

**THE PARADOX OF AMALGAMATION: AN ANALYSIS OF MUNICIPAL
RESTRUCTURING IN ONTARIO**

**THE PARADOX OF AMALGAMATION: AN ANALYSIS OF MUNICIPAL
RESTRUCTURING IN ONTARIO**

By

Ajay Sharma, B.A. (Hons)

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AUTHOR: Ajay Sharma, B.A. (Hons) (University of Toronto)

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Abstract

In the mid 1990s the Progressive Conservative Government of Ontario implemented a series of policies that transformed the institutional relationship between the Province and its municipal subordinates. Such policies were designed to create a system that would be more streamlined, rational, and most importantly, cost-effective. To achieve these goals, municipalities across Ontario were consolidated on the assumption that larger municipalities would have the capacity to operate in a more cost-effective manner. Quite perversely however, the opposite effect has been observed as the costs of municipal operations have increased.

Taking such factors into account, this thesis examines the rationale surrounding these policy decisions. More specifically, it seeks to answer the following question in the context of organization theory: In light of the empirical evidence that demonstrates that the perceived benefits of municipal consolidation are difficult to attain, why did the Government of Ontario choose to amalgamate municipal governments in an attempt to create a more cost-effective system of municipal governance?

I argue that there are two main factors that can account for this policy decision. First, relevant policymakers did not possess the necessary expertise to impose major legislative and structural changes. Secondly, by not sufficiently engaging experts at the municipal level, policymakers placed themselves in a significant knowledge deficit problem. By taking these factors into account, we can begin to understand why this policy decision was taken.

It is hoped that this research will contribute to the academic debate on the municipal restructuring policies of the former Progressive Conservative Government of Ontario. Much of the academic literature that has preceded this research tends to take a non-analytical approach. As such, very few theoretical explanations have been offered in an attempt to demonstrate why such a policy was adopted. This research demonstrates the importance of placing policy decisions in an analytical framework.

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Chapter One

There is no cost to a municipality to maintain its name and identity. Why destroy our roots and pride? I disagree with restructuring because it believes that bigger is better. Services always cost more in larger communities. The issue is to find out how to redistribute services fairly and equally without duplicating services¹.

1.1. Introduction:

The second half of the 1990s ushered in an era of dramatic change for the structure of municipal government in Ontario. The Progressive Conservative government under the leadership of Mike Harris implemented a series of policies – through Bill 26, *The Savings and Restructuring Act* - which allowed for significant municipal reform. The relationship between the Province, and its municipal subordinates would in the process be transformed to approximate one that the Province regarded as more streamlined, rational, and most importantly, cost-effective.

An issue that dominates political discussion centres on the process of how municipal restructuring was placed on the government's policy agenda. If one considers the above quotation by former Ontario Premier Mike Harris prior to the 1995 election, it is difficult to explain how the Conservative Government became such an ardent proponent of municipal restructuring. The Conservative Party's election platform in 1994 – *The Common Sense Revolution* (CSR) – made no explicit reference to the substantive changes which lay in store for municipal governments in Ontario. It simply stated that, "We [the Progressive Conservative Government of Ontario] will sit down with municipalities to discuss ways of reducing government entanglement and

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

bureaucracy with an eye to eliminating waste and duplication as well as unfair downloading [of services] by the Province².

It was made quite clear by the Province that municipal governments represented a large and unnecessary burden on provincial finances. Prior to the passing of Bill 26 in 1996, there were a total of 815 municipalities in Ontario. At the time the Minister responsible for Municipal Affairs and Housing, the Hon. Al Leach stated:

The structure of municipalities in Ontario has an origin which dates back to the 1840s. While some municipalities have reformed in the context of regional governments, the structures of others are badly outdated and inefficient. Some of these municipalities might want to look at restructuring as a means of managing with less money³.

The Province argued that a combination of factors undermined the cost effectiveness of municipal governance in Ontario of which the following two were most cited. First, it was argued that, there were a disproportionate number of elected officials and bureaucrats at the municipal level, all of who had to be compensated for their work. Second, and more important, in major urban municipalities with a close proximity to similar centres - such as the former City of Toronto, which was bordered by the municipalities of York, East York, North York, Scarborough, and Etobicoke – there was a tendency for jurisdictions to engage in the unnecessary production and provision of similar services. By consolidating municipalities, it was argued that the reduction in service duplication and elected officials, among other factors, would achieve substantial cost-savings for municipal governments, and in turn, for the Province. What followed

² Progressive Conservative Party of Ontario. *The Common Sense Revolution*. 17.

³ Ontario, *Hansard*. Standing Committee on General Government, 18 December 1995 (hearings on the *Savings and Restructuring Act, 1995*)

<http://www.ontla.on.ca/hansard/committee_debates/36_parl/session1/gengovsub/g001.htm#TopOfPage>

was the most comprehensive restructuring of Ontario's municipalities that reduced the number of municipalities from 815 to 571, between 1996 and 2000.⁴ Municipalities were dissolved, and reconstituted into larger amalgamated units. These newly constituted jurisdictions would, in the eyes of the Province, have the capacity, and ability, to operate on a much more cost effective basis. Quite perversely however, the opposite effect has been observed. Municipal governments have been unable to generate substantive cost-savings following their restructuring.

A large volume of scholarly work has reached the conclusion that substantial cost-savings cannot be obtained through the consolidation of municipalities. This consensus has been long held, and therefore should not be considered to be a new finding. To illustrate this, we need look no further than studies conducted by George Boyne, James McDavid, and Wim Derksen, who examined the effects of municipal consolidation(s) in the United States, Canada, and Europe respectively. Their studies indicate that if cost-savings are realized, they will be offset by other factors inherent to the process of consolidation⁵.

⁴ Thomas R. Hollick, and David Siegel. *Evolution, Revolution, Amalgamation: Restructuring in Three Ontario Municipalities*, Local Government Studies No. 10(London: The University of Western Ontario, 2001)

⁵ See George Boyne, "Is There a Relationship Between Fragmentation and Local Government Costs? A Comment on Drew Dolan," *Urban Affairs Quarterly* 21:2 (1992); Wim Derksen, "Municipal Amalgamation and the Doubtful Relation Between Size and Performance," *Local Government Studies* 14:6 (1988); James C. McDavid, "The Impacts of Amalgamation on Police Services in the Halifax Regional Municipality," *Canadian Public Administration* 45:4 (Winter 2002)

1.2. Research Question:

Despite evidence to the contrary, the Government of Ontario chose to remain committed to the consolidation approach as a means of realizing cost savings at the municipal level. The objective of this research is not to demonstrate that municipal consolidation was an inappropriate option to take. Nor does it seek to propose that other approaches are more conducive in establishing a more cost-effective municipal structure ultimately leading to cost-savings. As mentioned, there exists a large volume of scholarly work that has addressed these and related issues. Rather, this research seeks to answer the following question:

In light of the empirical evidence which demonstrates that the perceived benefits of municipal consolidation are difficult to attain, why did the Government of Ontario choose to consolidate municipal governments in an attempt to create a more cost-effective system of municipal governance?

From a theoretical and practical perspective, the importance of trying to answer such a question stems from the fact that governments are expected to act rationally when crafting and implementing public policy. However, as this research demonstrates, not all public policy decisions are taken on the basis of careful and rational evaluation of alternative courses of action or inaction. In many instances political ideology is used as a legitimizing force to implement what many perceive to be non-rational public policies. As such, one of the aims of this research is to examine the extent to which non-rational policy decisions pertaining to municipal restructuring were justified on the basis of the government's neo-conservative ideology.

Having provided an introduction to the municipal restructuring process that was initiated by the Progressive Conservative Government of Ontario, and identified the

research question, and its relevance on the field of political science, the following section shall present an outline for the remainder of the thesis.

1.3. Thesis Outline:

This thesis is organized into six chapters. Chapter two provides a review of key literature that is pertinent to the issue of municipal consolidation. It maps out the key distinctions between the proponents and dissenters of municipal consolidation. The objective is to inform the reader of the major points of departure between those who advocate consolidation as a means of creating a more cost-effective system of municipal government, and those who are opposed to such a process. Chapter three serves a dual purpose. It discusses the theoretical framework – organization theory – that is used to ground this research. It demonstrates how organization theory can help to explain why the former Progressive Conservative Government of Ontario implemented its municipal restructuring policy. Following this I discuss the methodology used to conduct this research and present my research hypotheses. Chapter four provides a general overview of Ontario's political environment during the municipal restructuring process. This chapter demonstrates that municipal restructuring was one of many interrelated and interdependent policy initiatives that were implemented by the former Progressive Conservative Government of Ontario. Chapter five examines three case studies – the cities of Kingston, Hamilton, and Toronto – that underwent extensive restructuring for a variety of reasons. Here I examine the events that surrounded the restructuring of these three cities and assess why the former government of Ontario took this policy position.

Chapter six, which also serves as my conclusion, presents the findings of the research which are analyzed using the organizational theory framework.

Chapter Two – Literature Review

2.1. Introduction

Whether voluntary, or involuntary, the process of municipal restructuring in Ontario during the second half of the 1990s, was, and continues to be one of the most contentious issues at the municipal level. To some, restructuring was seen as the next step in the evolutionary development of municipal government in Ontario. Proponents of consolidation argued that the structure of municipal government had outgrown its usefulness, and had, in effect, become archaic. To others, municipal restructuring was seen as part of a larger provincial initiative designed to alter the fiscal relationship between the Province and its municipal subordinates, an alteration which would ultimately favour the Province. The issue of why the government of Ontario embarked on a process of municipal restructuring is not the primary concern of this chapter. This issue shall be addressed at a later juncture. Rather, the objective of this chapter is to examine, and discuss, the debate which surrounds the process of municipal restructuring.

The debate that surrounds municipal restructuring, whether in Canada, or abroad is not new. Municipal governments have undergone various forms of restructuring as a means to improving their planning, service provision capabilities, and cost-effectiveness etc. The form of restructuring that has been most prevalent in Canada has been consolidation. Consolidation, as Vojnovic points out, is a process that can take two different forms – amalgamation or annexation.⁶ Amalgamation involves two or more municipal units joining to form one larger political jurisdiction. An alternative to this is

⁶ Igor Vojnovic, *Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities*, (Toronto: ICURR Press, August 1997), 2.

the traditional process of municipal annexation which permits a developed city to expand its municipal jurisdiction by adding an unincorporated adjacent district, or a portion of an adjacent municipality. The result of either form of consolidation results in a larger municipal boundary, and a single governing authority responsibly for a new level of required planning and service provision.

Municipal consolidation as a means of increasing the efficiency, and cost-effectiveness of municipal government has been the preferred option for provincial governments in Canada since the Second World War.⁷ While the popularity of municipal consolidation began to wane by the mid-1970s, this process experienced a renaissance in the 1990s.

2.2. Municipal Restructuring in Ontario: The First Wave

The ability of Ontario's municipal structure to meet the challenges posed by the combined forces of industrialization and urbanization was brought into question shortly after the culmination of the Second World War. As Richard Tindal points out, questions were raised about outdated municipal boundaries, overlapping responsibilities and inadequate finances.⁸ The county system of governance operated well when Ontario was a predominantly rural province, and continues to work well in rural areas. However, as the province became more urbanized, the Baldwin Act prescription⁹ of separating urban

⁷ Richard Tindal and Susan N. Tindal, *Local Government in Canada*, 4th Ed. (Toronto: McGraw-Hill Ryerson Limited, 1995)

⁸ Ibid., 75.

⁹ The Baldwin Act was the first piece of legislation to create a uniform system of municipal government over an entire province. This act introduced the two-tier system of county government. Counties - which formed the upper-tier of government - were charged with the responsibility of dealing with local activities

and rural issues had become increasingly meaningless.¹⁰ With the viability of the current municipal system now in question, comprehensive reform was envisioned as the only measure available to correct the situation.

The creation of the Municipality of Metropolitan Toronto on January 1st 1954 would mark the beginning of comprehensive municipal reform in Ontario.¹¹ The creation of this new municipality heralded the arrival of the first two-tier metropolitan government in Ontario. Ostensibly it functioned like a federal government superimposed on the thirteen area municipalities in the southern portion of York County.¹² This new metro system of governance displayed two notable innovations. It was the first time that urban and rural areas were combined and brought under the control of one overarching regional government. Secondly, Metropolitan Toronto, unlike the counties, would have a much stronger role in governing, as it was given the responsibility for providing a full range of municipal services. Specifically, the new upper-tier government was charged with the responsibility of building the required new infrastructure: roads, sewers, water supply, and new suburban schools.

Up until the mid-1960s this new form of governance operated reasonably well. Problems began to arise when urban growth began to exceed the borders of urban municipalities. This problem was most evident in Metropolitan Toronto. In 1965 Carl

of area-wide importance, while towns, villages and townships - which formed the lower-tier of government - which fell within the jurisdictional boundaries of the county assumed other local responsibilities. It prescribed that urban and rural governments be separated and have different powers. This principle was born, in part, out of recognition that the needs of cities were different from smaller settlements or rural townships.

¹⁰ David Siegel, "Local Government in Ontario," in Graham White, ed., *The Government and Politics of Ontario*, 5th Ed. (Toronto: University of Toronto Press Inc., 1997), 135.

¹¹ Andrew Sancton, "Metropolitan and Regional Governance," in Edmund P. Fowler and David Siegel, eds., *Urban Policy Issues: Canadian Perspectives*, 2nd Ed. (Don Mills: Oxford University Press, 2002), 58.

¹² Siegel, "Local Government in Ontario," 135.

Goldenberg was charged with the responsibility of investigating the arising concerns of this region. In an attempt to try to alleviate the problems that Metro was suffering, Goldenberg recommended that the number of Metro municipalities be reduced from thirteen to six, and that Metro's borders be retained.¹³ This marked the beginning of the consolidationist movement in Ontario, in which municipalities were brought together under the control of one large regional government.

The creation of these new governance structures resulted in the consolidation of lower-tier towns, villages and townships into larger lower-tier units with which many citizens could not identify. As Siegel and others have noted, criticism towards this new form of governance structure flowed from the fact that the creation of regional government disturbed the traditional rural-urban split. Furthermore, there was resentment towards increases in rural property taxes which were required to support the more costly urban levels of service.¹⁴

It was argued that the consolidation of smaller municipal units into larger bodies was a necessary step to take if the problems confronting municipal governments were to be alleviated. If we examine the logic put forth by the City of Toronto, prior to its restructuring, in regards to municipal consolidation in the early 1960s, it stated that an outright merger of existing municipalities offered the simplest and most logical governmental arrangement. Goldenberg argued that solutions such as these to complex problems of governments are not necessarily applicable or practical. Furthermore, he argued that the potential savings in costs would soon be more than offset by the increase

¹³ Sancton, "Metropolitan and Regional Governance," 58.

¹⁴ Siegel, "Local Government in Ontario," 138.

in expenditures to raise the standards of services to a common level.¹⁵ It was quite clear that Goldenberg did not advocate the creation of a large single tier government to govern Metropolitan Toronto. However as previously mentioned, the Goldenberg report did advocate the consolidation of thirteen municipalities into six, which would be governed by a two-tier system. The implementation of the recommendations put forth in the Goldenberg report allowed for the development of sophisticated urban infrastructure such as major water, sewer, and transportation networks which were required to service the region's rapid and substantial growth. Metropolitan Toronto was regarded as a resounding success, and was called the crown jewel in the crown among metro authorities around the world.

Despite its problems, the Metro form of governance would now influence to a large degree all subsequent reforms in Ontario. Ensuing reform policies such as the Design for Development, Phase 2 in 1968, recognized the need to provide not only efficient service delivery, but also adequate access and effective representation of local views and concerns. Furthermore, it called for regional governments based on such criteria as community of interest, an adequate financial base and sufficient size to generate economies of scale.¹⁶ As such, similar two-tier governance systems were established in Niagara, Ottawa-Carleton, Sudbury, Hamilton-Wentworth and Waterloo, and by 1975, more than half of Ontario's population lived within these restructured urban two-tiered systems.¹⁷ Tindal suggests that the municipal reforms enacted by the Ontario

¹⁵ Sancton, "Metropolitan and Regional Governance," 47.

¹⁶ Ontario, "Design for Development, Phase 2," (1968).

¹⁷ Sancton, "Metropolitan and Regional Governance," 59.

government were not as comprehensive as one may think. The reformed structures all contained two tiers with the upper tier closely paralleling the boundaries of one or more counties in most cases. As such, Tindal claims that they can be best described as a modification of the traditional county system in Ontario which was established by the Baldwin Act in the 1800s.¹⁸

By the mid 1970s the government of Ontario no longer advocated the creation of new two-tier governments. In general the two-tier system was proving to be much more expensive than was originally forecasted. The fact that two-tier systems at the very least required more elected officials, more administrators, and more facilities serves only to increase operating costs. The most oft-cited weaknesses of the two-tier system were that service duplication and overlap was unnecessarily high, and that there was a general lack of coordination between the two tiers of government. Indifference towards the implementation of two-tier structures did not result in the abandonment of municipal restructuring. Municipal governments were structurally augmented infrequently throughout the 1980s and into the early 1990s.

2.3. The Viability of Municipal Government in Ontario

The circumstances which prompted municipal restructuring in the 1990s closely parallel those that were cited in the 1960s; namely that the structure of municipal government in Ontario was ill-suited to meet the needs of an expanding society. Downward revenue trends have for the most part contributed to the structural

¹⁸ Tindal and Tindal, *Local Government in Canada*, 95.

transformation of municipal governments in the past decade. With federal initiatives directed towards shifting a greater portion of the financial burden of governance and service delivery onto the provinces, provincial governments have been actively involved with the restructuring of their own financial and political structures.¹⁹ The aim of such restructuring processes was to curtail what provincial governments deemed to be unnecessary and wasteful expenditures. As was the case in the 1960s, the government of Ontario chose the consolidation approach as a means of addressing the problems of its municipal structure. However, in this instance, there was considerable opposition to the manner in which municipal governments in Ontario would be restructured.

2.4. The Great Divide:

There lies at the heart of many political debates, a dichotomy of views that serves to differentiate between two groups of individuals; proponents and dissenters. There are many different typologies one can use to further understand the issues surrounding municipal restructuring. Andrew Sancton for example has classified the differences between proponents and dissenters of municipal restructuring into two groups; consolidationists, and advocates of public choice. There exists a deep fundamental division between the world views of consolidationists and public choice theorists in regards to the structure and operations of municipal government. Consolidationists as Sancton points out want to keep things simple:

For further elaboration please see, Igor Vojnovic, *Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities*, (Toronto: ICURR Press, August 1997); John A. Marshall and David J.A. Douglas, *The Viability of Canadian Municipalities: Concepts and Measurements* (Toronto: ICURR Press, August 1997);

‘One metropolitan area, one municipal government’ is their slogan. They believe that such an arrangement leads to a stronger and more accountable government, greater efficiency in the delivery of services, and more fairness in allocating costs to residents. On the other side of the debate, advocates of public choice do not accept the general proposition that one government for a given territory is necessarily going to be more efficient than multiple governments. They believe that the competition generated by multiple governments will lead to more cost savings than could ever result from consolidation.²⁰

From this brief overview, one can begin to appreciate the ontological differences that separate the consolidation and public choice approaches. From a purely theoretical perspective, both approaches possess a great deal of merit. However, the utility of the former, has, in many instances been subject to intense scrutiny. This is especially true in the case of Ontario during the second half of the 1990s, a period in which advocates of public choice went to great lengths in attempting to demonstrate the inappropriateness of municipal consolidation as a means of achieving cost savings at the municipal level. It has been argued and shown that, the consolidation approach is underpinned by what can only be characterized as *leap of faith* assumptions.²¹ These assumptions pertain to the probability of creating more cost-effective structures of municipal governance.

In order to appreciate the complexities of the debate which surround the issue of municipal restructuring, it is first important to understand the theoretical frameworks that hold together these two competing approaches. That is, what factors or assumptions differentiate adherents of the public choice approach from their consolidationist counterparts? The following sections provide an overview of consolidationist and public choice literature, to provide a more concise distinction between the two approaches.

²⁰ Andrew Sancton, “Metropolitan and Regional Governance,” 55.

²¹ See Vojnovic, “Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities.”

2.5. The Consolidation Approach – Bigger is Better:

With the notable exception of British Columbia, provincial governments in Canada have chosen the consolidation approach as a means to creating a more cost effective, and rationalized system of municipal governance. A review of literature demonstrates that the debate surrounding municipal consolidation is not new. Bish laments on the widely held belief that small governments were considered [to be] unprofessional and inefficient, and [that the] fragmentation of authority, either within a government or amongst local governments, was viewed as a source of weakness that would prevent coordination.²²

It is quite clear that this form of theorizing, which adherents of public choice claim to be inherently problematic, has played a large role in the calculus of Canada's provincial governments, most notably in Ontario. The ineffectiveness of municipal governments, whether perceived, or real became a more salient issue as financial and political pressures grew on municipal governments during the 1990s.

In 1997, Marshall and Douglas stated that Canada's municipal governments, like most institutions of governance around the world, faced a period of unequalled challenge. This condition, they argued, had been brought on by a number of emerging internal and external stress-producing factors which have had both a direct and indirect impact on their traditional funding partners at the provincial level.²³ In reference to external stress-

²² Robert L. Bish. *Local Government Amalgamations: Discredited Nineteenth-Century Ideals Alive in the Twenty-First*. C. D. Howe Institute. No. 150. 2001, 3.

²³ John A. Marshall and David J. A. Douglas, *The Viability of Canadian Municipalities: Concepts and Measurements* (Toronto: ICURR Press, 1997), i.

producing factors, Thomas Courchene posits that consolidation is in many respects a reaction to the forces of globalization. Courchene argues;

...there needs to be some restructuring of boundaries to internalize the externality arising from the fact that there is a divergence in terms of where citizens earn their incomes and where they consume services. Hence the rationale for amalgamation, not only for the mega city of Toronto but for other Ontario cities as well.²⁴

Sancton takes issue with this position on the grounds that arguments about internalizing externalities have nothing to do with globalization. Such arguments he states have been made in the literature on metropolitan government for at least a century. A second factor which seems to undermine Courchene's argument stems from the fact that municipal consolidation is not a universal phenomenon, whereas the effects of globalization most certainly are. If we follow Courchene's logic one would expect municipal consolidation to be a universal process. However, this has not shown to be the case when one examines the attitudes of national and sub-national governments towards their municipal structures. While there are some nations - the most notable of which is New Zealand - which have embarked on a process of extensive municipal restructuring, the factors which brought about such restructuring are not attributable to the effects of globalization. This reasoning holds true when examining literature that discusses municipal consolidation. Proponents of consolidation tend to focus on a discreet set of internal stress-producing factors that are claimed to undermine the viability and cost-effectiveness of municipal government. Historically, the most salient factor has been polycentrism, or what has

²⁴ Thomas J. Courchene, "Ontario as a North American Region-State, Toronto as a Global City Region: Responding to the NAFTA challenge," in Allen John Scott ed, *Global City –Regions* (New York: Oxford University Press, 2001), 180.

otherwise become to be known as municipal fragmentation. That is, too many governments trying to serve what are viewed as single socio-economic units.²⁵

It has been argued by consolidationists that the costs associated with maintaining fragmented or polycentric municipal structures are unreasonably high. While the ultimate end point of a consolidation process is to create a more cost efficient structure, the term cost possesses more than one connotation. O'Brien identifies several prohibitive costs that consolidationists claim to be present in a polycentric system. They are: financial and economic pressures; ineffective regional economic development; lack of equity and; ineffective political accountability.²⁶

2.6. The Assumptions of the Consolidation Approach

The central argument of the consolidation approach contends that with a fragmented or polycentric system of municipal government, there is, more often than not, a high level of service duplication between adjacent municipalities, or municipalities that are located in the same region. It has been contended that service duplication is one of the primary factors which undermines the cost-effectiveness of municipal governments. Proponents of this approach argue that by consolidating municipalities into one larger unit, the probability of creating a more cost-effective system increases. It is assumed that an optimal size of a municipality is one which covers a large enough geographic region to allow for the production and provision of public services at a lower average cost.

