Municipalities

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Regional Government Papers

Searching for a Purpose: A Current Assessment of Municipal Government and Regional Governance in Newfoundland and Labrador

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A Municipalities Newfoundland and Labrador
Community Cooperation Project

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Introduction

> *...the single, stark option confronting the Province: either it must embark methodically on the difficult and costly task of establishing regions of the general type described in the previous pages, or it must continue with the simple and basic municipal structure established in 1949. It is unfortunate but true that within the traditional structure, no further development can be anticipated.*
>
> The Royal Commission on Municipal Government in Newfoundland and Labrador (1974), p. 534.

To move the debate on regional government forward, there needs to be an assessment of the current status of municipal government and governance in Newfoundland and Labrador. This is needed for two purposes. First, we need to establish a reason for our members, the provincial government, and the general public to care about regional government. The most efficient means of doing this is to highlight the significant challenges facing municipalities, which are undermining the purpose and authority of municipal government. Second, it is important to understand what needs to change in the future. If the status quo is not positive, then it needs to be understood so that it is not repeated down the road. Therefore, this paper provides an examination of municipalities – how they are governed, deliver services, and are populated – and the regional structures that provide support.

In Volume I, a brief history of Newfoundland and Labrador's municipal and regional governance system was presented. There, we saw that many of our municipalities have never been enabled to reach financial independence. The benefits of self-sufficiency have not been locally realized. Financial weakness has heightened municipal reliance on provincial handouts, and the lowering of such support in recent years has strained municipal attempts at becoming self-sustainable.

Many municipalities are seeing year-to-year declines in population. Our fisheries and forestry industries – two industries that have sustained many municipalities – have been greatly challenged. The creation of stable jobs is extremely difficult in areas where primary industries have all but disappeared, and young men and women of small town Newfoundland and Labrador are being forced to move to mainland areas in search of work. The departure of young people has driven up average population ages, and has threatened the long-term survival of many municipalities.

These factors are challenging municipal politics. The number of interested volunteers for municipal government is dwindling, which can be seen in the high acclamation rate of municipal elections. The need for serious engagement, critique and exchange of new and relevant ideas is as great as ever. Yet the forums that allow these conversations – municipal elections – are often not required.

Municipalities are also struggling with economic development and planning. This is not the result of a lack of interest, but primarily the result of the limited capacity municipalities have to properly undertake such tasks. Provincial efforts at strengthening local economic development have come at the expense of strong municipal engagement. The future of local communities is consequently left to provincial authorities, and their arms-length agencies.

The time has come, however, for residents of this province to reevaluate the state of their municipalities. Municipal government is at a crossroads. Municipalities can pursue a path towards autonomy and independence or they can continue the status quo and accept greater governmental and outside intrusion into their responsibilities and future. We are advocating for a break from the status quo, to an assertion of municipal pride and independence. Before we can get to that point, we need to assess where we currently are: how are we governed and what are our challenges.

The following pages will provide figures and analysis that are not very positive. Most people are aware of the demographic challenges facing many municipalities. Nonetheless, it needs to be addressed because it provides a stark indication of the options available for the future. The paper also casts a critical eye on the regional organizations that support our municipalities. Though these try to fulfill their mandate and currently reflect the only options that are available, they do not necessarily represent the best options for the future.

What has to be stressed is that municipalities now operate in an environment of increasingly restrained autonomy. And in some ways, this limitation is self-imposed. Most municipalities are too small to promote their own economic development in any meaningful manner or to adapt to new service standards. That is a fact. These limitations are also imposed because municipalities are not organized enough to collaborate as an independent group to meet the economic and service challenges they face. That too, is a fact. So, while we are critical of currently existing regional organizations, we also understand that these need to operate because otherwise the services they provide would not be performed.

While this paper is critical and at times depressing, it also hopes to be encouraging. Everything can be reformed, but this requires leadership and compromise. It also requires that municipalities take an honest assessment of themselves. To do this, we are proposing that municipalities undergo a stress test, which will require an in-depth assessment of a municipality's capacity and health, and then a comparison of these findings to a new set of municipal benchmarks. It is time that municipalities set standards for themselves. Municipalities function largely in an operational "black hole" where it is difficult to understand whether they effectively meet the needs of their residents.

Please do not be discouraged by what follows. That would be counter-productive. We hope this paper emboldens municipal and provincial leaders to action. To do otherwise will be a vote for the status quo that is now presented to you.

The Status of Municipalities in Newfoundland and Labrador – Highlighting the Need for Regional Government

Regional government cannot be proposed in a contextual vacuum. There needs to be a reason to restart the debate over regional government. That reason can be found only through assessing the current status of municipalities and municipal government in Newfoundland and Labrador.

For many municipalities the current state of affairs is not very positive. Although the province is in the midst of significant economic growth, it is having little effect on the overall sustainability of small-town Newfoundland and Labrador. Growth is largely confined to the eastern Avalon and other select locations, which, in many ways, has exacerbated the problems of smaller communities. Tourism has provided some support for smaller communities, but the turn to tourism has not stymied outmigration, rather it has created another system of seasonal employment. The continued sustainability of the fisheries also remains an unanswered question, as the poor 2009 fishing season showed. The following discussion will focus on the main demographic, financial, and political trends active throughout the province that are raising significant challenges for municipalities in their current state.

Demographics

An analysis of the demographics of the province is essential because municipalities cannot exist without people. Beyond this baseline requirement, municipalities also need people who are willing to volunteer their time and energy to improve their towns and implement new policies. A common concern in the sustainability of small-town Newfoundland and Labrador is volunteer burnout, a problem that will grow even more acute as our population in rural areas continues to shrink and age.

Unfortunately, the numbers do not lie. The province's 2007 report, *Regional Demographic Profiles Newfoundland and Labrador* provides a fairly grim picture. According to this report, the fertility rate in the province is approximately 1.3 children, the lowest in Canada.[1] From 1992 to 2007, the province experienced uninterrupted outmigration with the population declining from 580,000 to a low of 506,000, a decrease of almost 12 percent.[2] While it appears that this trend is slowly reversing, as the province has experienced some population growth over the past few years, it is impossible to know whether this will be sustained enough to support a population rebound.

Regional Demographic Profiles analyzed the province's population by using the nine Rural Secretariat regions. A close analysis highlights some unsettling facts. Only one region between 1986 and 2007 recorded population growth – the Avalon Peninsula, which had a 1.5 percent increase. This number, however, is deceptive because outside the St. John's region the population of the Avalon Peninsula between 1986 and 2007 decreased by almost 17 percent.[3] Every other Rural Secretariat region endured a population loss of at least 9 percent, with many regions showing population losses of above 20 percent. This scenario is in sharp contrast to the findings of the Whalen Commission of the early 1970s, where they noted that "among all the towns below 1,000 in size, 53% experienced some growth. During the same period [1966-1971] almost all towns between

[1] Economics and Statistics Branch, Department of Finance and the Rural Secretariat, Executive Council in cooperation with Memorial University, *Regional Demographic Profiles Newfoundland and Labrador*, (St. John's: Government of Newfoundland and Labrador, 2007), 2. [Hereinafter "***Regional Demographic Profiles***."]

[2] *Regional Demographic Profiles,* 4.

[3] *Regional Demographic Profiles,* 44.

1,000 and 7,000 actually gained in population."[4] Now the opposite is true for almost the entire province. The province's population changes, broken down by Rural Secretariat region, are presented in Table 1:[5]

Table 1 Changes of Regional Populations in Newfoundland and Labrador, 1986-2006

Region	Population Decline/ Increase by Percentage, 1986-2006	Population 2006 Numbers	Number of residents over age of 65
Labrador	- 10%	26300	1700
St. Anthony-Port au Choix	- 35%	12800	2100
Corner Brook-Rocky Harbour	- 13.5%	45900	7100
Stephenville-Port aux Basques	- 29%	30600	5000
Grand Falls-Windsor-Baie Verte-Harbour Breton	- 24.5%	48100	7800
Gander-New-Wes-Valley	- 22%	46600	8000
Clarenville-Bonavista	- 21%	28300	4800
Burin Peninsula	- 29%	21300	2900
Avalon Peninsula	+ 1.5%	243540	31200

Perhaps the most unfortunate aspect of this decline, as illustrated in Table 1, is the way in which our population is declining. Not only is our birthrate low, but outmigration is most acute among the young men and women of the province between the ages of 20 and 45. This has resulted in the doubling of the average age of the people of the province, rising from 20.9 years in 1971 to about 42 years in 2007.[6] Newfoundland and Labrador's population pyramid no longer resembles a pyramid as the largest age groups are towards the top (i.e. 40 to 60-age bracket) not on the bottom.

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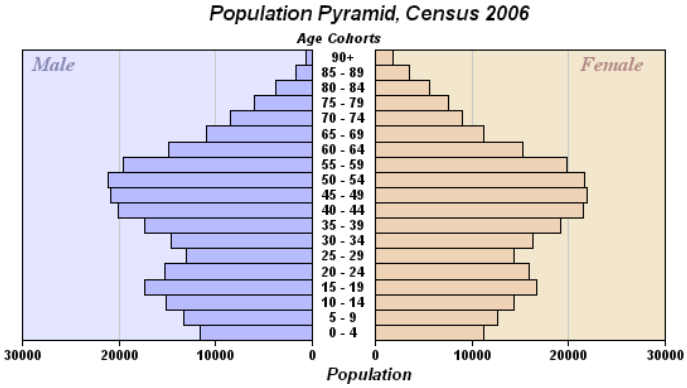
[4] Royal Commission on Municipal Government in Newfoundland and Labrador, *Final Report* (St. John's: Office of the Queen's Printer. 1974), 482 **[**Hereinafter "***The Whalen Commission"*]**.

[5] All numbers provided in Table 1.1 *Changes of Regional Populations in Newfoundland and Labrador, 1986-2006*, are taken from *Regional Demographic Profiles*.

[6] *Regional Demographic Profiles,* 4.

Aside from an aging and declining population, there is another trend in the demographics of the province that is important for the purposes of this study: where people are moving. Yes, people are moving, or have already moved, out of the province, but there is also a significant population shift within the province. The bulk of the population decline has occurred in small municipalities, while the medium to large sized municipalities (what MNL considers Urban Municipalities) has only declined slightly or not at all. The municipality of Gander, for instance, experienced a 6.8 percent decline in population from 1996 to 2001, but then grew by almost 3 percent from 2001 to 2006.[7] Similarly, Clarenville, including its surrounding area, saw a decline of 9.2 percent from 1996 to 2001, but then experienced almost 27 percent growth by 2006, growing from 5,670 to 7,175 residents.[8] It can be noted that these towns are Trans-Canada Highway towns - meaning they are connected to each other by the TCH. This population change has created significant regional centres in the province that are used by outlying communities for services such as healthcare and retail shopping. More than ever before, we have regions where most social and economic connections flow in and out of one or two municipalities.



Source. *Community Accounts*

Municipalities and Municipal Government

At the beginning of *Regional Demographic Profiles*, the author quotes David Foot's *Boom, Bust and Echo* by stating, "demographics explain about two-thirds of everything."[9] In the case of municipalities in Newfoundland and Labrador, this statement appears to be accurate. The province currently has 281 incorporated municipalities and hundreds of local service districts (LSD) and unincorporated communities. Given our current population level, we have one municipality for every 1800 people. That number is not too bad, but it is skewed.

Currently, 55,660 people live in an unincorporated community or local service district and another 179,950 people are located in just five municipalities – St. John's, Corner Brook, Mount Pearl, Conception Bay South, and Paradise. When these numbers are not included, there is one municipality for every 979 people – a ratio that is, along with Saskatchewan, the lowest in Canada. Although Newfoundland and Labrador has always had communities with small populations, it also historically had a greater percentage of its population dispersed in rural areas and a high birthrate that supplied smaller municipalities with a consistent stream of young people. This is no longer the case.

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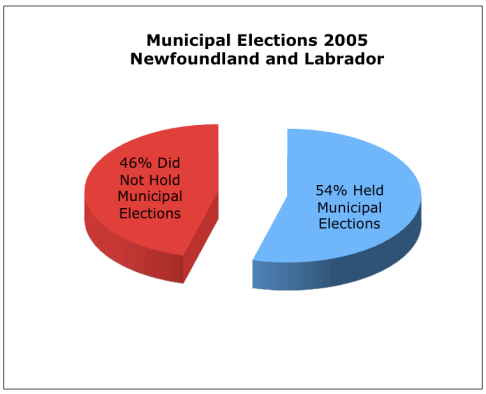
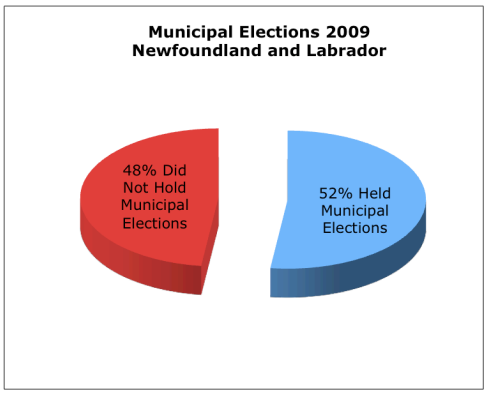
[7] Statistics Canada, "Census Headline Indicators, 1996, 2001, and 2006" for "Municipality of Gander," available through Community Accounts Web site, (Newfoundland and Labrador Statistics Agency, Government of Newfoundland and Labrador), http://www.communityaccounts.ca/communityaccounts/onlinedata/display_table.asp?_=0bfAjIydpaWrnbSTh5-FvJxrhGiWlb7NqpODvZyxWoqI. (accessed March 2010).

[8] Statistics Canada, "Census Headline Indicators, 1996, 2001, and 2006" for "Clarenville and Surrounding Area," available through Community Accounts Web site, (Newfoundland and Labrador Statistics Agency, Government of Newfoundland and Labrador), http://www.communityaccounts.ca/communityaccounts/onlinedata/display_table.asp?_=0bfAjIydpaWrnbSTh5-FvJxrhGiWlb7NqpODvZyxWYyF. (accessed March 2010).

[9] *Regional Demographic Profiles,* 2.

The shrinking population base for the vast majority of provincial municipalities is reflected in the poor state of municipal politics. According to the 2008 Municipal Self Assessment Survey conducted by Municipalities Newfoundland and Labrador (MNL), only 54.2 percent of municipalities held a contested election during the last municipal general election in 2005.[10] This means that only a little more than half the municipalities in the province had a municipal council that was recently popularly elected. This trend continued in 2009, with only 52 percent of municipalities holding municipal elections;[11] the remaining 48 percent of municipalities either had their elections delayed, their councils acclaimed, or not enough interest to establish a council. The inability to garner enough interest to hold an election is not only a problem for small-town Newfoundland and Labrador, as the entire councils of Channel-Port aux Basques and Marystown - two urban municipalities - were acclaimed.





Not only is municipal politics less competitive, the turnover rate of mayors and councillors is increasing. A 2007 MNL survey of municipal councillors showed that only 38 percent of councilors intended to run in 2009.[12] The continuing education of councillors is also suffering, as only 57.8 percent of town councils participate in municipal government training programs offered through the Municipal Training and Development Corporation or individually through other organizations such as MNL and the Professional Municipal Administrators (PMA, formerly NLAMA).

High municipal acclamation rates are not only a problem in Newfoundland and Labrador, as it seems to be an issue for small municipalities across the country. But in this province the high acclamation rate is a particular concern given the difficult socio-economic condition of many small municipalities. Elections serve as a great forum for exchanging and testing ideas, and fewer elections mean fewer forums for ideas to be heard. Frequent municipal acclamations mean that fewer people are putting forward ideas for the future, which will not help municipalities improve in the long term. Many municipal politicians claim that acclamations reflect the communities' satisfaction with their performance. The worry is, however, that municipal acclamations may be reflecting a deficit in ideas of how to move towns into a successful future.

A high rate of municipal acclamations would also be more tolerable in this province if other forums existed in which ideas could be formulated and discussed. But in Newfoundland and Labrador these forums are limited. There are joint councils, but most are new and it is not certain how well they function or how often they meet. The only other forums are the MNL Symposium and Annual Convention, but these are so large that they only permit a limited amount of debate. Municipalities need new ideas and a place to debate them; if this cannot be done in municipal elections, then a new, permanent, and regular forum has to be created.

