

United we fall: Togetherness not a panacea

Amalgamating municipalities has spotty record at best, writes Wendell Cox.

A public advocacy campaign to amalgamate the 13 municipal governments in Greater Victoria has been underway for a few years. As elsewhere in Canada and around the world, much of the justification for the amalgamation proposal is cost savings. However, the results have routinely fallen short of the theoretical expectations. **The research is clear — municipal amalgamations are not a reliable way to achieve more efficient government.**



There is a campaign to bring together the 13 municipal governments of Greater Victoria. But amalgamation doesn't always reduce costs.

As a World Bank report on the international experience indicated, “Governments should not assume consolidation will solve problems, because benefits and costs are specific to each situation. Consolidations may, but do not inevitably, save money.”

A recent report by Prof. Robert Bish of the University of Victoria, perhaps North America's leading expert on municipal government organization, and Josef Filipowicz of the Fraser Institute raised concerns about the Victoria proposal.

They noted that, “Scholars who have studied proposed amalgamations since the late 1950s are still waiting for evidence that the faith in amalgamations to reduce cost is warranted.”

The late Elinor Ostrom said in her speech accepting the 2009 Nobel Prize in Economics that having multiple, decentralized governments is associated with lower costs.

Why is it that citizens cannot rely on promises of cost savings from amalgamations?

Fundamentally, it is that the **theoretical assumptions underlying amalgamation defy political reality.**

The principal issue is labour compensation, which is the largest expenditure item for municipalities. Without reducing employee compensation, there is little hope for perceivable cost savings.

Yet, **there is little political appetite for laying off employees.** Reducing the compensation of individual employees is even more of a political non-starter.

For example, Toronto was forcibly amalgamated in 1998 by the province of Ontario, which claimed that \$300 million annually would be saved. Professor Andrew Sancton of the University of Western Ontario questioned the political credibility of the government's figure, in large measure **because labour compensation would have to be harmonized upward to the level of the most expensive municipality.** Costs would rise, not fall. Similarly, differing service levels in the new city would need to be levelled up.

In the end, political reality won out. Years later, the Toronto City Summit Alliance acknowledged the higher costs from labour and service harmonization.

Amalgamating the differing cultures and cost structures of Greater Victoria's 13 municipal governments could produce similarly disappointing results.

Further, amalgamation has been unpopular with voters. Advisory referendums in the six Toronto predecessor cities delivered two-to-one rejections of amalgamation. Political revulsion at the Quebec-forced Montreal amalgamation led to a spirited de-amalgamation campaign, in which 15 cities withdrew from the megacity. This was despite extraordinarily tough electoral requirements. Moreover, the enabling legislation denied restoration of full authority to the cities.

Last year's Manitoba-ordered amalgamation of rural municipalities, simply based on an arbitrary population criteria, sparked considerable opposition. More recently, in May, voters in Pictou County, N.S., voted "no" in an amalgamation referendum.

Even a \$25-million "sweetener" by the province didn't convince voters that more remote government was preferable.

Of course, local government efficiency can be improved. However, **research indicates that intergovernmental co-operation can achieve efficiencies without amalgamation.** This avoids the high labour and service costs of combining different municipal cultures, while retaining local control by citizens. Importantly, voters and municipalities are free to make those agreements that are helpful, and to exit those that are not (under contractual provisions).

This more modest and promising approach is being pursued by the province, which has hired a consultant to examine the potential for improving efficiency in Greater Victoria through intergovernmental co-operation. This is the right approach. Improving municipal efficiency requires objective, politically rational analysis that weighs all alternatives, rather than starting with a pre-ordained outcome, such as amalgamation.