²⁵ W. E. Lyons, *The Politics of a City-County Merger: The Lexington-Fayette County Experience* (Lexington: University Press of Kentucky, 1977), 44.

²⁶ Allan O'Brien, *Municipal Consolidation in Canada and its Alternatives* (Toronto: ICURR Press, 1993), 6-9.

Thus by creating municipalities that are of an optimal size, economies of scale can be captured. Initially developed around the production of private goods, this theory has been applied to the optimal scale of production and provision of public services. The theory of scale economics postulates the existence of an inverse relationship between the output of a service, and the average cost of producing that service. The larger the scale of production, the lower the average cost, up to a point. As the cost function is considered to be “U” shaped, diseconomies of scale may begin to arise after a certain level of production has been reached.²⁷ Because of the “U” shaped cost function, large municipalities can encounter diseconomies of scale. Thus it is important to identify the gradient of the cost function, which will allow municipalities to assess the consequences of deviation from the optimal level of service output. If the gradient is too steep, then small departures from the optimal production level will produce higher costs. Conversely, if the cost gradient is shallow, large deviations from the optimal level of production will result in only minor cost variations.²⁸ It is argued that when the optimal sized municipality is created there will be a decrease in the levels of the various municipal taxes that are required in order to produce and provide services.

Studies have shown that scale economies are usually captured in the provisions of physical services such as water, sewage, and transportation networks.²⁹ An added benefit of scale economies is associated with the improvement in the quality of local services per dollar spent. Quality improvements in the provision of local services are largely realized

²⁷ Igor Vojnovic, *Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities*, (Toronto: ICURR Press, 1997), 7.

²⁸ Vojnovic, “Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities,” 8.

²⁹ Bish, *Local Government Amalgamations: Discredited Nineteenth-Century Ideals Alive in the Twenty-First*. 14.

through improved planning cooperation and coordination, as well as increased specialization in service provision. By coordinating service delivery, particularly in the provision of transportation, infrastructure, and water and sewage facilities, municipalities can potentially provide appreciably improved services at a lower overall cost.³⁰ By creating larger municipal units that capture economies of scale, it is argued that the prohibitive costs of a polycentric system – the most salient of which is financial and economic pressures - can be alleviated.

Consolidationists insist that the numerous complex relationships in a fragmented municipal structure make it difficult to ensure citizen access and to maintain political accountability. Political transparency, or a lack thereof, is regarded as one of the primary problems of a polycentric system. As the political body closest to the public, an effective municipal government should be accessible and accountable to its constituents. As such, fragmented municipal systems are held up by proponents of consolidation as ones that are unresponsive to its constituents. It is argued that the proliferation of inter-municipal agreements reduces the direct accountability of political officials at the municipal level. Establishing a single, multipurpose authority can thus provide a more transparent municipal structure – making access to administrative bodies simpler and more approachable.³¹

The establishment of a larger political body addresses two other primary costs of a fragmented system. For example, equity concerns and ineffective regional economic development are two costs which can be theoretically addressed by consolidation. In

³⁰ Vojnovic, *Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities*, 8.

³¹ *Ibid.* 14.

regards to the former, equity concerns arise when municipalities suffer from a disparity of resources, essentially the tax base.³² This was a salient issue in the Greater Kingston Area (GKA) prior to the consolidation of the former City of Kingston and the former townships of Kingston and Pittsburgh in 1998. The City of Kingston was an urban municipality bordered by the townships of Pittsburgh and Kingston, both of which possessed a stronger property tax assessment base. Inequities existed between the townships and the city in the sense that the majority of public services, such as social housing, arts, and recreation, were for the most part, produced, and provided for by the central city. As such, the financial burden fell upon the city, and the adjacent municipalities engaged in free-riding, an act in which the benefits of a service are enjoyed, without any financial contribution being made. Proponents of consolidation argue that while it may be cost-effective and advantageous for municipalities to engage in free-riding activities, the region as a whole suffers. By consolidating, the issue of equity concerns, such as those voiced by the former City of Kingston can be more effectively addressed. By creating a single political unit which would be responsible for a larger geographic jurisdiction, a municipal government will have the opportunity to fund services from a wider tax base.

Proponents of consolidation claim that competition between adjacent municipalities for investment is not only costly to municipalities as a whole, but more seriously, can produce deleterious effects within local economies. A municipality in an attempt to attract investment may keep local taxes below the sustainable limit to produce

³² O'Brien, *Municipal Consolidation in Canada and its Alternatives*, 7.

and provide services. Consolidation as Vojnovic states is viewed as an initiative that would limit competition between adjacent jurisdictions and hinder economically inefficient competition practices. By amalgamating adjacent municipal jurisdictions, and promoting the coordination and cooperation of economic development activities, competing municipalities can pool their resources and promote economic development more effectively, while ensuring greater levels of fiscal accountability within their jurisdiction. In the longer term, the increased level of fiscal accountability will facilitate greater efficiency in the region, making the municipality even more attractive for future investment.³³

Earlier it was stated that the consolidation approach is underpinned by what can only be characterized as *leap of faith* assumptions. It is assumed that there exists a set of costs associated with a polycentric or fragmented municipal system - of which four have been discussed in this review - that can be addressed by consolidation. Those costs were; financial and economic pressures; ineffective regional economic development; lack of equity and; ineffective political accountability. The objective of the discussion thus far has been to elaborate upon how consolidation, in a theoretical sense, purports to address these costs. The consolidation approach, which at times has possessed hegemonic status in the minds of municipal reformers, has come under attack, most notably from public choice theorists who point out both the problematic assumptions of the consolidation approach, and the inability to replicate theory into practice.

³³ Vojnovic, *Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities*, 18.

2.7. The Public Choice Approach – Honesty or Heresy?

The public choice approach, which is rarely, if ever propounded in Canada, provides a serious academic counterweight to the consolidation approach.³⁴ Largely an invention of economists in the United States, this approach has critically challenged the assumptions of the consolidation approach and brought to light a number of cases where the majority of the perceived benefits of consolidation have not been realized.

The key difference between the public choice and consolidationist approaches lies in the interpretation of the role and structure of municipal government. Adherents of the public choice approach contend that the consolidation of a fragmented municipal structure does not necessarily lead to a more cost-effective and efficient form of governance. To demonstrate this assertion, public choice theorists in Canada make reference to the municipal experience of the United States where no large-scale municipal amalgamations have taken place over the last century in an attempt to capture economies of scale etc. It is recognized that the institutional rules under which municipal governments in the United States operate are markedly different to those of Canada. However, it is important to note that there are other mechanisms available to municipal reformers in the United States when attempting to address the functional problems of municipal governments. Some of these mechanisms include inter-municipal agreements, public-private partnerships, and the collaborative production and provision of services with higher levels of government.

³⁴ Sancton, "Metropolitan and Regional Governance," 56.

Proponents of consolidation in Canada assert that horizontal management and coordination at the municipal level undermine the political accountability and efficiency of a municipal structure as there are relatively few checks and balances on municipal officials. Public choice theorists display considerable indifference to assertions such as this. This is conditioned by their interpretation of what the role and structure of municipal government should be. The public choice approach views municipalities primarily as service providers.³⁵ Public choice theorists see the benefits of a fragmented form of municipal structure in its ability to allow individuals and companies to choose how they will spend their resources among competing municipalities. As such, municipal managers should become competitive in order to ensure that adjacent or surrounding municipalities do not offer a more investment-friendly environment in which a variety of services could be provided at a lower cost to the taxpayer.

Public choice theorists argue that an environment that fosters municipal competition allows for greater efficiency and accountability. This form of governance, rooted in the traditions of Charles Tiebout, advocates a structure in which multiple municipalities provide their own set of customized services and appropriate levels of taxation that would allow for the delivery of these specialized services.³⁶ Tiebout argued that when municipal governments are able to offer different levels and kinds of services, businesses and residents are better able to satisfy their preferences for different levels of services and taxation by having several jurisdictions from which to choose. However, as

³⁵ For a more detailed discussion please see, Michael J. Skelly, *Alternative Service Delivery in Canadian Municipalities*, (Toronto: ICURR Press, 1996)

³⁶ Charles Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64 (1956), 416-424.

Bish states, political scientists have questioned whether citizens know enough about taxes and services to make such informed choices.³⁷ While several surveys indicate that local government taxes and services are taken in to account, they are not the most important factors in the choice of a business or residential location.³⁸

In the private sphere, healthy competition is regarded as a prerequisite to reducing costs for the consumer. Central governments have remained steadfast in their attitude towards monopolies on the grounds that consumers are not being afforded choice in the marketplace. This behaviour has not been applied to the public sphere in Canada. Richard Tindal examines this paradox and asks why multiple service provision in the private sphere is viewed in a positive manner, whereas in the public sphere, it is regarded as detrimental.³⁹ This position, held by the majority of Canada's provincial governments is somewhat puzzling to public choice theorists when considering the influence New Public Management has had on the operations of government. Public choice theorists maintain that one method of arriving at lower costs is to allow for municipal competition, not the establishment of monopolies, which is the end result of consolidation. This is reflected in the studies conducted by Schneider and Sjoquist. Schneider found that as the number of municipalities bordering a city increase, the city's tax bill decreases and that

³⁷ Robert L. Bish. *Local Government Amalgamations: Discredited Nineteenth-Century Ideals Alive in the Twenty-First*. C. D. Howe Institute. No. 150. March 2001. 3.

³⁸ See, Peter John, Keith Dowding, and Stephen Biggs, "Residential Mobility in London: A Micro-Level Test of the Behavioural Assumptions of the Tiebout Model," *British Journal of Political Science* 25, (1995), 379-397. ; Stephen L. Percy, Brett Hawkins, and Peter E. Maier, "Revisiting Tiebout: Moving Rationales and Interjurisdictional Relocation," *Publius: The Journal of federalism* 25, (Fall 1995), 1-17.

³⁹ Richard Tindal, "Municipal Restructuring: The Myth and the Reality," *Municipal World* March (1996) 4.

expenditures are lower in regions with more variation in tax levels across communities.⁴⁰

Sjoquist found that expenditures per capita decreased as the number of municipalities in a metropolitan area increases.⁴¹

The public choice approach has offered the most critical assessment of the consolidation argument based on capturing economies of scale effects. Public choice theorists warn against the assumption that consolidation can successfully ensure that the new larger municipality can deliver services and operate in a more efficient cost effective manner. If anything, they argue that overall costs increase following consolidation, despite studies from scholars such as Drew Dolan who have concluded that there are potential savings that can be realized through consolidation.⁴²

Derksen, McDavid, and Boyne conducted studies which indicate that if cost-savings are realized, they will be offset by other factors inherent to the process of consolidation. These factors according to Kushner include, but are not limited to, the equalization of service levels, with equalization being upward to the highest level of service delivery, and the standardization of wages upward to the highest paid level.⁴³ The reasoning behind this logic is relatively simple. First, in a fragmented system, different municipalities offer differing levels of service. For example, municipality A may have garbage collection twice a week, whereas in municipality B, it may only be once a week. If these two municipalities are consolidated, the population of municipality B will want

⁴⁰ Mark Schneider, "Fragmentation and the Growth of Local Government," *Public Choice* 48 (1986), 255-263.

⁴¹ David L. Sjoquist, "The Effect of the Number of Local Governments on Central City Expenditures," *National Tax Journal* 35 (1982), 79-88.

⁴² Drew Dolan, "Local Government Fragmentation: Does It Drive Up the Cost of Government?" *Urban Affairs Quarterly* 26:1 (September 1990), 28-45.

⁴³ *Ibid.* 11.

the same level of service as those who reside in municipality A. Thus, by having to provide garbage collection services on a bi-weekly basis, the operating costs of the newly consolidated municipality will inevitably increase. The same logic can be applied to the standardization of wages. However, in instances where a sizeable proportion of the workforce is unionized, the standardization of wages has more of a deleterious effect on the finances of a newly consolidated municipality.

Public choice theorists also take issue with the postulation that a reduction in the number of bureaucrats and politicians at the municipal level results in increased institutional effectiveness and accountability. There is considerable merit to the argument that the complexities of a fragmented municipal system make it difficult to determine which local agencies or boards are responsible for what. However, public choice theorists argue that a larger consolidated political unit at the municipal level is much less accessible, and accountable. As municipal governments are the closest political entities to the public, an effective and accountable political structure is argued to be one that is accessible and able to respond to the needs of its population. As such, this requirement cannot be met as easily in a larger consolidated structure.

2.8. Public Choice: A viable alternative to consolidation?

The public choice approach to municipal governance has been relatively successful in the United States. The fact that no major municipal consolidations have occurred in the past century serves to reinforce this point. Whether or not this success can be replicated in Canada, if one takes into account institutional differences, is a matter

that goes well beyond the scope of this discussion. Therefore, in a Canadian context, public choice is best viewed as a critique of the consolidation approach, not an alternative.

As one can surmise from this discussion, the differences between the two respective approaches are considerable, and perhaps irreconcilable. It is however important to note that both the consolidation and public choice approaches should be considered as viable approaches to municipal restructuring under certain conditions. Despite this, provincial governments in Canada have shown a clear preference for the consolidation approach when faced with the task of restructuring their municipalities.

2.9. Summary:

The objective of this chapter has been to provide a review of key literature that is pertinent to the issue of municipal restructuring. I have endeavored to map out the major points of departure between those who advocate municipal amalgamation as a means to creating a more cost-effective system of municipal government, and those who are opposed to such a process, and advocate other means.

The following chapter serves a dual purpose. First I discuss the theoretical framework, organization theory, which I use to analyze this research. It seeks to explain how organization theory can demonstrate why the former Progressive Conservative Government of Ontario implemented its municipal restructuring policy. Following this I discuss the methodology that was used to conduct this research and present my research hypotheses.

Chapter Three - Organization Theory: A Framework for Analysis & Methodology

3.1. Introduction:

The goal of this research is to contribute to the academic debate on the municipal restructuring policies of the former Progressive Conservative Government of Ontario. Much of the academic literature that has preceded this research has tended to take a non-analytical approach. As such, very few theoretical explanations have been offered in an attempt to demonstrate why such policies were adopted. This research is an attempt to demonstrate the importance of placing this policy decision in an analytical framework. To accomplish this task, the events leading up to, and surrounding the municipal restructuring process are examined in the context of organization theory. It is hoped that a greater insight into the decision to restructure Ontario's municipalities can be gained through such an endeavor.

Organization theory is a systematic approach to the study of complex institutions and their day-to-day behavior. Moreover, it provides a way of conceptualizing, thinking, and analyzing organizations with the ultimate hope of achieving insights into organizational functioning. In this effort, organizational researchers look for patterns in organizational behaviour and try to identify cause-effect relationships.⁴⁴ There is however, as Shafritz and Ott point out, no such thing as *the* theory of organizations. Rather, there are many theories that attempt to explain and predict how organizations and the people in them will behave in varying organizational structures, cultures, and

⁴⁴ Hari Das, *Organizational Theory with Canadian Applications* (Toronto: Gage Educational Publishing Company, 1990), 29.

circumstances.⁴⁵ Becker and Neuhauser concur with this position and go on to state that, the number of ways people claim to have studied formal organizations approaches the number of variables that affect the functioning of organizations. Some studies deal with the relationships between perceived authority structure and degree of centralization, while others look at span of control as a function of hierarchic levels.⁴⁶

Organization theory, then, much like any other approach, is comprised of many complementary and competing schools. However, the lack of theoretical agreement between various schools of organization theory should not be regarded as an impediment that hinders our understanding of organizations. As Shafritz and Ott point out, these approaches exist only as intellectual constructs and as mutual support networks of organization theorists. They have one primary purpose: to organize and extend knowledge about organizations and how to study them.⁴⁷

There have been many attempts by scholars to categorize the many schools of organization theory. Scholars such as Cyert, March, Scott, and Pfeffer, to name but a few, have undertaken such an enterprise. Scott, in his categorization of organization theory identifies three schools: The Classical Doctrine; Neoclassical Theory; and Modern Theory.⁴⁸ Cyert and March offer a markedly different categorization. Like Scott, they

⁴⁵ Jay M. Shafritz and J. Steven Ott, *Classics of Organization Theory*, Fourth Edition (Scarborough: Nelson Canada, 1996), 4-7.

⁴⁶ Selwyn W. Becker and Duncan Neuhauser, *The Efficient Organization* (New York: Elsevier Scientific Publishing Company, Inc., 1975), 3.

⁴⁷ Shafritz and Ott, "Classics of Organization Theory," 5.

⁴⁸ W.G. Scott, "Organization Theory: An Overview and an Appraisal", *Academy of Management Journal*, April (1961), 7-26.

also identify three schools. They are: sociological; psychological; and administrative.⁴⁹ Pfeffer proposes that there are in fact four competing schools within the organizational theory approach: Rational Choice Models; Bureaucratic Models of Decision-making; Decision Process Models; and Political Models.⁵⁰ Despite their differences, these categorizations share many commonalities, of which the following two are foremost. First, they group schools according to their perspectives on organization. This is accomplished by taking into account not only the basic assumptions each school holds with respect to humans and organizations, but also those aspects of organizations that are most important for understanding organizational behaviour. Secondly, schools are usually categorized with respect to the period of time during which the most important contributions were written.⁵¹ Despite their differences, theories of organization strive to understand and resolve organizational paradoxes and problems.

Having provided an introduction to organizational theory, the following section shall describe the aspects of organizational theory that this research shall draw upon. It shall attempt to map out, for the reader, how organization theory can help to address the central research question.

⁴⁹Richard M. Cyert, and James G. March, *A Behavioral Theory of the Firm*, (New Jersey: Prentice Hall, Inc., 1963), 17.

⁵⁰ J. Pfeffer, *Power in Organizations* (Marshfield, MA: Pitman, 1981)

⁵¹ Shafritz and Ott, "Classics of Organization Theory," 7.

3.2. Organization Theory - A Framework for Analysis:

Traditionally, in organization theory, there have been two approaches to the study of organizations: the open and closed systems approach.⁵² Accordingly, each school within this field places a different level of emphasis on the open and closed system approach to studying organizations. For example, schools that employ a purely rational choice perspective tend to view organizations as closed systems. In contrast, those schools grounded in neo-Weberian models view organizations as open systems.

There are, as one can surmise, a multitude of factors – both endogenous and exogenous to the policy process - that could account for why a specific policy decision is taken. Exogenous factors - such as political ideology; culture; incorrect problem identification, and; a lack of resources, whether intellectual, or financial – are those that play a role in the policy creation process outside of the organization. Endogenous factors – such as institutional rules - are those that influence the policy process from within. Closed systems approaches tend to downplay the effects that exogenous factors may have on organizational decisions, whereas open systems approaches are much more cognizant of such factors.

As the following discussion shall demonstrate, the adoption of either a closed or open systems approach carries many implications which affect our understanding of how organizational decisions are made, and under what circumstances they are made. As will be shown, employing an open systems approach allows for a more comprehensive examination of how organizational decisions are made in the presence of multiple factors.

⁵² James Thompson, *Organizations in Action* (New York: McGraw-Hill, 1967)

Such a statement does not presuppose that an open systems approach possesses more utility in all cases.

3.3. The Closed System Approach:

A closed system is one that does not interact with its environments; it is sealed off from the surrounding world and is independent with respect to its resources. This approach focuses on the efficiency with which organizational objectives are accomplished. An attempt is made to employ the resources of the organization in a functional manner, with each component contributing to the *logic* of the system. In this system, control mechanisms have been designed to reduce uncertainty.⁵³ Early writings assumed the surrounding environment to be relatively stable and predictable, and hence not of great importance in understanding organizations.⁵⁴ According to Denhardt, Weber's concept of bureaucracy, and those aspects of Simon's description of the rational model of administration that address efficiency and control are part of the closed systems approach.⁵⁵

3.4. The Open System Approach:

An open systems approach expands the constraints on organizations to include any uncertainty and interdependence with the environment. Organizations receive

⁵³ Robert B. Denhardt, *Theories of Public Organization* 2nd ed. (Belmont, CA: Wadsworth Publishing Company, 1993), 99.

⁵⁴ Hari Das, "Organizational Theory with Canadian Applications," 15.

⁵⁵ Denhardt, "Theories of Public Organization," 99.

constant feedback from the external environment; this means that the opportunities and constraints provided by the environment are constantly changing and the mix is never stable. As open systems, all organizations must work within the constraints imposed by their surrounding environments. For example, central governments, which possess the means to influence and shape their environment, are required to work within the broad legislative, economic, political, and cultural constraints imposed by the surrounding environments. Governments operate within an institutional framework that makes certain demands on them. Parties, interest groups and other agencies all interact within the same matrix, meaning that no group is free from the influence of others. These *exogenous* factors ensure that organizational decision makers do not make context-independent decisions because the nature of their existence is context dependent. Individuals depend on their physical, economic, and political environments when they make decisions.⁵⁶

For example, Allison's government model, which is based upon the work of Simon, recognizes that major government policies are not made by single rational actors or even by monolithic groups at the upper reaches of the bureaucracy.⁵⁷ Rather, policy is the outcome of a process of bargaining among individuals and groups with diverse interests and varying degrees of power to support those interests. Where disagreements occur, parties contend with one another in a political game that leads either to a victory for one part, or more likely, to a mixed result different from what any party intended. "[What] moves the chess pieces are not simply the reasons that support a cause of action

⁵⁶ Mary Zey, *Rational Choice Theory and Organizational Theory: A Critique* (Thousand Oakes: Sage Publications Inc, 1998), 24.

⁵⁷ Denhardt, "Theories of Public Organization," 98.

or the routines of organizations that enact an alternative, but the power and skill of proponents and opponents of the action in question.”⁵⁸

As Carroll states, organizational decisions are taken in order to resolve problems caused by dysfunction between organizational goals and the expectations of the organization in response to changes in the external environment of the organization.⁵⁹ However, while organizations are often conceived as instruments for the achievement of given purposes, they soon take on sociological characteristics that far exceed the closed system interest in rationality and efficiency.⁶⁰

3.5. The Traditional Model of Organizational Decision Making:

Simon argues that organizations are created in order to enhance human rationality and to structure human behavior so that it may approximate abstract rationality. This is based upon his proposition that the capacity of the human mind for formulating and solving complex problems is very small in comparison with the size of the problems whose solution is required.⁶¹ As individuals are limited in the degree of rationality they can attain, they find it necessary to join together in groups and organizations to deal effectively with the world around them. Individuals begin to approximate rational behaviour when they make choices that are guided by the interests of the organization.

⁵⁸ Graham T. Allison, *Essence of Decision: Explaining the Cuban Missile Crisis*, (Boston: Little, Brown, 1971), 145.

⁵⁹ Barbara Wake Carroll, “Program Drift: The Rational Road to Policy Perversity,” *Canadian Journal of Urban Research*, 4:1 (June 1995), 22.

⁶⁰ Philip Selznick, *Leadership in Administration* (New York: Harper and Row, 1957).

⁶¹ Herbert Simon, *Models of Man* (New York: John Wiley & Sons, 1957), 168.

The organization can rationalize human behavior so that objectives can be met. Therefore, the “rational individual” is and must be an organized and institutionalized individual.⁶² Essentially, Simon’s view is connected with the relation between means and ends. To behave in a rational manner is to behave in such a way that one contributes to the accomplishment of the organization’s objectives, and this can only be realized by following the design of the organizations leaders, its “controlling” group.⁶³

Simon’s interpretation of rationality does however present a problem. Simon’s rational decision maker is based on the classical economic model and assumes that the decision maker is completely informed of both the goals of the organization and the possible available alternatives and acts to maximize. The *economic man*, as referred to by Simon, makes *optimal* choices in a highly specified and clearly defined environment. There are however, as March and Simon later point out, difficulties associated with this model of the rational or economic man. It assumes (1) that all the alternatives of choice are given; (2) that all the consequences attached to each alternative are known; (3) that the rational man has a complete utility ordering for all possible sets of consequences.⁶⁴

Despite the problems associated with the rational model, it has affixed to it, extraordinary importance. If we accept efficiency as the ultimate criterion for evaluating public agencies, and if we accept the cognitive view of human beings mechanistically responding to their environment by seeking greater utilities, then the conclusions of the

⁶² Herbert Simon, *Administrative Behaviour: A Study of Decision-Making process in Administrative Organization* 2nd ed. (New York: Free Press, 1957), 102.

