⁴

Moreover, those enacting mandatory amalgamation (ministries and legislative assemblies) are not likely to be those with the electoral responsibility for implementation (generally the local councillors and municipal employees). The visions and expectations of the proposers and the implementers can be very different. While proposers often cite efficiency gains (cost savings), the officials tasked with implementation may have different policy perspectives. They may, for example, see

amalgamation as an opportunity to expand services. The result could be higher spending, despite the original intention to reduce spending.¹⁶⁵

Financial Incentives to Encourage Amalgamation

Sometimes higher-level governments have established financial incentives for local governments to amalgamate. This practice can distort decision-making and result in outcomes that are less optimal.¹⁶⁶ The fundamental problem with such incentives is that they are based on the assumption of amalgamation as a public policy imperative or goal.

Inter-municipal Co-operation

There is also the potential to achieve the objectives of municipal amalgamation through inter-municipal co-operation. In his interview, former premier Devine observed that rural municipalities could achieve much by voluntary co-operation without amalgamation or regional structures.¹⁶⁷

A general view is that not all issues are local and not all are regional. Some issues can be effectively administered by local governments, which are close to the people. Other issues may require regional approaches such as those used for economic development for a quarter-century in Saskatchewan.

Special districts can be established to deal with regional planning issues. For example, Metro Vancouver oversees the regional issues of transit and land-use planning in Vancouver.¹⁶⁸ Similarly, starting with the Devine government, many municipalities participated in voluntary regional development organisations to improve economic development.

In addition, cost savings can be achieved, for example, through inter-municipal agreements for sharing services or otherwise co-ordinating efforts. Unlike amalgamations, these agreements can be exited at contract expiration should any of the participating municipalities decide that this is in their best interest. There are other alternatives, such as using the competitive market to minimise service costs through competitive tendering. Vojnovic conveyed this sense in his research.¹⁶⁹

Consolidation will be more appropriate for some municipalities than for others. Much will depend on their history of inter-municipal cooperation, financial arrangements, collective agreements, political structure, spatial organisation, and political will to amalgamate. For other municipalities, more effective local government reform may include inter-municipal agreements, contracting-out, developing special-purpose agencies, or introducing two-tier systems of governance.

Assessing the Evidence

4.4

The research indicates that amalgamation is not an end in itself. A literature review prepared for the New Jersey legislature called the results of amalgamation “mixed” and wrote,

The most significant lesson from the literature is that consolidation is beneficial in some situations but not in others; there are no general parameters given to make this determination. Rather, a case-by-case analysis is necessary, evaluating the goals of the consolidation against the realistic possibility of how those goals would be furthered by a merger. As a corollary to this, whether equity and the redistribution of wealth or resources are beneficial is a political policy determination. The literature does indicate that consolidation is more successful if implemented voluntarily, rather than mandated.¹⁷⁰

World Bank research¹⁷¹ concluded “... that no single policy advice can be given on whether consolidation is a good idea, with the facts and circumstances of each case determining whether consolidation or not [sic] is beneficial.”

The research indicated that amalgamations may or may not achieve their objectives. As such, amalgamations cannot be considered an inherent public policy good or goal. Thus, a case-by-case analysis is required. The conditions necessary for success cannot be sufficiently predicted to account for local conditions and the human element.

“The success or failure of consolidation is not preordained by structure but depends largely on local context.”¹⁷² This suggests that the more favourable approach is to rely upon the people and municipalities involved to determine, voluntarily, whether to undertake amalgamations.

5.0 CONCLUSION

For decades, there has been spirited discussion about the structure of local government in Saskatchewan. Experts and commissions have expressed serious concerns that local governments are too small and cannot adequately provide their core functions. In particular, proponents of mandatory amalgamation have frequently expressed concerns that rural municipalities are not sustainable.

At the same time, the municipality organisations SARM and SUMA have not been persuaded to support mandatory amalgamation. Indeed, they have held diametrically opposed views (Section 2.5). The case has not been effectively made to the municipalities they represent nor to the residents, who could have effected change in SARM and SUMA policies.¹⁷³

Yet, as experience over the last 15 years indicates, municipalities and municipal officials are prepared to amalgamate voluntarily where it is in the best interest of their communities (Section 2.4). Their opposition is to mandatory amalgamation.

The local governance structure of Saskatchewan is little changed from nearly 100 years ago. This resilience, despite frequently cited doubts, has been demonstrated for decades, and it seems likely to continue. It can be argued that the survival of the overwhelming majority of municipalities, including the smallest rural and urban municipalities, demonstrates the case. Some small municipalities amalgamated when their leaders and citizens became convinced of the necessity. Most did not, demonstrating that even the smallest governments can survive and hold the support of their voters if appropriately managed.