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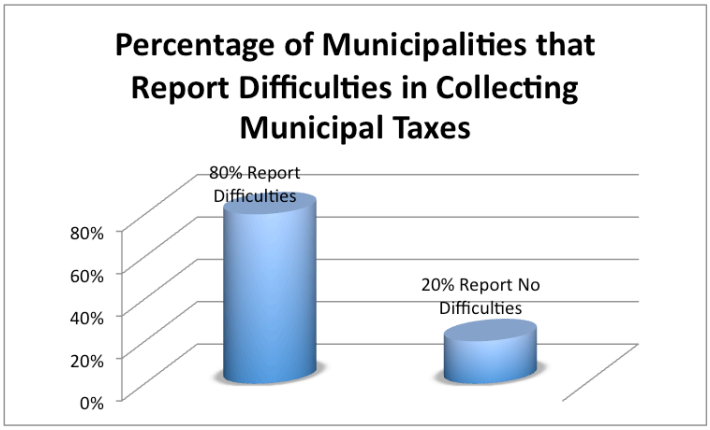
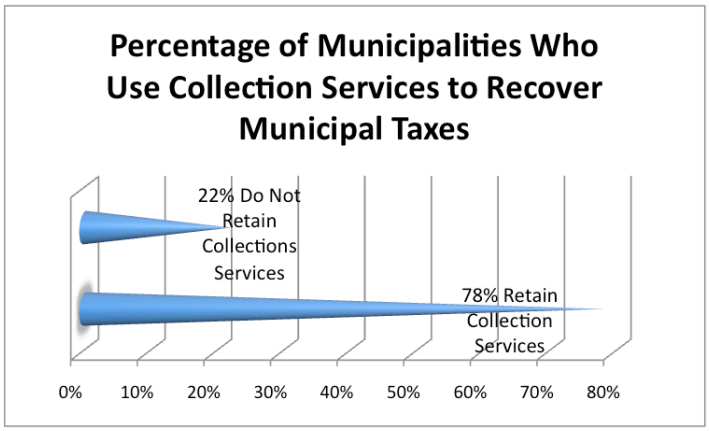
[10] Municipalities Newfoundland and Labrador, *Municipal Self-Assessment Survey: Final Report*, (Report compiled by Stephen Quinton and Ryan Lane for Municipalities Newfoundland and Labrador, January 2009), 6 **[**Hereinafter "***Municipal Survey,* MNL**"]**.

[11] Government of Newfoundland and Labrador, News Release, "Municipal Nomination Results Stronger than Anticipated" (September 16, 2009) http://www.releases.gov.nl.ca/releases/2009/ma/0916n09.htm

[12] Municipalities Newfoundland and Labrador, *Municipal Councillor Survey, Newfoundland and Labrador 2007*, (Survey gathered for Municipalities Newfoundland and Labrador, 2007), 9.



Source. *MNL 2007 Municipal census.*



Source. *MNL 2007 Municipal census.*

Fortunately, it seems that most municipalities in Newfoundland and Labrador are in adequate financial shape. Only a relatively small number have debt servicing levels outside of the provincial benchmark of 30 percent, and close to 87 percent of municipalities are able to meet their debt obligations without provincial government assistance.[13] The current fiscal responsibility displayed by municipalities, however, does not reveal the relatively recent provincial government efforts that supported municipalities with unmanageable debt burdens. In 1997, the provincial government initiated a debt reduction program aimed at municipalities that spent more than 30 percent of their revenues servicing their debts. Over the course of this program, debt reduction assistance was given to 94 municipalities, meaning that almost one-third of all towns in the province had debt servicing levels above the limit set out in the *Municipalities Act.*

This assistance was not given without conditions, as municipalities accepting the relief had to raise their property tax rates to the provincial average.[14] Raising property tax rates in return for debt relief, however, presumes that municipalities have a population that is able to pay an increased tax and that municipal governments have the capacity to collect and enforce the increased tax. A declining and aging population means that a greater percentage of residents find themselves on fixed incomes. Increasing the property tax rate results in a significant burden on the population. Debt relief, therefore, may solve some problems but exacerbate others.

In the vast majority of municipalities in the province, municipal governments currently have a difficult time collecting property taxes, with 80 percent reporting having serious property tax-collection issues.[15] This suggests that either property taxes are too high, the population is unable to pay or, most likely, a combination of both. In small-town Newfoundland and Labrador, enforcing property taxes is often difficult because it is outside the town's capacity and it requires councillors and clerks to take harsh measures - such as cutting off water - against their friends and neighbours; in the small towns of this province there is no faceless

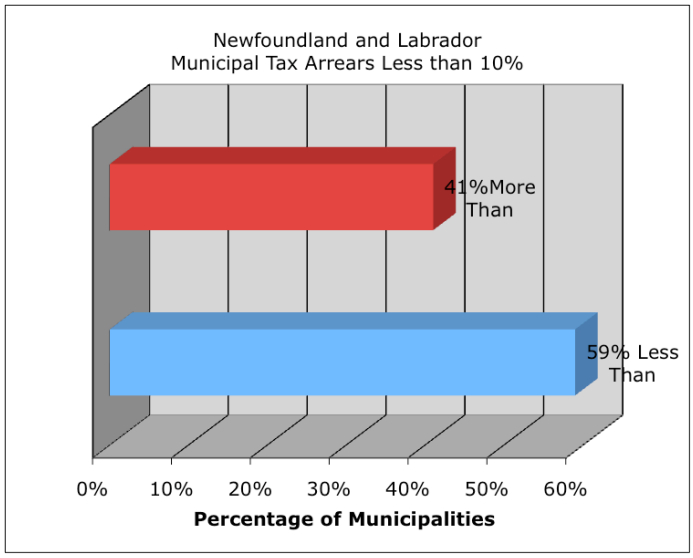
[13] *Municipal Survey*, MNL, 11.

[14] James P. Feehan, Jeffrey Braun-Jackson, Ronald Penney and Stephen G. Tomblin, "Newfoundland and Labrador," *Foundations of Governance: Municipal Government in Canada's Provinces,* edited by Andrew Sancton and Robert Young, (Toronto: University of Toronto Press, 2009), 468. [Hereinafter "**Newfoundland and Labrador**"].

[15] President's Task Force on Municipal Sustainability, *Strengthening Our Communities*, (Discussion paper for the Newfoundland and Labrador Federation of Municipalities. August 11, 2005), 10.

bureaucracy to enforce taxation since small town municipal administrators are likely aware of the conditions of delinquent property-tax payers. The difficulty in collecting property taxes is a particular concern for municipalities since property tax related revenue makes up 98 percent of all municipal tax revenue.[16] Thus, any difficulty in collecting property tax is bound to have a significant effect on the financial operations of a municipality.

The importance of property taxes for municipalities has taken on far greater importance since the turn of the century as a result of the reduction of Municipal Operating Grants (MOGs). As discussed in Volume I, MOGs replaced the Municipal Tax Incentive Grant and the General Municipal Assistance Grant in 1991. Initially, MOG amounts were based on a formula that factored in property equalization, household revenue, and road per kilometer measurements within towns. Through the first half of the 1990s, MOGs still amounted to a $54 million transfer from the provincial government to municipalities.[17] However, since the mid-1990s MOGs have been reduced by over 60 percent to a low of 17.8 million for the 2007-2008 fiscal year.[18] On average, MOGs account for approximately 20 percent of all municipal revenue. But this number is only an average and is misleading. For some municipalities, MOGs comprise up to 55 percent of all municipal revenue.



Source. *MNL Municipal Self Assessment Final Report*

Although municipalities work hard at being monetarily responsible, they operate in a precarious financial environment. The conflict between financial responsibility and financial insecurity is best displayed by the infrastructure problems that many municipalities face. Most towns in Newfoundland and Labrador operate by using outdated infrastructure that they cannot afford to replace or maintain. Only a quarter of all municipalities have preventative plans for their local water system, and only about half of all municipalities have such a plan for other public facilities and infrastructure. This fact would not be as concerning if local infrastructure was relatively new, but more than 80 percent of all municipalities have water and sewer systems that are more than 20 years old.[19]

The implication of an aging infrastructure combined with an inability to perform preventative maintenance is that the vast majority of municipalities wait until this infrastructure fails or almost fails before improvement is made. The Municipal Capital Works program does help, but many municipalities still have a difficult time meeting their cost obligations under this program. Gas Tax funding also helps, but on its own is rarely sufficient for major infrastructure projects. Recent changes to the Gas Tax program now allow municipalities to use this source of funding for the municipal share of certain cost share projects. As a result, some

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[16] Feehan, Braun-Jackson, et al., "Newfoundland and Labrador," 465

[17] NLFM, *Strengthening Our Communities,* 3.

[18] Government of Newfoundland and Labrador, *Annual Report 2005/06,* Department of Municipal Affairs, http://www.ma.gov.nl.ca/ma/publications/annual_reports/annualreport2005_06revisedapril202007.pdf (Accessed January 2010), 15.

[19] *Municipal Survey*, MNL, 12.

municipal projects are entirely funded by outside sources. It is evident that most municipalities neither have the base nor the capacity to adopt further debt to fund larger capital projects.

The lack of financial resources available to municipalities is reflected in the sorry state of municipal planning in Newfoundland and Labrador. According to the Department of Municipal Affairs, municipal plans "coordinate council policies and decisions for the well-being of the entire community and promote the efficient use of municipal infrastructure, financial resources, and land."[20] Yet, despite this stated importance, the Municipal Self-Assessment Survey discovered that only 30 percent of municipalities have a municipal plan that is less than 10 years old and less than half have a capital works plan for the next five years.[21] Overall, only 50 percent of all municipalities have an approved municipal plan, and almost half of these were created prior to the province's elimination of its municipal planning services.[22] With regard to economic development, less than 15 percent of municipalities have economic development plans, though approximately 60 percent of municipalities have some involvement with economic development organizations, such as Regional Economic Development Boards, Regional Development Associations, a Chamber of Commerce, or a Community Business Development Corporation.[23] The lack of municipal planning is troubling as few town plans reflect the current demographics of most communities or recent shifts in economic focus.

The land-use planning difficulties faced by most municipalities are compounded by the general lack of planning infrastructure that exists in the province. Only 6 municipalities have land-use planners on staff and 5 of those are located on the Northeast Avalon. The Department of Municipal Affairs, which is responsible for approving municipal plans, has only 4 planners on staff: one each for the Avalon, Central, and Western regions of the province, and one for the Labrador Inuit Settlement Area. The provincial planners are responsible for looking out for provincial interests and are not involved in the municipal planning process. Given the limited planning resources in the public sphere, municipalities must rely on the private sector for most of their planning needs. There are 10 active planning consultant firms in the province, but given that these are for-profit businesses that offer a specialized service, planning consultants are expensive. The cost of developing a municipal plan is outside the capacity of most municipalities.

The sustainability of municipalities is undermined by this lack of planning. Municipal planning affects economic development, service delivery, and infrastructure upgrades and changes. If municipalities hope to become economically sustainable, proper town-plans need to be crafted that adequately reflect the current status of the community. Without a new or updated town plan, municipalities will have difficulties attracting businesses or managing the needs of their residents.

Municipal Services

Although municipal governments are champions of local democracy, their primary function is to deliver services to their respective residents. Thus, in return for the payment of municipal taxes, residents receive services such as drinking water, garbage collection, snow removal, recreation programs, and local road maintenance. Within the past 15 years, municipalities have also been given the responsibility to manage other

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[20] Government of Newfoundland and Labrador, *Annual Report 2005/06,* Department of Municipal Affairs, 18.

[21] *Municipal Survey*, MNL, 10.

[22] *Measures in Effect: Plans and Regulations Made Under the Urban and Rural Planning Act*, Papers of the Government of Newfoundland and Labrador **[Hereinafter *Measures in Effect*]**. The number of municipalities that have an approved municipal plan is 142 - a little more than 50% of all municipalities.

[23] *Municipal Survey*, MNL, 10 and Municipalities Newfoundland and Labrador, *Census of Municipalities in Newfoundland and Labrador 2007,* 54 **[Hereinafter *Census of Municipalities, 2007*, MNL]**.

services, such as climate change adaptation and economic development. Municipalities therefore have an important role in the daily well-being of their residents.

Unfortunately, many municipalities are having an increasingly difficult time managing the service needs of their residents. Though many municipalities have drinking water systems, most are not new and require significant repairs or need to be replaced. Many of these systems now produce water that does not meet the Canadian guidelines for drinking water quality. In fact, according to MNL's Municipal Self-Assessment survey, only 67 percent of municipalities have a water system that meet the established provincial water quality index.[24] Overall, there are hundreds of boil water advisories in place in Newfoundland and Labrador each day. And though many of these apply to local service districts, there are numerous municipalities in the province that have been under boil water advisories for years.

But because many municipalities are financially weak, they have a limited ability to deal with water quality problems without significant assistance from the provincial government. Given the high cost of installing and maintaining water systems, the provincial government is now offering an alternative means of delivering clean drinking water: portable water dispensing units (PWDU). A PWDU system is currently available to municipalities of under 500 people. It provides a central station in the community where residents can go and retrieve clean drinking water. And though PWDUs offer a cheap means of providing clean drinking water to a municipality, they do not build sustainability and are not a long term solution. A municipality with a PWDU has little chance of attracting or retaining young people who have little tolerance of living in a town that cannot provide one of the most important services in a modern society - piped-in clean drinking water. But unfortunately, PWDUs currently represent the best option available to many towns and the provincial government. It makes no sense for either a town or the provincial government to invest in a water system that a town cannot properly maintain. It is increasingly evident that implementation and management of municipal water systems require a regional approach.

Municipal service delivery issues extend beyond the provision of clean drinking water. Newfoundland and Labrador has a several billion dollar municipal infrastructure deficit: roads are in disrepair, recreation facilities need to be fixed, and water and sewer systems need to be replaced or upgraded. This infrastructure deficit affects municipal service delivery because the infrastructure is the means through which services are delivered. On their own, given their limited revenue raising capacity, most municipalities cannot address their infrastructure concerns. Fortunately, the provincial government has recognized the significant infrastructure needs of the province's municipalities and is aggressively trying to reduce the infrastructure deficit. The problem for municipalities, however, is not lobbying government for more infrastructure money, rather it is managing and maintaining the infrastructure they already have or will receive. Many municipalities have little financial capacity to preventatively maintain or fix infrastructure. As a result, they are continuously dependent on provincial financial support. There will always be a significant infrastructure deficit in this province because the infrastructure that is installed today will have to be fixed, upgraded, or replaced in a few years time. This deficit will fall largely on the shoulders of the provincial government; most municipalities simply cannot effectively manage their infrastructure.

The inability of many municipalities to manage their infrastructure is neither the fault of municipalities nor of the provincial government. Rather, it is the fault of the system. Many municipalities are not big enough and have too few resources to carry the burden of their infrastructure. There is no level of municipal support to manage services and infrastructure outside of the provincial government. Municipalities, therefore, have to deal with their service and infrastructure needs alone, as no additional local structure exists to provide assistance or to discuss common problems. In the current municipal system municipalities will continue to have significant infrastructure problems, which will affect the delivery and quality of municipal services.

Municipal service delivery is also challenged by the gradual imposition of new standards. These new standards are necessary for environmental and public safety purposes, but they tax the financial and service

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[24] *Municipal Survey,* MNL, 10

capacity of many municipalities. The provincial waste management strategy highlights the limited abilities of most municipalities to manage new standards. The provincial waste management strategy is necessary to bring our waste management policies more in line with environmental standards and practices. However, municipalities in this province could not adapt to these new requirements on their own and need provincially created regional waste management authorities to lead the effort. Even with these authorities in place, many municipalities assert that they will have a difficult time meeting the new requirements.

Waste management standards are only the first in a series of service standards that will challenge the capacity of municipalities. New fire protection legislation has already been passed by the House of Assembly but has not yet been proclaimed. Once it is proclaimed, the provincial government will have the capacity to establish fire protection standards that will cover a range of issues from the training of a volunteer firefighter to the equipment requirements of a volunteer fire fighting corps. These standards will tax the already limited resources of the province's volunteer firefighting departments. In addition to potential new fire fighting standards, municipalities will soon have to address new wastewater standards. Although these will not be fully implemented until approximately 2020, these standards will require most municipalities to significantly change how they process wastewater. The overall cost of complying with these standards will likely be hundreds of millions of dollars. Given the problems municipalities experienced with new waste management standards, it is probable that municipalities will need the provincial government to lead the process of meeting wastewater standards. This would again result in a significant provincial intrusion into the responsibilities of municipalities.

New standards, maintaining infrastructure, and financial weaknesses are just three ways in which municipalities struggle with service delivery. Yet another concern, which we don't have the numbers to quantify, is the unnecessary duplication of services or equipment. There are many regions in this province with clusters of municipalities that each have their own volunteer firefighting service. Each municipality individually struggles with maintaining a fire truck and enough volunteers. Many communities in a region each maintain their own heavy equipment, like a front end loader. This is equipment that is expensive to purchase and maintain. It is also often equipment that municipalities could share.

Municipalities do deliver services to the best of their ability. And, for the most part, municipalities are reliable agents for the delivery of services. But this does not mean that municipalities are secure in their service delivery capabilities. The average age of residents in many small municipalities is higher than ever before and this impacts both how services are delivered and what services are needed. Moreover, many municipalities continue to manage and deliver their services in much the same way as they did in the 1970s and 1980s. Not only have environmental concerns shifted during the last 30 years, but so has the method and amount of financial support available to municipalities. Many municipalities have slowly adapted to these changes by forging more collaborative relationships, but the webs of collaboration need to be tighter. Municipalities need a structure that will help them pool their resources and meet new service standards. Otherwise, many municipalities will continue to struggle to meet current and future service expectations.