⁶³ Denhardt, “Theories of Public Organization,” 89.

⁶⁴ James G. March and Herbert Simon, *Organizations* (New York: John Wiley & Sons, 1958), 137-138.

rational model seem nearly inevitable.⁶⁵ However, the decision maker can seldom approximate the kind of rationality that is required by the classical economic model. Amongst other factors, the decision maker rarely possesses full knowledge of a specific situation, including the consequences of various forms of action. As such, Simon reconceptualized his perspective on what constitutes a rational decision maker and introduces *administrative man*.

3.6. A Redefined Model of Organizational Decision Making:

In contrast to economic man, Simon's *administrative man* seeks to satisfice - that is to find satisfactory solutions to a problem – rather than to maximize. More importantly, *administrative man* is content with a simplified and incomplete view of the world that can never, because of human limitations, approximate the complexity of the real world.⁶⁶ According to Simon, these two traits are quite significant:

First, because he satisfices rather than maximizes, administrative man can make his choices without first examining all possible behaviour alternatives and without ascertaining that these are in fact all the alternatives. Second, because he treats the world as rather *empty* and ignores the *interrelatedness of all things* (so stupefying to thought and action), administrative man is able to make his decisions with relatively simple rules of thumb that do not make impossible demands upon his capacity for thought.⁶⁷

Unlike *economic man*, *administrative man* is only capable of bounded rationality. This takes into account the finite cognitive capacity of the decision maker, the severe

⁶⁵ Denhardt, "Theories of Public Organization," 92.

⁶⁶ Ibid. 94.

⁶⁷ Simon, "Administrative Behaviour: A study of Decision-making Process in Administrative Organization," xxvi.

environmental constraints operating on him (lack of adequate time, presence of organizational policies), and high uncertainty associated with future events, that make complete preference ordering and utility maximization impossible. No decision maker is aware of all alternatives open to him or her, or all the consequences of each alternative. Thus, the behaviour of decision makers is inherently bounded.⁶⁸

This state of affairs exists because most organizational decisions are complex and ambiguous. Decision makers, faced with such scenarios rely on heuristics which have been developed through past experiences. In a process of heuristic decision making, decision makers use “rules of thumb” to simplify a complex problem. They affect every stage of the decision-making process: attentiveness, problem-space representation, alternative generation, and choice. A decision can also be coined as being rational or adaptive to the extent that the heuristics we use lead to the same choice as a full information decision would.⁶⁹ This does not make the decision maker irrational; the cost of searching for additional alternatives may exceed their potential benefits after a point.⁷⁰ Optimal decisions are almost never made, except by chance. As Simon suggests, decision makers typically reduce the complexity and ambiguity facing them by constructing a simplified model of reality. In such models, decision makers take into account only a limited number of factors, and only a limited range of consequences are considered and evaluated. The first course of action that is deemed satisfactory – in

⁶⁸ Hari Das, “Organizational Theory with Canadian Applications,” 107.

⁶⁹ Bryan D. Jones, *Politics and the Architecture of Choice: Bounded Rationality and Governance* (Chicago: University of Chicago Press, 2001), 71.

⁷⁰ James March, “Bounded Rationality, Ambiguity, and the Engineering of Choice,” *Bell Journal of Economics*, IX (1978), 587-590.

terms of a potential outcome – is typically chosen, and the search for alternatives is stopped. The behaviour of decision makers according to the bounded rationality model is one of satisficing, rather than maximizing, or optimizing. Such behaviour is most likely to be found in scenarios that are characterized by complexity, and a lack of clarity.⁷¹

When examining decision-making at both the political and bureaucratic level, political ideology has been shown to have deleterious effects. Proponents of rational choice tend to view ideology as an information shortcut. In this view, ideology is a rational method for dealing with complex political stimuli. This for example, can occur in legislatures where the probability of any one legislator influencing the outcome on a vote is much higher. Ideology nevertheless serves to simplify decisions by reducing a complex high-dimensional problem representation to a simple unidimensional one.⁷² Ideology however is far more than a rational informational shortcut. People generally identify emotionally as well as cognitively with a political ideology. When they identify with a political ideology, it can serve to motivate them and, in effect, becomes a proximate cause of a decision.

Denhardt points out that while *administrative man* cannot achieve the ideal behaviour of *economic man*, he does the best he can with what he has. Although *administrative man* is only capable of bounded rationality, he must also seek rational (efficient) organizational actions. Second, the basis calculus remains the same for *administrative man* as for *economic man*: to whatever extent possible, utilities are to be

⁷¹ Hari Das, "Organizational Theory with Canadian Applications," 107.

⁷² Bryan Jones, *Political and the Architecture of Choice: Bounded Rationality and Governance*, 153.

maximized. Third, in order to diminish the negative effects of human irrationality, the organization will impose its own standards of rationality on the individual. This may occur either through the substitution of organizational decision premises for those of the individual or through molding the individual behaviour around programmed decisions or standard operating procedures.⁷³

As we can see, the redefined model of rational decision making that is developed by March and Simon takes into account the innate fallibilities of individuals when making decisions. It moves beyond the classical closed system mentality of *means and ends*, and in doing so, allows for a much more comprehensive examination of how organizational decisions are made from an open systems perspective.

The objective of this chapter thus far has been to demonstrate how organization theory can help to explain why the former Progressive Conservative Government of Ontario implemented its municipal restructuring policy. The following sections discuss the methodology that was used to conduct this research.

3.10. Research Methodology:

This research seeks to answer the following question: In light of the empirical evidence which demonstrates that the perceived benefits of municipal consolidation are difficult to attain, why did the Government of Ontario choose to consolidate municipal governments in an attempt to create a more cost-effective system of municipal

⁷³ Denhardt, "Theories of Public Organization," 94-95.

governance? The following sections discuss how the research was conducted. The first section elaborates upon the case studies that are examined, and more importantly, why they were chosen. The second section discusses the various phases of data collection. The final section outlines the hypotheses that were tested in order to provide an answer to the central research question.

3.12. Case Study Selection:

As stated, the primary objective of the proposed research is to examine why a particular public policy decision - municipal restructuring – was implemented despite credible countervailing evidence. The Progressive Conservative government's municipal restructuring initiative has been in effect since July 1996, and has resulted in 162 restructurings. Conducting a research project to examine all 162 restructurings would be too prohibitive a task. The objective is not to discover all the possible explanations that can account for why the policy of municipal restructuring was implemented, but rather to determine if there are any general explanations. For this reason it is necessary to distill the sample size down to a manageable number. As such, the research examines the events surrounding three municipal restructurings that occurred between the years 1996-2000. They are the cities of Toronto, Hamilton, and Kingston.

These three case studies were chosen for several reasons. First, the three cities in question went through different restructuring processes. The decisions to create the City of Kingston -which was comprised of the old City of Kingston, and the Townships of Pittsburgh and Kingston – was taken prior to the Provincial Government's official

position on municipal restructuring in 1996. Despite pressure from the Province to amalgamate, the process was for the most part locally driven. The creation of the City of Hamilton was a much more protracted and drawn out affair. After numerous failed negotiations, provincial intervention through the creation of legislation ensured the creation of the new City of Hamilton. The events surrounding the creation of the new City of Toronto in 1998 were highly contentious. The process to consolidate the old City of Toronto, and the surrounding five municipalities was initiated by the provincial government through the enactment of Bill 103, *The City of Toronto Act*. Second, Toronto, Hamilton, and Kingston are also representative of large, medium, and small sized cities in Ontario. One of the aims of the proposed research is to examine the extent to which factors leading to municipal restructuring are common to all three cases, and whether or not they can be generalized to other restructurings.

3.13. Data Collection:

The collection of data was carried out in two separate stages. First I reviewed relevant documents that are in the public domain. This included, but was not limited to, government legislation⁷⁴, Hansard records, press releases, and additional scholarly work in this subject area. I anticipated that by examining these four types of documents I would further improve my understanding of the issues surrounding the process of municipal restructuring.

⁷⁴ Legislation to be examined includes *The Savings and Restructuring Act*, Schedule M; *The City of Toronto Act*, and; *The Fewer Municipal Politicians Act*.

The second stage of the data collection process consisted of personal interviews with individuals who played different roles in the restructurings of the three case studies. After identifying who to interview, letters requesting an interview were sent to these individuals (Appendix 1). Selecting who to interview was conducted through judgmental and snowballing techniques. With respect to the judgmental approach, I felt that it was necessary to interview those individuals from both the public and political spheres that played an integral role in the three case studies (Appendix 2). The snowballing technique was used to arrange interviews with officials from the Ministry of Municipal Affairs and Housing. As I was unsure of which individuals played a role in the restructuring process, I contacted the heads of various divisions in the Ministry requesting an interview. If those individuals were not suitable for the purposes of my research, I asked them to provide me with the contact information for individuals who were in a position to assist me. In total, 19 interview requests were made, and 10 interviews were granted.

Where possible each interviewee was asked the same questions in order to ensure consistency in my data collection (Appendix 3). However, in some instances it was necessary to alter or remove a question or questions depending on who I was interviewing. The need to conduct face-to-face interviews for my research was essential for several purposes. First, I was able to gather information that was not available to me through normal channels such as Journal articles etc. For example, I was able to ascertain what ministry officials felt were the primary problems associated with the municipal restructuring process; information that is normally put into the public domain. Secondly, having the opportunity to interview individuals who had previously worked for

the provincial and municipal governments proved to be invaluable. As such, these individuals were able to fully express themselves when responding to my questions.

3.14. Research Hypotheses:

The overall objective of conducting the interviews was to examine the extent to which my hypotheses could successfully answer the main research question:

In light of the empirical evidence which demonstrates that the perceived benefits of municipal consolidation are difficult to attain, why did the Government of Ontario choose to consolidate municipal governments in an attempt to create a more cost-effective system of municipal governance?

There are three hypotheses that I test in my research. They are:

H₁ – Political ideology acted as an information shortcut. Such behaviour can be categorized as non-rational where behaviour is carried out in defiance of rational procedure. While the rational path may be strategically noted, it is ignored in the interest of non-rational ends of means which are conditioned by political ideology. According to Sica, this is often done without *purely* rational consideration of costs consequent to abrogating rational procedure.⁷⁵

H₂ – As an organization, the Progressive Conservative Government did not fully understand the cause-effect relationship of a highly complex set of interdependent policy initiatives. This does not suggest that governments are at all times aware of all negative externalities that may arise following policy implementation; bounded rationality suggests that they do not. It does however forward the argument that, in crafting its policy, the government of Ontario did not employ the necessary causal analysis to determine the possible outcomes of its policy initiatives. As a result, the government could not rationally support its policy initiatives.

H₃ – The Government suffered from a lack of intellectual resources that would allow it to make more informed policy decisions. From the offing, municipal officials were regarded by the province as individuals that possessed the necessary knowledge to determine how best to restructure Ontario's municipalities. However, as the restructuring process took hold, municipal officials were slowly phased out of the decision-making process.

⁷⁵ Alan Sica, Weber, *Irrationality and Social Order* (Berkeley, CA: University of California Press, 1988), 5.

3.15. Summary:

Having laid out the three hypotheses, the following two chapters test their applicability. Chapter four provides general overview of Ontario's political environment during the municipal restructuring process. Chapter five examines three case studies – the cities of Kingston, Hamilton, and Toronto – that underwent extensive restructuring for a wide range of reasons. Here I examine the events that surrounded the restructuring of these three cities and test the viability of my research hypotheses that seek to answer why the former government of Ontario took this policy position.

Chapter Four – Ontario’s *Common Sense Revolution*

I think by now that we’ve all heard the comment that there was no mention in the *Common Sense Revolution* about amalgamating Metro Toronto. What exactly did we promise in the *Common Sense Revolution*? We said that Ontario would have less government. We said that there should be fewer politicians, there should be less bureaucracy and there should be less overlap and duplication.⁷⁶

4.1. Introduction:

On June 8, 1995, the Progressive Conservative party, led by Mike Harris replaced the New Democratic Party as the Government of Ontario. Within months of taking office, the newly elected government began to lay down the foundations that would allow for the implementation of one of the most far-reaching agendas for institutional change that Ontarians had ever seen.

As Courchene and Telmer point out, these changes were revolutionary as they controversially rearranged the internal institutional structure of the province – the adoption of “actual value assessment” for the reform of the property tax, restructuring the organization and delivery of healthcare (especially with respect to the hospital sector), reworking the provincial-municipal financial arrangements, school board consolidation, and municipal amalgamation, the most high profile aspect of which is the creation of a Toronto “Megacity.”⁷⁷

According to John Ibbitson, *The Common Sense Revolution* – the Conservative Party’s election platform in 1994 – made no direct reference to the substantive changes

⁷⁶ Ontario, *Hansard*, 15 January 1997.

⁷⁷ Thomas J. Courchene, and Colin R. Telmer, *From Heartland to North American Region State*, (Toronto: University of Toronto, 1998), 170.

that lay in store for municipal governments in Ontario.⁷⁸ Instead, it deals with tax cuts, spending cuts, deficit reduction, eliminating red tape, eliminating public servants, and welfare reform. The issue of restructuring municipal powers occupies only one sentence: “We will sit down with municipalities to discuss ways of reducing government entanglement and bureaucracy with an eye to eliminating waste and duplication as well as unfair downloading by the Province.”⁷⁹ For observers of Ontario politics, it is clear that this issue – municipal restructuring – relegated some of the more salient issues down the government’s list of priorities, paralyzed the legislature on many occasions, and created schisms within the Government caucus. Why then did the Tory government expend so much political capital on this process of disentanglement, a process in which the restructuring of municipal government received more attention than it perhaps merited? The answer, in part, lies in the reform of Ontario’s education system.⁸⁰

While the focus of this chapter, and indeed this thesis is to examine why the Provincial Government of Ontario, in spite of contradictory evidence chose to restructure Ontario’s municipalities, it is important to first understand the context in which this public policy decision was taken. Municipal restructuring, or more accurately amalgamation, was not an independent policy decision. Municipal restructuring was one of many interrelated and interdependent policy initiatives that were implemented by the former Progressive Conservative government of Ontario.

⁷⁸ John Ibbitson, *Promised Land: Inside the Mike Harris Revolution* (Scarborough: Prentice Hall Canada, 1997), 221.

⁷⁹ *The Common Sense Revolution*, 17.

⁸⁰ See Katherine A. Graham and Susan D. Phillips, “Who Does What in Ontario: The Process of Provincial-Municipal disentanglement,” *Canadian Public Administration* 41:2 (Summer 1998), 179-209.

Graham and Phillips note that the Conservative government was concerned that Ontario's students were not "up to standard," despite the large commitment of public funds to education. Moreover, the Province's school boards were criticized for being bloated with politicians and administrative staff.⁸¹ It was felt that any truly fundamental change to the education system required simplifying a jurisdiction where power and responsibility were hopelessly divided between local and provincial authorities.⁸² At the time, the provincial government's share of education spending was steadily declining as educational boards became more reliant on property taxes to supplement their budgets. Across the province, there were significant differences in the per-pupil classroom expenditure on education. Rural and remote boards were disadvantaged because of their lack of a strong [property tax] assessment base to finance their programs and infrastructure needs.⁸³ It had become clear that the quality of a student's education was increasingly dependent on where he or she lived. The real challenge would be to create a uniform system of funding that would allow students to receive equal access to education.

In a move that is analogous to what would take place with respect to the structure of Ontario's municipalities, the Provincial took the step of consolidating the vast number of school boards and stripping them of any substantive power. In doing so the Conservatives were able to deliver on two commitments that were outlined in their election platform. First, by consolidating school boards, the Province was able to drastically reduce the number of politicians and administrative staff, public employees

⁸¹ Katherine A. Graham and Susan D. Phillips, "Who Does What in Ontario: The Process of Provincial-Municipal disentanglement," *Canadian Public Administration* 41:2 (Summer 1998), 178.

⁸² Ibbitson, "Promised Land: Inside the Mike Harris Revolution," 222.

⁸³ Graham and Phillips, "Who Does What in Ontario," 179.

whose salaries were paid by taxpayers. Second, by assuming total control of the educational system, the provincial government took education financing away from the school boards, and, in turn, off the property tax. However, by taking control of the education system, a number of serious negative externalities had to be addressed. For example, transferring responsibility for education financing to the provincial level would increase the size of the provincial budget by approximately \$5.4 billion.⁸⁴ Paradoxically, the CSR had pledged to reduce provincial expenditures, and reduce taxes, which, in effect, eliminated one possible source of revenue that could fund this new provincial responsibility. It had become clear that major alterations to the provincial-municipal relationship with respect to the delivery of services and to the municipal system were necessary if the government was to deliver on its electoral pledges. Enter disentanglement, or, the realignment of services.

4.2. Bill 26 – The Savings and Restructuring Act:

The Harris government's first attempt at realigning services came with the passage of the passage of Bill 26, The Savings and Restructuring Act, on November 29 1995.⁸⁵ The Bill consists of a series of schedules amending a myriad of existing provincial laws. Often referred to as the omnibus bill, Bill 26 amended legislation as varied as the Corporations Tax Act, the Ontario Drug Benefits Act, the Mining Act, and, most importantly, for the purposes of this thesis, the Municipal Act. The stated 'common

⁸⁴ Ibbitson, "Promised Land: Inside the Mike Harris Revolution," 232.

⁸⁵ Richard Tindal, "Municipal Restructuring: The Myth and the Reality," *Municipal World* (March 1996), 3.

thread' that binds the Bill is revealed in the legislations title: *An act to achieve fiscal savings and to promote economic prosperity through public sector restructuring, streamlining and efficiency and to implement other aspects of the government's economic agenda.*⁸⁶

Many accounts detail how Bill 26 was intended to be enacted without informed debate. As a result of lengthy protests in the legislature by the opposition, it was subjected to public hearings. As Graham and Phillips point out, both the scope and dictatorial approach of Bill 26 brought loud choruses of protest from within the legislature and the threat of court challenges from the array of sectors affected in its sweep.⁸⁷ Ultimately, the bill was subject to more than 160 amendments before it reached its third and final reading in the legislature on January 29, 1996.⁸⁸ Quite clearly, Bill 26 was not a coherent and well thought out piece of legislation. It was as Graham and Phillips point out:

...produced in haste and controlled from the political centre by having deputy ministers send their ideas for savings and restructuring directly to advisers in the Premier's office, who then passed them over to Finance where the bill was being drafted. This process left many ministers out of the loop and led to some embarrassing moments of explaining details when the bill was unveiled.⁸⁹

With respect to municipal restructuring, schedule M of Bill 26, which consists of amendments to the Municipal Act and Related acts, provides:⁹⁰

⁸⁶ Leo F. Longo and Christopher J. Williams, "Revolution, Not Reform: The Province's Legislative and Policy Initiatives Respecting Municipalities," *Municipal World* (February 1996), 7.

⁸⁷ Graham and Phillips, "Who Does What in Ontario," 172.

⁸⁸ Ibbitson, "Promised Land: Inside the Mike Harris Revolution," 146.

⁸⁹ Graham and Phillips, "Who Does What in Ontario," 181.

⁹⁰ Hollick and David Siegel. "Evolution, Revolution, Amalgamation: Restructuring in Three Ontario Municipalities," 26-26.

- A procedure for municipal restructuring (for counties and northern Ontario only, not for regional governments);
- A method for upper and lower-tier municipalities to transfer responsibility for services between the two tiers;
- An extension of the power of municipalities to impose user charges; and
- An extension of the licensing power of municipalities.

Schedule M of Bill 26 defined municipal restructuring in terms of various forms of annexation and amalgamation. It established a procedure for municipalities to arrive at locally-agreed upon restructuring arrangements; and provided for the appointment, in the case of local disagreement, of a commission which would have the power itself to impose new boundaries and structures within the affected area.⁹¹ Bill 26 also gives cabinet the power, without the requirement of legislative debate, to impose restructuring on county governments.

The major standard for municipalities in this entire process – *A Guide to Municipal Restructuring* – proceeds on the assumption that restructuring will promote efficiency, accountability, less costly administrative units, and in general terms, what the CSR called ‘less government’.⁹² The guide sets out the principles to be followed in municipal restructuring:

- Less government;
- Effective representation system;
- Best value for taxpayer’s dollar;
- Ability to provide municipal services from municipal resources; and

⁹¹ Andrew Sancton, “Amalgamations, Service Realignment, and Property Taxes: Did the Harris Government Have a Plan for Ontario’s Municipalities?” *Canadian Journal of Regional Science*, XXIII (Spring 2000), 137.

⁹² Robert J. Williams and Terrence J. Downey, “Provincial Agendas, Local Responses: The “Common Sense” Restructuring of Ontario’s Municipal Governments,” *Canadian Public Administration* 41:2 (Summer 1998), 214.

- Supportive environment for job creation, investment and economic growth.

Quite clearly, the Provincial Government felt that municipalities would be able to deal with the local service realignment and reduction in provincial transfers more successfully if they amalgamated. As such, municipalities were strongly encouraged to pursue a voluntary path to amalgamation. The Bill allowed local governments to devise their own voluntary restructuring proposal(s) as well as permitting any municipality to ask the minister of Municipal Affairs and Housing to appoint a commissioner who could impose a binding settlement. In the *Opening Note from the Minister* that introduced the *Guide to Municipal Restructuring* (1996), Al Leach, Minister of Municipal Affairs and Housing indicated which option was preferred by the government:

I feel that the first option makes the most sense. Local restructuring should not be left up to an independent third party to decide. These decisions should be made by local governments as they know best the needs of their taxpayers.⁹³

As Siegel and Hollick note, the genius of the legislation was that it provided a framework for local groups to cooperate and produce a home-made solution while at the time the provincial government was able to apply pressure on them by keeping a form of binding arbitration, which no one wanted, waiting in the wings.⁹⁴

Despite the haphazard manner in which it was formulated, and implemented, Bill 26 did however provide two early lessons for the Harris government. First the ability to

⁹³ Igor Vojnovic, *Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities*, (Toronto: ICURR Press, 1997), 45.

⁹⁴ Hollick and Siegel. "Evolution, Revolution, Amalgamation: Restructuring in Three Ontario Municipalities," 27.

move swiftly and decisively in provincial-local restructuring and realignment of services would be aided if decisions had at least an appearance of being made in a rational and systematic manner. Secondly, as Ibbitson and others have pointed out, bully tactics work: if you push forward a revolutionary bill, you should expect to take a few hits, but the bill will get passed, and the furor will soon be forgotten.⁹⁵

4.3. Municipal Restructuring under Bill 26:

Shortly after the passing of Bill 26, the onus was clearly placed upon the shoulders of municipalities to explore restructuring programs. In an address to the Association of Municipalities of Ontario, Rural Section (ROMA), the Minister of Municipal Affairs, Al Leach, stated that, “with respect to restructuring... ‘Local decisions are better than those from Queen’s Park.’”⁹⁶

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

...it became increasingly apparent that the Conservative government was really interested in one type of restructuring, amalgamation. Reducing the number of municipalities was seen as an end in itself, although why this was desirable was never satisfactorily explained. It also became apparent that the government was impatient with the pace and extent of locally-initiated changes under Bill 26, and was determined... to force more amalgamations before the 1997 elections.⁹⁷

⁹⁵ Ibbitson, “Promised Land: Inside the Mike Harris Revolution,” 147.

⁹⁶ Williams and Downey, “Provincial Agendas, Local Responses: The “Common Sense” Restructuring of Ontario’s Municipal Governments,” 213.

⁹⁷ Richard Tindal, “Sex, Lies and Amalgamations?” *Municipal World* (February 1997), 6.