It is important to be cautious in pursuing amalgamations. Reversal is difficult. De-amalgamation legislation has been rare and has included unusual restrictions that may not permit full reversal, as was the case in Quebec (Section 3).¹⁷⁴ Voluntary amalgamations are less likely to be subjected to de-amalgamation efforts, because the municipalities enter into them freely.

Lessons

The mandatory amalgamation experience, in Canada and out, suggests the following lessons:

- Mandatory local government amalgamation proposals are likely to encounter substantial opposition and could even result in political pressure for reversal (such as in Quebec and Queensland).
- The chances of successful implementation are better if local government amalgamation is the result of a voluntary process freely entered into by municipalities.

The academic research suggests the following lessons:

- Local government amalgamations are normally proposed based on an assumption of cost savings. However, there is little support from empirical evidence to justify the expectation of cost savings.
- In many cases, local government amalgamations have been found to result in higher government expenditures and to reduce democratic access. Moreover, the association between amalgamated governments and economic development has been documented as weak.

Who Should Decide?

5.1

The difference in vision between those who see local government amalgamation as a goal and those who see it as an option may relate to their ultimate objectives — what they expect from government. Both camps believe in efficiency and good government, but their definitions may be different.

The amalgamation advocates were holding Saskatchewan local governments up to a theoretical governance ideal. This, of course, is a fundamental role of academia, which has contributed so much to the impetus for municipal amalgamation.

On the other hand, the objective for municipalities may not be “the ideal,” but adequacy — whether government is good enough. Few organisations,

public or private, operate at a level of ideal efficiency.¹⁷⁵ If municipal services are considered adequate and their costs are considered appropriate, residents may see no reason for structural reform. Further, as Mortin noted, residents shared a fear that larger units of government would lead to higher taxes and higher debt levels.

Moreover, there can be a significant gap between the two positions, which can be expressed as theory versus practical reality. Academic studies cannot reliably predict the impact of the human element on achieving the objectives of any amalgamation. Academic studies, especially those from more-recent years, indicated few cost-saving possibilities for amalgamated governments and have indicated that higher costs can occur. To be justified as a public policy, mandatory amalgamation must *always* produce material cost savings, which it does not. All of this argues for avoiding the one-size-fits-all mandatory amalgamation.

It is not suggested that smaller governments rather than amalgamated governments, or, for that matter, any government is as efficient as it could be in theory. The fundamental question is who should make the judgment as to whether the municipal governance structure is working well? Municipal restructurings, including amalgamations, can be justified in some situations. Sancton, whose research provides evidence for voluntary approaches said, "There's no reason to perpetuate old municipalities just because they've been there a long time, ... [b]ut it's not accountants or public administration experts like me who are the people who should decide if they should keep their municipality or not."¹⁷⁶

Amalgamation as an option rather than a goal seems to be the outcome preferred by municipal residents. This may achieve a practical political ideal. So long as municipalities operate within the general framework of provincial law and policy and their taxpayers are satisfied with the services provided for the taxes they pay, it seems best that new structures not be imposed without the taxpayers' consent.

At the same time, the final decision on the procedures for amalgamation in Saskatchewan is that of the Legislative Assembly. However, in the absence

of an overall compelling provincial interest, a commitment to democracy would suggest reserving amalgamation decisions to the local electorates involved.

Local Democracy in Saskatchewan: Working

The pace of municipal amalgamation in Saskatchewan should not be seen as a failure, either in proceeding too quickly or too slowly. Rather, it is an endorsement of Saskatchewan's local democratic institutions. Each municipality elects its own councillors. These councillors represent their municipalities in SARM and SUMA. These municipal organisations represent the interests of their member municipalities to the Legislative Assembly.

If a municipal electorate determines that amalgamation is in its best interest, it can try to convince councillors or replace them at the next election. If a consensus were to emerge among the municipalities favouring mandatory amalgamation, the voluntary municipal associations (SUMA and SARM) would reflect that view. Neither the municipalities nor their electorates have taken such a position, which is a legitimate outcome of the democratic process.

Given the smaller number of residents in the rural municipalities, with more immediate electoral access, a consensus favouring amalgamation would seem likely to emerge there first. Yet, the voters have preferred the governance structures that are in place. Where the local democratic process determines that amalgamation is appropriate, it has occurred, as the experience since the amendments of the early 2000s indicates (Section 2.3).

In short, Saskatchewan's commitment to local democracy is working. Procedures are in place to facilitate municipal amalgamations, urban and rural, where they are appropriate. The people with the greatest stake, the voters of the municipalities, control their own destinies.