Regional Cooperation

Though municipalities as individual entities are becoming progressively weaker, they are also slowly adapting to their limited capacities by forging more collaborative endeavours with their neighbours. According to the 2007 Census of Municipalities conducted by MNL, 74 percent of responding municipalities are now engaged in some kind of service sharing agreement. On average, municipalities in service sharing arrangements share two services, with fire protection being the most common followed by waste management and garbage collection.[25]

[25] *Census of Municipalities,* MNL, v.

This limited form of collaboration is encouraging but the arrangements are for the most part service specific. There appears to be little discussion of expanding the agreements to cover multiple services or to creating fully integrated service arrangements that are not easily reneged - 82 percent of all arrangements are either fee for service, written agreements, or informal/verbal agreements.[26] The *Municipalities Act* now allows for the creation of a municipal service delivery corporation between two or more municipalities, LSDs, or unincorporated areas, but thus far only 2 have been established. Unlike fee for service or written agreements, however, municipal service delivery corporations require provincial approval.[27]

Though this increased level of service sharing is positive, it is a trend that appears to be largely born out of necessity. According to the 2007 Census of Municipalities, the impetus for establishing service sharing arrangements in small towns, that numerically have the most agreements, is to either maintain existing services, provide new or improved services, or to cut costs.[28] In other words, most of the service sharing is derived from a realization that a small municipality can no longer provide, improve, or afford services that were historically delivered by the individual municipal unit. This is in sharp contrast as to why urban municipalities enter into service sharing arrangements. These municipalities cite establishing good relations with neighbours and improving environmental practices as their two most prominent reasons, with maintaining and providing services and cutting costs all tying for third.[29]

Regional Structures

Newfoundland and Labrador has many regional structures. The historical development of these institutions was briefly discussed in Volume I, which examined the history of regionalism in the province. Though these various structures show a willingness to collaborate, many operate outside of the municipal system and are not fully accountable to the municipality. Moreover, they are almost exclusively forums for discussion and policy analysis. Few regional structures can implement policy, and those that do are largely focused on instructions from the provincial government. For the purposes of this study, these regional structures are examined separately, though in practice there is a significant amount of overlap.

A. Joint Councils

Joint councils are unique in the sense that they are a gathering of elected municipal leaders and are the product of purely local efforts. They are also unique because all facets of municipal government are in their purview, such as infrastructure, economic development, social issues and community policing. There are currently 16 joint councils, representing 194 municipalities and LSDs, spread out across the entire province with the exception of the Burin Peninsula. Many of these councils are quite new, having been established since the turn of the century, with the Northeast Avalon Joint Council, the Great Humber Joint Council, the Combined Councils of Labrador, and the Great Northern Joint Council the longest serving.

In a 2005 survey of Joint Councils conducted by Dr. Kelly Vodden the most common benefits listed by joint councils were the potential to speak with a unified regional voice, the ability to share information and ideas, and the funding advantages available to larger groups. Some of the longer running councils cited significant successes, such as the Great Humber Joint Council's intervention in the Nicolsville Bridge dispute on behalf of Deer Lake and the Great Northern Joint Council's support of St. Anthony's successful bid for a crab license. Very new councils already report success, such as the Southwest Coast Joint Council, which managed

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[26] *Census of Municipalities,* MNL, 18.

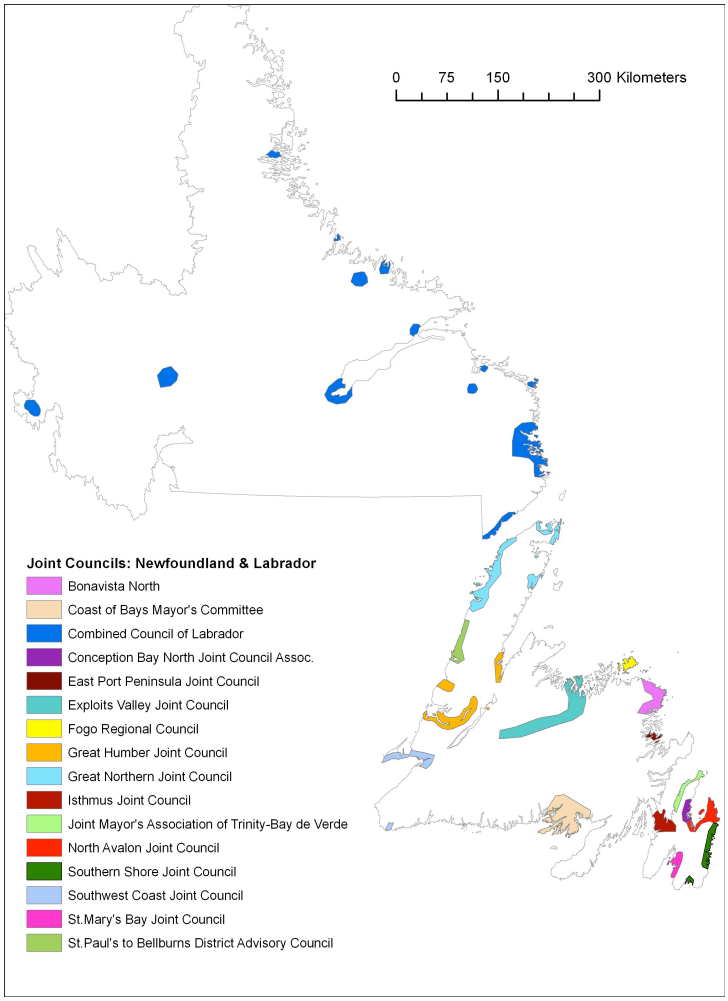
[27] *Municipalities Act,* S.N.L. 1999, c. M-24 2. s.192.1

[28] *Census of Municipalities,* MNL, 31.

[29] *Census of Municipalities,* MNL, 31.

to reduce landfill sites by agreeing, as a joint council, to use the Stephenville landfill.

But Joint Councils possess serious problems that undermine their effectiveness and highlight their limitations as a strictly volunteer association. One of the most common concerns revealed by Dr. Vodden's survey was that certain topics couldn't be discussed at joint council meetings because they cause disputes and divisions. This suggests two things. First, joint councils are concerned primarily with matters where consensus is likely; and second, joint councils find it easier to speak with one voice when it is in opposition to or support of a policy or opinion expressed by an outside institution, most likely the provincial government. The implication of this second point is that joint councils are not adept at managing contentious issues that are within their region and wholly within the purview of municipal government. In short, joint councils have a difficult time resolving disputes between member municipalities. The cause of this shortcoming is the voluntary and unstructured nature of joint councils.



Source: Working document, Rural-Urban Interactions in Newfoundland and Labrador

Another concern highlighted in Dr. Vodden's survey was the difficulty in getting municipalities to attend joint council meetings. Although there are some geographic reasons behind this problem, it is again largely caused by joint councils being voluntary and having poor dispute resolution mechanisms. If a municipality does not agree with other municipalities on the council the easiest option to avoid further frustration is to simply stop attending council meetings. As a result a joint council will either forego dealing with the issue in an attempt to placate the offended municipality, or the offended municipality will stop attending council meetings and pursue the matter on its own, thus undermining the entire purpose of the joint council. The fate of the Burin Peninsula Joint Council serves as a cautionary tale regarding the limited ability of joint councils. A council that was once hailed as a "promising informal step" at regional cooperation by the Whalen Commission descended into a forum of uncooperativeness with municipal councils pursuing their individual agendas at the expense of a unified joint council position. The Burin Peninsula Joint Council no longer exists and attempts to revive it have thus far been unsuccessful.

B. Regional Economic Development Boards

In Atlantic Canada, economic development tends to be carried out by regional bodies that transcend municipal boundaries and that have some funding connection to provincial and federal governments. This type of structure currently works for these provinces, as the majority of municipalities would not, on their

own, have sufficient resources to undertake many economic development activities.[30] The same approach has been adopted in this province.

When Regional Economic Development Boards (REDB) were first established in Newfoundland and Labrador in 1995, it was hoped that they would serve as well-funded and active institutions that would formalize a partnership between the government and communities. The province was divided into 18 regional zones (subsequently to be re-divided into 20), where the corresponding REDB would provide direction in economic development. In doing so, REDBs were to be guided by the following principles:

- a renewed commitment to the role of volunteers;
- sustainability and stewardship;
- strategic economic and planning for each zone;
- economic development that is market-driven and business like;
- establishing a strong entrepreneurial culture;
- adopting the knowledge-based economy;
- committing to education and training;
- promoting modern telecommunications;
- accepting the reality of the global economy;
- partnering with labour, government, and business, while recognizing gender equality; and
- support from government for regional development.[31]

According to Dr. Stephen Tomblin and Dr. Jeff Braun-Jackson, REDBs were to be an important tool in capacity building – the "idea that governments should support communities and regions to strengthen their ability to initiate economic development locally."[32] Consequently, the facilitation of locally borne economic initiatives was a fundamental role for the envisioned REDB.

Though REDBs were created out of a MNL and Newfoundland and Labrador Rural Development Council-supported government initiative, they are not a governmental entity and theoretically exist free from the desire and influence of government. REDBs are corporations, incorporated under the *Corporations Act*, which means that the government cannot stop them from operating or fire staff members. The downside to this arrangement, however, is that funding is at the discretion of the government, as there exists no statutory requirement for financial support.[33]

Since their creation, REDBs have been involved in numerous local economic development initiatives throughout the province. Areas of involvement are focused largely on tourism-based projects, which have established some seasonal employment. REDBs have been involved in other sectors as well, including natural resources, agriculture, aquaculture, and technology. The Long Range Regional Economic Development Board (LRREDB), for instance, was heavily involved in the creation of a tomato greenhouse operation and a dairy project, both proposed by local entrepreneurs. These projects produced nearly 50 temporary jobs, and created the possibility for expansion of the business. The Exploits Valley Economic Development Corporation

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[30] Michael Skelly, *The Role of Canadian Municipalities in Economic Development,* (Toronto: ICURR, 1995), xiii.

[31] Task Force on Community Economic Development in Newfoundland and Labrador, *Community Matters: The New Regional Economic Development,* (St. John's: Atlantic Canada opportunities Agency, 1995), 16-17. [Hereinafter "***Community Matters.***"]

[32] Jeffrey Braun-Jackson and Stephen G. Tomblin, "Managing Change Through Regionalization: Lessons from Newfoundland and Labrador," (Paper prepared for the Leslie Harris Centre at Memorial University, 2006), 24. [Hereinafter "**Managing Change Through Regionalization**"].

[33] Christopher Dunn, "Provincial Mediation of Federal-Municipal Relations in Newfoundland and Labrador," (Paper Presentation, Queen's University, Kingston, ON, May 10, 2003) [hereinafter **"Provincial Mediation"**].

(EVEDC) partnered with the Town of Grand-Falls-Windsor to build the EXCITE building – a project that catered to prospective IT businesses. Since 1999, this helped create approximately 300 jobs in the town generating about $10 million in annual personal income for the area.[34] There are other REDB success stories, as these are just a few examples.

Though created with good intentions and largely well-managed, REDBs, in many ways, are a model for unfulfilled potential. REDBs were meant to be policy centers that were intimately involved in planning and regional development within a region. They originally did not have the mandate to be involved in the operation side of development as that was to be carried out by other agencies. According to political scientist Chris Dunn, this distinction was made because "if the REDB became involved in all sorts of implementation activities, chances are that it would become relatively unpopular, step on toes, and would be blamed for matters beyond its control."[35] As one former staff member explained, "we operated as a sort of a policy group, a think tank…"[36] However, to become a viable regional economic development agency and establish regional capacity, support from government is required.[37] In the history of REDBs this support was short-lived.

A few months after coming into existence, the REDBs most important advocate, Premier Wells, left office and was replaced by Brian Tobin whose focus was on resource and mega-project development. Tobin abolished the Economic Recovery Commission that was fostering the REDB process and left REDBs underfunded.[38] As Wade Kearley argues, this contradictory treatment of REDBs by successive governments has contributed to the "inertia" that plagues economic development in the province.[39] Though REDBs still strive to be leaders for economic development, this lack of funding has not changed in the past 14 years. An examination of the LRREDB, which encompasses 51 communities, shows an annual budget of $222,500.00, which does not increase year-over-year; two-thirds of this budget is devoted to paying for qualified staff.[40]

Tomblin and Braun-Jackson's examination of regionalization in Newfoundland and Labrador listed several challenges to the REDBs, some sociological, some financial. One sociological factor is that fishers are suspicious that REDBs are sacrificing the fishery for the sake of economic diversification; consequently, participation by fishers on REDBs is low.[41] This distrust is in sharp contrast to fisher participation in Regional Development Associations (RDA) where they made up the largest occupational grouping on RDA boards.[42] Although the composition of REDBs have slightly changed to reflect the interests of fishers, the concerns of this group may be indicative of a general lack of understanding that exists among the populace regarding the role and purpose of REDBs.

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[34] REDB Success Stories, Final Report (Unpublished document, 2007).

[35] Dunn, "Provincial Mediation."

[36] As quoted in Vodden, "History of Regional Economic Development," (Unpublished paper).

[37] Braun-Jackson and Tomblin, "Managing Change Through Regionalization," 26.

[38] Braun-Jackson and Tomblin, "Managing Change Through Regionalization," 26.

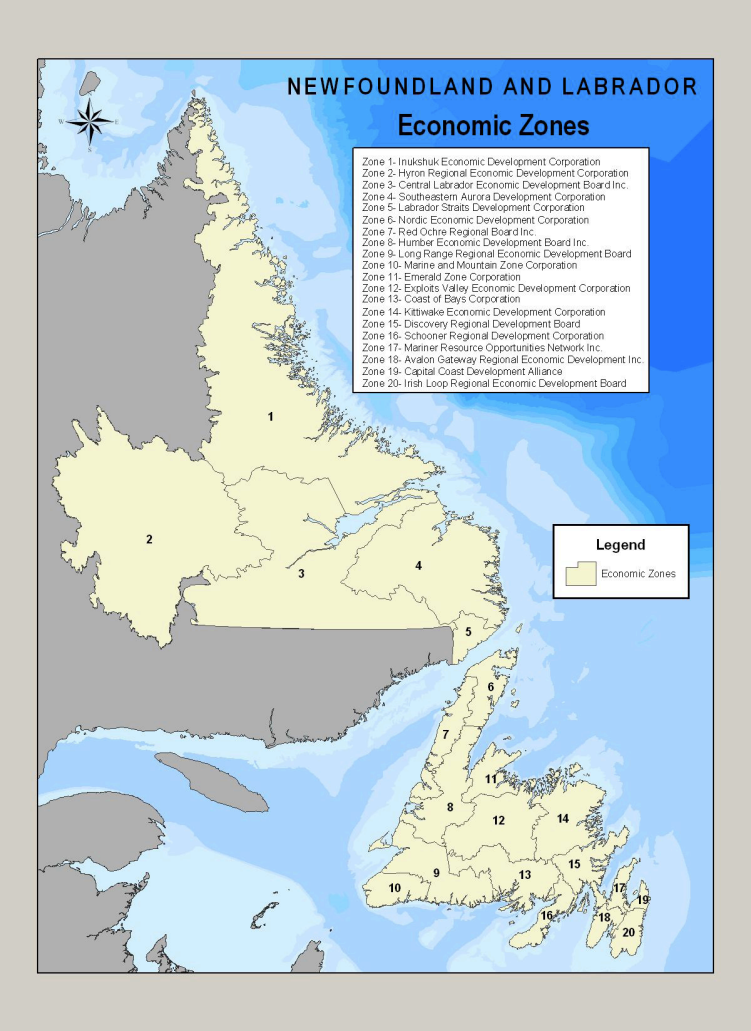
[39] Wade Kearley, "Where Do You Draw the Line? Regionalization in Newfoundland and Labrador" (Draft for Leslie Harris Centre, Memorial University, July 5, 2007), 19 [Hereinafter **"Where Do You Draw the Line?"**].

[40] Long Range Regional Economic Development Board, "Strategic Plan," under "Business Plan," 31. http://www.zone-9.com/IWP.asp (accessed January 2010).

[41] Braun-Jackson and Tomblin, "Managing Change Through Regionalization," 27.

[42] Kelly Vodden, "History of Regional Economic Development in Newfoundland and Labrador," (Unpublished paper), 3.

This distrust ties into a second sociological factor discussed by Tomblin and Braun-Jackson, which is that REDBs have difficulties in getting local residents involved. Although this may be partially linked to insufficient funding, it may also be caused by the operational structure of the REDBs. Though portrayed as democratic, REDBs are democratic only to those of a specific sector and those with knowledge. Being a corporation, individuals and businesses have to actively become involved with REDBs by becoming a member. According to Dunn, the potential exists for the creation of a wide membership that can result in a sense of "ownership by the federal government, the provincial government, the staff involved in the REDBs, by the boards that staff it, and especially by the stakeholders at the local level."[43] But this potential for wide membership exists only in theory.