By early April 1997, more than a year after the Bill 26 procedures had been in place, there had been relatively little action with respect to municipal restructuring. A total of 21 restructuring plans had been approved, which had reduced the number of municipalities by 50 (out of a total of 815). After this time, the pace of municipal submissions quickened. This was no doubt due to two important developments:⁹⁸

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

The case of Chatham-Kent served as an example to municipal politicians of what could occur if no restructuring plans could be locally agreed upon. From April 1996 until January 1997, local politicians in Kent County had debated every conceivable alternative form of structure. The only option that failed to win any degree of support was the idea that a complete merger should include the city of Chatham.⁹⁹ After much discussion, and in the absence of any satisfactory progress on municipal reform, a request was sent to the minister to appoint a restructuring commissioner.¹⁰⁰

The extent to which the municipalities had lost control of the restructuring agenda is demonstrated by the actions of the commissioner and the responses from local politicians. Peter Mayboom, the restructuring commissioner, produced a draft proposal

⁹⁸ Andrew Sancton, *Merger Mania: The Assault on Local Government* (Montreal: McGill-Queen's University Press, 2000), 107.

⁹⁹ Sancton, "Merger Mania," 107.

¹⁰⁰ Williams and Downey, "Provincial Agendas, Local Responses: The "Common Sense" Restructuring of Ontario's Municipal Governments," 225.

based on five days of meetings in Chatham and Kent in which each municipality was given one hour to make its case.¹⁰¹ The draft report presented local councils with a choice of two options: a streamlined two-tier country system or a ‘unicity’ model, which called for the complete dissolution of all lower-tier municipalities and the dissolution of country government. Twenty-one of the twenty-two affected municipalities voted against the single council option, which would be the commissioner’s final choice.¹⁰²

The Chatham-Kent decision was the first made by a provincially appointed commissioner. Such decisions are binding, and as such, there are no avenues for appeal. Sancton sums up the Chatham-Kent restructuring experience, and what lay in store for the future:

From April 1997 onward, Chatham-Kent became the horrible example that no one else wanted to follow. Counties scurried to get on with restructuring so that they would avoid a commissioner. For many, the main object was to devise a plan that would not involve becoming linked with a populous urban centre whose residents could dominate the local political process. Ironically, if all the parties involved were convinced that no one in their group would request a commissioner, the urgency to take action was greatly reduced.¹⁰³

Throughout this whole process, the deliberations of the provincially established ‘Who Does What’ panel were taking place. It was established to advise the provincial government on ways to eliminate service duplication, address the blurred responsibility for the delivery of local and provincial services, and help the government implement the changes. The following sections discuss the deliberations and recommendations of the

¹⁰¹ Williams and Downey, “Provincial Agendas, Local Responses: The “Common Sense” Restructuring of Ontario’s Municipal Governments,” 225.

¹⁰² Ibid.

¹⁰³ Sancton, “Merger Mania,” 108.

‘Who Does What’ panel, and the impact they had on the relationship between the provincial and municipal governments of Ontario.

4.4. Who Does What?

On May 30, 1996, Minister of Municipal Affairs and Housing Al Leach announced the creation of a panel that would begin a complete overhaul of who does what in the delivery and funding of many government services. The “Who Does What” (WDW) panel was charged with the responsibility of advising the provincial government on ways to eliminate duplication, over- regulation and blurred responsibility for the delivery of local and provincial services, and help the government implement the changes. The message from Queen’s Park was clear; Ontario’s institutional arrangements were in need of repair, and the government would take the necessary action(s) to ensure this. This message was succinctly summed up by Al Leach, Minister of Municipal Affairs and Housing, who stated that:

The goal will be nothing less than a fundamental change in the way the province and local governments work together. Everything is on the table. We'll be taking a good look at who does what... how welfare should be delivered and paid for... whether the property tax is an appropriate way to fund education. We'll look at every area in which we share responsibility with local governments. It's not hard to see that when two or more levels of government deliver the same service, the taxpayer is going to be the loser.¹⁰⁴

Chaired by former Toronto mayor, David Crombie, the panel consisted of many notable municipal level politicians including: Hazel McCallion, mayor of Mississauga;

¹⁰⁴ Ontario, Ministry of Municipal Affairs and Housing, Panel to Sort Out “Who Does What,” 30 May 1996 < http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2451_1.html >

William Bell, mayor of Richmond Hill; Grant Hopcroft, deputy mayor of London; Steve Lowden, past president of the Board of Trade of Metropolitan Toronto and vice-chairman of Sobeco Ernst and Young; and Enid Slack, economic consultant, to name but a few.¹⁰⁵ This panel, as Ibbitson and others point out, was intended as an exercise in co-optation. The Tories, as Ibbitson goes on to argue, knew that the government's final proposals, whatever they might be, would be greeted by a surge of outrage. By creating a board of credible, yet sympathetic municipal experts, it was thought that the panel could be gently coaxed into endorsing the Tory recommendations, which could then be used to counter protests from groups such as the Association of Municipalities of Ontario (AMO).¹⁰⁶

In designing the process for the panel, the provincial government came up with an innovative approach that would involve some stakeholders but would allow the government to move swiftly. The WDW panel was constituted as an independent group of experts drawn from the local government sector who would give advice to the government. This was not to be a negotiated process, nor, as Graham and Phillips note, was the WDW panel to be an exercise in public consultation. It would rely instead on existing research, selected briefing by experts and the expertise of the members of the panel.¹⁰⁷ The government argued that as there were numerous reports that involved public consultation, there was no need for further consultation. Others however have offered a more pragmatic reason with respect to the government's decision not to allow public consultations. For example, the fallout from the embarrassing month long public

¹⁰⁵ Ontario, Ministry of Municipal Affairs and Housing, Panel to Sort Out "Who Does What," 30 May 1996 < http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2451_1.html >

¹⁰⁶ Ibbitson, "Promised Land: Inside the Mike Harris Revolution," 236.

¹⁰⁷ Graham and Phillips, "Who Does What in Ontario," 183.

consultations in January 1996 that accompanied the passage of Bill 26 was still fresh in the mind of the government. During this period, the committee examining Bill 26 was subjected to 367 deputations that complained about various provisions. Furthermore, as Ibbitson notes, the government suffered the embarrassment of pushing through all the amendments.¹⁰⁸

4.5. WDW Panel Conclusions: Restructuring Local Government

The WDW panel, in their many submissions to the government made various recommendations that addressed Ontario's structure of local government. The panel recommended changes to Northern Ontario, the county system, regions, and large urban centres. In their submissions the panel recognized that municipalities required the authority and the flexibility to adapt their governance structures in order to better meet the principles that were laid out by the panel: democracy, accountability and responsiveness; fairness; efficiency; and coordination.¹⁰⁹

The principle of democracy refers to the panel's assertion that municipal government should be viewed as a democratic institution fundamental to local political decision-making. The panel held that municipal structures should be as understandable as possible to promote public access, participation, and accountability.¹¹⁰ With respect to the principle of fairness, the panel asserted that municipal structures should ensure that

¹⁰⁸ Ibbitson, "Promised Land: Inside the Mike Harris Revolution," 137.

¹⁰⁹ "Who Does What Penal: Recommendations on Local Governance and Administration" *Municipal World* (January 1997), 11.

¹¹⁰ Ontario, Ministry of Municipal Affairs and Housing, WDW Panel Recommendations on Local Government, December 6 1996. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_1789_1.html>

costs and benefits are shared fairly across the entire community.¹¹¹ The panel's third principle – efficiency – asserts that a municipal structure must allow services to be delivered by the lowest level of government that has the capacity to do so effectively. Any new structure should be more cost-effective than the current system, and should deliver maximum value with available resources.¹¹² With respect to the fourth and final principle of coordination, the panel asserted that any new municipal structure should encompass the interests of the entire community. Moreover, it should support the strategic coordination of certain key services and foster an approach to decision-making which integrates economic, environmental and social considerations.¹¹³

As previously discussed, Bill 26. provided restructuring mechanisms for municipalities in counties and the north. However, similar provisions were not made for regions and municipalities within regions and Metropolitan Toronto. The panel noted that although several regions were considering restructuring at the time, there was no formal mechanism for them to implement changes other than through amendments to their specific regional Acts.¹¹⁴ In an act designed to enhance provincial power with respect to restructuring, the panel also concluded that the Province should have the power to

¹¹¹ Ontario, Ministry of Municipal Affairs and Housing, WDW Panel Recommendations on Local Government, December 6 1996. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_1789_1.html>

¹¹² Ibid.

¹¹³ Ibid.

¹¹⁴ Ontario, Ministry of Municipal Affairs and Housing, WDW Panel Recommendations on Local Government, December 6 1996. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_1789_1.html>

appoint a commissioner where there is an obvious need for change, but no local initiative.¹¹⁵

As mentioned, the WDW panel recommended changes to Northern Ontario, the county system, regions, and large urban centres. For the purposes of this thesis, those recommendations that had direct bearing on the county system, regions, and large urban centres will be discussed.

With respect to the county system, the panel argued that Ontario required a stronger two-tier county system with fewer, stronger lower-tier municipalities capable of funding and delivering services, and a directly-elected county council that includes cities and separated towns in the county federation. The panel pointed out that:

Counties originally provided a limited range of services. They maintained a county road system, operated a court house, jail and land registry office, and established and ran homes for the aged. While the Province has taken over administration of justice, counties have become involved to various degrees in such things as delivery of social services, land-use planning, libraries, economic development, recreation, cultural services and waste disposal. Some of Ontario's most viable counties have gradually taken on a wide range of responsibilities. Others, particularly where representation on county council has become badly distorted, may provide only two or three functions. This has created serious problems, as an increasing number of services are planned, delivered and funded more efficiently on a countywide or regional basis.¹¹⁶

On the basis of this argument, the panel recommended that the provincial government maintain and strengthen the two-tier system of governance, except where a one-tier structure is a compelling and locally agreed upon option. Furthermore, the number of area municipalities should be reduced by amalgamation to create strong local

¹¹⁵ Ontario, Ministry of Municipal Affairs and Housing, WDW Panel Recommendations on Local Government, December 6 1996. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_1789_1.html>

¹¹⁶ Ibid.

governments capable of delivering services and encompassing interdependent urban and rural communities.¹¹⁷

The panel's recommendations with respect to restructuring Ontario's regions employed a logic that was similar to its recommendations on county restructuring. The panel expressed the commonly-held opinion that regions are stronger and generally more urbanized versions of counties, in which cities are included as part of the regional governance structure. The panel argued that while in some regions the differences between the original urban and rural municipalities may have disappeared, there were a number of factors that undermined the overall viability of regions. For example, the fragmentation of service delivery and fiscal policy among similar urban entities over time had created inequities, unfair taxation, duplication and inefficiency for residents and businesses. Moreover, with diminishing provincial grants, the financial viability of many lower-tier municipalities within regions had become questionable.¹¹⁸

In its report the panel forwarded two options for restructuring regions in Ontario. The first option envisioned the creation of single-tier regions. In effect, lower-tier municipalities within the region would be consolidated to form a single local government with one mayor, one council. This option was viewed to be the most appropriate where the distinctions between urban and rural municipalities within a region had become blurred by urbanization and where there was a correspondingly greater need for

¹¹⁷ "Who Does What Panel: Recommendations on Local Governance and Administration" *Municipal World* (January 1997), 11-12.

¹¹⁸ Ontario, Ministry of Municipal Affairs and Housing, WDW Panel Recommendations on Local Government, December 6 1996. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_1789_1.html>

“seamless” delivery of services across the entire community.¹¹⁹ The second option called for a strengthening of two-tier regions by amalgamating lower-tier municipalities to form stronger units. The panel argued that in such a system, the majority of regional council should be directly elected, including the chair, to provide a mandate for a broader regional focus, not a brokering of local interests.

In regards to large urban centres, the panel focused on the Greater Toronto Area that encompassed Metropolitan Toronto, and the regions of Peel, Halton, and Durham.

The panel noted:

As Toronto has fuelled growth outward, the regions have become increasingly economically interdependent with Metro. Municipal government structure has not kept pace, however, with the regional reality. Important services that cross municipal boundaries requiring coordination today extend beyond even the regions of the GTA and include: public transit; economic development strategy; regional planning, environmental services, and; coordination of police and emergency services. These services not only cut across the current GTA, but go beyond. As such, they must be addressed by some form of coordinating body.¹²⁰

The panel argued that the GTA should be viewed as a single economic unit that is fully integrated in terms of employment opportunities, commuting patterns, transportation networks and infrastructure. In its recommendations, the panel advocated the implementation of a GTA governance structure based on three fundamental and interrelated imperatives¹²¹:

- The creation of a Greater Toronto Services Board (GTSB) which would eliminate the five upper-tier municipalities;
- The consolidation of member municipalities into strong cities;

¹¹⁹Ontario, Ministry of Municipal Affairs and Housing, WDW Panel Recommendations on Local Government, December 6 1996. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_1789_1.html>

¹²⁰ Ibid.

¹²¹ Ibid.

- Consolidations in Metropolitan Toronto that create a strong urban core for the GTA.

The panel noted that multiple levels of local government were unacceptable. By consolidating municipalities within the GTA, it would be possible to create municipal configurations based on the ability to afford and the ability to deliver more services locally.¹²²

4.6. WDW Panel Conclusions: Service Realignment

In their deliberations, the WDW panel arrived at several conclusions, that were, at the very least, contrary to that of the government. For example, it recommended that the responsibility for financing education and welfare be a provincial one. This was in keeping with the panel's foremost assumption that municipalities should be responsible for *hard* services – roads, public transit etc – while the provincial government should be responsible for *soft* services such as education and welfare.¹²³ The panel felt that income redistributive programs, such as welfare, should be funded from income taxes, just as infrastructure – such as roads, and sewage systems etc – should be funded by the properties they service, in effect, the property tax. Moreover, the panel argued that discontinuing provincial subsidies would make these services more financially sustainable in the long term and in turn improve fiscal accountability. As these services are primarily a local matter, municipalities should fund, deliver and ultimately be held

¹²² “Who Does What Panel: Recommendations on Local Governance and Administration” *Municipal World* (January 1997), 12.

¹²³ Graham and Phillips, “Who Does What in Ontario,” 185.

accountable for them.¹²⁴ When taking into consideration that municipal revenues are raised primarily through two sources – property taxes, and user fees – the WDW panel felt that this would allow municipal governments to use their budgets more effectively.

The WDW panel had initially indicated that both education and social services be funded by the Province. However, uploading both of these high cost items to the provincial level could not be sustained under the requirement that the resulting financial balance be revenue neutral. In what can be construed as a tradeoff, the panel recommended that, “...if there is a choice between placing education or health and welfare on the property tax, it is clearly preferable to continue to rely on the property tax for the funding of education.”¹²⁵ While the majority of the recommendations from the WDW panel were accepted, the provincial government moved in the opposite direction with respect to two central issues: social services and education.

In what has now been dubbed *Mega Week*, the provincial government outlined its intentions with respect to how it would simplify and rationalize not only the operations and structure of municipal governments, but also the relationship between the province and its municipalities.

¹²⁴ Ontario, Ministry of Municipal Affairs and Housing, Panel Says Municipalities Should Pay For Transit, Sewer And Water Services, 4 November 1996.

<http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2509_1.html>

¹²⁵ Ontario, Ministry of Municipal Affairs and Housing, “Who Does What” Panel, Final Letter, Released 30 December 1996. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_1793_1.html>

4.7. Mega Week: Presenting the Case for Change

The week of 13 January 1997, which has come to be known as *Mega Week*, was described by the Tories as “the biggest week in the life of the government.”¹²⁶ Unlike the CSR, the Tories’ *Mega Week* plan had not been publicly tested. It was a plan that had been developed by an inner-circle which, for the most part did not include municipal leaders or experts. While the proposed changes to the provincial-municipal relationship are too great in scope to discuss within the context of this discussion, it is important to highlight some of the more important changes to this institutional arrangement.

In what can be construed as a direct rebuke of the WDW panel’s recommendation on education funding, it was announced that education would be removed from the residential property tax. In doing so, the Government consolidated Ontario’s 129 school boards, which were replaced by 66 new district boards. This would allow the government to reduce the number of elected school politicians from 1,900 to approximately 700; a move that was clearly in line with the CSR’s commitment to reduce the number of elected politicians in Ontario.¹²⁷ Keeping in line with the WDW panel’s recommendation, municipalities were charged with the responsibility of delivering hard services. Municipalities were given complete responsibility for public transit, municipal airports, local ferries, water, and sewage treatment. In turn, the Province would assume to the responsibility to set and enforce high performance standards to ensure that water

¹²⁶ Jack Lakey, “Shake-up for Ontario,” *The Toronto Star* 11 January 1997, A1.

¹²⁷ Ontario, Ministry of Municipal Affairs and Housing, Huge Potential for Property Tax Cuts, 13 January, 1997. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2557_1.html>

quality was safeguarded.¹²⁸ With respect to welfare, the Province announced that municipalities would pay fifty percent of the costs. This was a radical departure from previous cost-sharing arrangements as the province historically paid upwards of eighty percent of most welfare related costs that included General Welfare Assistance, Family Benefits Assistance, and disability programs.¹²⁹ Finally, the Province announced that it would implement a “simpler, fairer, less costly property tax system that will ensure property values are based on what properties are being sold for, and properties with similar values within a municipality will pay similar taxes.”¹³⁰

In presenting its plans, the government announced that it was accepting the WDW and Golden Task Force recommendations because of a desire to make the system fair, clear, more consistent, and more accountable.¹³¹ Reaction to the provincial government’s *Mega Week* proposals was both vociferous and uniform. A commonly-held criticism focused on the Province’s strategic downloading and uploading of services, a process it claimed to be revenue neutral. For example, that the provincial government placed redistributive programs such as welfare on the property tax was yet another direct rebuke of the WDW panel’s recommendations. Decried as “both wrong in principle and devastating in practice¹³²,” Crombie and other WDW panel members argued that expenditures with consistently countercyclical demands or with consistently rising costs

¹²⁸ Ontario, Ministry of Municipal Affairs and Housing, *Huge Potential for Property Tax Cuts*, 13 January, 1997. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2557_1.html>

¹²⁹ Graham and Phillips, “Who Does What in Ontario,” 188.

¹³⁰ Ontario, Ministry of Municipal Affairs and Housing, *Huge Potential for Property Tax Cuts*, 13 January, 1997. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2557_1.html>

¹³¹ Sancton, “Amalgamations, Service Realignment, and Property Taxes: Did The Harris Government Have a Plan for Ontario’s Municipalities?” 150.

¹³² Ijeoma Ross, “Crombie Criticizes Transfer Method,” *The Globe and Mail* 28 January 1997, A4.

would undermine the stability of municipal revenue sources. At the same time, by assuming control of education, the province was responsible for a service whose costs are much more constant and controllable. However, as Ibbitson points out, what really set the Government on its heels was opposition from within its own ranks. The Metropolitan Board of Trade, one of the Government's more staunch allies, supporting its pro-business labour legislation, tax cuts, and plan to amalgamate Metropolitan Toronto denounced the disentanglement legislation. The downloading of welfare and other social services, the Board warned, would undermine Metropolitan Toronto's tax base and cost the average homeowner an extra \$350 annually in property taxes. It urged that the costs of social services be pooled across the entire Greater Toronto region, another way of coercing the edge cities to help pay for Toronto's welfare costs.¹³³

As was the case with Bill 26, growing opposition towards the *Mega Week* plans forced the Province into making several changes to its proposed plans so that a negotiated agreement could be reached. While the nature of the changes was substantive, the fact that the government was unable to implement its original policy objectives is of greater interest. As such, it can be argued that both Bill 26 and the *Mega Week* plan demonstrate a clear lack of organizational planning. As Graham and Phillips state:

Perhaps the most basic and valuable lesson to be learned is the need for governments (and political parties) to road-test ideas. Ontarians had over a year to become familiar with the basics of the *Common Sense Revolution*. It was well road-tested. The CSR did not, however, provide an adequate intellectual base for the plans concerning urban restructuring and provincial-local disentanglement that were promulgated during *Mega Week*. Indeed, key elements of these plans appeared to be invented out of whole cloth. This situation left *experts* and the attentive public at a loss to understand why the government was rushing to action. It also resulted in the government being taken aback

¹³³ Ibbitson, "Promised Land," 260.

and embarrassed, as opposition mounted and hard questions emerged that it could not answer.¹³⁴

In attempting to restructure the provincial-municipal relationship, so that it may be more cost-effective and efficient, the provincial government demonstrated the hazards associated with trying to rationalize government responsibilities that crosscut the functional organization of both levels of government in Ontario without having a deeper understanding of the potential impact.

4.8. Analysis:

On June 8, 1995, the Progressive Conservative Party, led by Mike Harris, swept into power. By capturing 82 of the 130 seats, and 45 percent of the popular vote, Ontarians had made the conscious decision to put their future in the hands of Mike Harris and the CSR.¹³⁵ Within months of taking office, the newly elected government began to lay down the foundations that would allow for the implementation of one of the most far-reaching agendas for institutional change that Ontarians had ever seen.

As Courchene and Telmer point out, the 1991 NDP budget, more than anything else, set the stage for the CSR. With its roughly \$10 billion estimate for the 1991-1992 deficit, and with deficit projections for the next three years somewhat smaller in magnitude but well above anything in Ontario's fiscal history, the budget effectively

¹³⁴ Graham and Phillips, "Who Does What in Ontario," 205.

¹³⁵ Courchene and Telmer, "From Heartland to North American Region State," 169.

proclaimed that deficits were irrelevant.¹³⁶ Such deficits and the growing mountain of public debt that had accumulated under the watch of the NDP played straight into the hands of its most aggressive right-wing critics.

The first goal of the of the Common Sense Revolution, as White points out, was to clean up the New Democrats' fiscalamity – and ultimately achieve a balanced budget, more or less by the end of the Tory government's first term in office.¹³⁷ While the CSR did not explicitly mention the extensive institutional change that would be required to meet such an objective, the ideological underpinnings that allowed for such a process to develop were evident. Municipal restructuring was an important subsidiary policy that was undermined by political considerations. In essence, this policy was part of a larger package of reforms designed to address Ontario's perilous financial state. Therefore, to determine how municipal restructuring was placed on the Government's agenda, it is necessary to look at the manner in which these larger policies were formulated.

The organizational proclivities of the Progressive Conservative Government ensured a very insular and ideologically driven policy-making arena. By examining how Bill 26 was formulated we begin to see how such factors undermined effective policy development. As White notes:

The bill was put together in great haste by a handful of people in the Office of the Premier. It drew on material haphazardly assembled in ministries, and then quickly sent to the Cabinet Office by deputy ministers, under the pressure of very tight deadlines. (Cabinet ministers were virtually "out of the loop") The cabinet office then sent the material to the Office of the Premier, where it was quickly packaged by people who were

¹³⁶ Courchene and Telmer, "From Heartland to North American Region State," 131.

¹³⁷ Randall White, *Ontario since 1985*, (Toronto: Venture Press, 1998), 261.

very clever and talented, but had very little practical experience actually running a government. The package was then sent to the Ministry of Finance, where it was hastily drafted into legislation, by another group of clever and talented people, who knew much more about dealing with large sums of money than about day-to-day government operations.¹³⁸

That Bill 26 was subject to more than 160 amendments before it reached its third and final reading in the legislature on January 29, 1996 speaks volumes.¹³⁹ As many interviewees point out, this process was conducted in a political vacuum in which only the most ardent proponents of the CSR provided substantive input. For many, this demonstrates the clear lack of understanding and appreciation that policymakers had with respect to how governments actually work. The manner in which the Conservative Government controlled the provincial agenda despite such shortcomings is further demonstrated by the “Who Does What” deliberations.

The WDW panel was constituted as an independent group of experts drawn from the local government sector who would give advice to the government. Presumably, by creating such a unit, the government was admitting its shortcomings on two different fronts. First, the government was aware of the fact that its final proposals, whatever they might be, would be greeted by a surge of outrage. By creating a board of credible, yet sympathetic municipal experts, it was thought that the panel could be gently coaxed into endorsing the Tory recommendations, which could then be used to counter protests from groups such as the Association of Municipalities of Ontario (AMO).¹⁴⁰ Secondly, by

¹³⁸ White. “Ontario since 1985,” 269.

¹³⁹ Ibbitson, “Promised Land: Inside the Mike Harris Revolution,” 146.

¹⁴⁰ Ibid. 236.

creating a panel of municipal experts, one can argue that provincial policymakers did not have the necessary expertise to implement such changes to the provincial-municipal relationship. However, while the advice of experts was solicited, it was ignored when found to conflict with the Progressive Conservative Government's agenda. For instance, the Conservative Government's decision to place redistributive programs such as welfare on the property tax, rather than on income tax as recommended by the WDW panel, is indicative of such behaviour.

