

Because I told you so

It wasn't good enough then and it's not good enough now

BY CHARLES CIRTWILL

It seems my remark that Mayor Kelly should discuss and consider what we, his employers (otherwise known as citizens and voters), say he should discuss and consider struck a nerve with the editors of *Halifax Magazine*. They have asked me to expand on my suggestion that one of the things Halifax could do next year to make the city a better place is to have a serious discussion about de-amalgamation.

Let me be clear. My concern isn't with Mayor Kelly (at least not in this instance). My concern is with a policy-making environment where no one seems particularly perturbed that the mayor announces what should and should not be discussed. And where the Halifax Chamber of Commerce actually calls the mayor out for not making such pronouncements more often. More to the point, my concern is with the inevitable result of such an environment: bad public policy.

We have in Nova Scotia a culture of what has been termed "executive personalism" in government. The policy formulation process is excessively weak, and fashionable ideas that get into the heads of premiers, mayors and powerful cabinet ministers aren't subjected to searching analysis. If an idea sounds good to the right people, things happen—heavy water plants, steel mills, container ports in the bush or in landlocked city centres, and municipal amalgamation being only a few examples.

Now certainly, being willing to act is something we look for in a leader but action in the absence of evidence is something we should never seek out in public policy. Like operating blindfolded, acting in the absence of evidence all too often has negative and irreparable consequences.

In the mid-1990s, senior members of the government got it into their heads that there were major efficiencies to be had in amalgamating the municipalities. Now if



they had actually wanted to test these ideas properly, if they had wanted to engage in that dangerously radical practice known as evidence-based policymaking, they could easily have consulted the literature on local government and amalgamation, a literature which is now quite vast.

Had they done so, they would have discovered a few interesting facts. First, local government is not merely a device for supplying municipal services, but also for finding out what services people want and how much they are prepared to pay for them. Bigger entities actually impede this process and allow for rent seeking (getting you to pay for services that someone else enjoys).

They would also have discovered that the evidence is quite strong that creating single-tier local government monopolies doesn't reduce costs—it increases them. One big reason for this is that it is a fairly small part of public services where there are significant "returns to scale." In other words where the bigger you are, the cheaper it is to produce a unit of a given service. Researchers seem to agree that roughly 80 per cent of municipal services enjoy no economies of scale.

Was Halifax Regional Municipality the exception to all of these rules? Of course not. And the evidence since amalgamation bears this out. Government

underestimated the costs of amalgamation by a very significant margin. The final tally, including a new financial management system and labour agreements, reached something on the order of a minimum of \$40 million, whereas the estimate was under \$10 million.

No cost savings or economies of scale are observable yet, and it's not obvious that they ever will be, or where they might come from. Taxes and other charges, as well as debt, increased significantly. Average residential property taxes went up about 10 per cent in urban areas and by as much as 30 per cent in suburban and rural areas. Polling data show low levels of satisfaction with post-amalgamation services.

In fact, one of the researchers that pulled together the data highlighted above combined what he had learned from his years of studying municipal government, and from studying HRM in particular, for his extremely illuminating paper for the CD Howe Institute: *Local Government Amalgamations: Discredited Nineteenth-Century Ideals Alive in the Twenty-First*. Perhaps we could use this paper as the backgrounder to launch a serious exploration of what comes next for HRM as opposed to just doing something because someone told us to. Look where that got us last time. ■