Source: Ministerial Committee on Regional Renewal. *Report of the Ministerial Committe on the Process to Renew Regional Economic Development*.

For most REDBs, membership rules are left to the discretion of the corporation (though the rules are approved by the provincial government) and membership is often limited to certain kinds of businesses and organizations. For instance, membership in the EVEDC is available only to any group or business that "*in the opinion of the Board of Directors is in a position to influence economic development in the region* [italics of the author]."[44] Thus, the EVEDC practices selective democracy that is unavailable to individuals in the region. There is a slight difference with the Northeast Avalon Regional Economic Development Board (NEAREDB) whose bylaws allow individuals to qualify for membership but only for a non-voting "associate membership,"[45] therefore limiting the possibility of individuals to influence REDB policy. Similarly, the Kittiwake Economic Development Corporation (KEDC) permits individuals to be members, though it limits voting membership to organizational members who must either be an organization, association, municipality, business, or corporation.[46] Directors for the KEDC Board must

[43] Dunn, "Provincial Mediation."

[44] Exploits Valley Economic Development Corporation, "Policy & Procedures," 3.1, a), 4.

[45] Northeast Avalon Regional Economic Development Board, "Bylaws," (Article II: i, h), 2.

[46] Kittiwake Economic Development Corporation, Kittiwake Economic Development Corporation Web site, "Constitution/By-Laws," under "About KEDC," s. 3A and 3B, http://www.kittiwake.nf.ca/about/ByLaws.pdf (accessed February 2010).

be organizational members. As voting membership in both the NEAREDB and KEDC is limited to specific sectors of people and not extended to individuals, the associate and individual membership amounts to very little. In many ways, individuals are marginalized as stakeholders in the economic development of their region.

These limited voting rights are in sharp contrast to the Irish Loop Development Board (ILDB), which progressively allows every individual residing within its zone an opportunity to play a role in the economic development process of the region. At their Annual General Meeting (AGM) for instance, any resident of Zone 20 can sign the register and vote on business matters. Such a policy is emblematic of a democratically inclusive approach to regional economic development. Unfortunately, the policies of the ILDB are the exception, not the rule, as most other REDBs allow only their restricted membership to vote at AGMs.

The limited democratic approach adopted by many boards is difficult to justify and does nothing to strengthen the REDB position in their region. If REDBs are to be the lead economic development organization in the province then they need to provide a greater voice to the general population. In their current guise, REDBs appear as a forum only for specific interests.

It is also unclear how competitive board elections are within REDBs. All boards have municipal participation and representation from various business sectors and interest groups. Most board members are elected within their specific sector, away from public involvement. After a representative is chosen, the newly elected member is appointed to the REDB to represent the sector on a regional level. Given that boards are selected in this manner, there is no opportunity for public campaigning to explain how a given candidate will represent the region. Instead campaigning, if at all required, occurs in each specific domain and free from public scrutiny.

Since most residents are not positioned well enough in any specific sector to earn voting membership, their representation on a REDB is limited to those members sitting on behalf of municipalities. Yet, the proportion of seats designated to municipalities varies from board to board. For example, while the EVEDC designates 1 seat for each of its large towns (Grand-Falls-Windsor, Bishops Falls, and Botwood) and 1 for each of its three sub-zone regions, the Emerald Zone Corporation (EZC) designates 2 for all the municipalities within its two sub-regions, one for the Baie Verte Peninsula and one for the Green Bay area. The EVEDC, therefore, saves 6 of its 16 board seats for its 19 communities[47] whereas EZC maintains 2 of its 19 seats, including ex officio, for its 43 communities.[48] The LRREDB, on the other hand, has devoted a substantial proportion of its 9 seats to municipalities, requiring 7 municipal representatives to sit on behalf of its 51 communities.[49] It is important to keep in mind that not only are municipal representatives responsible for their corresponding residents, they are also responsible for the unincorporated communities and LSDs of the area, which intensifies the municipal role on the REDB. Both LSD and unincorporated area stakeholders are clearly affected by regional planning, but have no direct say into the planning process.

The relative lack of municipal representation on some REDBs raises two important concerns. First, it is difficult to consider municipalities as partners in regional economic development if they have no direct representation on their REDB. Second, this lack of municipal partnership reinforces the concern surrounding REDBs creating and implementing policy. Without strong municipal representation, REDBs could appear as though implementing their own agenda, not a genuinely locally borne economic initiative. Furthermore, it is particularly troubling to realize that these concerns are not new. In fact, the low level of accountability some

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[47] The Exploits Valley Economic Development Corporation Web site, "Home" and "About EVEDC," http://www.theexploitsvalley.ca (accessed February 2010).

[48] Emerald Zone Corporation, Emerald Zone Web site, under "Community Profiles" and "Board Members," http://www.ezc.ca (accessed February 2010).

[49] Long Range Economic Development Board, Long Range Economic Development Board Web site, under "Board," (accessed February 2010).

REDBs have to their municipalities was a central issue addressed in two distinct assessment studies released in 2001 and 2005.

The 2001 report, *Taking Stock*, released in conjunction with Baird Consulting Associates, investigated the strengths and constraints of the REDB process. The purpose of the report was not to measure economic performance, but "to review the regional economic development process, how it is working and how it can be improved."[50] Information for the report was gathered from the boards themselves, community leaders and government organizations. The main conclusions were that the REDB process was sound, but that there was a general lack of understanding for the process among the public and a deficiency in accountability to local residents.[51]

In their investigation, the authors of *Taking Stock* paid close attention to the original philosophy behind the REDB creation, as set out in *Community Matters*, the 1995 publication of the Task Force on Community Economic Development in Newfoundland and Labrador. If economic development was to be attainable, local commitment and accountability was of utmost importance. Consequently, a "bottom-up approach" was envisioned: "Economic development concerns all members of the community and our recommendations recognize the need for the boards to be inclusive and democratic."[52] In order for REDBs to receive the legitimacy needed to maintain a leading role in the economic development of their region, inclusive participation of the communities involved was essential. Whatever electoral scheme was adopted, the REDBs were to be "creatures of the community-based electorate and representative organizations."[53]

The importance of public participation and empowerment resonates throughout *Community Matters*: "Only if we foster local commitment and accountability for economic development will the innovation, entrepreneurship and productivity necessary for success in the new economic conditions we face be unleashed."[54] Accountability to the people of the local communities was essential for regional economic development. After all, as was confirmed in *Taking Stock*, communities "ultimately are the vehicles of economic development."[55] However, as *Taking Stock* also revealed, the goals of community accountability and understanding were not being achieved by the REDBs.

Taking Stock argued that the current operational structures of the REDBs presented issues of accountability. This was because some REDBs employed election mechanisms that did not provide adequate representation or accountability. The problem was that "turnouts are low and candidates can influence the outcome by bringing a low number of supporters."[56] The representative decided upon would therefore not be democratically elected, but specifically chosen from a select group of people. Accordingly, in cases where this is happening, there "is no real representation or accountability."[57]

Communication was another area where concerns in the REDB process emerged. The REDB's ability to keep information flowing to municipalities and sub-zone organizations was not consistent. While most of the

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[50] Taking Stock of the Regional Economic Development Process: Background and Overview, Recommendations and Action Plans (St. John's: Baird Planning Associates, 2001). [Hereinafter **"Taking Stock," Baird Associates**].

[51] "Taking Stock," Baird Associates.

[52] *Community Matters,* 67

[53] *Community Matters*, 69

[54] *Community Matters*, 13

[55] "Taking Stock," Baird Associates.

[56] "Taking Stock," Baird Associates.

[57] "Taking Stock," Baird Associates.

blame could be directed towards insufficient funding, as a whole, municipalities felt that "stronger efforts must be made to keep them informed and to build stronger levels of cooperation on regional needs and initiatives."[58] As is noted in *Taking Stock*, municipalities want to be more directly involved in their economic development, but need to be more informed to achieve this result.

These considerations were of great concern four years later in the 2005 *Report of the Ministerial Committee on the Process to Renew Regional Economic Development* (the Ministerial Report). The Ministerial Report, being the second REDB assessment in five years, identified 13 areas of concern where the REDB's role in regional economic development required strengthening. These areas included communication with stakeholders, relationship to the private sector, federal and provincial relations, and transparency and accountability.[59] The report recommended several methods to clarify and strengthen the REDBs' role in these areas, but focused largely on reworking the REDB vision. This is evident since at the heart of the document is a recommendation that the REDBs adopt 5 revised "Core Functions." These include:

- Develop and coordinate the implementation of a strategic economic plan (SEP) in each zone supported by an integrated business plan (IBP).
- Develop a strong partnership with municipalities in each zone that incorporates the strategies and priorities of municipalities in the economic planning process.
- Develop partnerships in planning and implementation with Chambers of Commerce, Industry Associations, labour organizations, post secondary institutions, CBDCs, and other zones that advance and support the economic and entrepreneurial environment of a zone.
- Undertake capacity building and provide support to stakeholders to strengthen the economic environment of the zone.
- Coordinate and facilitate linkages with federal/provincial/municipal government departments and agencies in support of the strategic economic plan.[60]

The report recommended that each REDB develop a SEP and an IBP in cooperation with its stakeholders. These documents were to outline the general economic development goals established by the REDB, and offer possible methods for bringing such goals to fruition. The SEP would establish short-term and long-term goals and would provide a more focused approach to REDB planning and government funding.[61] The IBP was to include a more specific plan, outlining a REDB's three-year budget, and identifying "specific activities with a clear indication of direction and provid[ing] information on projected board activities, time frames, and partners."[62] It was hoped that, by creating these plans, the REDB's accountability to their regional stakeholders would be increased, since the yearly activities of the REDB could be measured against the objectives set out in its SEP and IBP. Communication with stakeholders was also to be increased, as the REDB's purpose and intended goals for the region would be easily accessible in these documents. While this recommendation is a good-first step towards increasing REDB accountability, the report does not include any suggestions for stakeholder action should their REDB fail to meet its intended objectives – withdrawl from the REDB process due to dissatisfaction is not an effective solution. Although the report's recommendations regarding transparency of its goals have been adopted, the report's suggestions for greater REDB accountability to municipalities have been largely ignored.

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[58] "Taking Stock," Baird Associates.

[59] Ministerial Committee on Regional Renewal, *Report of the Ministerial Committee on the Process to Renew Regional Economic Development* (Dcember 2005), 8-11. The report lists these areas of concern as "Pan Provincial Considerations." The range of these concerns is provincial, and all Regional Economic Development Boards are affected by these issues. [Hereinafter "***The Ministerial Report***"].

[60] *The Ministerial Report*, 11-13.

[61] *The Ministerial Report*, 13-14.

[62] *The Ministerial Report*, 15.

In the Ministerial Report, REDBs were encouraged "to take the lead implementation role" for economic initiatives when implementation capacity is lacking in their region.[63] Even though long-term and continued REDB implementation activities were discouraged, the fact that many municipalities are poorly represented on their REDB should worry municipal councillors. If the municipalities of a region have weak representation on their REDB, the general population will have little to no say in how economic initiatives are to be implemented within their communities. The REDB therefore runs the risk of appearing to act alone. This is why the development of strong municipal partnerships is a priority; municipalities must have strong representation on regional economic development boards. As we've seen, this statement, however, does not reflect the current composition of many REDBs.

This lack of representation and narrow form of democracy would not be of concern if REDBs were simply an underfunded organization to serve as a forum for different interest groups to discuss common problems. But the current vision for REDBs, as outlined above, is to interact more closely with municipalities by linking municipal economic objectives with the board planning process.[64] This new role potentially alleviates a financial challenge to REDBs, as examined by Tomblin and Braun-Jackson. They argued that REDBs are challenged by not being able to raise and invest their own funds. Tomblin and Braun-Jackson attribute this to the provincial and federal government's reluctance to relinquish control over public money and the failure to merge REDBs with the Business Development Corporations.[65]

But this may soon change with the new performance based funding framework that has been developed for REDBs. One element of this new framework - Municipal Match Funding - is being established as an incentive for greater REDB-Municipal cooperation and to hold REDBs more accountable to the municipalities they serve. With Municipal Match Funding, ACOA and the provincial government will match any funds paid to the REDB by municipal governments. Contributing to the REDB is at the discretion of each municipality.[66]

There are, however, concerns with this new framework. It is contrary to the best interest of the municipal taxpayer to have the town's valuable and limited financial resources partly granted to an economic development board on which it has no representation or at least not enough representation to ensure the interests of the municipality are paramount. It is interesting to note that it is only municipalities that are being asked to make this voluntary contribution, and any work done in support of other sectors is provided free of charge. Furthermore, if REDBs do collect funds from individual towns, it is likely to create an expectation on behalf of the municipal council that the REDB will do work to benefit their town. This individual expectation will undermine the REDBs desired role as a regional structure, where there should be no difference between communities that can provide funds and those that cannot. If REDBs are to move forward with Municipal Match Funding it will be a difficult balancing act and accusations of favouritism seem inevitable. Soliciting funding from towns also creates one-on-one relationships with municipalities and the REDBs, not regional relationships.

With these criticisms we are not suggesting that REDBs be abolished; they can be improved as part of a regional government. According to Kearley, REDBs continue to "garner positive recognition in the regions – and even internationally – as a model for economic development. Within the system there is a sense that the

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[63] *The Ministerial Report*, 16.

[64] *The Ministerial Report*, 23.

[65] Braun-Jackson and Tomblin, "Managing Change Through Regionalization," 27.

[66] Department of Innovation, Trade and Rural Development and the Atlantic Canada Opportunities Agency, "A Performance Based Funding Framework for REDBs in Newfoundland and Labrador," (Presentation, October 16th, 2009).

boards have been valuable in providing a way to get past the traditional insular town hall identity."[67] Economic development requires the kind of input from the various stakeholders that REDBs represent. Nonetheless, economic development needs to be led by a local level of government and accountable, in some form, to the electorate. This is necessary if the counterproductive distinction between policy creation and implementation is to be abolished.

C. Regional Councils

Although regional councils will be fully discussed in the section on regional government models, it is important to briefly address the one true regional government structure in Newfoundland and Labrador. The Fogo Island Regional Council, established in 1996, incorporates the four municipalities and three LSDs located on Fogo Island. Municipalities appoint members to the regional council, while the LSDs hold elections for their representatives. In many ways, the Fogo Island Regional Council is quite special, as it is the result of purely local efforts and was created by a group of communities with strong histories of local competition and distrust. The responsibilities given to the Regional Council are logical and practical. By managing the recreation centre, the island dump, and being the lead organization in discussions with the province over transportation issues, the Regional Council is providing a necessary structure for services that cannot or should not be duplicated.

The Fogo Island Regional Council, however, is regional government on the smallest possible scale and should not be viewed as the model for the rest of the province. First, Fogo Island, given its geographic distinction, is a natural region. Second, because the Fogo Island region is small and has a small population, the resources and abilities available to the Regional Council are limited. The Council cannot conduct municipal planning for Fogo Island, nor can it manage economic development – it simply does not have the resources. The Council cannot directly tax residents of the municipalities, thus leaving it dependent on timely payments by the island's municipal councils. This is not a reflection of the efforts of the Regional Council; Fogo Island is too small to create a complicated tax regime that allows the Regional Council to directly collect a part of the various municipal property taxes.

The final reason why the Fogo Island Regional Council should not be viewed as the model for regional government in the province is that it may be considered as the precursor to the amalgamation of all the communities on the island. That potential end is not what is being discussed in this paper. This study is examining creating viable regional governments that should not be interpreted as a pathway to eliminating local municipal councils.

D. Regional Service Boards

Regional service authorities in this province fall under the *Regional Service Boards Act*, which was passed in 1990 but not proclaimed until 2004. There are currently several regional service authorities in the province, known as Regional Waste Management Authorities, which are tasked primarily with implementing the Newfoundland and Labrador Waste Management Strategy.[68] The Board of Directors for these regional boards are composed of both elected and appointed officials from their region. Members of the board are to create a viable policy to implement the provincial mandate set out in the waste management strategy. While Regional Waste Management Authorities address some pressing environmental concerns, their organizational structure raises accountability issues for the municipalities and LSDs involved. This, in turn, casts doubt on the suitability and viability of regional service boards as an adequate regional government model.

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[67] Kearley, "Where Do You Draw the Line?*,"* 21.

[68] Government of Newfoundland and Labrador, *Provincial Waste Management Strategy* (April 2002), http://www.ma.gov.nl.ca/ma/publications/pswms/wastemanagementstrategy_apr2002.pdf (accessed March 2010).

Like REDBs, regional service boards reflect a narrow democratic structure. While the public does vote on board membership, the selection is limited to voting for current municipal councillors or community leaders who represent municipal authorities. In the Northern Peninsula region for instance, these elections occur in each sub-region at a public meeting, where three councillors or community leaders are elected. The democratic process, however, ends here. According to the *Regional Service Boards Act* the chairperson of the board is appointed by the provincial government, though it is debatable whether this individual must also be an elected official.[69] Currently, two of the three individuals chairing waste management boards have not been elected to a municipal council. Although the chairperson is accountable to the rest of the board, the official head of the service authority – the individual who speaks on behalf of the board, leads consultations with the province, and monitors the day-to-day function of the authority – is often not an elected representative and cannot be popularly voted out of office.