Drawing upon my discussion of organizational theory in chapter three, we can see that with respect to the formulation of Bill 26, and the WDW discussions, the Conservative Government, as an organization, operated in a manner similar to a closed system. As previously discussed, a closed system is one that does not interact with its environments; it is sealed off from the surrounding world and is independent with respect to its resources. From an open systems perspective, organizations are entities that receive constant feedback from the external environment; opportunities and constraints that are provided by the environment are constantly changing. By acting in a manner that is reflective of a closed system, provincial policymakers chose to minimize, or simply ignore, the effects of exogenous factors on their decision calculus (i.e. municipal level experts). Such actions ensured that the Provincial Government, as an organization, could not effectively learn how it could reformulate the provincial-municipal relationship to make it more streamlined, rational, and most importantly, cost-effective.¹⁴¹

¹⁴¹ The relevance of organizational learning, with respect to municipal restructuring is discussed in Chapter Five

Ultimately, the primary concern of the Conservative Government was to ensure that organizational objectives were accomplished in an efficient manner free from the influence of exogenous factors which were viewed as impediments. In light of this, it is possible to understand the Government's reluctance to allow for a comprehensive and inclusive policymaking process. Taking these observations into consideration, two conclusions can be drawn. First, it can be argued that relevant policymakers did not possess the necessary expertise to impose major legislative and structural changes. Secondly, by not sufficiently engaging experts at the municipal level, policymakers had placed themselves in a significant knowledge deficit problem. Simply put, such individuals did not understand the environment in which governments operate, nor did they understand the costs associated with municipal restructuring. By taking these conclusions into account, we can begin to understand why municipal restructuring, or more appropriately amalgamation, was seen as a means to further reduce costs.

Chapter Five – Restructuring Ontario’s Municipalities

Local restructuring should not be left up to an independent third party to decide. These decisions should be made by local governments, as they know best the needs of their taxpayers.¹⁴²[Former Minister of Municipal Affairs and Housing, Al Leach]

5.1. Introduction:

The restructurings of the former Greater Kingston Area, Metropolitan Toronto, and Hamilton-Wentworth that led to the creation of single-tier municipal governments proceeded along three very different trajectories. Contrary to the quotation above, made by former Minister of Municipal Affairs and Housing Al Leach in 1996, each restructuring was heavily influenced by Queen’s Park for different reasons. This chapter examines the rationale behind these three restructurings and offers an analysis of the events that took place so that the strength of the three research hypotheses can be further evaluated.

5.2. Case Study No. 1 - The City of Kingston:

Restructuring in the Greater Kingston Area (GKA)¹⁴³ was prompted by the classic problems that arise from a fragmented structure of municipal governance, which in turn were exacerbated by the effects of parochial politics.¹⁴⁴ Bordered by the Townships of Kingston, Pittsburgh, and Ernestown, the primary complaint emanating from the former

¹⁴² Cited in Vojnovic, “Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities,” 45.

¹⁴³ For the purposes of this Thesis, prior to amalgamation, the Greater Kingston Area (GKA) was comprised of the old City of Kingston, and the Townships of Pittsburgh, Kingston, and Ernestown.

¹⁴⁴ Interviews with: Gary Bennett, Former City of Kingston Mayor, October 1, 2003; Ian Wilson, Former Reeve of Ernestown Township, October 1, 2003.

City of Kingston centered on what it believed to be the detrimental effects of service free-riding by these municipalities. Described by some as a region plagued by inter-municipal agreements that created considerable financial inequities for the City of Kingston, the governance structure of the GKA was precisely that which the Province would soon be intent on reforming.¹⁴⁵

5.3. Problems with Municipal Governance in the GKA:

With respect to the problems associated with municipal governance in the GKA, Maurice Yates (Professor of Geography, Queen's University), summed up the region's dilemma when he stated:

... the Kingston area is sub-divided into a number of principalities all of which are jealous (to varying degrees) of their own political prerogatives. Intense fragmentation does not lead to coherent local development, does not provide a good vehicle for the provision of services that are needed area-wide, and presents a disorganized community face to the outside world. As such, if reforms are not pursued vigorously and soon, Kingston is bound to lose out on opportunities to capitalize on the changing global economy.¹⁴⁶

As discussed in Chapter two, proponents of municipal consolidation claim that there are numerous problems associated with a fragmented system of municipal government. Proponents argue that there is at the very least, a lack of coordination that can serve to undermine regional development. As one can perhaps surmise, this was the official position of the City of Kingston with respect to municipal restructuring. Changes to the governance structure were needed, and these would benefit not only the City as the Townships charged, but the region as a whole. Regarding regional coordination, in 1993,

¹⁴⁵ The initiative to reform the governance structure of the GKA predated the electoral success of the Harris Government, and Bill 26, *The Savings and Restructuring Act*.

¹⁴⁶ A Position Paper by the Corporation of the City of Kingston on Municipal Reforms in the Kingston Area. (3 October, 1995), 28.

Frank Collom, the City of Kingston's interim CAO, and Professor at the Queen's University School of Business, made the following observation:

All one has to do is read the first three or four pages of the Official Plans of the four municipalities to realize that each of them is going its separate ways with little regard to each other. Take a look at the maps generated by each municipality and see at each of their respective boundaries a complete blanking of their neighbour's territory! The world would appear to end at their borders.¹⁴⁷

From the City's perspective, Collom's assessment of the region's municipal structure spoke volumes. It highlighted the extent to which parochial politics played a role in the calculus of the neighbouring Townships when addressing region-wide issues. For the Townships, their autonomy and territorial jurisdiction was non-negotiable. The great paradox as Gary Bennett and Ian Wilson point out is that, while the Townships sought to maintain their independence from the City, they were, at least on a functional level, very dependent on the City's services.¹⁴⁸ In 1995, the interdependent relationship between the regions municipalities was highlighted in a position paper on municipal reform issued by the City of Kingston:

The city of Kingston has for quite some time now ceased to be an entity unto itself. It functions in concert with the three surrounding townships of Pittsburgh to the east, and Kingston and Ernestown to the west. Decisions made by the city effect not only itself but the three other municipalities as well. Hard services and land use systems are now inextricably linked. The city supplies water to Pittsburgh Township and part of Kingston Township via an independently elected Public Utilities Commission. The road network and transit system connect all four urban areas. People move from one municipality to another as they travel about to places of work, residence, schooling health care and welfare, shopping and recreation. In fact, fully 69% of the employed labour force in the Kingston area works in the City.¹⁴⁹

¹⁴⁷ Frank Collom. "Final Report: An Organizational Analysis, with Recommendations, of the Corporation of the City of Kingston, Its Council and Committee Structure." 13.

¹⁴⁸ Interviews with: Gary Bennett, Former City of Kingston Mayor, October 1, 2003; Ian Wilson, Former Reeve of Ernestown Township, October 1, 2003.

¹⁴⁹ Position Paper by the Corporation of the City of Kingston on Municipal Reforms in the Kingston Area. (3 October, 1995), 2.

The GKA prior to amalgamation functioned as one city with four separate administrations, which, for the City of Kingston created substantial free-rider problems. For example, residents of the neighbouring Townships took advantage of the many amenities, such as the Grand Theatre in downtown Kingston, that were made available by the City, without having to pay for such services through the property tax. In sum, the City was providing services for the residents of the neighbouring Townships to use free of charge or at a greatly reduced rate.¹⁵⁰

From the City's standpoint, similar inequities were present in the multitude of inter-municipal agreements that covered the production and provision of services such as, solid waste disposal, recycling and composting, sewage treatment, social services, transportation and public transit, long range financial planning, and economic development. With respect to solid waste disposal for example, the City took on Kingston Township as a partner in its landfill agreement with Storrington Township in recognition of its extensive growth. However, by 1991 capacity limits at Storrington were reached which prompted the need for the City and Township to export their solid waste to Ottawa and Syracuse, while Ernestown and Pittsburgh Townships had excess capacity.¹⁵¹ Similar problems existed with respect to the GKA's economic development plan. While the four area municipalities worked in conjunction under the auspices of the

¹⁵⁰ An interesting exception to this pattern of behaviour was the Township of Ernestown which was not incorporated into the newly constituted City of Kingston on January 1, 1998. When interviewed, Ian Wilson, former Reeve of Ernestown Township pointed out to me that Ernestown comprised approximately 10% of the regions population, and correspondingly paid for 10% of the costs associated with services that its residents used in the City of Kingston.

¹⁵¹ A Position Paper by the Corporation of the City of Kingston on Municipal Reforms in the Kingston Area. (3 October, 1995), 11. To address the issue of solid waste disposal, the City and Township of Kingston initiated a Waste Management Master Plan Study to find a long term landfill site in 1986. However, after almost 10 years and over \$2 million expended, no acceptable "local" solution was reached.

Kingston Area Economic Development Commission (KAEDC), inter-municipal competition worked against the best interests of the region as a whole. The City argued that bickering and division amongst the municipalities made the region unattractive to potential investors. Furthermore, it argued that the suburban municipalities were able to attract business investment on account of their artificially low tax rates generated because the City paid an unfair share of area-wide expenditures. The Townships countered such positions by arguing that not only was the City council anti-business, but that its taxes were unnecessarily high.¹⁵²

For the City, inter-municipal agreements were more detrimental than beneficial to the region as a whole. The City argued that attempts at instituting a wider decision-making framework to address region-wide issues were either not pursued, or resulted in the proliferation of complex inter-municipal agreements and joint service corporations (such as the KAEDC) which lacked direct accountability to the taxpayers in the region. Moreover, the City argued that such agreements provided uneven and less than ideal results; demonstrating that the existing political units no longer reflected their logical or most effective communities of interest.¹⁵³ By amalgamating the four municipalities, the City, and later the Province, felt that by pooling their resources, a newly consolidated municipal structure would be able to promote economic development more effectively, while ensuring greater levels of fiscal accountability within the jurisdiction. In the long term the City argued that the increased level of fiscal accountability would facilitate

¹⁵² Hollick and David Siegel. "Evolution, Revolution, Amalgamation: Restructuring in Three Ontario Municipalities," 54.

¹⁵³ Position Paper by the Corporation of the City of Kingston on Municipal Reforms in the Kingston Area. (3 October, 1995), ii.

greater efficiency in the region, making the municipality even more attractive for future investment.¹⁵⁴ However, as the following section demonstrates, the neighboring Townships did not share this assessment; nor were they willing to acquiesce to the City's requests to examine the benefits of amalgamation; that is, until the Province took a more proactive role in municipal restructuring.

5.4. A History of Municipal Restructuring Discussions in the GKA:

It has been argued that the extent to which political parochialism and municipal fragmentation undermined the efficiency and cost-effectiveness of municipal governance in the GKA cannot be understated.¹⁵⁵ Bennett argues that the genesis of the region's municipal problems can be traced to the early 1970s when political enthusiasm for regional government began to wane. This allowed the GKA to escape the possible imposition of a regional government. As a result, alternative mechanisms for coordination and delivery of joint regional municipal services evolved.¹⁵⁶

It is rather difficult, as Hollick and Siegel note, to pinpoint exactly when the idea of restructuring this region arose.¹⁵⁷ For instance, on several occasions between 1969 and 1971, Kingston Mayor E. Valorie Swain proposed that a regional government study be implemented.¹⁵⁸ In 1988, Kingston Mayor John Gerretsen called for a single "Super

¹⁵⁴ Vojnovic, *Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities*, 18.

¹⁵⁵ Interviews with: Gary Bennett, Former City of Kingston Mayor, October 1, 2003; Ian Wilson, Former Reeve of Ernestown Township, October 1, 2003.

¹⁵⁶ Gary Bennett. "Local Government Reform: A Consideration of Alternative Approaches to Governance within the Greater Kingston Area," M.P.A. project: Queen's University School of Policy Studies, 1994, ii.

¹⁵⁷ Thomas R. Hollick, and David Siegel. "Evolution, Revolution, Amalgamation: Restructuring in Three Ontario Municipalities," 49.

¹⁵⁸ *Kingston Whig Standard*, (September 23, 1995), 9.

city” south of the 401 stretching from Ernestown Township on the west to Pittsburgh Township on the east. While the proposal received substantial support in the business community, the primary detractors of this plan were the surrounding Townships who were opposed to any discussions involving municipal consolidation.¹⁵⁹ In 1991, Mayor Helen Cooper attempted to initiate a joint-services study involving the city and the three townships. The City argued that the study would provide a balanced objective assessment of the advantages and disadvantages of the current regional municipal structure and its service delivery mechanisms. Further, it would determine whether existing levels of co-operation could continue to work in addressing area-wide issues.¹⁶⁰ This request was blocked however when Kingston and Pittsburgh Township councils attempted to prohibit the regional study from considering “any matter that might lead to political restructuring, annexation, amalgamation or lead to discussion or applications pursuant to the Municipal Boundaries Negotiations Act.¹⁶¹ The city felt that few improvements could be made without at least a consideration of this issue. After almost two years of discussing the terms of reference, the whole idea was dropped in February 1993.¹⁶²

The heightened profile of the amalgamation issue, as de Hoop points out, was buoyed in July 1993 after the release of “The Collom Report” which identified the

¹⁵⁹ *Kingston Whig Standard*, (January 21, 1988), 9.

¹⁶⁰ Position Paper by the Corporation of the City of Kingston on Municipal Reforms in the Kingston Area, (October 3, 1995), 6.

¹⁶¹ Williams and Downey, “Provincial Agendas, Local Responses: The “Common Sense” Restructuring of Ontario’s Municipal Governments,” 226.

¹⁶² Ann Lukits, “An Ongoing Controversy,” *Kingston Whig Standard*, (September 23, 1995).

amalgamation of the city with its neighbouring municipalities as a top priority.¹⁶³ In his report, Frank Collom, the City of Kingston's interim CAO stated the following:

The significant savings, in the millions of dollars, will not be realized until the citizens of the GKA come to the understanding that there is for the most part, a quadruple of services in most areas. For example, we have four planning departments, four parks and recreation departments, four fire departments, four engineering departments, four social services, four CAOs, four Clerks departments, etcetera, etcetera.¹⁶⁴

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

During the next few years the issue of amalgamation played a prominent role in the municipal arena. It was the foremost issue in the 1994 municipal election, when former councillor Gary Bennett was elected as mayor. While previous mayors and councillors spoke of greater interregional cooperation, Bennett took a more proactive stance and publicly declared his support for municipal amalgamation. Bennett argues that his ascendance to Mayor, coupled with his unequivocal position on municipal amalgamation, galvanised the pro-amalgamation forces not only in the City of Kingston,

¹⁶³ James B.M. de Hoop. "Municipal Restructuring in Kingston-Frontenac: The How and Why of Local Government Consolidation from a Central City's Perspective," M.P.A. project: Queen's University School of Policy Studies, 1997, 30.

¹⁶⁴ Frank Collom. "Final Report: An Organizational Analysis, with Recommendations, of the Corporation of the City of Kingston, Its Council and Committee Structure." (Kingston: City of Kingston, 1993), 19.

but in the neighbouring townships.¹⁶⁵ For instance, cracks had appeared in Kingston Township's resistance towards amalgamation. While incumbent Reeve Isabel Turner (a staunch opponent of amalgamation) retained her seat against a challenge from Peter Beeman (a proponent of merger negotiations), a nucleus of Kingston Township's council was much more open to the idea from a business and development point of view. As de Hoop points out, the fact that Beeman was a serious contender was perhaps enough to soften the issue for other councillors and served to introduce the idea to the electorate from an "outside-the-City" standpoint.¹⁶⁶

The appointment of John Morand as the City's new CAO in 1995 furthered the City's position on municipal restructuring. In a move designed to force the issue, Morand gave notice that the city was pulling out of several key joint service arrangements that involved area wide development, recycling, and emergency services. However, as Hollick and Siegel point out, this pronouncement was something of a hollow threat. Due to the interdependent nature of the municipal system in the GKA, the city needed inter-municipal service agreements as much as the townships.¹⁶⁷ Nonetheless, the city became more aggressive with respect to municipal reform at this time following the election victory of the Progressive Conservatives in June 1995.¹⁶⁸

¹⁶⁵ Interview with Gary Bennett, Former City of Kingston Mayor, October 1, 2003.

¹⁶⁶ de Hoop. "Municipal Restructuring in Kingston-Frontenac: The How and Why of Local Government Consolidation from a Central City's Perspective," 34.

¹⁶⁷ Hollick and Siegel, "Evolution, Revolution, Amalgamation: Restructuring in Three Ontario Municipalities," 58.

¹⁶⁸ Confidential Interview: City of Kingston. October 2, 2003.

5.5. The Provincial Prerogative:

As discussed in chapter four, during the 1995 provincial election campaign, the Progressive Conservatives ran on a platform which called for a reduction in provincial expenditures. This was largely accomplished in two ways; provincial transfers to municipalities were reduced, and, certain provincial services were downloaded onto municipalities. As Williams and Downey point out, the City, in anticipation of such cuts requested that the Province appoint an independent commission to make recommendations on a suitable municipal structure for the Kingston Area.¹⁶⁹ This request, made on August 8, 1995, was denied by the Province. At the time, the Province stated that it was unwilling to become involved in the matter. Consequently, the onus was put on the affected municipalities to arrive at a locally agreed upon solution.¹⁷⁰

The negotiations that led up to the locally agreed upon decision were divisive, and for the most part, conducted under a high level of duress due to pressure from Queen's Park.¹⁷¹ The Kingston Frontenac Lennox and Addington Governance Review Committee (GRC) was established to provide a forum for the restructuring discussions, but to also present the Minister with a restructuring report by January 31, 1996. As with previous discussions, the strained relationship between the City and Townships created a hostile and counterproductive forum for discussions.

¹⁶⁹ Williams and Downey, "Provincial Agendas, Local Responses: The "Common Sense" Restructuring of Ontario's Municipal Governments," 227.

¹⁷⁰ Ibid.

¹⁷¹ For an in-depth overview and analysis of the events surrounding the local restructuring discussions in the GKA, please See Hollick and Siegel, "Evolution, Revolution, Amalgamation: Restructuring in Three Ontario Municipalities", 49-104.

On November 23, 1995, Ernestown Township withdrew from the GRC to pursue a separate restructuring process. The Township argued that its vital community of interest was not tied to the City of Kingston, but rather, to the County of Lennox and Addington, which subsequently withdrew from the GRC also.¹⁷² However, when considering the following, it becomes clear that the Township's rationale is both unrealistic, and parochial. In 1976, Richard Tindal, as commissioner for the Lennox and Addington County Reform Study noted:

...urban development in the Amherstview area (in Ernestown Township) and in the south-western portion of Kingston Township are essentially a westward expansion of the City of Kingston along the waterway and the major transportation routes. Yet this urban area which stretches westward from the City for ten miles is artificially separated by not only townships, but county boundaries. As a result, an area which is in many respects one urban entity does not benefit from a co-ordinated approach to planning or the provision of services.¹⁷³

That members of the GRC were able to withdraw from the restructuring discussion does at first glance seem surprising when taking this statement into account. This, as Bennett argues was perhaps due to Ernestown Township's connections at Queen's Park, which according to some, were considerable.¹⁷⁴ As such, the withdrawal of Ernestown Township and the County of Lennox and Addington would ensure that any locally arrived at decision would not take the entire region into account.

As part of its mandate, the GRC hired C.N. Watson Associated Ltd. to conduct a value for money study to assess the financial implications of possible restructured governance models in Frontenac County. As Bennett points out, prior to the release of

¹⁷² de Hoop. "Municipal Restructuring in Kingston-Frontenac: The How and Why of Local Government Consolidation from a Central City's Perspective," 47.

¹⁷³ Ibid. 29.

¹⁷⁴ Interview with Gary Bennett, Former City of Kingston Mayor, October 1, 2003.

the Watson Report, Pittsburgh and Kingston Townships agreed with the City that fiscal inequities were present in the municipal system. Ernestown Township's Watson estimated that net cost-savings of approximately \$225,000 would result from amalgamation and that while city taxes may decline, massive tax increases in the Townships would result.¹⁷⁵ In light of this information, the two townships distanced themselves from the negotiations.

The lack of agreement between the affected parties over the following months resulted in significant Provincial intervention. On May 9, 1996, the Province's position was clear. The concerned parties would have to complete their restructuring proposals by the end of June. In the event that this did not take place, a provincially appointed commission would resolve the issue prior to the November 1997 municipal elections.¹⁷⁶ Further, the Provincial Government stated that it was not particularly sympathetic to the Townships' concerns about the shift in taxation, which it argued could be cushioned by being phased-in.¹⁷⁷ At this point in time it became increasingly necessary to negotiate an agreement that was acceptable to each party.¹⁷⁸ According to Tindal, it was the continuing threat of a commission that finally led to a restructuring agreement, but only after many months of struggle and some intensive last minute mediation.¹⁷⁹

¹⁷⁵ David Hamilton Bell. "A Year of Change: The Kingston Transition," (Photocopy obtained from City of Kingston, n.d), 32.

¹⁷⁶ Ibid. 37.

¹⁷⁷ Hollick and Siegel, *Evolution, Revolution, Amalgamation: Restructuring in Three Ontario Municipalities*, 70.

¹⁷⁸ Interviews with: Gary Bennett, Former City of Kingston Mayor, October 1, 2003; Ian Wilson, Former Reeve of Ernestown Township, October 1, 2003.

¹⁷⁹ Richard Tindal, "Sex, Lies and Amalgamations?" 6.

5.6. The ‘New’ City of Kingston:

The mediated agreement announced in July 1996, was implemented by Ministerial order on February 15, 1997. The new City of Kingston commenced operation on January 1 1998. As Williams and Downey point out, it embodied two unusual provisions. It was not a traditional amalgamation in which the City of Kingston would annex the Townships of Kingston of Pittsburgh. Rather, the three existing municipalities were dissolved and a new entity was incorporated. Second, the new City of Kingston would operate with a council consisting of twelve members elected in wards, and a four-member board of control and Mayor elected at large.¹⁸⁰ Ensuring for the at-large election of a four-member board of control would serve to mitigate many of the problems that the townships felt were inherent to the ward system.¹⁸¹ These two provisions were clear concessions to the two townships. As Bennett points out, there was an implicit and explicit understanding throughout the discussions that the restructuring would not appear to be an annexation by the City which would further alienate the two townships.

Contrary to what has been discussed thus far, former Minister of Municipal Affairs and Housing Al Leach describes the restructuring experience of the Greater Kingston Area as one that was both smooth and successful. He notes that it was one of the few high profile restructurings that did not generate much controversy.¹⁸² However, as de Hoop points out, the restructuring agreement was made more palatable to area residents as it was crafted by local representatives. However distasteful this new

¹⁸⁰ Williams and Downey, “Provincial Agendas, Local Responses: The “Common Sense” Restructuring of Ontario’s Municipal Governments,” 227.

¹⁸¹ Interview with Gary Bennett, Former City of Kingston Mayor, October 1, 2003.

¹⁸² Interview with Al Leach, Former Minister of Municipal Affairs and Housing, September 25, 2003.

arrangement may have seemed, it was a lesser evil than having an external commissioner determine their fate.¹⁸³

5.7. Case Study No. 2 – Metropolitan Toronto:

In 1953 the Municipality of Metropolitan Toronto (Metro) came into effect as North America's first upper-tier multi-functional urban government. Like other North American and European cities that experienced unprecedented economic growth in the 1950s, it was feared that the fragmented municipal structure of this rising city region would impede this growth. In order to ensure better regional coordination of service provision and delivery, infrastructure construction and planning, the Provincial Government created Metro by integrating the City of Toronto and the surrounding municipalities into a metropolitan federation.¹⁸⁴

5.8. Problems with Municipal Governance in Metropolitan Toronto:

Metropolitan Toronto's system was admired and studied throughout the world as a model of governmental arrangements for city-regions.¹⁸⁵ By all accounts, this system of governance was an outstanding success. Metro's services were financed from rates levied by lower-tier municipalities. This allowed the core City's higher property tax base to be redistributed to help finance services in the suburbs. The Metropolitan Government was charged with the responsibility for the provision of hard services such as pumping

¹⁸³ de Hoop. "Municipal Restructuring in Kingston-Frontenac: The How and Why of Local Government Consolidation from a Central City's Perspective," 76.

