NEW BRUNSWICK MUNICIPAL REFORM STICKER SHOCK

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Since the dawn of the neoliberal period in the 1980s, it has been obvious that the organization of New Brunswick's municipal system of governance was headed for a reckoning. There are several reasons for this. Richard Hatfield flirted with neoliberalism but it was implemented in earnest by Frank McKenna starting in 1987 and by every premier since, and the contents of its policies are familiar: tax cuts, particularly for business and the affluent; cuts and off-loading of programs and services; undermining real democratic participation while at the same time implementing the appearance of participation; and relying exclusively on private-sector-driven economic growth, with little or no vetting of the quality or impact (including environmental) of these projects. There would in general be more emphasis on government coercion of all kinds (neoliberal policy is not popular) and less government effort to legitimize the organization of the province's political economy. The impact of neoliberalism on the municipal sector was to reduce the unconditional grant system and to increase its costs, partly through the pressure to take on new spending in areas like economic and community development and now housing, and because cost increases in the areas of policing and public works has consistently exceeded inflation. This has meant that the average municipal residential tax rate, which in 2000 was \$1.4280 per \$100 of assessment, had increased to an average of \$1.5486 per \$100 of assessment by 2020. This is in addition to the value of real properties which over the last twenty years has increased substantially, especially in southern New Brunswick.

Under the Louis Robichaud government in the late 1960s the province eliminated the county councils and encouraged the creation of many new municipalities complemented by a system of unincorporated local service districts (LSDs), the latter of which were directly administered by the provincial government. The LSDs were very attractive places to live in the neoliberal era. In exchange for agreeing to no meaningful role in decisions on local public policy, and with the begrudging acceptance of the risk that you might live beside or near a noxious industrial or business establishment, the LSD residents would receive fewer direct local services but pay a considerably lower tax rate. They would live on larger pieces of land (by rule, since they typically rely on well water and septic tanks and fields) and pay the tax rate on a property with a lower valuation because of its rural location.

For thirty years some important forces in the province have wanted to transform this system. One body has been the existing municipal sector. In the neoliberal period municipalities have been seeking new revenue sources and their view is that one way of securing greater revenue is to expand their boundaries. Their view has been that people who live outside municipalities use municipal services, including rinks, playgrounds, parks, performing arts facilities, streets, and sidewalks. They may also benefit from municipal police and fire protection based on mutual aid agreements or the seamlessness of RCMP policing. But LSD residents don't pay direct taxes for these services, unlike city and town dwellers. Admittedly, both groups pay taxes indirectly when they patronize businesses and services in the municipality. Since the 1990s the three municipal organizations in the province have been asking for action similar to what the Higgs government is in the process of implementing.

However, the major advocate for the amalgamations and municipalization of most of the population of the LSDs has been the provincial government, but it has been expected to come at a high political price that not all governments have been willing to pay. While the longevity of the old system

has been addressed elsewhere,² successive governments have been interested in reforming this system over the past thirty years. But they have feared a collapse in their rural vote if they do so and have therefore kicked the can down the road, until now. Rural people have been attached to their local communities, way of life, and lower taxes.³ As Bourgeois and Strain stated in 2009, "During its ten years in office, the McKenna government reduced the number of school boards from forty-two to two (one for anglophones and one for francophones), health corporations from fifty-one to eight, and municipalities from 112 to 103."⁴ This, along with the creation of the city of Miramichi and the imposition of the RCMP in the greater Moncton area, might be seen as one of the reasons for the Liberal's massive loss and the Bernard Lord PC win in 1999. Since then, governments have encouraged and cajoled LSD residents to consent voluntarily to municipalization or absorption into existing municipalities, but the results have been modest over the past twenty years. One can gauge provincial interest by looking at the number of reports that have been done on the question of municipal reform, many of which are linked on the New Brunswick government site promoting the current amalgamation/municipalization process.⁵

The most significant of these reports was commissioned by the Shawn Graham government and delivered in 2008 by Jean-Guy Finn, a former senior civil servant. Finn took the position that every New Brunswicker should have access to democratically elected municipal government and that to be viable the municipalities should have a certain minimum population and assessed value of real estate for revenue-raising purposes. Besides recognizing the democratic deficit at the heart of the LSDs, the Finn proposal was attractive because it implied that the entirety of the provincial land mass would be covered by municipal governments. For those concerned about the environment and responsible economic development, this proposal would have provided for the possibility of land-use planning in rural New Brunswick above and beyond the minimalist regulations applied to LSDs under provincial legislation. One gets the sense that successive governments would have liked to implement some version of the Finn Report but for the political cost.

The focus of the rest of this invited essay will be on the Higgs government's decision to proceed on this matter at this time and in this way, and what political and other consequences are likely to be felt over the next few years. I argue that the image of "sticker shock" in a variety of forms (financial, environmental, and cultural) will best describe the reaction of New Brunswickers, whether they are long-time or new municipal residents. Based on its performance early in the pandemic, and aided by friendly English-language media, the Higgs government won a majority government in the September 2020 election. At that time Premier Higgs was looking for a major initiative to make his mark, and one that from his perspective would leave the province, at least economically, better than he found it. The two major policy initiatives were reform of the health care system or the municipal system, both of which were long overdue. It was unlikely that the government could achieve both, since these major reforms, when inspired by a neoliberal austerity agenda, usually involve cutbacks or at least serious disruption, and can only be done at significant political cost. While Mr. Higgs may not be concerned about his own political future, many of his caucus members and ministers are, and his seat margin on election night was not all that large (twenty-seven to twenty-two, the latter split between the Liberals, Greens, and People's Alliance). The timing for some kind of major reform was propitious, because with the pandemic voters were tired, distracted, and concerned primarily about their health and that of their families as well as their future economic prospects. The downside of tackling health care is that it is a graveyard for health ministers and governments. As should be clear from the public reaction to the closure of small-town emergency rooms, whether via policy or via "lack of staff," it is not hard to generate considerable trepidation and boisterous protests over cuts to health care services.