Regardless of the democratic structure of the board, Regional Service Authorities were created primarily to implement a provincial government strategy and are not involved in the sustainability or long-term planning of their region. It appears from a provincial government perspective, that regional service authorities were simply a convenient means of implementing the 2002 Waste Management Strategy, which is apparent by the proclamation of a 1990 Act two years after the creation of the strategy. As a result, there are real concerns regarding the manner in which Regional Service Authorities are used.

Presently, Regional Service Authorities are used almost exclusively as a means for provincial implementation and they do not reflect community-based efforts of regional collaboration. In their current guise, regional service authorities do not represent a viable path towards regional government because they are a significant provincial government intrusion into responsibilities that were once within the domain of municipal government.

E. Rural Secretariat

As was mentioned in the Volume I, it is difficult to assess the Rural Secretariat because it was only established in 2004. One conclusion that can be drawn is that the Rural Secretariat endeavours to limit local politics in its operations. This is evident for two reasons. First, the government appoints Rural Secretariat Councils after a nomination process. As a result there is no need for local campaigning or contested elections. Second, it does not operate within the municipal system. Municipal officials do not comprise majorities on the Rural Secretariat Councils nor does the Rural Secretariat provide a service directly to municipalities. The Rural Secretariat functions as a forum for discussing regional concerns and exchanging ideas and for providing feedback to the provincial government.

With this limited role, the Rural Secretariat has its specific place in the regional governance system. But it really cannot do anything more. Because it has an appointed council, it cannot speak on behalf of towns or even on behalf of the region. It is also a direct arm of the province and Rural Secretariat staff are civil servants. The Rural Secretariat is not the protector of municipal autonomy. It exists with or without municipal support.

[69] *Regional Service Boards Act,* R.S.N.L. 1990 c65 s5(1).

The Plight of Local Democracy

From the review of the status quo provided in the previous section, it is not hyperbole to state that local democracy is in a state of decline. These are the facts:

- Barely half of the 281 municipal councils in the province were elected through an election in 2009.
- A little more than one-third of all municipalities report a voter turnout rate of 50 percent or greater.
- No regional structure, except for the Fogo Island Regional Council, is composed entirely of representatives who were popularly elected by the public in their communities.
- Municipalities have allowed other institutions to play lead roles in service delivery and economic development, although the leadership of these organizations is not accountable to the electorate.

Perhaps the greatest indication of the decline of local democracy is the necessity for costly government campaigns to not only get individuals to vote, but also to get people to run for council to ensure that voting is required. Despite the 2009 "Make Your Mark" campaign, municipal acclamations rates remained high, towns had difficulties in fielding a full slate of candidates, and electoral turnout was generally poor. It is false to state that our current municipal structure is healthy. Government-appointed councils, because of the disinterest and frustration of residents, will eventually run an increasing number of municipalities.

There are tremendous implications for the malaise that surrounds municipal government. After more that 50 years of almost uninterrupted growth in the number of incorporated municipalities, there are now several communities who are voluntarily relinquishing their municipal status to become unincorporated areas or part of a local service district. This not only means that fewer people in the province will have a representative local council, it also means that neighbouring municipalities will no longer have a partner with adequate responsibilities to pursue common interests or to resolve disputes. If more municipalities choose to surrender their incorporated status it will create more property-tax free zones to compete with municipalities, which could potentially cause major problems for the provincial government. The tax status of LSDs and unincorporated areas is already a source of frustration for many municipalities that should not be exacerbated.

Municipalities are also increasingly considering amalgamation as a solution to their problems. Although in some circumstances this is not a bad idea, it is important to question whether amalgamation provides a better pathway to sustainability. Collapsing three or four small communities may result in some government-supported debt relief, but the tools and expertise needed for the new municipality to grow and become sustainable could still be too costly for the new entity. Therefore, amalgamation, though at times a practical solution, may not provide more of the hoped-for answers to community viability and survival.

Current Impediments to Regional Government

Given the state of municipal government in the province and the fact that the status-quo is not sustainable in the long-term, it is evident that significant municipal reforms are needed. The reform options, however, are limited: municipalities can either undergo a series of mass amalgamations, they can form a regional government, or they can pressure the provincial and federal governments to grant them significantly greater financial assistance. The first option is unacceptable to most towns and perhaps politically untenable for any provincial government. The third option would never be proposed by the provincial government as it would be costly and would make towns even more dependent on provincial coffers. Obviously this is biased opinion, but it appears that regional government is the only viable option available to both municipalities and the province. While the viability of regional government has to be investigated with more economic analysis than this study presents, for social, political, and economical reasons, regional government is the best and most practical path to improving the lot of the province's municipalities.

Despite being recommended by numerous task forces and royal commissions in the past, there is no regional government in Newfoundland and Labrador nor is it on the policy agenda of any municipal or provincial government. It is important to consider why this is the case. Few could argue that the last 20 years have been good for municipalities that have had to deal with significant out-migration, funding cuts, off-loading of services, growing debt, the cod moratorium, and one significant push towards mass-amalgamation. Given this environment, it seems that a regional government effort - one that would protect the autonomy of towns - would be well received.

This section will consider and analyze some of the impediments to regional government that exist in Newfoundland and Labrador. Many of these are political, though some are sociological and economic. The impediments are divided between those that exist at the provincial and municipal levels, though in reality such a distinction is not as clear. Please also note that the impediments are not ranked, meaning the first impediment listed is not necessarily the greatest.

The Provincial Impediments

A. The Municipal Capital Works Program

As most municipalities are aware, the Provincial Government, through the Department of Municipal Affairs, has a municipal capital works program in place that allows towns to cost share the construction of municipal infrastructure. The purpose of this program is to provide "municipalities the opportunity to secure, develop, and improve services for their residents and support the long-term sustainability, growth and development of communities throughout the province."[70] According to the Department of Municipal Affairs' website, typical projects include water and wastewater treatment, roads, recreational facilities and fire equipment.

In theory, and to some degree in practice, the Municipal Capital Works (MCW) Program is positive for municipalities. For bigger communities, the cost share ratio between the province and the municipality is either 80/20 or 70/30. Thus, the province covers most of the cost for a project in a major centre, which is fair considering that the major centre may service an entire region and the municipality has very few means of raising revenue. These cost share ratios cover 25 municipalities in the province.

Where the Municipal Capital Works (MCW) program becomes an impediment to regional government is with regards to the other 258 municipalities with populations under three thousand who qualify for a cost share ratio of 90/10. Under this ratio, small municipalities are able to afford infrastructure projects that they would

[70] Government of Newfoundland and Labrador, Department of Municipal Affairs Web site, under "Capital Works" and "Capital Works Funding." http://www.ma.gov.nl.ca/ma/capital_works/cwfunding.html (accessed March 2010).

not come close to funding if they had to provide even 25 percent of the cost. There are two significant problems with this. First, it artificially makes a community look, or feel like it is on the path to being, sustainable. A benefit is given to a town that may not have any capacity to develop a practical plan for the future. In this manner, the MCW program does not promote regional cooperation, as towns are able to develop projects on their own that far exceed their normal financial capacity. The MCW program undermines many compelling economic reasons for municipalities to collaborate on infrastructure projects.

Second, the MCW program permits infrastructure to be built but that does not mean that the municipality can afford to maintain it once it is completed. Roads, recreation facilities, and water and wastewater treatment facilities are expensive to maintain and they require constant maintenance. Building a new water treatment plant may improve the lives of a town's residents, though there seems little point when a town can barely afford their 10 percent share and will struggle to properly maintain the system. The MCW program facilitates solutions to the needs individual municipalities even when a regional approach to the particular concern may make more economic sense, especially for small towns.

It could be argued by some that municipalities are made more sustainable by having access to funding to improve their infrastructure. Reality, however, does not support this assertion. The MCW program has not made towns more sustainable or financially viable. Rather, the program assists towns in providing additional comfort for residents. The MCW program, through various cost-share ratios, has been in place for decades and many municipalities are weaker now than ever before.

One of the most unfortunate results of the MCW Program is that it can never be eliminated without causing severe hardships to municipalities. Small towns depend on the MCW Program to meet their infrastructure needs. In many ways the MCW Program does not build municipal sustainability, rather it reinforces a tradition of municipal-dependence on the provincial government. This dependency has recently been further entrenched with the announcement that municipalities will now be able to use their gas tax funding for their share of any MCW cost share projects.[71] This further reduces the need of municipalities to raise their own funds for infrastructure projects and increases their need for federal transfers and provincial funding.

This is not to say that the MCW program is bad or that it is improper to support infrastructure projects in small communities. The purpose of the program is good, and currently represents the only viable way for municipalities to improve upon infrastructure that is needed for the betterment of their residents. Nonetheless, perhaps there is a better, smarter way to develop infrastructure in small town Newfoundland and Labrador. A regional government institution could help provide regional solutions to infrastructure. As this institution does not exist, municipalities have to pursue infrastructure projects and funding on their own. This has not built sustainable municipalities in the past, nor will it do so in the future.

B. Political Will

Provincial politicians show very little political will to address municipal reform. This is true for both parties that have governed Newfoundland and Labrador since Confederation. Yes, there have been political attempts in the past, but the last major effort ended 20 years ago. The lack of political will does not reflect ignorance of the problems of municipalities in the province, rather it appears as the product of the province's political realities. Rural Newfoundland and Labrador, where municipal reform is most needed, has a disproportionate voice in the province's politics; no political party can win without significant rural support. Because of this, politicians often resort to what is politically beneficial, not practically beneficial.

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[71] Government of Newfoundland and Labrador, News Release, "Successful Convention Held for Municipalities in Gander," (November 12, 2009). http://www.releases.gov.nl.ca/releases/2009/ma/1112n05.htm (accessed March 2010).

The political weight of rural Newfoundland and Labrador inhibits the province from enacting substantial municipal reform. There are efforts to promote sustainability and regional cooperation but these are vague ideas with outcomes that are difficult to measure. And as is the way in any political system, support is garnered by providing tangible benefits - roads, new water and sewer systems, and recreation facilities - or by making promises that can limit municipal reform. Yet, with no tangible goal to achieve, these efforts amount to band-aid solutions that don't really change the status quo.

Similar to the Municipal Capital Works Program, it is important to stress that promising and providing these benefits is a good thing, though it is debatable whether it is the right thing. Without tackling long-term rural issues, some of which are tied to how municipalities function and grow, short-term promises and projects amount to a form of palliative care for towns - efforts to relieve but not cure the problem.

This is not arguing that politicians want to see rural Newfoundland and Labrador die, but the major problems of the capacity and operation of the province's small rural towns have only been lightly addressed during the last two decades. This avoidance can only be attributed to a lack of political will, as it is certain that politicians are aware of the problems of these municipalities. There must be more political will on the part of the province's politicians if meaningful municipal reform is to proceed.

C. No Attractive Regional Government Option Available in the Municipalities Act

Though a more complete analysis of Regional Councils as set out in the *Municipalities Act* is available in Volume 3, which analyzes Regional Government models, the fact remains that there is no real attractive regional government model for towns to pursue. The regional council model available under the *Municipalities Act* creates a weak regional structure that is constantly dependent on transfers from participating municipalities and has little capacity to raise its own revenues. In its current form, a Regional Council serves primarily as a means of providing local government to local service districts; for the participating municipalities, the council is more like a joint council that has been empowered to deal with a few regional issues or projects.

The unattractiveness of the available Regional Council model can best be summarized by noting that it has been available for almost 30 years but has only been used by one set of municipalities: the Fogo Island municipalities. Even with this poor rate of usage, no substantial changes have been made to the model over its lifetime nor has another model been included. It is difficult to understand why no alternative models have been created, though two reasons seem to stand out. First, there is a lack of political will to do so (please see above for a greater explanation), and second, if a regional council were created under the current regional council model it would have minimal impact on the current structure of the municipalities involved. Creating a regional council under the *Municipalities Act* does not require any great changes to the structure or powers of the participating municipalities, thus making it politically inexpensive to establish. A new and more robust regional council will not be as unobtrusive to the current structure of municipalities in Newfoundland and Labrador.

Municipal Impediments

A. The Continued Reliance on the Provincial Government

For municipalities in Newfoundland and Labrador much more emphasis is given to creating a strong relationship with the provincial government than with each other. One of the consistent themes of municipal opposition to regional government is that it will create another layer of government between towns and the

province.[72] Within this culture, regional and inter-municipal relationships are not considered essential for municipal growth and sustainability. It appears that this culture is slowly changing. An increasing number of municipalities now enter into service sharing arrangements, though this is done more out of necessity than any desire to foster good relations with neighbours (or, proactive economic reform).

There is one preeminent and practical reason for the development and continuation of this reliance on the provincial government: the financial vulnerability of municipalities. Towns and cities in Newfoundland and Labrador have far fewer means of raising revenue than the provincial or federal governments. As a result, municipalities require assistance from both governments for most major infrastructure projects as well as for basic operations. This weakness, which is common among municipalities across Canada, is exacerbated by the economic weakness of many towns in the province. Many municipalities have few businesses and commercial opportunities and are therefore quite competitive with each other for every economic opportunity. For many towns, the imperative is to secure enough work so that some residents will qualify for employment insurance benefits. This is often achieved through provincially or federally funded short-term work projects or through infrastructure projects. Because this type of employment is so important for the financial survival of many towns, it is understandable why municipalities insist on having an unimpeded path to the provincial government.

What municipal leaders have to ask themselves is whether forsaking regional connections for a clear link to the provincial government is worth it. Are municipalities getting stronger or weaker? Are they more limited in their options? Is looking exclusively to the provincial government for assistance providing municipalities with all the support they require? There needs to be a shift in the culture of municipalities so that they take strength and solace in the support offered by their neighbours as opposed to trying to convince the provincial government to lend support.

B. Political Will

Just as there is a lack of political will for regional government at the provincial level, so there is a lack of political will at the municipal level. In fact, the lack of provincial political will may be facilitated by the lack of will at the local level. Whether it is a distrust that the province will use a regional government effort to push through amalgamations or a sentiment that they will receive less funding within a regional government system, municipalities have shown little willingness to consider regional government.

Again, municipal leaders need to consider whether this lack of political will is helping their municipalities. For the past 15 years, the provincial government has shown greater willingness to create regional structures. What municipalities have failed to establish on their own, the province has created. A lack of local political will to address municipal issues has resulted in greater provincial intrusion at the municipal level, thus undermining municipal autonomy.

It is also increasingly difficult to understand the continued lack of political will for regional government. Municipal collaboration in a regional structure can no longer be denied due to the relative newness of our municipal system. Perhaps municipalities have never been given an option they can support. Hopefully, this initiative will change that.

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[72] See Commission of Inquiry, St. John's Metropolitan Area*, Feasibility Report concerning a revised mandate for the St. John's Metropolitan Area Board* (Commission of Inquiry, St. John's Metropolitan Area, 1987): "those councils seemed to harbour unwarranted fear about 'regional government' and its impact on local municipalities. Those concerns centered around...access to provincial government departments and the establishment of another layer of government complete with "red tape."' 33.

Conclusion

Connecting all of the above impediments to regional government is political will - political will to make necessary reforms to government programs and legislation, and political will to accept new relationships between the towns and the provincial government. Regional government, in the end, is a political decision. With careful planning and consideration it does not have to be a risky change. But to get to the planning level of the process, political will at the provincial and municipal level will have to be displayed.

Lessons from Other Jurisdictions – Economic evidence of forced municipal reform from Canada and abroad

In making a case for regional government in Newfoundland and Labrador, it is wise to take note of other jurisdictions where such arrangements have already been considered. Many examples exist throughout Canadian municipal history, two of which come from the Atlantic provinces of Nova Scotia and New Brunswick. Foreign instances exist as well, with Iceland and Sweden being two Nordic locales where municipal reform has occurred in recent history. The experiences of these four jurisdictions provide warnings that should not be ignored by municipalities in Newfoundland and Labrador.

This section deals with two questions: What were the political and economic factors that forced these governments to evaluate the state of their municipal system? And, what solutions did the governments propose in order to mitigate emerging economic challenges that threatened their communities? The examples present a common theme: the smaller municipalities are, the more un-economic they are to sustain; and the more un-economic they are to sustain, the more likely the central government is going to intervene into the municipal system.