¹⁸⁴ Engin F. Isin and Joanne Wolfson, *The Making of the Toronto Megacity: An Introduction* – York University Urban Studies Program, Working Paper No.21 (Toronto: York University), 1.

¹⁸⁵ Sancton, "Merger Mania," 46-47.

stations, water and sewage treatment plants, and major roads etc. Lower-tier municipalities were given the functions of unemployment relief and welfare, public health, retailing water, and sewage and garbage collection.¹⁸⁶ Magnusson argues that from its inception, Metro's major responsibility was to facilitate such expansion.¹⁸⁷ However, despite its initial success, Metropolitan Toronto's municipal structure would go through various transformations that led to its complete amalgamation in 1998.

In 1963, ten years after the creation of Metro, Carl Goldenberg was appointed as a one-man Royal Commission by the Provincial government to report on various matters relating to the region's structure and organization. The most pressing issues at this point were political representation on the Metro Council and the separation of responsibilities between the two tiers. By the 1960s the suburbs began to complain that they did not have a fair share of representation on the Metro Council.¹⁸⁸ Originally, the city was given thirteen representatives with one vote each on Metro Council and each of the heads of council of the thirteen other municipalities was given one vote. When Metro was created, suburban municipalities accounted for only 42% of the region's population. However, by 1961 this figure had risen to almost 66%.¹⁸⁹ The suburbs argued that their level of representation on Metro Council should be higher when taking into account current population levels. While the legislation creating Metro had attempted to define separate powers, overlaps existed which created considerable conflicts and exacerbated the tenuous relationship between the city and developing suburbs. As Isin and Wolfson

¹⁸⁶ Isin and Wolfson, "The Making of the Toronto Megacity: An Introduction," 51.

¹⁸⁷ Warren Magnusson, "Toronto," in Warren Magnusson and Andrew Sancton, eds, *City Politics in Canada*, (Toronto: University of Toronto Press, 1983), 110.

¹⁸⁸ Albert Rose, *Governing Metropolitan Toronto*, (Berkeley: University of California Press, 1972), 80.

¹⁸⁹ Isin and Wolfson, "The Making of the Toronto Megacity: An Introduction," 52.

point out, it became noticeable that there were certain inadequacies in the welfare system which resulted in the City of Toronto supporting the greatest number of poor. This problem did little to convince the city of the benefits of a federated style of municipal government.¹⁹⁰

Prior to the creation of Metro, the City of Toronto argued for complete regional amalgamation. The salience of this perspective did not wane during the first decade of Metro's operations. In assessing how to address Metro's problems, Goldenberg took the opposite approach and argued:

Neat and tidy solutions to complex problems of government are not necessarily applicable or practical...such savings in costs as may be effected would soon be more than offset by the increase in expenditures to raise the standards of services to a common level.¹⁹¹

In his final report Goldenberg recommended consolidating Metro's thirteen existing municipalities into four cities which would function at the lower-tier. The Provincial Government disagreed with Goldenberg with respect to this issue and chose to restructure the lower-tier which would be comprised of the City of Toronto, and five boroughs. In order to solve the service delivery problems, the Province uploaded the responsibility for waste disposal and welfare to the Metro level. While Metropolitan Toronto's boundaries remained intact for the next three decades, considerable attention was paid to the entire municipal structure Greater Toronto Area (GTA) following the recession of the early 1990s.

¹⁹⁰ Isin and Wolfson, "The Making of the Toronto Megacity: An Introduction," 52.

¹⁹¹ Ontario, *Report of the Royal Commission on Metropolitan Toronto* (1965), 1.

The GTA was badly hit by the recession of the early 1990s. Most of the area's economic problems were beyond the capacity of municipal governments to solve. However, there were serious property tax inequities, difficulties in coordinating infrastructure planning, and a widespread belief that different parts of the municipal system were working against one another.¹⁹² Since 1971 the majority of growth in the GTA had taken place in low-density suburbs outside of Metro. This growth pattern raised questions not only about the financial costs of urban services, but also the environmental costs of urban sprawl.¹⁹³ To address this situation, the Rae NDP Government established the Greater Toronto Task Force in 1995. The Task Force was charged with examining "the region's quality of life, governance and competitiveness."¹⁹⁴

The Golden Task Force, much like the WDW panel, examined various issues in an attempt to address the region's problems. With respect to municipal consolidation as a means to create a more effective system of municipal government, the task force was quite skeptical. Its view was based on two considerations. First, the Task Force argued:

The cost of delivering services does not always fall as the amount of service increases. In fact, amalgamation can create diseconomies of scale.¹⁹⁵ Moreover, the savings in eliminating administration duplication can be offset by the upward migration of wages and service standards that often occurs when different wage and service structures are combined.¹⁹⁶

¹⁹² Sancton, "Merger Mania," 114.

¹⁹³ Isin and Wolfson, "The Making of the Toronto Megacity: An Introduction," 56.

¹⁹⁴ Ontario, Task Force on the Future of the Greater Toronto Area, *Greater Toronto Report of the GTA Task Force*, (Toronto: Queen's Printer, 1996), 9.

¹⁹⁵ See Chapter Two for a discussion on the relationship between amalgamation and economies of scale.

¹⁹⁶ Ontario, "Greater Toronto," 212.

Secondly, the Task Force argued:

Amalgamation reduces competition between municipalities, potential leading to less efficiency. With fewer municipalities against which to benchmark, there is less opportunity to measure relative performance and less pressure to keep costs low.¹⁹⁷

The Provincial Government, as history attests, did not view these two opinions, favorably as they went against publicly stated policy objectives. Perhaps reacting to political pressure from the provincial, the Task Force reconsidered its views on amalgamation:

Although the Task Force is reluctant to recommend widespread municipal consolidation, we acknowledge that some municipalities, as they are currently configured, will lack the financial capacity to deliver the full range of services that the task force is proposing. Under these circumstances, we believe consolidation should be pursued.¹⁹⁸

The Task Force's recommendations, with respect to addressing the problems of the GTA went beyond what even the Province had in mind. The report urged the elimination of regional governments entirely, including the metro level of Toronto, and, in turn, giving individual municipalities greater powers. In such a system, upper-tier government would not disappear completely; a region wide Greater Toronto Council would coordinate infrastructure, transportation, and economic planning throughout the entire region.¹⁹⁹

Establishing a relatively powerful Greater Toronto council (GTC) that would act as the new upper-tier authority replacing Metro and the four regional governments caused considerable difficulty for the provincial government.²⁰⁰ This plan held considerable political costs for the provincial government as it brought the "905" voters – the

¹⁹⁷ Ontario, "Greater Toronto," 213.

¹⁹⁸ Ibid..

¹⁹⁹ Ibbitson, "Promised Land," 244.

²⁰⁰ Sancton, "Merger Mania," 117.

government's core support group – much closer to Toronto political issues than they ever wanted to be.²⁰¹ As Ibbitson notes:

The “905” belt was happy and prosperous; why should it see its regional-government structure, which had been in place only twenty years, abolished? Why should the school taxes of its citizens and businesses be diverted to profligate Toronto?²⁰²

Derision towards the Task Force's report was not limited to the “905” region. Politicians on the Metro council naturally objected to the plan as their political careers were now in jeopardy. A highly controversial point of discussion centred on alterations to the property tax system that were recommended in the report. According to Slack, the assessment system in place at that time created significant inequity problems across the GTA.

The assessment system in Metro Toronto is seriously out of date. The last reassessment was undertaken when Metro was formed in 1954, and market values are based on 1940 values. This means that properties are assessed at what they would have sold for in 1940! Not surprisingly, this outdated system has created many problems for Metro. Compared to other municipalities in the GTA, commercial and industrial properties in Metro are overassessed. This means that residential taxpayers are more heavily subsidized by commercial and industrial taxpayers in Metro than anywhere else in the GTA.²⁰³

Any change to the property tax system to introduce some form of equity would result in increased taxes for owners of residential property. Protest largely emanated from downtown Toronto, where councilors argued that a change to the property tax system would double or triple property taxes in gentrified inner-city neighbourhoods.²⁰⁴

²⁰¹ Andrew Sancton, “Why Municipal Amalgamation? Halifax, Toronto, Montreal,” Presented to the Conference on Municipal-Provincial-Federal Relations in Canada, Institute of Intergovernmental Relations, Queen's University, May 9-10, 2003, 15.

²⁰² Ibbitson, “Promised Land,” 244.

²⁰³ Enid Slack, “Averting a Fiscal Crisis In Toronto,” *Policy Options* (December 1996), 39-40.

²⁰⁴ Ibbitson, “Promised Land,” 256.

Notwithstanding the furor that the report had created, the recommendation to create a GTC presented the Provincial with severe practical governance difficulties that even the Task Force did not fully work out. These difficulties pertained to the fate of some services - such as police, ambulance, and sewer and water services - that could not be uploaded to the new authority or to the province level or downloaded to area municipalities.²⁰⁵ The Task Force, contrary to the position of the Province, recommended that such services could be coordinated through inter-jurisdictional agreements. In effect, the Task Force recommended creating an upper-tier body, which, in some respects, would have policy-making powers comparable to the provincial government. Former Minister of Municipal Affairs and Housing Al Leach concedes that this recommendation, more than any other, ensured the demise of the Task Force's report.²⁰⁶

5.9. The Provincial Prerogative:

In December 1996 the provincial government officially announced what it would do with respect to municipal reform in the GTA. In a move that officially signaled the rejection of the Golden Task Force's recommendations on the GTA, the Provincial Government introduced Bill 103, *The City of Toronto Act*, a sweeping measure designed both to amalgamate Metropolitan Toronto's six lower-tier municipalities into a single "Megacity," and recast its system of government. This measure, even more than the

²⁰⁵ Sancton, "Why Municipal Amalgamation? Halifax, Toronto, Montreal," 15.

²⁰⁶ Interview with Al Leach, Former Minister of Municipal Affairs and Housing, September 25, 2003.

restructuring plan that was established under Bill 26, seemed to come “straight out of the blue.”²⁰⁷ Leach admits that the issue of amalgamating Metro was not a prominent issue when the CSR was put together. He argues that serious attention with respect to this issue arose during the “Who Does What” consultation process. Having concluded that the time for restructuring Metro had arrived, the former Minister approached the Premier about the matter.²⁰⁸ The first ‘test’ as Leach points out was to convince the Premier that this was an appropriate action to take. Once this was accomplished the plan to amalgamate Metro could proceed.²⁰⁹ This confluence of events is substantiated by Ibbitson who arrives at the same conclusion.²¹⁰

5.10. The Province Steps In – Laying the Foundations for the MegaCity:

Whereas the idea of amalgamation in the Greater Kingston Area and Hamilton-Wentworth was not a particularly novel idea, this form of municipal restructuring had not been recommended in any reports for Metropolitan Toronto.²¹¹ Why then had the Provincial Government chosen amalgamation as its solution to rectify what it perceived to be the problems of this region?

As Leach points out, three main arguments were advanced in support of the decision to amalgamate.²¹² First, the current structure of Metro allowed for the

²⁰⁷ Sid Noel, *Revolution at Queen's Park* (Toronto: James Lorimer & Company, Publishers. 1997), 3-4.

²⁰⁸ Some argue that the idea to restructure Metro came from within the Premier's inner circle and not Leach. Feldman for instance argues that it was Leslie Noble and Tom Long – part of the team that crafted the CSR – that first posited the idea.

²⁰⁹ Interview with Al Leach, Former Minister of Municipal Affairs and Housing, September 25, 2003.

²¹⁰ Ibbitson “Promised Land,” 246-249.

²¹¹ Boudreau, “The MegaCity Saga,” 7.

²¹² Interview with Al Leach, Former Minister of Municipal Affairs and Housing, September 25, 2003.

duplication of services. For instance, the existence of multiple fire departments led to costly overlaps and inefficiency. Second, the duplication of services resulted in government entanglement and unaccountability. A common feature of the Province's attack on two-tier governments was that taxpayers were unaware of which level of government was responsible for what services. Third, competition between the six municipalities in Metro hindered the region's economic growth. Efficiency would be enhanced and costs would be reduced by eliminating duplication. Also, increased accountability would result if only one department was responsible for a particular service across the region. Amalgamation would also lead to improved economic growth because improved efficiency would make the city more competitive in the global market. Based upon the discussion in chapter two, we can see that these three arguments in their own right are classic consolidationist statements.

In October 1996, the mayors of Metro's six municipalities requested that the Provincial Government grant them thirty days so that an alternative to the government's amalgamation initiative could be crafted.²¹³ As Boudreau points out:

...the mayors knew that they needed to propose significant cost-savings to the Provincial Government in order to avoid forced amalgamation. They estimated savings of \$240 million from eliminating the Metro level of government and from a commitment that administrative costs not exceed 10% of total spending. They also estimated that \$90 to \$120 million of transition costs could be absorbed in one year. The report proposed the abolition of Metro Toronto and the creation of a GTA Services Board with weaker powers than the GTA Council proposed by the Golden Report in previous months.²¹⁴

²¹³ Ontario, Ministry of Municipal Affairs and Housing, Minister Al Leach to Meet with Six Mayors, 21 November 1996 <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2525_1.html>

²¹⁴ Boudreau, "The MegaCity Saga," 8-9.

The “Six Mayors’ Report” according to Leach and officials from the Ministry of Municipal Affairs and Housing was unfeasible. For instance, the report argued that those municipalities that provided services - such as garbage collection - for the lowest cost under the current system would be responsible for garbage collection across all six municipalities. The report also failed to take into account the economies of scale that were in effect with respect to the provision of services. The report failed to take into account the diseconomies of scale that would arise if such services were provided metro wide by an individual municipality. That the “Six Mayors’ Report” was not a well crafted alternative to the Government’s amalgamation plan should not be surprising if we examine the testimony of Michael Prue [former Mayor of East York] to the Ontario Parliament’s Standing Committee on General Government:

That report was made with guns to our heads. We were called into Minister Leach's office. We were told we were going to be amalgamated. We were told there was going to be one level of government, and he told us, "If you want one level and if you want it to be you, come back with a report." So we came back with a report. For 23 days we studied. We worked out an alternative which he didn't buy. I didn't make that report and I didn't sign that report with a great deal of pride. I did that trying to save my municipality, but don't think for a minute that this was done for any other purpose except that we had a gun to our heads.²¹⁵

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

²¹⁵ Ontario, *Hansard*. Standing Committee on General Government, 13 February 1997 (Hearing on *The City of Toronto Act 1996*)
<http://www.ontla.on.ca/french/hansard/committee_debates/36_parl/session1/gengov/g064.htm>

Savings were found through changes in government structure, service management and delivery... the new government would be able to start with a clean slate, and take "full advantage of the best ideas in government innovation on how to do better with less." ... moving from seven governments to one would remove unnecessary duplications and overlaps, saving about \$100 million of the projected \$300 million annual savings beginning in 1998. By the year 2000, the other \$200 million in annual savings would be realized through enhanced efficiency.²¹⁶

While the projected cost-savings are impressive, the veracity of the KPMG report was questioned on numerous fronts. For example, Slack argues that an undermining feature of the KPMG Report and those that followed is that cost-savings cannot be accurately estimated. There is no clear methodology which can take all possible factors into account. While there are cost-savings attributable to amalgamation, they are insignificant. Such savings are negated by other factors such as the harmonization of service levels and salaries.²¹⁷ For example, prior to Metro's amalgamation, each municipality had its own fire department. While amalgamating six fire departments reduced the number of fire chiefs from six to one, cost-savings were offset by the leveling up of service levels and fire fighters' salaries.²¹⁸ The KPMG Report as Sancton points out made no reference to the potential for increased costs due to the harmonization of service levels²¹⁹ and collective bargaining agreements.²²⁰

The release of the KPMG report to a large extent demonstrates the haste with which the Provincial Government sought to amalgamate Metropolitan Toronto. As

²¹⁶ Ontario, Ministry of Municipal Affairs and Housing, Study Shows One Toronto Would Save Taxpayers \$300 Million A Year, 16 December 1996

<http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2537_1.html>

²¹⁷ Interview with Enid Slack, "Who Does What Panel" Member, October 20, 2003.

²¹⁸ Please see, Enid Slack, "A Preliminary Assessment of the New City of Toronto," *Canadian Journal of Regional Sciences*, XXIII: 1 (Spring 2000), 19.

²¹⁹ It should be noted that harmonization applied to only 30% of the total new expenditures of the new city because 70% of total expenditures (social services, transit and policing) had already been amalgamated at the metropolitan level of government.

²²⁰ Sancton, "Merger Mania," 126.

Feldman and Slack point out, the report, which took only three weeks to complete, did not conclusively demonstrate that there were unacceptable inefficiencies prior to amalgamation. In a two-tier system service overlap and duplication is sometimes unavoidable. This does not necessarily imply that the system is inefficient. Even if inefficiencies exist there are other corrective measures available such as contracting out, or performance measurement. However, such options were not considered by the Provincial Government. Nonetheless, the KPMG Report was used as a means to justify Metro's amalgamation initiative.

5.11. The Path to Amalgamation:

While a full discussion of all the events leading up to Metro's amalgamation after the introduction of Bill 103 goes far beyond the scope of this body of work, there are certain issues that require some attention.²²¹ This is necessary so that the reader can be apprised of how the Provincial Government responded to the controversy that was generated by Bill 103.

While the decision to amalgamate Metro was supported by some - most notably the Metropolitan Toronto Board of Trade, The Urban Development Institute, and the Greater Toronto Homebuilders' Association – because of its bureaucratic neatness²²², the Provincial Government faced hostile opposition from both the Liberal and New

²²¹ For a more detailed report please see: Andrew Sancton, *Merger Mania: The Assault on Local Government* (Montreal: McGill-Queen's University Press, 2000); John Ibbitson, *Promised Land: Inside the Mike Harris Revolution* (Scarborough: Prentice Hall Canada, 1997); Julie-Anna Boudreau, *The MegaCity Saga*, (Montreal: Black Rose Books, 2000), and; Martin Horak, *The Power of Local Identity: C4LD and the Anti-Amalgamation Mobilization in Toronto*, Research Paper 195, Center for Urban and Community Studies, University of Toronto 1998.

²²² Boudreau, "The MegaCity Saga," 9.

Democratic Parties and Metro's six lower-tier municipalities. The most notable opposition came in the form of a local plebiscite, legislative filibustering, and legal challenges to amalgamation.

In addition to the city's unification, Bill 103 allowed for the immediate appointment of a board of trustees. This board was required to monitor the existing municipal councils, review operating and capital budgets and approve all monetary expenditures of \$50,000 or more. The legislation stated that board decisions would be final and not be subject to review by the courts. A transition team, which was also appointed by the Province, was handed a mandate to establish the basic organizational structure of the new city, hire department heads and any other staff deemed necessary to ensure for the efficient continuity of municipal services.²²³

In February 1997, the former City of Scarborough legally challenged these provisions, and in doing so, questioned the legality of installing appointed trustees before the Act authorizing their appointment had become law. The Province argued that the creation of a transition team and a board of trustees to establish the new City's initial budget and procedures, would allow for a smoother transition to amalgamation. In his ruling, Justice Brennan of the Ontario Court's General Division ruled that the Province had broken the law by appointing trustees to oversee the amalgamation before the legislation was passed.²²⁴ The legal challenge by the aforementioned municipality while valid was clearly a stalling technique as the Provincial Government would eventually appoint the trustees with retroactive powers after the passing of Bill 103.

²²³ Isin and Wolfson, "The Making of the Toronto Megacity: An Introduction," 62.

²²⁴ Ibbitson "Promised Land," 262.

On March 3, 1997, a plebiscite was held across Metro in which residents were asked to respond to the following questions: Are you in favour of eliminating [your municipality] and all other existing municipalities in Metropolitan Toronto and amalgamating them into a Megacity? The answer was no, at an average of 76 per cent, with a 36 per cent response rate across the six municipalities.²²⁵ The Province stated that it would not be bound by such a plebiscite as it was non-binding. While the results of the plebiscite are not substantive, due primarily to the low turnout, this was another sign of disapproval towards Bill 103.

Bill 103 was scheduled to pass during a special session of the legislature called for the first week of April. While the Provincial Government's healthy majority in the Legislature would ensure the passing of Bill 103, the two opposition parties were prepared to delay its passing. Prior to the third and final reading of Bill 103, the house sat in 'committee of the whole' to vote on any proposed amendments on April 2, 1997. In total, the Liberal and New Democratic Parties tabled approximately 11,000 proposed amendments. The filibuster lasted until April 11,²²⁶ and Bill 103 passed third reading on April 21.²²⁷ The new City of Toronto came into effect on January 1, 1998.

5.12. The 'New' City of Toronto:

The amalgamation of Metro, which resulted in the City of Toronto, was the most contentious of all the restructurings. Not surprisingly, opposition was visible from

²²⁵ Ibbitson "Promised Land," 263.

²²⁶ Ibbitson, "Promised Land," 266-268.

²²⁷ http://www.ontla.on.ca/documents/Bills/36_Parliament/session1/bills.htm#Bill_103

multiple fronts. The amalgamation of Metro was predicated on classic consolidationist principles. Service duplication, a lack of political accountability, a preponderance of local politicians, and a lack of regional coordination were cited as factors that undermined the cost-effectiveness of Metro. In effect, while this system was appropriate in the 1960s, by the 1990s the Metro had outgrown its usefulness.

Opponents of the amalgamation initiative continue to be at odds with this public policy for the primary reason that the government produced no comprehensive studies which could demonstrate why amalgamation was necessary, nor was any intellectual capital expended in articulating the case for amalgamation. We can look at the restructuring of the City of London, England, in the 1960s as an example of how a restructuring process should ideally develop. Here the British Government relied not only on a Royal Commission to form its restructuring plans, but also issued a detailed white paper that articulated the rationale behinds its restructuring decision.²²⁸ This demonstrates how a government was committed to spending intellectual and monetary capital to promote its agenda. In light of this, one can argue that the Provincial Government's restructuring agenda would not have been as contentious in Toronto had a similar approach been taken with respect to the restructuring agenda in whole.

Metro, like other municipal governments, had its fair share of problems which could have been addressed by other means such as contracting out or performance measurement techniques. Over time, amalgamations have resulted in higher expenses. This is not necessarily a negative issue if the reasons for amalgamations are for reasons

²²⁸ Sancton, "Merger Mania," 43.

other than cost-savings. For instance, had the Provincial Government argued that the benefits of a single-tier City of Toronto would increase the region's quality of life, or allow it to develop better economically because of a more coordinated governance structure, then the argument for amalgamation would have been entirely legitimate. As Slack continues to point out the reality is that there are no cost-savings to be found in the City of Toronto.²²⁹

Former Minister of Municipal Affairs and Housing Al Leach paints a decidedly different picture. He concedes that it will take at least a generation for the benefits of amalgamation, such as cost-savings, to pay off.²³⁰ This, as one can surmise, is a decidedly different perspective from that of the mid to late 90s when Metro was restructured. However, a cursory view of the events surrounding Metro's amalgamation demonstrates that it was the one case that could not fail. The Government, having expended such a large amount of political and monetary capital on this one restructuring, had to ensure its success.

While the Harris government eliminated the two-tier system in Metropolitan Toronto, it did nothing to restructure Ontario's two-tier regional governments... all of which experienced bitter battles between the two-tiers, as each side jockeyed for position in the restructuring sweepstakes. Nowhere was the battle more bitter than in Hamilton.²³¹

²²⁹ Interview with: Enid Slack, "Who Does What Panel" Member, October 20, 2003.

²³⁰ Interview with Al Leach, Former Minister of Municipal Affairs and Housing, September 25, 2003.

²³¹ Sancton, "Merger Mania," 143.