5.3 Recommendations for Saskatchewan

The Saskatchewan Party supports voluntary amalgamations.¹⁷⁷ This is a reflection of the political reality in Saskatchewan for nearly all of its history. Moreover, this is an appropriate position, given the conflicting research on amalgamation in a world that is less than perfect. As Sir Winston Churchill once famously said, "... [It] has been said that democracy is the worst form of Government except all those other forms that have been tried from time to time."¹⁷⁸

Two recommendations are offered for Saskatchewan:

Saskatchewan should continue its historic public policy position that local government amalgamations be voluntary and subject to positive referendum results in any urban or rural municipality.

Saskatchewan should formalise this public policy following the example of British Columbia's *Community Charter*.

ENDNOTES

1. The characterization of the public policy choice that "... amalgamation should be an option, but not a goal" was stated by former premier Roy Romanow in the early 1990s (See Section 2.3).
2. Elinor Ostrom, "Metropolitan Reform: Propositions Derived from Two Traditions," *Social Science Quarterly* (1972): 474-493.
3. See, for example, Jack C. Stabler and M. Rose Olfert, *Functional Economic Areas in Saskatchewan: A Framework for Municipal Restructuring*, Prepared for Saskatchewan Municipal Affairs, Culture and Housing, 2000.
4. Data from the Government of Saskatchewan, "About the Saskatchewan Municipal System." Available online at <https://www.saskatchewan.ca/government/government-structure/local-federal-and-other-governments/your-local-government/about-the-saskatchewan-municipal-system#types-of-municipalities>, accessed August 20, 2016.
5. Jenni Mortin, *The Building of a Province: The Saskatchewan Association of Rural Municipalities: A History*, Regina: The Saskatchewan Association of Rural Municipalities, 1995.
6. Professor Joseph Garcea chaired the Garcea Commission, which was the last of the major provincially established study commissions on municipal amalgamation (around 2000). This report has relied extensively upon Garcea's "Municipal Restructuring in Saskatchewan 1905-2005: A Case of Institutional Inertia and Immunity," In *Saskatchewan Politics: Crowding the Centre*, ed., Howard A. Leeson, Regina: University of Regina Press, 2009, p. 253-298, and Joseph Garcea, "Saskatchewan's Municipal Reform Agenda: Plethora of Processes and Proposals but Paucity of Products," In *Municipal Reform in Canada*, eds. Joseph Garcea and Edward C. LeSage, Oxford: Oxford University Press, pp. 83-105, Regina: University of Regina Press, 2005.
7. This report has extensively relied upon books sponsored by SUMA: Mervyn Norton, *The New Urban Age: Bridging to Our Future as Urban Government in Saskatchewan*, Regina: Saskatchewan Urban Municipalities Association, 2005.
8. This report has extensively relied upon Mortin, *The Building of a Province*, and Debra Gronning, ed., *A Century of Success: The First 100 years of the Saskatchewan Association of Rural Municipalities*, 2005, the Saskatchewan Association of Rural Municipalities.
9. The Patrick and Pilkington Report was published by T.A. Patrick, a former member of the Legislative Assembly, and F.J. Pilkington, the City Clerk of Yorkton.
10. Garcea, "Municipal Restructuring in Saskatchewan 1905-2005."
11. Advocates of mandatory amalgamation (see Section 4.1) have echoed this concern for decades. Garcea, "Municipal Restructuring in Saskatchewan: 1905-2005."
12. Garcea, "Municipal Restructuring in Saskatchewan: 1905-2005."
13. Garcea, "Municipal Restructuring in Saskatchewan: 1905-2005."
14. Garcea, "Municipal Restructuring in Saskatchewan: 1905-2005."
15. Garcea, "Municipal Restructuring in Saskatchewan: 1905-2005."
16. Mervyn Norton, *The New Urban Age*; Mortin, *The Building of a Province*; and Garcea, "Municipal Restructuring in Saskatchewan: 1905-2005."
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117. This includes Boston-Suffolk County, Massachusetts, which was a quasi-consolidation in which the Boston City Council exercised county powers. This arrangement was terminated in 1999, when the other three municipalities in the county assumed county powers. The net effect was a form of de-amalgamation. The first city-county consolidation in the United States was New Orleans-Orleans Parish in 2015.
118. Even city-county amalgamations (such as that of Toronto's) fall far short of single-tier metropolitan governments. Among the 53 metropolitan areas in the United States with more than 1,000,000 people, only three are contained in a single county, San Diego, Las Vegas and Tucson, and none has an amalgamated city-county government.
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