Sweden

Government in Sweden is divided into three levels: the State (*Rikstag*), counties (*landsting*), and municipalities (*kommune*). There is no hierarchical structure between the counties and municipalities as they both provide services within their specific jurisdictions and together represent local government. The municipal government system in Sweden has formally existed since 1862.[73]

At that time, the Swedish government decided that their nation was in need of modern local government in order to deal with newly arising challenges. Guiding these original reforms was the influence of a strong central government's desire for more local autonomy. It was considered "to be in the interest of the national authorities since it would relieve them of some of their duties, create order in the administrative machinery and make state supervision more effective."[74] The number of municipalities established was about 2,500, half of which were inhabited by less than 1,000 people.[75]

The municipal system thus established offered unforeseen challenges. Municipalities "could not satisfy the new demands of industrial society without considerable strains…and in the inter-war period [the period between World War One and Two] there was often talk of the crisis in local government."[76] The central authorities were eventually forced to do something. Solutions such as the re-allocation of municipal duties to either State or county authorities; a substantial increase in State funding; and the negotiation of inter-municipal operations were given much thought and, in some cases, were used. However, a more fundamental flaw in the fabric of local government soon became clear.

The fact was that too many small, ineffective and un-viable municipalities existed in Sweden. Since the creation of the municipal system, local taxes continually rose, expenditures grew and rural depopulation rates

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[73] Alan Norton, "Sweden," *The International Handbook for Local and Regional Government: A Comparative Analysis of Advanced Democracies* (Hants: Edgar Elgar Limited, 1994), 296-298 [Hereinafter "**Sweden**"].

[74] Gunnar Wallin, "Towards the Integrated and Fragmented State: The Mixed Role of Local Government," in *Understanding the Swedish Model* ed. Jan-Erick Lane, (Frank Cass: London, 1991), 101. [Hereinafter "**Towards the Integrated and Fragmented State**"].

[75] Wallin, "Towards the Integrated and Fragmented State," 101.

[76] Wallin, "Towards the Integrated and Fragmented State," 101.

increased, which weakened Sweden's economic conditions and municipal integrity. Thus, "there was a growing opinion that the small local districts were 'economic absurdities…'"[77] In 1939, the *Rikstag* (the Swedish parliament) decided to persuade the King to establish a commission to investigate the municipal issue. The commission was appointed in 1943 and made its recommendation of "large scale amalgamation" in 1945.[78] Population standards were included in the recommendation, since future municipal units needed an adequate tax base. It was proposed that every municipality be inhabited by at least 2,000-4,000 people. The reforms took place as of January 1952,[79] thus reducing the number of municipalities from about 2,500 to 1,006 units.[80]

It was soon evident that these amalgamations were only the beginning of Swedish local government reform. In 1959 another commission, tasked with a similar mandate, was appointed, and in 1961 it too recommended large-scale amalgamation. In 1962 the *Rikstag* acted upon this recommendation and initiated a process to significantly reduce the number of municipalities.

While the general conclusions of the new commission were consistent with the former commission, new and more robust standards were proposed. This time a minimum of 8,000 residents was required for each municipality. New municipalities were to include a developed centre (i.e. a former town) and a surrounding geographic area, which was to establish a more "natural" municipal unit. Initially, each municipal council involved was to voluntarily approve of their amalgamation, however, since this did not occur as quickly as expected, parliament abandoned the voluntary approach in 1969 and legally forced municipalities to merge.[81] In the end, the number of municipalities was substantially reduced from 1006 in 1952 to 278 by 1974.[82]

Underlying the reduction in the number of Swedish municipalities is an argument that holds significant implications for municipalities in this province. It was clear to the Swedish government that the existence of many small, financially weak communities does not allow for the growth of a strong economy. If financial debt is inhibiting communities from meeting their service obligations, either the state has to provide more funding or the municipal system has to be changed. Through amalgamation, the Swedish government eliminated extreme numbers of unnecessarily weak communities since they could not maintain basic municipal services. The implication of this argument for Newfoundland and Labrador is clear as many of our small municipalities are challenged to provide mandatory services.

Iceland

Local government in Iceland, as in Sweden, has a long history and developed in close relation to traditional administrative units. These units, known as the ancient communes, or *hreppur*, formed the basic structure of local government as far back as the 10th century. By the mid-20th century, the number of municipal units in Iceland stood at 229, which was a significant growth from the late 19th century. The growth in the number of municipalities was closely related to the Atlantic fishing industry. As new fishing technologies were developed and greater catches were had, new spin-off industries were realized in the processing and manufacturing

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[77] Nils Adrén, "Local and Regional Self-Government," *Modern Swedish Government*, Second, revised edition (Stockholm: Almqvist and Wiksell, 1968), 214. [Hereinafter "**Local and Regional Self-Government**"].

[78] Adrén, "Local and Regional Self-Government," 214.

[79] Adrén, "Local and Regional Self-Government," 214.

[80] Norton, "Sweden," 298.

[81] Gunnel Gustaffsson, *Local Government Reform in Sweden*, (CWF Gleerup: Umeå, 1980), 10.

[82] Norton, "Sweden," 299.

markets. Coastal communities began to crop up, and populations moved to such areas where employment opportunities were emerging.[83]

Municipalities play a prominent role in Icelandic governance.[84] They have significant responsibilities and revenue-raising capabilities. Most municipal revenue is generated from both a local income tax, which accounts for 63 percent, and local service charges, which account for 17 percent. The decline of the fisheries in the late 1980s and early 1990s, however, weakened municipalities that were founded upon the fishing industry. Residents were forced out of work and offered the sole option of moving. With fewer people and fewer jobs, the capacity for most Icelandic municipalities to generate further revenue was limited.[85] With reduced revenues, infrastructure maintenance, waste management, and economic development were neglected in these affected municipalities.

The circumstances that led to the decline of small fishing villages in Iceland and in Newfoundland and Labrador are thus very similar. And like in this province, the people of Iceland resisted efforts at municipal reform. In the 1960s and 70s Iceland enacted statutory provisions that set out specific characteristics that municipalities should meet. Amalgamation procedures were codified in municipal legislation, though unilateral central government action was limited by a "voluntary principle." This principle required that the majority of residents of the affected municipalities consent to amalgamation.[86]

By the mid-1990s, Icelandic government attempts to redraw municipal boundaries were largely unsuccessful. A national government plan to reduce 196 municipalities to 43 resulted in only three actual amalgamations. Municipal numbers did eventually decline, however, primarily as a result of increased local cooperation. While the national government has never unilaterally forced amalgamation, state transfers of new responsibilities to local authorities such as primary schools, and the inclusion of specific municipal standards in the *Local Government Act*, have pressured municipalities to become larger more economically stable units.[87]

The *Local Government Act* sets out the rights and obligations of each municipality in Iceland. Every municipality is subject to the legislation, and very few exceptions are ever made.[88] The legislation establishes strong obligations and requirements that, if not met, require a municipality to amalgamate with a neighboring municipality. For instance, Article 6 sets a minimum municipal population of 50 inhabitants. If the population of a municipality falls below this level for three consecutive years, a Ministry initiated merger with another municipality is completed.[89]

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[83] Grétar Ethórsson, "Municipal Amalgamations: Past, Present, and Future," *Remote Control: Governance Lessons for and from Small, Insular, and Remote Regions* (St. John's: ISER, 2009), 172. [Hereinafter "**Municipal Amalgamations.**"]

[84] Vilhjalmur Th. Vilhjalmsson, "Local Government in Iceland" (Presentation given by chairman of the Association of Local Authorities in Iceland). Available through Genuine Progress Index for Atlantic Canada Web site http://www.gpiatlantic.org/conference/reports/iceland.ppt. For instance, the State has meted out many responsibilities to local authorities. Some of these include social services, education, cultural development, recreation, waste management, planning, fire protection, economic development and public transportation to name a few.

[85] Vilhjalmsson, Vihjalmur Th. "Local Govering in Iceland."

[86] Grétar Ethórsson, "Municipal Amalgamations," 173-174.

[87] Grétar Ethórsson, "Municipal Amalgamations," 174-175.

[88] *Local Government Act*, No. 45/1998. For instance, see section three of Article 6. Also, see Structure and Operation of Local and Regional Democracy, 7.

[89] *Local Government Act*, Article 6.

Financial standards for municipalities are also established in the Act. Under Article 74, the Ministry is to appoint a monitoring committee to supervise the financial situation of each municipality. If a municipality does not meet the financial management criteria defined in other sections of the Act, the committee would have several options available to them in order to regulate the problem. If these measures do not appear to correct the municipality's financial concerns, the committee would be allowed to investigate and initiate a merger with neighbouring communities, providing that the residents of these communities consented to the amalgamation.[90]

As many amalgamations have been initiated voluntarily, the *Local Government Act* presently exists as an immediate and direct course of action available to the national government should the financial or population level of a municipality drop below specific standards. Iceland's municipal system, therefore, has a legislative baseline that provides councils with specific requirements they must meet in order to remain independent.

By 2006 the number of municipalities in Iceland was reduced to 89, a 56 percent drop since the 1950s.[91] Icelandic municipal reform should serve as a cautionary tale for municipalities in Newfoundland and Labrador. While Iceland shares many similarities with this province, the legislative requirements included in the Icelandic *Local Government Act* proved that when Iceland's municipalities were pushed to their extreme end, the national government was forced to provide legal standards that would avoid prolonging the life of small and unviable communities. It would be presumptuous to assume that this province's government will never reach the end of their tolerance for the small, economically troubled municipality. There is currently an expectation that municipalities will achieve some level of self-sufficiency. The widespread failure to do so could be all the justification the province needs to enact the reforms it thinks necessary.

Nova Scotia

Canadian municipalities, except for those in British Columbia, maintain no real legislative protection and exist at the discretion of their respective provincial governments.[92] Provinces are not legally prevented from intervening in municipal affairs and can enact any reform they think appropriate regardless of municipal opposition. Two forced amalgamations in Nova Scotia during the mid-1990s highlight the truth of this statement. Despite there being a long provincial history of resistance to municipal change, the government of Premier John Savage eliminated all municipalities in the counties of Cape Breton and Halifax, opting instead for the creation of two single-tier regional municipalities.

Until the extreme measures of the 1990s, Nova Scotia's municipal system had largely been unchanged since the time of its establishment in the 19th century.[93] By the mid 20th century, however, concerns about municipal service capacity were being raised. In response to these financial issues, the provincial government in 1947 commissioned Donald Rowat, a Dalhousie University professor, to independently investigate the

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[90] *Local Government Act*, Section VII.

[91] Council of Europe, *Structure and Operation of Local and Regional Democracy, Situation in 2005: Iceland* (Council of Europe, 2005), 31. Available through Government of Iceland, Ministry of Social Affairs and Social Security Web site, under "Publications." http://eng.felagsmalaraduneyti.is/media/kosningar2006/Local_Regional_Demo_Ice_2005.PDF. (accessed February 2010).

[92] Ian Stewart, "The Dangers of Municipal Reform in Nova Scotia," *The Savage Years: The Perils of Reinventing Government in Nova Scotia*, eds. Peter Clancy, James Bickerton, Rodney Haddow, and Ian Stewart (Halifax: Formac Publishing Company, 2000), 200. [Hereinafter "**The Dangers of Municipal Reform**"].

[93] David M. Cameron and Paul A. R. Hobson, "Nova Scotia," in *Foundations of Governance: Municipal Government in Canada's Provinces,* eds. Andrew Sancton and Robert Young, (Toronto: University of Toronto Press, 2009) 141 [Hereinafter "**Nova Scotia**"].

strength of the municipal system, mandating him to provide specific recommendations regarding its improvement.[94]

The municipal system in Nova Scotia developed through a gradual addition of municipal structures, which saw the inclusion of many levels of subordinate administrative units that only complicated and confused the system.[95] The province was, by the late 1940s, providing an increasing number of services that many municipalities were unable to deliver. In his report, Rowat concluded that "Nova Scotia's municipal units were simply too small to respond effectively and efficiently to the demands emerging in the post-war era."[96] Communities throughout each county, and in some cases the counties themselves, were "too small to administer education and social services efficiently and too financially weak to afford a desirable level of service."[97] Rowat recommended the creation of a regional level of government, which would assist municipal units in meeting their service and financial obligations. The populace strenuously opposed such measures and Rowat's recommendations were not implemented for the sake of municipal autonomy.[98]

With the inefficiencies of Nova Scotia municipalities still a concern, a second municipal reform commission chaired by John Graham was appointed in 1970. The Graham Commission presented an extensive evaluation of the poor state of municipalities, and made three general recommendations that were to enhance the system. First, the commission argued that logical and clear divisions were to be made between municipally and provincially administered services. Second, revenue sources should be aligned in accordance with the new service divisions, which would ensure appropriate service funding. Third, and most contentious, municipal boundaries were to be drastically enlarged to increase the tax base of municipalities.[99] To meet this last recommendation, it was proposed that the existing 24 counties, including all their municipal units, be reduced to 11 single-tier governments through full-scale amalgamation.[100] Municipal opposition to these recommendations again emerged and Graham's recommendations were not implemented.

Even with two explicit rejections of municipal reform, provincial interest in reducing municipal units was undeterred. By 1991, a third task force had been appointed, specifically to investigate the process of large-scale amalgamation. A year later, five counties – Halifax, Cape Breton, Pictou, Kings, and Colchester – were proposed to undergo complete amalgamation, leaving 5 single-tier regional municipalities.[101] Provincial sentiment concerning prescripted municipal reform had drastically changed since the Graham commission, which was reflected in Premier Donald Cameron's assessment of the municipal situation:

> Debt is sapping the resources governments need to provide the basic services that taxpayers expect and deserve. It's time we all stopped whining and provided real leadership on this issue…One way or

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[94] Cameron and Hobson, "Nova Scotia," 142.

[95] J. Murray Beck, *The Evolution of Municipal Government in Nova Scotia: 1749-1973* (Royal Commission on Education, Public Services and Provincial-Municipal Relations, 1973), 42. [Hereinafter "***The Evolution of Municipal Government***"].

[96] Cameron and Hobson, "Nova Scotia," 142.

[97] Beck, *The Evolution of Municipal Government,* 42

[98] Stewart, "The Dangers of Municipal Reform," 203.

[99] Cameron and Hobson, "Nova Scotia," 142, 143.

[100] Cameron and Hobson, "Nova Scotia," 143 and Stewart, "The Dangers of Municipal Reform," 204.

[101] Stewart, "The Dangers of Municipal Reform," 205

> another there will be fewer municipalities in Nova Scotia's future and that fact is in the best interest of the taxpayer.[102]

Despite Cameron's forcefulness, amalgamation in both Cape Breton and Halifax County did not occur until 1995 and 1996, after he had left office.[103]

There are divergent reasons behind each of these amalgamations. Cape Breton was amalgamated for economic reasons. Several of the municipalities had nearly reached bankruptcy and were only surviving on provincial handouts.[104] Expanding the area of the municipality by collapsing the nine municipalities into the county, which was considered an appropriate response, was to aid the financial stability of the region. Amalgamation occurred regardless of local opposition.

There is debate, however, when it comes to the amalgamation of Halifax County. Considering that very little support or opposition existed regarding the proposed amalgamation, some have interpreted the government's action as being reflective of the provincial government's freedom over their municipal system. Financial reasons for amalgamating Halifax were not as important as they were in the case of Cape Breton, since Halifax County was economically strong. Consequently, the provincial enforcement of a complete amalgamation in Halifax reveals the inherent vulnerability of municipalities in relation to a provincial government.[105]

Nova Scotia's municipal history should serve as a warning to many municipalities in Newfoundland and Labrador. The government of Nova Scotia was constitutionally justified in forcing the amalgamation of Cape Breton and Halifax despite a long history of local opposition to municipal change. Although possessing a larger population and far fewer municipalities, the municipal system in Nova Scotia was not immune to accusations of being inefficient and uneconomical. This is an extreme warning to all economically weak municipalities throughout Newfoundland and Labrador.

New Brunswick

Municipal reform is very much on the radar of provincial governments when economic realities call for such measures to be considered. An excellent example of this fact can be seen in a recent New Brunswick report on municipal reform. Stemming from prior recommendations offered by the province's *Self-Sufficiency Task Force*, the report, entitled *Building stronger Local Governments and Regions*, (the Finn Commission) provided an extensive evaluation of the current New Brunswick local governance system and offered recommendations for its improvement.

For New Brunswickers to reach some level of self-sufficiency, the Finn Commission proposed new standards for municipal governments and the creation of regional government structures. The recommendations of the Finn commission serve as a warning about the inefficiencies of maintaining many small and isolated municipalities. Such inefficiencies are rooted in weaknesses in local responsible government and limited municipal financial capacity due to small populations and increased service requirements. The Commission's findings are very relevant to Newfoundland and Labrador.

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[102] As cited in Stewart, "The Dangers of Municipal Reform," 205

[103] Cameron and Hobson, "Nova Scotia," 146.

[104] Dale H. Poel, "Municipal Reform in Nova Scotia: A Long-Standing Agenda for Change," in *Municipal Reform in Canada: Reconfiguration, Re-Empowerment, and Rebalancing,* eds. Joseph Garcea and Edward C. LeSage Jr. (Don Mills: Oxford University Press Canada, 2005), 177.

[105] Cameron and Hobson, "Nova Scotia," 146, 147.