5.13. Case Study No. 3 – Hamilton-Wentworth:

The creation of regional government in Hamilton-Wentworth in 1974 was originally modeled on the Metropolitan Toronto model. While the creation of Metropolitan Toronto has been characterized as an ad hoc response to specific servicing problems, the broader regional government program, developed, at least officially, from an overall government policy. That policy as set out in *Design for Development, Phase 2*, 1968, recognized the need to provide not only efficient service delivery but adequate access and effective representation of local views and concerns. Furthermore, it called for regional governments that were based on such criteria as community of interest, an adequate financial base and sufficient size to generate economies of scale.²³² In accordance with this restructuring policy, two-tier regional governments were established in Niagara, Ottawa-Carleton, Sudbury, Hamilton-Wentworth and Waterloo, and by 1975, more than half of Ontario's population lived within these restructured urban two-tiered systems.²³³ Policy-makers were convinced that larger municipal units would increase levels of equity as measured by relative tax burdens and levels of service. Small municipalities which benefited from abnormally high concentrations of revenue-producing industrial and commercial property would now have to share their good fortune. Those which might have been unable to afford such items as sophisticated sewage treatment facilities, or good public libraries, would find their service levels upgraded to the standards in place in the best-served community with which they had

²³² Ontario, "Design for Development, Phase 2,"

²³³ Sancton, "Metropolitan and Regional Governance," 59.

been merged.²³⁴ As such the creation of regional governments such as Hamilton-Wentworth was seen as the next evolutionary step in local government.²³⁵

5.14. Problems with Municipal Governance in Hamilton-Wentworth:

The region of Hamilton-Wentworth was created through the amalgamation of the former County of Wentworth and the City of Hamilton. As O'Brien points out, there were two major differences between the Regional Municipality of Hamilton-Wentworth and the structures that preceded it. First, the City of Hamilton and Wentworth County were now combined in one governing structure that was comprised of six area municipalities.²³⁶ With respect to the governing structure, regional councils were originally composed of mayors and councilors from the lower-tier municipalities. Second, the upper tier Region was allocated responsibility for substantially more services than the county had provided.²³⁷ Tindal describes this restructuring as a modification of the traditional county system in Ontario. The reformed structures all contained two-tiers, with the upper tier closely paralleling the boundaries of one or more counties in most cases.²³⁸ The provision of region-wide services such as water, transit, solid waste disposal, economic development, social services, public health, solid waste disposal etc lay at the upper-tier, whereas the six lower-tier municipalities were responsible for Solid

²³⁴ Andrew Sancton, *Local Government Reorganization in Canada since 1975*, (Toronto: ICURR Press, July 1993), 4.

²³⁵ Interview with Milt Farrow, Special Advisor for Haldimand-Norfolk, October 16, 2003.

²³⁶ Ancaster, Dundas, Glanbrook, Flamborough, Hamilton, and Stoney Creek

²³⁷ Ontario, Municipal Affairs and Housing, *Report of the Special Advisor, Local Government Reform for Hamilton-Wentworth*, David O'Brien." (November 1999). 5.

²³⁸ Tindal and Tindal, "Local Government in Canada," 106.

waste collection, storm sewers, parks, recreation, tax collection etc.²³⁹ Costs were apportioned to each municipality in proportion to its share of assessed value of the real property in the region, in essentially the same manner as under the county system.

From their inception, regional governments such as Hamilton-Wentworth were highly controversial and unpopular. For instance, as former Regional Chairman Terry Cooke points out, the two-tier system of Hamilton-Wentworth confused lines of political accountability, or in other words, who was responsible for what.²⁴⁰ Such a system also allowed for the development of territorial or parochial politics that hindered the objectives of the region's overall development. As Sancton points out:

The Hamilton-Wentworth system was dysfunctional from the very beginning. The main problem was that the City of Hamilton, because of its high proportion of the regional population, always had more than half the seats on regional council. In the early years of Hamilton-Wentworth, suburban members would sometimes thwart the city by walking out, thereby preventing a quorum.²⁴¹

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

By the mid 1970s the Province no longer advocated the creation of new two-tier governments. In general the two-tier system was proving to be much more expensive than was originally forecasted. The fact that two-tier systems at the very least required more elected officials, more administrators, and more facilities served only to increase

²³⁹ "Hamilton-Wentworth," 1999, 19.

²⁴⁰ Interview with Terry Cooke, former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

²⁴¹ Sancton, "Merger Mania," 143.

operating costs. The most oft cited weaknesses of the two-tier system were that service duplication and overlap was unnecessarily high, and that there was a general lack of coordination between the two tiers of government.

5.16. A History of Municipal Restructuring Discussions in Hamilton -Wentworth:

The concept of a single-tier municipality in the former region of Hamilton-Wentworth had been discussed for many years. Prior to the creation of the region in 1974, the Steele Report (1969) reviewed local government organization in Wentworth County and the City of Hamilton, as well as adjacent parts of Haldimand, Halton, and Lincoln Counties. While the report was critical of the fragmentation which it found among the separate counties and municipalities, it rejected a single-tier amalgamated structure and instead recommended a two-tier regional government.²⁴²

In 1978, the Hamilton-Wentworth Review Commission (Stewart Report), assessed the state of local government in the region. In its report, the commission stated:

... the present institutions do not fulfill our criterion of a government that can respond to the needs and desires of its citizens. In our view, there are three basic problems: there are serious conflicts between city and non-city politicians, which interfere with and retard the development of policies to serve the citizens of the Region; the structure blurs accountability and hinders accessibility, with the result that it cannot respond to the citizens easily; and finally, the structure of the system results in resources not being used as efficiently as possible.²⁴³

Similar to what was argued during the restructuring debates in the Greater Kingston Area, the Commission argued:

²⁴² Hamilton-Burlington-Wentworth Local Government Review, *Report and Recommendations* (November 1969)

²⁴³ Henry E. Stewart, Chairman, *Report of the Hamilton-Wentworth Review Commission* (May 1978), 40-41

The pattern of employment opportunities indicated that Hamilton-Wentworth is not an area of people in separate communities merely living near each other, but rather that the constituent municipalities are highly interdependent. This pattern of strong interactions within the area makes it clear that a municipal government structure that ignores the significance of this... will not serve the best interests of either the people of the city or of the rest of the region.²⁴⁴

In sum, the Commission concluded that a new single-tier City of Wentworth should replace the region and its six lower-tier municipalities. Not surprisingly, the commission's recommendation to create such a structure was not taken up by the Province due mainly to the fact that the region had only been in effect for four years. However, some of the commission's recommendations would see the light of day two decades later.

In 1993 Hamilton-Wentworth Regional Council directed Regional Chairman R.J. Whynott to conduct a review of the region's political structure and report back with recommendations for consideration. In his report Whynott identified several problems that were directly attributable to the manner in which the region's two-tier system operated. In what can be construed as an admonishment of regional government and indirect elections, Whynott addressed the problems incurred by elected officials that served at both the upper-tier (regional council) and lower-tier (area municipal council). There were two main problems that he identified. First, he argued that serving at both tiers imposed significant time demands on councilors who must attend two sets of council meetings, two sets of committee meetings, two sets of agendas to read etc. Secondly, because of this situation, such councilors did not owe their first allegiance to the regional government. When faced with the reality that they are elected to council by voters in

²⁴⁴ Henry E. Stewart, Chairman, *Report of the Hamilton-Wentworth Review Commission* (May 1978), 33.

their local municipality or ward, it is difficult if not impossible to consider regional issues without a “local” bias.²⁴⁵ Several themes emerged from the Whynott report. For instance, there was a general agreement among the councilors interviewed that territorial or parochial politics were major problems in the Regional Council. The report, much like its predecessors recommended that a task force be struck to design a single-tiered regional government. The report and its recommendation fell into abeyance as no immediate action was taken.

The election of Terry Cooke to the position of Regional Chairman in 1994 further heightened the profile of amalgamation. The central message of Cooke’s election platform was similar to that of former City of Kingston Mayor Gary Bennett; the status quo is not an option. Up to this point, restructuring discussions had for the most part been a local issue as demonstrated by the discussion thus far. However, by carrying a majority in four of the six constituent municipalities in the 1994 regional election, Cooke ensured that the issue of restructuring Hamilton-Wentworth would now be placed on the provincial government’s radar.²⁴⁶

Under the leadership of Cooke, the Hamilton-Wentworth Regional Council approved the formation of the Constituent Assembly in February 1995. The Assembly’s mandate required it to examine the existing municipal government system and to evaluate whether change to the existing system was necessary, and if so, what options exist for

²⁴⁵ Regional Municipality of Hamilton-Wentworth *Regional Government Structure: A View to the Future* (Whynott Report - August 1994), 7-10.

²⁴⁶ Interview with Terry Cooke, former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

providing such change.²⁴⁷ In its final report the Assembly made several observations, of which the following are most pertinent.²⁴⁸ First, the Assembly noted that in Hamilton-Wentworth, there was a distinct lack of clarity about the division of responsibilities between regional and local area municipalities which allowed for some duplication in government services. It argued that the region required a more coherent decision-making framework as the lack of trust between local, regional and provincial governments undermined long-term planning and priority setting across the region. These and other observations led the Assembly to conclude that structure of municipal government in Hamilton-Wentworth could not adequately respond to the significant social, cultural, economic and political changes that put new demands and expectations on governments. In light of this, the Assembly recommended a restructuring of the six area municipalities and the region into one municipality. This option, supported by the City of Hamilton and the District Chamber of Commerce, was rejected by the five area municipalities and more importantly the regional council on July 5, 1996.²⁴⁹

Hamilton-suburban tensions came to a head and captured province wide attention in the early fall of 1996, when Regional Council voted to eliminate the region.²⁵⁰ The *Hamilton Spectator* assessed this development:

Tuesday's vote to abolish the region was both a last minute political scramble and a product of months of careful behind-the-scenes legwork. Plans by some city politicians to push votes on a one-tier region and wipe out the suburban municipalities forced the hand of suburban politicians and their city allies, who had been quietly building a majority consensus over the past two months. The proposal itself - eliminating the region

²⁴⁷ Constituent Assembly on the Municipal Government System in Hamilton-Wentworth, *Better Municipal Government: Final Report from the Constituent Assembly* (March 31, 1996), i.

²⁴⁸ *Ibid.*, 15-21

²⁴⁹ "Constituent Assembly's One-Tier System is Dead," *Hamilton Spectator* (July 6, 1996)

²⁵⁰ Williams and Downey, "Provincial Agendas, Local Responses: The "Common Sense" Restructuring of Ontario's Municipal Governments," 220.

and having smaller municipalities buy whatever services they need from Hamilton – has been a theme running through most suburban proposals... but it only became feasible when the suburban bloc began courting Hamilton politicians.²⁵¹

5.17. The Province Is Put on Notice:

The issue of municipal restructuring in Hamilton-Wentworth was becoming increasingly intractable. Schisms between the affected parties were widening and deepening, and the apparent defections of Hamilton City Councilors complicated matters further. At this point local MPPs and Hamilton City Council sought the Province's assistance in resolving the issue. In a maneuver that paralleled what was taking place in the Greater Kingston Area, the Province declined to take a proactive role in the region's restructuring discussions. At the time Minister of Municipal Affairs and Housing, Al Leach stated:

It would be presumptuous of me at this stage to say I'm sending somebody in to sort out your problems. They've been debating this issue for months and months and months. I don't think it would be reasonable for them to expect me to make a 24-hour knee-jerk decision.²⁵²

Leach's assessment was not however shared by many in the Hamilton-Wentworth political community. Area MPP David Christopherson, while against direct provincial intervention on the issue, stated that provincial involvement was now necessary.²⁵³ The local academic community also weighed in on this issue. McMaster University Professor, Henry Jacek stated:

I'm sure the Province doesn't want to do it because it would be a nightmare. The Province's reluctance to become involved suggests that the contentious plan won't go

²⁵¹ Rick Hughes, "Months of politicking behind vote," *The Hamilton Spectator* (October 3, 1996), A3.

²⁵² Jim Poling, "Solve Region Woes Yourself: Province," *The Hamilton Spectator* (October 3, 1996), A1.

²⁵³ Ibid.

anywhere. We are spinning our wheels. I think we still have gridlock. The traffic has just moved to another intersection.²⁵⁴

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

I think it's been studied to death. There have been gobs of paper. Let's just get all of the players together and get them to sit down and reasonably talk about the options that are available to them. I think everyone agrees that change is needed. The majority of them agree what that change should be.²⁵⁵

On November 8, 1996, a settlement was negotiated and approved by twenty-six regional councilors and four of the six area municipalities which represented 85% of the region's population. Referred to as the "Memorandum of Negotiations," the main points of the agreement were as follows²⁵⁶:

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

Like previous negotiations, the "Memorandum of Negotiations" caused considerable problems for certain municipalities. For instance, Dundas and Flamborough chose not to be involved in the negotiations and strongly opposed the settlement. One of the major

²⁵⁴ Ken Peters, "Messy Divorce Ahead?" *The Hamilton Spectator* (October 3, 1996), A3.

²⁵⁵ Jim Poling, "Mediator Enters Fray Over Reform," *The Hamilton Spectator* (October 24, 1996), A1.

²⁵⁶ Ontario, Ministry of Municipal Affairs and Housing, Minister Endorses Hamilton-Wentworth Agreement, 18 November, 1996. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2557_1.html>

issues for the City of Hamilton was parity in representation between the City and the suburban municipalities on the new council. Suburban leaders had insisted on political parity with the City as their price to support a one-tier proposal, whereas the City sought a system of representation by population.²⁵⁷ On December 10, 1996, Hamilton City Council chose not to endorse this provincially endorsed agreement. Perhaps foreshadowing what would take place three years later, Leach stated:

Hamilton-Wentworth will not get a better supercity deal than the pact currently proposed. No amount of talking, negotiating or compromising will get a better deal for residents. I don't think any additional studies or reviews will produce any closer consensus than we have now. They've exhausted the process and I think that it is important to respond to that process before everyone starts wandering off in different directions.²⁵⁸

On December 17, 1996, the Provincial Government instructed Ernie Hardeman, Parliamentary Assistant to the Minister of Municipal Affairs and Housing, to review the "Memorandum of Understanding." Having accepted most of the points in the memorandum, Hardeman offered several additional recommendations designed to ensure for the implementation of the restructuring proposal. For instance, Hardeman recommended that Flamborough be divided among the existing municipalities in Halton, Waterloo, and the new city. Hardeman argued that the main criteria for such a partition should be based on the communities of interest of the residents in each area.²⁵⁹ Despite its more conciliatory attitude towards Flamborough, the fate of the Hardeman report was no different to previous studies.

²⁵⁷ Ken Peters, "Rep-by-Pop Backlash Threatens Supercity," *The Hamilton Spectator* (December 11, 1996), A1.

²⁵⁸ Jim Poling, "There's No Better Deal for Region, Leach Warns," *The Hamilton Spectator* (December 12, 1996), A1.

²⁵⁹ Report of E. Hardeman on The Implementation of the Memorandum of Negotiations – Hamilton-Wentworth (January 31, 1997), 11.

According to former Regional Chairman Terry Cooke, even though the final agreement was not implemented, the Church negotiations did not fail. The primary mistake with the negotiations was that they were held in an environment conducive for collective agreement, which ruled out public consultations. The environment in which these discussions took place was quite similar to the GKA experience; elected officials were under pressure to reach a locally agreed upon restructuring plan as an alternative crafted by the Province would be worse. Relations between the parties quickly strained, with one official stating, “If I agree to any consolidation plan, I would rather the Province impose it as the price of accepting it is too high.” By all accounts the Province posed the biggest problem in restructuring discussions, as it refused to take an unequivocal stance as it had done in other restructurings. The Province’s political mismanagement of this issue ensured that the cooperation of municipal representatives would be much tougher, and that this round of negotiations would come to a standstill.²⁶⁰

The next local initiative to restructure regional government in Hamilton-Wentworth came from area Conservative MPP Toni Skarica in February 1997. With the Province’s reluctance to impose single-tier government in Hamilton-Wentworth, the “Skarica Plan” was seen as an attempt to force the Province into accepting a locally arrived at agreement. Skarica’s proposal which called for the elimination of regional government would retain the six area municipalities and download regional responsibilities onto the City of Hamilton. In the days immediately following this agreement, each of the six area municipal councils passed a resolution supporting in

²⁶⁰ Interview with Terry Cooke, former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

principle the Skarica proposal and on March 11, Hamilton-Wentworth Regional Council approved the Skarica Plan.²⁶¹ In what can be construed as an attempt to derail this latest phase of negotiations, the Province made an about-turn and stated that the existing structure of regional government is an option. The Province emphasized that at least five proposals had been brought forward and was willing to consider each of these options, or the best elements of them as part of a final solution.²⁶² On March 13, 1997, the Province stated that it was giving up on municipal reform in Hamilton-Wentworth. Whether the Skarica plan would have been accepted by the Province is debatable. Former Regional Chair Terry Cooke doubts the plan would have been accepted, in spite of the Province stating that it would accept a locally agreed upon restructuring proposal. As Cooke points out:

The Skarica Plan only protected municipalities from being swallowed up by the old City of Hamilton, which was more of a political culture issue than a structural one. The plan was a political façade as it was not built on a framework. The Province which had 30 years of studies on its side concluded that single tier was the necessary route to take. Skarica's main problem was that he was not influential enough within his own caucus to affect the process from within.²⁶³

This issue of creating a single-tier government for Hamilton-Wentworth was raised once more in May 1998, by Hamilton City Council whose request for a forced merger was rejected by the Province. With a provincial election looming in June 1999, the Province no longer entertained the issue of municipal restructuring in Hamilton-Wentworth. Clearly cognizant of the effect that a forced restructuring may have on the reelection chances of local area MPPs, the government backed away from this issue. As

²⁶¹ Williams and Downey, "Provincial Agendas, Local Responses: The "Common Sense" Restructuring of Ontario's Municipal Governments," 221.

²⁶² Rick Hughes, "Leach Letter Confounds Councilors," *The Hamilton Spectator* (March 12, 1997), A1.

²⁶³ Interview with Terry Cooke, former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

Leach points out, local area MPPs requested that the government wait until after the election before proceeding with a forced restructuring.²⁶⁴ This development led Conservative MPP Toni Skarica to state to his electors that he had received assurances from the premier's office that there would be no imposed amalgamation in the Hamilton area. Furthermore, he promised that as long as he was their MPP, the Conservatives could not implement such a scheme.²⁶⁵

As Sancton points out, municipal restructuring was not a significant issue in the June 1999 Ontario provincial election. In the Conservative's 1999 election platform, *Blueprint*, there was only one reference to the subject: "We have found plenty of common sense ways to cut government waste and improve efficiency."²⁶⁶ The omission of future amalgamations from the government's electoral platform was not, as Cooke points out, a sign that the government had abandoned its amalgamation project, but rather a tactical maneuver designed to lower the profile of the municipal amalgamations, so that they could be revisited in the Government's second mandate.²⁶⁷

5.18. The Province Steps In:

On August 23, 1999, Steve Gilchrist, the new post-election minister of Municipal Affairs and Housing unveiled the Provincial Government's new plan to reduce the number of politicians and improve local government in four regions. This would, argued the Province, make local government simpler, more efficient, and more accountable. The

²⁶⁴ Interview with Al Leach, Former Minister of Municipal Affairs and Housing, September 25, 2003.

²⁶⁵ Sancton, "Merger Mania," 141.

²⁶⁶ Ibid.

²⁶⁷ Interview with Terry Cooke, Former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

new plan, according to the Province, was designed to protect taxpayers in the regional municipalities of Haldimand-Norfolk, Hamilton-Wentworth, Ottawa-Carleton and Sudbury from the costs of large bureaucracy, increased red tape and inefficient municipal government. The Minister noted that, in areas of the province where local government has already been streamlined, municipalities had reported total savings expected to benefit taxpayers by \$220 million annually.²⁶⁸

On September 24, 1999, Mississauga City Manager David O'Brien was appointed as the Minister's special advisor for municipal restructuring in Hamilton-Wentworth. O'Brien was given 60 days to consult with local taxpayers, businesses and other key stakeholders, review municipal reform proposals, and submit a written report with recommendations to the Minister. In assessing options for municipal structures in Hamilton-Wentworth, O'Brien's task was to determine how best to achieve the following five goals²⁶⁹:

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

As was the case in previous restructuring discussions in Hamilton-Wentworth, arguments for and against amalgamation were prominent. Predictably, suburban opposition centred on avoiding a single city, or one-tier solution. As O'Brien points out,

²⁶⁸ Ontario, Ministry of Municipal Affairs and Housing, "Gilchrist Acts to Protect Tax-payers: Fewer Municipal Politicians, Improved Local Government," 30 August 1999
<http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2093_1.html>

²⁶⁹ Ontario, Ministry of Municipal Affairs and Housing, "Report to The Minister of Municipal Affairs and Housing: Local Government Reform for Hamilton-Wentworth," (November 26, 1999), iii.

a number of alternative structures to the status quo were presented during the course of public consultations. However, most discussion tended to coalesce around two proposals – one city and three cities.²⁷⁰ The “One city” model, presented by the City of Hamilton, and supported by Regional Chairman Terry Cooke, recommended that one new single tier municipal government be created to replace the existing structure. The city argued that such a structure would improve economic efficiency, increase cost savings, enhance capacity for area-wide planning, improve the region’s competitive position in the global market, and enhance accountability.²⁷¹ The “three cities” model was proposed in two separate, but coordinated presentations by the five suburban municipalities. Some suburbs accepted the need for some amalgamations, presumably to show that they were sensitive to the government’s objectives.²⁷² This proposal involved the elimination of the regional layer of government, the retention of the City of Hamilton, and the creation of two new cities. It proposed that the City of Wentworth be comprised of the municipalities of Ancaster, Dundas, and Flamborough, and that the City of Stoney Creek be comprised of the municipalities of Stoney Creek and Glanbrook.²⁷³ On balance, O’Brien concluded that the “One City” model could best achieve the five restructuring goals that had been set out in his terms of reference.

With respect to the projected financial savings that a single-tier structure could generate, Hamilton-Wentworth was a special case. In 1998 the administrative structures of the Region of Hamilton-Wentworth and the City of Hamilton were combined with a

²⁷⁰ Ontario, “Hamilton-Wentworth,” 26.

²⁷¹ *Ibid.* 26-27.

²⁷² Sancton, “Merger Mania,” 145.

²⁷³ Ontario, “Hamilton-Wentworth,” 28.

saving of approximately \$13.6 million in the first year. This consolidation, as O'Brien goes on to point out, meant that 91% of the total expenditure of local governments in the Hamilton-Wentworth area was already centred within one administration.²⁷⁴ The reduction in locally elected officials from 59 to 14 – which from the Province's point of view was perhaps the most important issue - would provide further savings. Taking these factors into consideration, O'Brien could only identify a further savings of \$10 million dollars, which represented 1.1% of total municipal operating expenditures in the area.²⁷⁵ Transition costs for the amalgamation were estimated to be \$10 million and O'Brien recommended that the Province assist the new municipality in covering such costs.

5.19. The 'New' City of Hamilton:

While Bill 26 established a procedure for municipal restructuring in Ontario, its provisions did not extend to Ontario's regions. As such, the restructuring of Hamilton-Wentworth, like Metropolitan Toronto, required additional legislation. On December 6, 1999, the Provincial Government introduced Bill 81, *The Fewer Politicians Act*. Promoted as a bill that would "lower taxes and reduce the number of municipal politicians," this act not only established a new system of single-tier municipal government in Hamilton, but also reduced the size of the Toronto City Council from 57 to 44.²⁷⁶ The new City of Hamilton began operating on January 1, 2001.

²⁷⁴ Ontario, "Hamilton-Wentworth," 27-28.

²⁷⁵ Ibid 33.