Local government in New Brunswick is composed of incorporated and unincorporated communities. Currently, there are 101 incorporated municipalities, including 8 cities, 27 towns, 66 villages, and 3 rural communities; New Brunswick also has 267 unincorporated local service districts (LSDs).[106] Almost 63 percent of New Brunswickers live in incorporated communities and 35 percent live in unincorporated LSDs. Consequently, more than a third of New Brunswick's population does not directly participate in local responsible government. While LSDs do not have elected councils, advisory committees are established every two years, though they possess no decision-making powers and conduct no economic development or planning. Only 158 LSDs have established these committees.[107]

Municipal powers are legislated in New Brunswick's *Municipalities Act*. All municipalities, regardless of financial capacity and population, have the same powers. These range from providing policing and fire protection services to economic development, waste management and public transit. Since the primary source of municipal revenue is based on property tax, which amounts to 65.4 percent of all municipal revenue, it is easily seen that larger municipalities are able to raise greater funds for the provision of services than smaller communities.[108] The capacity for New Brunswick's municipalities to provide consistent and modern level of services throughout the province is therefore varied.

Although the *Municipalities Act* does include population baselines for the establishment of cities, towns, and villages, the stated numbers amount to no more than a categorizing guideline. While a city must have a population of at least 10,000 residents and a town a population of 1,500, these numbers are only required for incorporation; municipalities are not required to change their status should their population decrease below these benchmarks.[109] Theoretically, a city's population could all but disappear though its city status would remain.

The Finn Commission found that several challenges exist within New Brunswick's municipal system. Municipalities face an aging and decreasing population, migration, growing infrastructure deficits, financial incapacities, and the untenable duplication of services. These challenges have to be dealt with, as in many cases, economic development and sustainability, especially in rural areas, is being undermined.[110]

With these municipal inefficiencies in mind, sweeping recommendations were offered for New Brunswick's municipal government and regional governance structures. The Finn Commission proposed reducing the number of municipal units from 101 to 53. It was suggested that guiding population and financial benchmarks be established for the creation of a new municipality. A minimum population of 4,000 residents, or a property appraisal base of $200 million, was considered an appropriate baseline for creating a feasible municipal entity.[111]

The proposed municipal reforms would revolve around "communities of interest." Such communities exist among groupings of residents who share common economic interests and values.[112] This is similar to the

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[106] Jean-Guy Finn, *Building Stronger Local Governments and Regions*, 27-28. Available through the Government of New Brunswick, Communications New Brunswick Web site under "Features" and "2008-Local Governance Report - Building Stronger Local Governments and Regions (December 15, 2008)," http://www.gnb.ca/cnb/promos/flg/mainreport-e.asp. [Hereinafter "**The Finn Commission**"].

[107] The Finn Commission, 28-29.

[108] The Finn Commission, 32-33.

[109] The Finn Commission, 28

[110] The Finn Commission, 64, 65.

[111] The Finn Commission, 83.

[112] The Finn Commission, 83.

Swedish reforms mentioned above that required newly proposed municipal units to include a "natural" geographical boundary. The Finn Commission wished to create municipal boundaries that reflected functional regions, which posses a high frequency of internal economic interactions.

The Finn Commission recommended that 12 Regional Service Districts (RSDs) be established, the structure of which will be discussed in Volume III of this study. The primary task of RSDs were to assist in municipal capacity building by relieving municipalities of 5 specific services – waste management, protective services, economic development, land-use planning, and policing. RSDs would provide these services to all incorporated and unincorporated communities throughout New Brunswick. It was argued that by having such regional structures in place, rural communities and economically challenged municipalities would have greater access to select services (i.e. land-planning) and would be assisted in meeting new administrative requirements for increasingly standardized services (i.e. waste management).

To date the Finn Commission has not been implemented. This is reflection on the current provincial government's lack of political will to implement municipal reform and is not an indication of the inappropriateness of the Commission's findings. As New Brunswick shares many similarities with Newfoundland and Labrador, the Commission's recommendations serve as a warning to many municipalities in this province. The proposed reforms to solve municipal inefficiencies were substantial. Finn argued that the creation of a regional government system was necessary and included specific municipal standards that all municipalities needed to meet. The reasons presented by the Finn Commission for creating regional government and municipal benchmarks are the same reasons why regional government is needed in this province – the alleviation of municipal service constraints, access to stronger economic development, and strategic planning.

Conclusions

It is commonly stated that strong municipalities make strong provinces and nations. But if the opposite is true - that weak municipalities make weak provinces and nations - then municipalities will often be the target of central government reform. This fact is clear in the four examples provided in this section. In these four jurisdictions, municipalities were considered a hindrance to the economic well-being of the state and were forced or recommended to change.

What this section also highlighted is the precarious legal existence of municipalities. As the four examples in this section demonstrate, municipalities are the creature of legislation: they have no power, purpose, or right to exist outside of legislation. As a result, municipalities have few tools with which to combat or resist municipal reform. This is an important point that distinguishes municipal government from other levels of government. Municipal government is the only level of government within our governmental system that can be unilaterally reformed by another level of government.

And although municipalities have few legislative protections, they also remain important structures within the governmental system. National and provincial governments still value municipalities as locales of democracy and the deliverers of important services. Municipal reform is a difficult but essential process because of the continued importance municipalities. All governments that reform local government take on a political risk, though this risk is deemed as essential for the overall health of the province or nation.

Municipalities in Newfoundland and Labrador should always be cognizant of their continued purpose and legislative weakness. As the four examples in this section show, there is a definite limit to the tolerance for the small and the economically weak municipality. Once this tolerance is exhausted, municipal reform is made or proposed. These reforms do not destroy the purpose of local government, rather they reinforce its importance by creating municipalities that are stronger than the one's that previously existed. Given the importance of municipalities, it is illogical to presume that the provincial government will indefinitely tolerate the weaknesses and troubles that exist in our current system. There will come a point when provincial support for the current municipal system will no longer be politically necessary or practical.

Newfoundland and Labrador is succeeding as a province despite the weakness of many of the province's municipalities. Due to this success, the call for municipal reform is, for the moment, quite mute. But this does not mean that the province is avoiding municipal reform. Instead of legislating drastic changes, the province is enacting new standards for municipalities to meet, which are forcing municipalities to conform or act in ways that differ from the past. Thus municipal reform is happening, but at a glacial pace and on the terms of the province. But municipalities cannot be passive actors in their own reform; if municipalities hope to remain relevant and important they must show that they are responsible enough to understand the need for reform and propose practical ways in which this reform can be enacted.

Stress Tests - A New Framework for Assessing Municipalities and Establishing the Need for Regional Government

Approximately 90 percent of residents in Newfoundland and Labrador live within an incorporated municipality. As a result, the capacity and administration of these municipalities impact the vast majority of the province's residents. Given the importance of municipalities in the governmental structure of the province, it is understandable that administering a municipality is difficult, complicated, and requires a significant commitment of time. For decades, however, little attention was paid to a province-wide analysis of how municipalities functioned - how council meetings were conducted, the qualifications of administrators and councilors, how towns communicated with each other, and how towns performed services and maintained infrastructure. Most concern and provincial oversight examined financial matters, such as budget deficits, loans, and debt servicing ratios.

To rectify this lack of knowledge, Municipalities Newfoundland and Labrador (MNL) created the Community Cooperation Resource Centre (CCRC) in 2003. Since then the CCRC, now known as the Community Cooperation Office, has conducted surveys and assessments to gauge the true status of municipal government in the province. Some of what was learned was promising and some of it disappointing. Most surprising was that this information had never been compiled in the past.

For close to seven years the Community Cooperation Office (CCO) has compiled boxes and boxes of information on the status and function of municipalities, and thus far the information has been used almost exclusively for descriptive purposes - to help towns and the provincial government better understand the capacity of municipalities. It is time, however, that the CCO use this information for the purpose of pursuing change. The CCO needs to work to help establish benchmarks for municipalities beyond financial oversight; it needs to assess not only the current viability of municipalities, but also their future viability. By doing this, the CCO hopes to test the ability of municipalities to cope with the stress of operating under current conditions and operating under realistic future conditions.

What does assessing the stress levels of municipalities have to do with an initiative to form regional government in Newfoundland and Labrador? There are several connections. First, a stress test can highlight whether municipal reform is really needed. Municipal councils will probably need to see how their town can or can't meet certain benchmarks before supporting regional government and presenting it to their electorate. It is unfortunate, but the imperative of providing better economic development and land use planning is perhaps, for many, not a sufficient cause for regional government.

Second, the results of the stress test will impact the form of any future regional government. If most municipalities can meet the stress imposed by current uniform benchmarks and future conditions, then the form and responsibilities of a regional government will be altered. It is important to note, however, that a widespread capacity by municipalities to cope with stress does not invalidate the need for regional government. Regional government is a progressive step in the evolution of local government in the province, and should not be regarded as simply an invention of necessity.

The third connection between stress tests and a regional government initiative is that stress test results will assist in delineating regional boundaries. These boundaries will be limited by geography, but also by the strength and weakness of municipalities within a region. It makes no sense to create a region entirely composed of weak municipalities, nor to create a region composed of strong communities that exclude the weak ones. A proper balance must be struck, and the results of the stress test will inform how this balance is best achieved.

Regardless of its connection to the regional government initiative, a stress test will be a valuable undertaking for municipalities. The more towns understand about themselves and their neighbours, the better. Towns have too many self-reflective tools available but few means of gauging the results of this reflection. The

stress tests will be even more valuable if the results are made public, allowing for cross-community comparisons. Local democracy will be much better served with a municipality whose capacity and quality are known to the public.

The Components of a Stress Test

A. Re-Examining the Municipal Self-Assessment Survey

In 2008 and 2009, the then-named CCRC conducted a broadly accepted self-assessment survey of municipalities. Self-assessment project workers met with representatives from 250 municipalities and received 249 completed self-assessment surveys. The survey posed critical questions to municipal leaders, covering all of the important themes of local government, from service delivery to financial planning. The self-assessment survey is deemed so important that it is considered the key source for the municipal assessment component of the Integrated Community Sustainability Plan (ICSP) that towns must complete.

The self-assessment survey information, however, can be far better utilized. The questions that the survey posed are good, but we need more from the answers. To truly assess the capacity and status of a municipality, answers cannot be confined to "Yes", "No" and "To some degree." Rather, "Why?" should be asked after every answer. If a town says it does not have an emergency preparedness plan (EPP) it is of the utmost importance to ask why this is the case. This same question needs to be asked if a town replied that it did have an EPP because their answer may assist towns that do not yet have a plan. Asking "Why?" to self-assessment answers will provide better information on the circumstances that surround the successful or unsuccessful completion of municipal responsibilities and services. It is time that the responses of municipalities not be merely quantifiable, but also qualifiable.

Therefore, the first step in conducting a municipal stress test is to go back out to the municipalities in the province with the self-assessment survey and ask for explanations. Municipal capacity cannot be reduced to generic "Yes" or "No" replies or judged by stock answers in a report. Those who executed the first self-assessment survey completed their task of getting municipal leaders to be self-reflective and consider sustainability issues. And these project workers were not given the time or funding to conduct a more in-depth analysis.

What is being proposed is not so much a self-assessment, but more an assessment. Municipalities will provide more information, which will then be analyzed and assessed. A full report will then be generated, which should be accompanied by other information garnered through the two other components of the stress test, which are explained below.

B. Establishing Municipal Benchmarks - Guidelines for the Future

Municipalities in Newfoundland and Labrador work within a relatively loose set of guidelines and standards. Yes, there are requirements and standards for balancing the budget, ensuring a safe water supply, creating an emergency preparedness plan, and maintaining limited debt service ratios, but these are not strictly enforced nor are there proper guides to assist municipalities in trying to meet them. Aside from these requirements, municipalities are held to no real standard in maintaining roads, snow clearance, quality of garbage collection and numerous other municipal service responsibilities. The quality of our municipal services is rarely analyzed. The primary concern is whether the service is rendered, not whether it is rendered well or efficiently.

With few requirements and almost no standards of quality, municipalities operate in the dark on whether they are doing a good job or need to improve. One method to gauge quality appears to be monitoring the complaints lodged by residents, though this reduces municipal performance to a most unscientific level.

Another method seems to be comparing the roads and amenities of neighboring municipalities and judging which is better. But again, given the different circumstances faced by each municipality, this is unhelpful.

It is time for municipalities in this province to establish benchmarks for the quality and method of the services they administer. Municipalities need to know what standards they should strive to meet and how to meet these standards. They need to understand the best practices of municipalities that are able to meet these benchmarks. These benchmarks cannot be uniform, as consideration must be given to the differences in size and population of municipalities. But with that said, no town or city should be exempt from meeting the established benchmarks.

Though the practice is relatively new, other provinces in Canada have established systems to monitor and examine the quality of services provided by their municipalities. Known as "Performance Measurement", Ontario, British Columbia, Quebec, and Nova Scotia have all implemented or plan to implement an annual reporting system for several areas of municipal responsibility. Across all of these provinces, the purpose and objectives of implementing a performance measurement system is to:

- Increase knowledge of elected officials and municipal staff about the performance of municipalities in providing services and performing administrative functions;
- Improve the setting of priorities and municipal planning;
- Improve service delivery and operations management;
- Improve the allocation and use of financial management; and
- Reinforce transparency and public accountability.[113]

Since a core function of municipal government in Newfoundland and Labrador is to provide services, municipalities should, on behalf of the taxpayer, always strive to "provide the best and safest services at the most efficient cost, with clear accountability."[114] The best way to ensure this goal is through setting benchmarks and using performance measurements.

The main purpose behind performance measurement at the local level is to judge the effectiveness and efficiency of municipalities and the services they provide. Effectiveness refers to the extent to which a service is achieving its desired result.[115] For example the effectiveness of a town's water system could be determined by how many days the town is under a water-boil order. Efficiency is measured by considering operating costs only.[116] Therefore, the efficiency of a water system could be measured by the cost per liter of treated water. There are no universal standards for effectiveness and efficiency, as these differ from province to province.

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[113] Institute of Public Administration of Canada, *Provincial-Territorial Charrette on Municipal Performance and its Measurement*, (Report on Proceedings, Toronto, ON, May 17-18, 2004), 4. Available through Government of Ontario, Ministry of Municipal Affairs and Housing Web site under "Local Government" and "Municipal Performance Measurement Program," http://www.mah.gov.on.ca/Asset1649.aspx. (accessed March 2010).

[114] Government of Ontario, Ministry of Municipal Affairs and Housing, *Municipal Performance Measurement Program - Handbook,* (Queen's Printer for Ontario, 2007), 4. Available through Government of Ontario, Ministry of Municiipal Affairs and Housing Web site under "Local Government" and "Municipal Performance Measurement Program," http://www.mah.gov.on.ca/AssetFactory.aspx?did=4873 (accessed March 2010). [Hereinafter "***Municipal Performance Handbook****"*].

[115] John Burke, "Ontario's Municipal Performance Measurement Program: Fostering Innovation and Accountability in Local Government," (Government Finance Review, June 2005), 24. Available through Government of Ontario, Ministry of Municipal Affairs and Housing Web site under "Local Government" and "Municipal Performance Measurement Program," http://www.mah.gov.on.ca/Asset1652.aspx (accessed March 2010). [Hereinafter "**Ontario's Municipal Performance**"].

[116] Burke, "Ontario's Municipal Performance," 24.

Some provinces have standards while others simply expect that the efficiency and effectiveness of service delivery will improve year over year to show gradual progress.

The oldest and perhaps most complete system of municipal performance measurement in North America is in Ontario. Launched in 2000, the Municipal Performance Measurement Program (MPMP) was developed from the Ontario Municipal CAOs Benchmarking Initiative (OMBI), which was a performance measurement project launched by some of the largest municipalities in Ontario.[117] The MPMP requires Ontario municipalities to measure and report to taxpayers on their service delivery performance for twelve core municipal service areas. In determining which services to measure, Ontario uses the following criteria:

- The service reflects a major expenditure area for municipalities;
- The service reflects areas of provincial-municipal interest;
- The service reflects high interest and value to the public;
- The data on the service is relatively easy to collect; and
- The service falls under municipal responsibility.[118]

Some services that are currently subject to MPMP reporting are local government, roadways, wastewater, and drinking water.

The Ontario Municipal Performance Measurement Program is important because the government of Ontario has not used it simply to police or punish municipalities. Rather, the Ontario MPMP has led to the development of systems and structures to assist municipalities with improving their capacity and sustainability. A significant structure created from the MPMP is the Ontario Centre for Municipal Best Practices (OCMBP), which seeks out best practices in municipal service delivery using MPMP data as a starting point.[119] Within the first two years of its creation, the OCMBP published more than 40 studies on municipal best practices in Ontario.[120] An important system to emerge from MPMP is the Municipal Information & Data Analysis System (MIDAS), which is a web-based query and analysis tool that allows Ontario municipalities to work with their own individual performance measurement results and to compare these results to those of other municipalities in the province.[121]

In establishing the OCMBP and MIDAS, both of which operate collaboratively with the Association of Municipalities of Ontario, municipal policy makers in Ontario realize that it is important to analyze how services are delivered properly and to understand how service delivery could be improved. There are procedures and standards that can be emulated across municipalities but understanding which methods to copy requires better systems of information sharing, which Ontario has created.

According to provincial sources in Ontario, MPMP has had a significant impact on how municipalities approach and operate service delivery. Performance measurement is focused on results and not fixated on how service delivery was conducted in the past. The emphasis on results encourages innovation as new ideas may be needed to meet specific targets. MPMP has also allowed municipalities to regularly alter services to attend to the concerns of residents and has permitted the proper prioritization of municipal needs and the allotment of resources.

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[117] *Municipal Performance Handbook,* 4-7.

[118] *Municipal Performance Handbook,* 7.

[119] *Municipal Performance Handbook,* 19.

[120] Burke, "Ontario's Municipal Performance," 26.

[121] *Municipal Performance Handbook,* 23.

Municipalities Newfoundland and Labrador recommends that it partner with its members and the Professional Municipal Administrators (PMA) to establish a set of performance measurements and benchmarks for municipalities in Newfoundland and Labrador. Although Ontario does not have specific benchmarks for its municipalities to meet, it is recommended that this province adopt a benchmarking regime. It is essential that a municipal benchmark task force be established in the near future. This task force should be composed of municipal leaders, administrators, engineers who work in the municipal sector, academics, and representatives from MNL and PMA. This task force will provide the organization structure needed to begin the municipal benchmarking process.

There are two main reasons why municipal benchmarks should be set. First, with no standards to achieve, the collection of municipal performance measurements will amount to the mere gathering of data. Certainly this would be of use to municipalities, particularly if a best practices centre could be established and service performance measurements could be shared. But collecting data, in and of itself, would not be any incentive to improve service delivery. Second, setting municipal benchmarks would highlight the need for creating a regional government that could more efficiently achieve these standards. Any regional government structure that is created should be held to their own benchmarks and subject to annual performance measurements.

It is imperative that MNL and PMA pool their resources to create strong sensible benchmarks and performance measurements because, if these organizations do not do so, the province will. Municipal performance measuring is becoming increasingly popular across Canada and at some point will be considered in this province. Municipalities are much better off taking some control of the process early on to ensure a maximum level of input. Towns should take heed of this warning; few municipalities took the time to provide input into the development of the Integrated Community Sustainability Plan requirements, leaving the provincial government to proceed in a manner it thought best.

By taking the lead in establishing performance measurement, MNL and PMA could avoid some of the difficulties faced by British Columbia. Performance measurement in BC is mandatory as it forms part of the *Community Charter* that legislated new legal protections for municipalities.[122] One review of the BC system noted that many "municipalities are viewing the performance measurement process as a mandatory requirement and are possibly not maximizing the process as a tool for decision-making."[123] Robert Bish and Eric Clemens, two scholars on municipal government, note that the goal of active citizen participation in the setting of municipal objectives and the development of performance measures is not being met in most municipalities in the province.[124] In BC, it appears that accepting performance measurements is a trade-off by municipalities in return for greater rights, respect, and protection from provincial government action. The result of this *quid quo pro* is that there is limited municipal enthusiasm for performance measurement in BC. This circumstance is comparable to the reception given to the imposition of mandatory ICSPs in this province - a new municipal requirement enforced by the provincial government in return for continued gas tax funding.

Performance measurement and municipal benchmarks have an obvious connection to the stress test proposed in this section, as both represent a specific method of measuring stress. The benchmarks that are created will represent the target and the performance measures will determine how or if this target can be met by a municipality. If the target cannot be met, the stress level of a town can be assessed by whether it

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[122] Lori Fischer, "Municipal Performance Measurement, Performance Management and Citizen Engagement Practices in British Columbia," (Paper prepared for the Local Government Knowledge Partnership Workshop on Performance Measurement and Reporting, Vancouver, BC, May 18, 2007), 11. [Hereinafter "**Municipal Performance Measurement"**].

[123] Fischer, "Municipal Performance Measurement," 38.

[124] Robert Bish and Eric G. Clemens, *Local Government in British Columbia,* 4th Ed. (Richmond: Union of British Columbia Municipalities, 2008), 95

could create and practically implement the necessary changes needed to reach the benchmark. In coming to this judgment, consideration will have to be given to a town's capacity to independently improve the effectiveness and efficiency of its service delivery. The tool to assist in the assessment of a town's current and future capacity to meet service delivery targets is explained in the following section.

C. The Regional Economic Capacity Index

For the past few years, MNL has partnered with MUN's Harris Centre and Department of Geography, the University of Kentucky, and the Canadian Rural Revitalization Foundation to assess and analyze the links between rural and urban communities in Newfoundland and Labrador. Known as the *Rural-Urban Interaction in Newfoundland and Labrador: Understanding and Managing Functional Regions*, it has a particular focus on delineating and understanding the regions that exist in the province, whether they be social, administrative, or economic.

One of the primary tools developed as part of the project is the "Regional Economic Capacity Index" (RECI), which is a web-based tool that will allow municipalities to assess their strengths and weaknesses in the realm of economic development. The RECI is a diagnostic tool, meaning it can measure the socio-economic health of a community by considering numerous community characteristics. The tool can analyze communities on an individual, regional, and provincial level. Thus, the RECI is essential for comparing the relative strengths of municipalities. For the stress test, the RECI will help gauge the present and future stresses of a municipality.

Each characteristic that the index measures is broken down into several sub-categories which are each given an individual score. Scores are based on whether the results of a sub-category are above or below the provincial average. If the results match the provincial average, the score is zero. The total of these sub-categories are combined to provide an overall score for a specific characteristic. The characteristics measured by the RECI that are relevant to the municipal stress test are a community's demography, economic structure, income, governance, service levels, and geo-spatial location.[125]

The demographic characteristic of the Regional Economic Capacity Index focuses on local labour markets. Therefore, a community's demography analysis assesses the community's population, the population's age, and the average age of the population's workers. The analysis also considers the community's labour participation rate and the education levels of the people in the community, specifically whether a community has a good mix of high school graduates, skilled trades people, and university graduates.

An assessment of a community's economic structure analyzes the dependency of a community's population on employment in primary and secondary industries. Given the vulnerability of primary industries to outside markets and environmental shifts, a community that is more dependent on primary industries will receive a lower economic structure score. An economic structure analysis also considers what percentage of a community's population is on employment insurance and the share of workers that are employed by the community's 3 largest employers. Finally, the economic structure of a community is measured by the community's distance to a retail centre. A community receives a positive score if it is nearer to a retail centre because that close proximity increases the chances of a community surviving and diversifying.[126]

The RECI's analysis of a community's income compares earnings from employment wages and earnings from transfer payments, such as employment insurance and old age pension payments. The more a community's income is derived from employment wages, the higher the community would score. If a high percentage of a community's income results from wages then it is likely that the employment level in the community is

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[125] Alvin Simms, David Freshwater, Jaime Ward, "Working Document on Regional Economic Capacity for the Rural-Urban Interaction Project." (Unpublished Report) [Hereinafter "**Working Document**"].

[126] Simms, et al, "Working Document."

strong.[127] Though not measured in the current version, the tax base of a municipality will be assessed in the newer version of the RECI that will be used for the municipal stress tests. Similar to income, the larger the tax base of the municipality the higher it would score.

The governance component of the Regional Economic Capacity Index is evaluated by considering the community's volunteer rate and the turnover rate of councillors on the local council. With regards to the local council, a higher score would be granted for communities that have some councillor turnover but maintain a certain level of continuity and experience. Governance is also measured by whether a community is part of a multi-community organization, like a joint council, and more specifically whether it is located within an active regional development association region. Lastly, the governance of a community can be gauged on the number of grants (excluding MOGs) a community receives. Receiving a high number of grants suggests that a community has an active council that is seeking alternate sources of revenue to improve the community.[128]

Although all components of the RECI analysis are important, the governance assessment is particularly valuable. Governance is the engine of change within a community. Community residents cannot control their age or manage the community's economic capacity. Only a government can establish policies to retain youth, attract business, and encourage entrepreneurship. Therefore, a low governance score could account for some of the ongoing problems in a community and imply that the future is not positive.

The Regional Economic Capacity Index's service component currently only assesses whether the community has a post office, the size of the high school in the region, and the community's distance to the nearest hospital. If a community has a post office, a large high school in the region, and is in close proximity to a hospital, it will receive a higher score.[129] The stress tests, however, will include an analysis that considers the effectiveness and efficiency of how municipal services, like drinking water and snow clearing, are delivered. The version of the RECI used in the stress test will also account for the age of key infrastructure, like the age of the community's water system, municipal buildings, and municipally-owned heavy equipment. Communities with efficient service delivery and newer or well-maintained infrastructure would receive a higher score.

The final characteristic that is analyzed by the Regional Economic Capacity Index may be the most controversial: the geo-spatial location of a community. This characteristic is measured by assessing a community's distance from the Trans-Canada Highway, a major urban centre (St. John's area or Corner Brook), and/or a major tourist destination.[130] A close proximity to either of these three locations is positive for a community because it ensures that people will want to visit your region or live in your community and work in an urban centre. These factors are important for the long term sustainability of a community. This characteristic is controversial, however, because it is impossible to change the location of a town. With that said, the geo-spatial location analysis is far less important than the other characteristics that the RECI considers. Therefore, the strength of a community's economic structure, governance, and demography could more than compensate for a community's geographic location.

As can be seen from the above explanation, the Regional Economic Capacity Index is a significant tool to help assess a municipality's current capacity. The attractiveness of the tool is that each characteristic can be broken down, thus a municipality that is weak in one category may be strong in another. This is important information to have available if regional boundaries need to be drawn for a regional government system. And the RECI is not only valuable for assessing current capacity, it can also be easily adapted to accurately predict future capacity. The RECI should be able to predict future population levels by factoring in a basic cohort

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[127] Simms, et al, "Working Document."

[128] Simms, et al, "Working Document."

[129] Simms, et al, "Working Document."

[130] Simms, et al, "Working Document."

survival model into its equation. Furthermore, the RECI should be able to accurately judge a community's future economic strength through the application of an input-output model (input-output models could be applied to much of Newfoundland and Labrador due to the reliance of most municipalities on a single industry).[131]

Although the Regional Economic Capacity Index will be an important tool in the stress test, it can only provide a snapshot in time and is limited in its ability to understand why municipalities face the stresses that they do. Due to this limitation, the two preceding components of the stress test - municipal benchmarks and, in particular, revisiting the municipal self-assessment - are of the utmost importance.

Stress Tests and Integrated Community Sustainability Plans (ICSP)

There is a distinct difference between the stress test proposed in this section and an Integrated Community Sustainability Plan (ICSP). The purpose of the stress test is to establish certain uniform benchmarks and to assess how municipalities can meet them in the present and future. A stress test, unlike and ICSP, is not concerned with a town's vision and long term goals. The stress test is preoccupied with identifying and understanding current municipal capacity and projecting these realities into the near future. The emphasis on the present condition is the main difference between the stress test and the ICSP.

An ICSP is focused on the future. The overarching purpose of the ICSP is to set visions and goals. The ICSP does require an assessment of present circumstances, but it does not require the municipality to link this assessment to the vision for their future. In this way, the vision of a municipality does not have to be grounded in the reality of the present. This does not help deal with current circumstances. There are also no rules to judge that the vision and goals that towns establish are right or practical. The provincial government cannot do this because there are no standards to use for a comparison; boundaries for correctness are not defined. The provincial government can judge whether the plan to achieve the goal is flawed and suggest ways to improve it, but that is all.

The ICSP process in Newfoundland and Labrador is also funding driven - it is a requirement of the Canada-Newfoundland and Labrador Gas Tax Agreement. In this manner, an ICSP is a form of government oversight which is established to ensure that towns have a long term plan for their gas tax money. Given that gas tax funds represent a major revenue source for municipalities, the oversight process is required and the provincial government should not be faulted for trying to couple it with a comprehensive community plan.

ICSPs are not wrong; it is important that towns plan for the future. For too long most towns operated with little to no plan that extended for longer than a year. But planning without understanding your current position or without having understandable standards to strive for is unfair and undermines the planning process.

The stress test proposed in this section will not be linked to municipal funding. Although it is difficult to predict how the information from the stress tests will be used, their primary purpose should be to assist municipalities in discovering the best path for their improvement. This new path can inform a revised ICSP with the expectation that the starting point of this path is a true reflection of reality.

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[131] For an explanation on cohort survival models and input-output models, please see Ian Masser, *Analytical Models for Urban and Regional Planning,* (Glasgow: David & Charles, 1972).

Final Thought on Municipal Stress Tests

It is important to note that the form of municipal stress test proposed in this study may not represent the final stress test that is created. There will be further consultations with municipal councillors, staff, scholars and provincial government officials before towns undergo stress tests. What is presented in this section is an outline and purpose for the test.

Conclusion

Municipal government in Newfoundland and Labrador is at a crossroads. As this paper and volume one illustrate, many municipalities have been in steep decline for two decades and are reaching a point where recovery may be impossible. Corresponding with this decline is the emergence of organizations and departments that work with municipalities but are not controlled by them, with REDBs and regional service authorities being two noteworthy examples. The only regional structure composed and controlled entirely by municipalities – joint councils – are also the weakest and struggle to find a purpose and legitimacy.

Thus, the crossroad that municipalities face is to either accept their limitations and continued reliance on other non-municipally controlled organizations, or to try and forge a new way forward. To pursue the first option is to maintain the status quo. Municipalities will continue to decline and struggle for relevance. They will find themselves operating with current resources while trying to meet new standards that both the provincial and federal government create and impose. When unable to meet these standards, municipalities will give up ultimate control of that service or function to another, better funded, outside agency. Municipal governments will increasingly be the agents of the provincial government, and not the representatives of their electorate. It is acceptable for municipalities to follow this course, though they should do so willingly and absolutely cognizant of the limits of this route.

The other direction presented in this crossroad is not easy, though it could represent a turning point in the empowerment, autonomy, and independence of municipal government in Newfoundland and Labrador. That direction is regional government. This will be a distinct break from the status quo and require an understanding that the future of municipal government in the province lies more with fostering strong links with our neighbours and region than ensuring an unhindered connection to the provincial government.

The most pressing problem facing municipalities is economic development. The residents of many municipalities are not seeing an economic future beyond minimum wage and seasonal employment. The current expectations of our residents are too big to be satisfied with this low standard. As a result, municipalities must find an identity that transcends the fishing and logging industries that defined their creation.

To do this, municipalities must have greater control over economic development. Residents of the province look to the provincial government for economic development, and they should be able to look to their municipal government for the same service. To facilitate economic development, greater attention needs to be given to municipal planning. This is a municipal responsibility, but currently outside of the capacity of the vast majority of towns.

But efforts at strengthening the capacity of municipalities to conduct economic development and planning must be practical. Most municipalities, and hence their economies, are too small to be promoted and developed in isolation. Municipalities need to look to their neighbours as willing and active partners in economic development and not as competitors. Economies need to be developed on a regional level if they hope to meaningfully compete in a global market. And if economic development must be conducted regionally, so should planning. Yes, land use planning needs to occur at the local level, but local planning must be informed by an overall regional plan. Regional economic development and planning is imperative, and it must be conducted and controlled by municipalities.

To accurately plan and develop, however, municipalities must understand their current strengths and weaknesses, and more importantly, why these strengths and weaknesses exist. To properly conduct this analysis, municipal benchmarks need to be established. It is impossible to judge strengths and weaknesses without specific standards. Municipal benchmarks need to be created, and municipalities must lead the process. It is time that towns took a lead role in monitoring themselves; this will be a display of municipal responsibility and autonomy. With benchmarks and a complete assessment of municipalities, we will be able

to judge the stress that municipalities are currently under and how well they can deal with this stress in the present and the immediate future.

If municipalities are going to work together to build a stronger, more sustainable future, they need a governmental structure under which to operate. Currently, regional efforts are fragmented among several different agencies, which is inefficient and creates artificial divisions. A regional government system should remove these divisions, and facilitate the cross-service connections that are necessary for proper development.

It is important that municipalities take a lead role in municipal reform. As this paper's analysis of other jurisdictions has shown, provincial and national government patience with inefficient and struggling municipalities has a limit. The bottom line is that municipalities exist at the discretion of the provincial government. There is little that a municipality can do to block municipal reform. With this weakness in mind, municipalities must lead their own reform. To ignore the issue would be to display a lack of leadership and ideas. If nothing else, we hope that this study provides a reason to be concerned and a desire to change the status quo. We think that municipalities will be better equipped to handle current and future challenges through regional government, though we are certain other ideas for reform exist and they too need to be heard.

Volume three of this study examines the purpose, role, and characteristics of a regional government system. It shows that regional government is not the imposition of a foreign structure that will destroy local government. Rather, regional government should be interpreted as the protector and promoter of municipal autonomy, and should grant municipalities a level of municipally controlled support heretofore not available in the province. Volume three does not provide solutions for all the issues presented in this paper. We do, however, feel strongly that the regional government system proposed in the next volume provides municipalities with a better toolbox and tools to fix current problems and build a better future.

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