²⁷⁶ Ontario, Ministry of Municipal Affairs and Housing, "Bill to Lower Taxes and Reduce the Number of Politicians," 21 December, 1999 <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2139_1.html>

For some, single-tier government in Hamilton-Wentworth was an inevitability that dated back to the creation of regional government in 1974. Feldman argues that regions such as Hamilton-Wentworth and Ottawa-Carleton should always have been single-tier. While it may have been somewhat difficult to incorporate rural interests within a single-tier structure, there were good intellectual arguments - setting aside the political ones - for why these two regions should have been single-tier. For instance, suburban municipalities owed their livelihood to the core city [an argument which was also made in the Greater Kingston Area restructuring debate].²⁷⁷ Former Regional Chair Terry Cooke perhaps sums up the region's political evolution best:

Many knew that a single tier of government in the region was inevitable, but could not sell it to their constituents. This inevitability dates back to the creation of regional government. At the formation of the regional government all recommendations pointed to a one tier system. The provincial government in effect created a hybrid compromise that kept local municipalities in place, while most of the responsibility for the area went to the regional level. Once the region was formed and responsibilities were being pushed upwards, it was inevitable that single tier would come about in the future.²⁷⁸

5.20. Analysis:

In chapter four I demonstrate that municipal restructuring was part of a larger package of reforms that were implemented by the Progressive Conservative Government. In essence, municipal restructuring was an important subsidiary policy that was undermined by political considerations. This point is reinforced by the Government's reluctance to implement this policy province-wide, most notably, in the voter rich "905" region. Taking this into account, chapter five examines the events surrounding three case studies – the cities of Kingston, Hamilton, and Toronto. The Progressive Conservative

²⁷⁷ Interview with Lionel Feldman. Lionel D. Feldman Consulting Ltd, September 16, 2003.

²⁷⁸ Interview with Terry Cooke, Former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

election platform (CSR) in 1994 stated that, “we will sit down with municipalities to discuss ways of reducing government entanglement and bureaucracy with an eye to eliminating waste and duplication as well as unfair downloading by the Province.”²⁷⁹ Once in power the Progressive Conservatives stated that, “local restructuring should not be left up to an independent third party to decide. These decisions should be made by local governments as they know best the needs of their taxpayers.”²⁸⁰ With the possible exception of Greater Kingston, the restructurings of Metropolitan Toronto and Hamilton-Wentworth demonstrate that such statements are not indicative of how the Province chose to employ its resources with respect to restructuring in Ontario.

The Progressive Conservative Government was unequivocal in its assessment that municipal restructuring would ultimately benefit the taxpayers of Ontario. In its electoral platform, the PC party stated that, “we will work closely with municipalities to ensure that any actions we take will not result in increases to local property taxes.”²⁸¹ On January 17, 1997, Minister of Municipal Affairs and Housing Al Leach stated:

When you add up the figures on both sides of the ledger, you see that municipalities will have tax room to maneuver with. By the year 2000, municipalities should have enough room to reduce property taxes by up to 10 per cent.²⁸²

Such a statement seems to suggest that cost-savings from restructuring would allow for a reduction in property taxes. However, a cursory examination of the budgets of Kingston, Toronto, and Hamilton demonstrates that this projection was overly optimistic, and in

²⁷⁹ *The Common Sense Revolution*, 17.

²⁸⁰ Igor Vojnovic, “Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities,” 45.

²⁸¹ *The Common Sense Revolution*, 5.

²⁸² Ontario, Ministry of Municipal Affairs and Housing, Huge Potential for Property Tax Cuts, 13 January, 1997. <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_2557_1.html>

fact, incorrect. For instance, residential property taxes in the City of Kingston have increased on average by 4.8%, 3.8% and 4.9% between 2001 and 2003.²⁸³ In the City of Toronto, residential property taxes have increased on average by 5%, 4.3%, and 3% between 2001 and 2003.²⁸⁴ In the City of Hamilton, residential property taxes have increased on average by 5.6%, 3.8% between 2002 and 2003.²⁸⁵ The three municipalities attribute these increases to budget shortfalls that have been brought on by factors such as the harmonization of service levels, the leveling up of salaries, and decreased provincial assistance. If a restructured municipality, as the Progressive Conservatives argued, is more cost-efficient and cheaper, it stands to reason that taxpayer burdens should decrease. If one of the objectives of restructuring was to reduce property taxes, the Progressive Conservative Government failed in these three cases.

While there is a tendency to cite municipal restructuring as the main factor that has contributed to property tax increases, there are those who contend that relationship is not clear. Cooke for instance argues that the concurrence of service downloading, property tax reform, grant reductions, and restructuring blurred the impact of each with respect to how property tax levels would be affected.²⁸⁶ As no clear chain of causation can be identified, the independent impact of each policy cannot be measured. As Slack points out, it is extremely difficult to measure the impact of property tax reform as it was packaged with other measures. This perhaps demonstrates that it was the most divisive and detrimental of all the changes. However, by packaging it with other reforms, the

²⁸³ City of Kingston <http://www.cityofkingston.ca/residents/budget/budget_archive.asp>

²⁸⁴ City of Toronto <http://www.city.toronto.on.ca/city_budget/previous_budgets.htm>

²⁸⁵ City of Hamilton <<http://www.city.hamilton.on.ca/Finance/>>

²⁸⁶ Interview with Terry Cooke, former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

Progressive Conservative Government was able to implement a public policy that was sufficiently broad so that problems could not be identified and dealt with effectively.²⁸⁷

To the observer, this course of action may seem highly irrational, and even more so when taking the following into account. According to Cooke, an incremental approach would have been more beneficial. Ideally, restructuring should have taken place first as it had been studied the most. Ministry officials have stated that one of the goals of restructuring was to increase the viability of small municipalities which could only be achieved through amalgamation. As such, the Ministry argues that newly restructured municipalities possess more depth, scale, scope, and most importantly, have a much greater operational capacity.²⁸⁸ If we accept the logic of this argument, it seems only rational that the downloading of services should have followed restructuring. Stronger municipalities with a greater assessment base could have better addressed the effects of service downloading. Taking this into account, Cooke argues that property tax reforms should have followed restructuring and downloading.²⁸⁹ For some municipalities, restructuring, downloading, and property tax reform occurred concurrently. While there is a tendency to label the government's actions as irrational, Slack takes a contrary position and argues that such an assessment is problematic. While one may not agree with what the Conservative Government did with respect to municipalities, its intentions were quite clear and quite rational.²⁹⁰

²⁸⁷ Interview with Enid Slack, "Who Does What Panel" Member, October 20, 2003.

²⁸⁸ Confidential Interviews: Ministry of Municipal Affairs and Housing, September 15, 18, 2003.

²⁸⁹ Interview with Terry Cooke, former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

²⁹⁰ Interview with Enid Slack, "Who Does What Panel" Member, October 20, 2003.

In chapter four I argued that that primary concern of the Conservative Government was to ensure its organizational objectives were accomplished in an efficient manner, free from the influence of exogenous factors, which, were viewed as impediments. However, such an approach ensured that the Provincial Government, as an organization, could not effectively learn with respect to how it could reformulate the provincial-municipal relationship to make it more streamlined, rational, and most importantly, cost-effective. To demonstrate this point further, it is necessary to briefly examine the role of the Ministry of Municipal Affairs and Housing with respect to the restructuring process.

The Conservative Government's far-reaching restructuring initiative resulted in over 160 restructurings, which, in turn, has reduced the number of municipalities in Ontario from 815 to 445.²⁹¹ If we take into account the expedient manner in which this process developed, it would seem logical for the Ministry of Municipal Affairs and Housing to play an extensive role in assisting municipalities through this transitional period. This would allow the ministry, as an organization, to learn more about the implementation problems that were associated with this public policy. As Ventriss and Luke point out, "learning is defined as a process of detecting and correcting errors in the organization's decision making process or modifying organizational goals in response to various changes in the external environment."²⁹² By proactively learning, the ministry would be in the position to assist municipalities that were experiencing restructuring

²⁹¹ Ontario, Ministry of Municipal Affairs and Housing, "Restructuring Activity" <http://www.mah.gov.on.ca/userfiles/HTML/nts_1_6792_1.html>

²⁹² Curt Ventriss, and Jeff Luke, "Organizational Learning and Public Policy: Towards a Substantive Perspective," *American Review of Public Administration*, 18:4 (December 1988), 337.

problems that had occurred in the past. However, two ministry officials pointed out that there was no ‘formal’ approach to learning.²⁹³ Farrow points out that this is due to the fact that no two restructurings are the same. In his experience as the Province’s Special Advisor for Haldimand-Norfolk, Farrow mentioned that it was necessary to create a ‘made at home solution,’ as his experiences from previous restructurings could not be applied in subsequent restructurings. As such, he argues there is no generic template or best practices guide that can be referred to when municipalities undergo restructuring.²⁹⁴

That there was no ‘formal’ approach to learning does not suggest that learning did not take place during this process. Ministry officials point out that a lot of emphasis was placed on consultation. In restructurings that required a special advisor (i.e. Hamilton-Wentworth) or a commissioner (i.e. Chatham-Kent), considerable time was spent going back to previous studies in order to identify problems so that they could be corrected. This was necessary as special advisors and commissioners were wary of requesting information from affected municipal councilors. This presents somewhat of a paradoxical situation. On one hand, the ministry officials contend that each restructuring is unique. As such it is problematic to look at other restructurings to guide a restructuring process. On the other hand, ministry officials provided information to special advisors and commissioners, who, with the notable exception of Farrow, all recommended the creation of single-tier municipalities. The objective here is not to characterize the actions of the Ministry as being politicized, but rather to demonstrate that whatever learning took place during this period of time was perhaps inappropriate, or non-applicable.

²⁹³ Confidential Interviews: Ministry of Municipal Affairs and Housing, September 15, 18, 2003.

²⁹⁴ Interview with Milt Farrow, Special Advisor for Haldimand-Norfolk, October 16, 2003

Sancton asks why public servants within the ministry have a predisposition towards amalgamation:

The answer probably relates to their “glory days” of the late 1960s and early 1970s. Prior to this period, the ministry was little more than a mechanism for collecting financial information and insuring the various provincial laws and regulations were properly enforced. But, starting in the 1960s, it became accepted wisdom that municipalities could be harnessed to promote and shape Ontario’s economic growth. To do this, however, they had to be appropriately structured: hence the move towards two-tier regional governments. In the mid 1970s, however, provincial politicians of all parties lost confidence in municipal restructuring, both as a policy tool and an attractive proposition. From then until the mid 1990s, the ministry of municipal affairs suffered from having nothing to do. Everything changed, however, with the passage of Bill 26²⁹⁵

Sancton’s assessment that the bureaucracy appears to be one of the sources for the Government’s actions is echoed by the former Minister of Municipal Affairs and Housing Al Leach. While the bureaucracy was not a prominent driver of this policy issue, Leach argues that ministry officials made the case that municipal restructuring was an issue that the Government should pay some attention to, and if politically motivated, it would be the right thing to do as a matter of good public policy.²⁹⁶

As Slack points out, the case for amalgamation can be made on the basis of negative externalities.²⁹⁷ To demonstrate this we need look no further than my discussion that centres on the restructuring that took place in the Greater Kingston Area. However, as has been shown, the Conservative Government’s case for amalgamation was based purely on cost-savings. Cynics argue that the Progressive Conservative government was in a hurry to deliver on its election promises. Because of this motivating factor, the

²⁹⁵ Sancton, “Amalgamations, Service Realignment, and Property Taxes: Did The Harris Government Have a Plan for Ontario’s Municipalities?” 138.

²⁹⁶ Interview with Al Leach, Former Minister of Municipal Affairs and Housing, September 25, 2003.

²⁹⁷ Interview with Enid Slack, “Who Does What Panel” Member, October 20, 2003.

government could offer not what many consider to be rational or legitimate explanations for the expeditious implementation of complex initiatives. Those municipalities that benefited most were in the Tory friendly '905' areas while those most detrimentally affected by this process were Tory opposed urban Centres. By consolidating their political base the Conservative Government's actions equated to good politics, but poor public policy.²⁹⁸

²⁹⁸ Interviews with: Confidential Interview. City of Kingston. October 2, 2003, and; Terry Cooke, former Regional Chairman of Hamilton-Wentworth, September 12, 2003.

Chapter Six – Conclusion

6.1. Introduction:

The objective of this research has been to examine why the former Progressive Conservative Government of Ontario chose to consolidate municipalities in an attempt to create a more cost-effective system of municipal governance. As I point out in chapter two, there is a large volume of scholarly work which reaches the conclusion that municipal consolidation does not generate substantive cost-savings. These studies indicate that if cost-savings are realized, they are offset by other factors inherent to the process of consolidation.²⁹⁹ Outside of Canada, the actions of national and sub-national governments with respect to municipal restructuring, demonstrate that amalgamation is not a particularly popular option. If we look to the United States for example, we see that no large consolidations have taken place for almost 100 years.³⁰⁰ That being said, municipal consolidation has occupied a prominent position on the policy agenda of provincial governments in Canada, with Ontario the prime example. So the question still remains:

In light of the empirical evidence which demonstrates that the perceived benefits of municipal consolidation are difficult to attain, why did the Government of Ontario chose to consolidate municipal governments in an attempt to create a more cost-effective system of municipal governance?

To some, restructuring was seen as the next step in the evolutionary development of municipal government in Ontario. Proponents of consolidation argued that the

²⁹⁹ See George Boyne, "Is There a Relationship Between Fragmentation and Local Government Costs? A Comment on Drew Dolan," *Urban Affairs Quarterly* 21:2 (1992); Wim Derksen, "Municipal Amalgamation and the Doubtful Relation Between Size and Performance," *Local Government Studies* 14:6 (1988); James C. McDavid, "The Impacts of Amalgamation on Police Services in the Halifax Regional Municipality," *Canadian Public Administration* 45:4 (Winter 2002)

³⁰⁰ Sancton, "Merger Mania," 8.

structure of municipal government had outgrown its usefulness, and had, in effect, become archaic. To others, municipal restructuring was seen as part of a larger provincial initiative designed to alter the fiscal relationship between the Province and its municipal subordinates, an alteration which would ultimately favour the Province. While there is considerable merit to the argument that restructuring is necessary for municipal governments to evolve so that they can be more cost-efficient, the actions of the former Conservative Government, as my findings show, were conditioned by other factors. As such, it is more feasible to view municipal restructuring as one of many interrelated and interdependent complex policy initiatives that were implemented by the former Progressive Conservative government. Taking such statements into account, this research has endeavored to uncover the factors that led to the decision to restructure, or more appropriately amalgamate Ontario's municipalities.

6.2. Findings:

The reasons that the Provincial Government provided for amalgamation have already been thoroughly discussed. However, I assert that there are three reasons which more accurately capture this development. These hypotheses, based on my understanding of organization theory, highlight the importance of understanding the policy environment in which the decision to restructure Ontario's municipalities was taken.

First, I posit that with respect to the decision to restructure Ontario's municipalities, political ideology acted as an information shortcut which allowed for the

adoption of non-rational policy initiatives. The impetus for such change was the Tories election platform, *The Common Sense Revolution* (CSR). The first goal of the of the CSR, as White points out, was to clean up the New Democrats' fiscalamity – and ultimately achieve a balanced budget, more or less by the end of the Tory government's first term in office.³⁰¹ The change envisioned for Ontario was nothing short of revolutionary and controversial. Correctly anticipating a cascade of opposition from various public sectors, the organizational proclivities of the Progressive Conservative Government ensured that the policymaking area was insular and ideologically driven.

Secondly, as an organization, the Progressive Conservative Government did not fully understand the cause-effect relationship of a highly complex set of policy initiatives. Throughout this process the Conservative Government argued that restructured municipalities would be more cost-efficient, cheaper, and would result in property tax decreases. However, a cursory examination of the budgets of Kingston, Toronto, and Hamilton demonstrates that this projection was overly optimistic, and in fact, incorrect. The concurrence of restructuring, service downloading, and property tax assessment ensured that the independent impact of each policy could not be measured. By packaging these reforms, the Progressive Conservative Government was able to implement a public policy that was sufficiently broad so that problems could not be identified and dealt with effectively.³⁰² To the observer this may appear to be irrational behaviour. However, the primary concern of the Conservative Government was to ensure its organizational objectives were accomplished in an efficient manner. This approach ensured that the

³⁰¹ White, "Ontario since 1985," 261.

³⁰² Interview with Enid Slack, "Who Does What Panel" Member, October 20, 2003.

Provincial Government, as an organization, could not effectively learn with respect to how it could effectively rationalize the provincial-municipal relationship. To demonstrate the problems associated with improper learning I briefly examined the role of the Ministry of Municipal Affairs and conclude that whatever form of learning that took place was either inappropriate or non-applicable.

Thirdly, the Progressive Conservative Government suffered from a lack of intellectual resources that would allow it to make more informed policy decisions. In 1996, prior to the restructuring process, Minister of Municipal Affairs and Housing AL Leach stated that, “local restructuring should not be left up to an independent third party to decide. These decisions should be made by local governments as they know best the needs of their taxpayers.”³⁰³ Once again, such statements seem to suggest that the province was not in a position to conduct restructuring processes without the knowledge and expertise of municipal officials. Contrary to such quotations, each restructuring, as my discussion shows, were heavily influenced by Queen’s Park for different reasons. The consequences of an ideological approach to policymaking was clearly demonstrated by Bill 26 which was subject to more than 160 amendments before it reached its third and final reading in the Ontario legislature on January 29, 1996.³⁰⁴ As many interviewees point out, this process was conducted in a political vacuum in which only the most ardent proponents of the CSR provided substantive input. For many, this demonstrates the clear lack of understanding and appreciation that policymakers had with respect to how governments actually work. This behaviour was further demonstrated by the “Who Does

³⁰³ Vojnovic, “Municipal Consolidation in the 1990s: An Analysis of Five Canadian Municipalities,” 45.

³⁰⁴ Ibbitson, “Promised Land: Inside the Mike Harris Revolution,” 146.

What” deliberations. The WDW panel was constituted as an independent group of experts drawn from the local government sector who would give advice to the government. Presumably, by creating such a unit, the government was admitting that its policymakers did not have the necessary expertise to implement such changes to the provincial-municipal relationship. However, while the advice of experts was solicited, it was ignored when found to conflict with the Progressive Conservative Government’s agenda. For instance, the Conservative Government’s decision to place redistributive programs such as welfare on the property tax, rather than on income tax as recommended by the WDW panel, is indicative of such behaviour.

6.3. Significance of Findings:

My findings allow me to draw two significant conclusions. First, relevant policymakers did not possess the necessary expertise to impose major legislative and structural changes. Secondly, by not sufficiently engaging experts at the municipal level, policymakers had placed themselves in a significant knowledge deficit problem. Simply put, such individuals did not understand the task environment in which governments operate, nor did they understand the costs associated with municipal restructuring. By taking these conclusions into account, I argue that we can begin to understand why municipal restructuring, or more appropriately amalgamation, was seen as a means to generate cost-savings at the municipal level.

The presence of ideology in the form of an intervening variable allowed policymakers to simplify their decisions by reducing a complex high-dimensional

problem to a simple unidimensional one. Ideology, as Jones points out, is far more than a rational informational shortcut. People generally identify emotionally as well as cognitively with a political ideology. When they identify with a political ideology, it can serve to motivate them and, in effect, becomes a proximate cause of a decision.³⁰⁵ Because of this motivating factor, the government could offer not what many consider to be rational or legitimate explanations for the expeditious implementation of complex initiatives.

6.4. Conclusion:

With respect to the three hypotheses that are presented, my findings suggest that all three possess a level of utility. While the role of ideology as an information shortcut appears to be the most overarching explanation for why this policy decision was taken, it is difficult to assess the relative impact of each hypothesis on the Conservative Government's decision to amalgamate Ontario's municipalities. There appears to be a level of dependence or interaction between the three hypotheses which suggests that while each can provide a legitimate solution to the central research question, a more comprehensive answer can be provided if all three hypotheses are considered together.

With respect to broader implications, this research demonstrates that both knowledge deficit and ideology are important factors to take into account when examining the origins of a particular public policy.

³⁰⁵ Bryan Jones, *Political and the Architecture of Choice: Bounded Rationality and Governance*, 153.

The goal of the Progressive Conservative was to address the perilous state of Ontario's finances and ultimately achieve a balanced budget, which would be accomplished by rearranging the institutional structure of the province. As this research shows, the means that were chosen to reach such ends were problematic, and on many occasions incorrect. In attempting to solve a problem in a manner that was deemed both rational and legitimate, the Progressive Conservatives created a plethora of additional problems most notably at the municipal level.

APPENDIX 1

Request for Interview

Dear

My name is Ajay Sharma and I am a Masters student in Public Policy and Administration at McMaster University, in Hamilton Ontario. The focus of my masters thesis is to examine the decision making process which has guided the Progressive Conservative government of Ontario in its municipal restructuring policies since 1996. More specifically, the thesis shall examine how decisions pertaining to municipal restructuring were arrived at, and why they were implemented. In order to accomplish this task I shall be conducting a comparative study, which shall examine the municipal restructurings that led to the creation of the cities of Hamilton, Kingston, and Toronto.

My supervisors for this thesis are Dr. Barbara Carroll, and Dr. David Siegel of McMaster University, and Brock University respectively. It has been suggested to me that you would be an extremely valuable person for me to consult due to your experiences in local government matters in Ontario.

The interview will require approximately 45 minutes of your time. The questions will be of a general nature and will deal with issues pertaining to municipal restructuring in Ontario. There will be no questions of a sensitive nature pertaining to confidential aspects of your work. The only information that will be made available to anyone except with your specific prior approval will be anonymous quotations, which I shall use to illustrate important conclusions from my research.

I appreciate that this project will require a certain amount of your valuable time. However, I feel that this is a very worthwhile project in that it will allow for an examination of how decisions are made in provincial politics, and the relationship between provincial and municipal level political actors, an area of Canadian politics that is often overlooked by academics.

I will contact you in the next two weeks to arrange for an interview. If you feel someone else might be a more appropriate person to talk to, I would appreciate your assistance in contacting him or her. If you have any questions please feel free to contact either myself, or my supervisors. I can be contacted by telephone at _____, or by email at _____ Dr. Barbara Carroll can be reached by telephone at _____, or by email at _____ Dr. David Siegel can be reached by telephone at _____, or by email at _____

Thank you for your time,

Sincerely,

Ajay Sharma B.A. (Hons)
(M.A. Candidate)

APPENDIX 2

Interviewees

Terry Cooke: Former Regional Chair of Hamilton-Wentworth. September 12, 2003.

Confidential Interview: Ministry of Municipal Affairs and Housing. September 15, 2003.

Lionel Feldman: Lionel D. Feldman Consulting Ltd. September 16, 2003.

Confidential Interview: Ministry of Municipal Affairs and Housing. September 18, 2003.

Al Leach: Former Minister of Municipal Affairs and Housing. September 25, 2003.

Gary Bennett: Former Mayor of the City of Kingston. October 1, 2003.

Ian Wilson: Former Reeve of Ernestown Township. October 1, 2003.

Confidential Interview: City of Kingston. October 2, 2003.

Milt Farrow: Former Special Advisor for Haldimond-Norfolk. October 16, 2003.

Enid Slack: “Who Does What” Panel Member. October 20, 2003.

APPENDIX 3

Sample Interview Questions

- (1) Why is amalgamation or even the creation of a single tier of government necessary? [Are they different?] Could we not conceivably reap better benefits from process improvements, such as eliminating service duplication, and having municipalities engage in cooperative agreements where the costs of producing and providing services is shared?
- (2) Was the option of first assessing the full impact of provincial downloading and then creating a structure which could cope with the new situation ever discussed, or proposed, or was the political climate such that this was simply not a viable avenue to take? [Had time simply run out for a local solution?]
- (3) Given that cost-savings have not occurred to the extent that they were envisioned, do you think that they will eventually be realized? [What do you think should be done in order to realize these cost savings?]
- (4) What has been the impact of the province forcing mergers on local government? [Where does local government stand now after these restructurings? Is it still a viable level popular government, or is it increasingly seen as a service delivery vehicle?]
- (5) How did the ministry go about correcting implementation problems for subsequent restructurings? [Was there a feedback mechanism that could be used to determine if the manner of the restructuring was appropriate] [How long did it take to recognize problems associated with restructurings?]
- (6) Some have suggested that the issue of municipal restructuring has been on the ministry's agenda in the past. Is this a fair assessment?
- (7) Why was amalgamation in Toronto necessary? [What was the Government's main motive for creating Bill 103?]
- (8) What factors does the ministry take into account when assessing the efficiency of municipalities, and to determine if the new system is working?
- (9) The CSR made very few references to municipal government, other than stating that the government would sit down with municipalities and discuss how to rationalize this level of government. How did the party move from that stance, to a fairly aggressive position with respect to municipalities?

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