Enter the "Sleight Of Hand"

The Higgs government concluded that it was much safer to take on the issue of municipal reform, and in the short term they have proven to be right, though one of my themes is that the negative reaction is likely to come in 2023 and later. The Higgs government decided not to implement the Finn proposal, nor to give regional service commissions the authority to provide services in the LSDs (the British Columbia model). They decided instead to reduce the number of municipalities to seventy-seven through mergers and to incorporate 70 per cent of the LSD population into these municipalities. They also decided to increase the role of the twelve regional service commissions, and, importantly, to create twelve rural districts with 8 per cent of the provincial population, that would continue to be administered by the provincial government. The relative lack of protest over these changes provides ample support for this initiative. There is concern and even opposition from the current councils in Sackville-Dorchester, Minto-Chipman, and Blacks Harbour-St. George, which are three cases in which the large majority of residents live in municipalities that seem to be viable on their own and could each be the centre of their own expanded or regional municipality. Even in these cases, actual protest outside the council membership was hard to find. A small group, numbering fourteen, protested in front of the Sackville Town Hall but this petered out in a number of days. The opposition to Bill 82 in the Legislature in December 2021 was tepid at best, perhaps because the opposition parties picked up on the relative lack of public concern.⁸ Despite the rhetoric of municipal government being "closest to the people," New Brunswickers seem more attached to their communities than they do to their municipal corporations. No doubt this situation persists in part because of neoliberalism, which emphasizes the public adoption of private-sector management styles and policy instead of focusing on democratic accountability and activism. As Flynn, Des Rosiers, and Albert assert, "In Canada, our cities are seen as service providers, not governments." This has been facilitated by the provincial decision in 2004 to lengthen the municipal electoral term from three to four years (itself a move that undermined democratic representation), effectively encouraging elected municipal councils to be less connected to their constituents, which can only worsen the relationship between citizens and elected councils. Many municipalities are not there for the people and the people are not there for the municipality.

Cheap, Fast, or High Quality—You Can Only Have One

The first form of sticker shock is financial, and it is likely to be felt the earliest and most profoundly by citizens, both within and outside the old municipalities. Given the history outlined above, it should be clear that under the leadership of Daniel Allain, the Minister of Local Government and Local Governance Reform, the Higgs government became firmly committed to a major reform regardless of any tentative signals sent during the discussion of the Green Paper and successive White Paper. Consultation with the public told them that opposition was not that significant and in no case was the existing level of opposition going to dissuade the government from this course of action. However, the process of selling the reform to the public has been less than completely honest, exemplified by the financial issues. The financial impact of the reform has been presented in a rosy manner and those who accepted this now are likely to face sticker shock in 2023 and 2024.

I would argue that government officials have not been totally honest about their motivations or the likely consequences of this reform. First, there is a significant body of literature, pioneered by Andrew Sancton, which says that while municipal amalgamations mean fewer actors for the provincial government to deal with, they don't increase efficiency or reduce costs. Instead of dealing with the clamour of LSD residents who want provincial action on various local issues, the government has now passed these people and their concerns to the municipal sector, and if there is political dysfunction and policy complications as a result then this will be the problem of the new municipalities. Advocates of amalgamation also tend to overestimate the financial benefits and underestimate the costs. A newspaper story in October 2021 entitled "Don't Fear Local Government Reform: Minister," illustrates this very well. In this article the minister practices both a sleight of hand and bright-siding. He said that people should not fear tax increases, because they

will receive their tax bill according to the service they duly receive. We don't want people to pay for services they don't have. If they have an increase in services, they should pay more tax. If they have decreases in services, they should pay less. And if services stay the same, their taxes should stay the same.

He reiterated that even if LSDs are amalgamated, "It doesn't mean their taxes have to go up." ¹¹

The evidence, however, suggests otherwise. In 2002 the provincial comptroller produced a report that said that LSD residents were at that time subsidized by the provincial government by \$39.6 million per year, above and beyond tax revenues and equalization grants, because the provincial government would not raise LSD tax rates. At the same time municipal tax rates had gone up considerably since 1980 and would continue to do so after 2002. This is because municipalities operate on pay-as-you-go with no allowance for persistent operating deficits or hidden subsidies from the provincial general fund. As the former executive assistant to Premier Bernard Lord, Minister Allain and his officials would be aware of this study (which was originally designated as "Advice to the Minister" in order to prevent its public release). It is not a stretch to see the provincial government's enthusiasm for this reform as a way of greatly reducing its own subsidy to rural residents, even though this has never been mentioned publicly in government documents as a motivation. The financial gap between revenues and expenditures in LSDs may not be worse now than the gap of twenty years ago, but in any event a majority of it will soon be the problem of the municipal sector.

Yet by April 2022, after the White Paper was released and after the enabling legislation (Bill 82) was passed, it was becoming clear that the reform process would increase the property taxes of rural citizens, without any improvement in their services. Of the seventy-seven municipalities after the reform is completed, six are composed solely of LSDs and did not have any municipality in their territory. Under questioning on 19 April 2022 by Keith Chiasson, MLA (Liberal, Tracadie-Sheila), Minister Allain admitted to the Standing Committee on Estimates and Fiscal Policy that the start-up costs for these six municipalities would be a five cent increase (per \$100 of assessment) in the tax rate in 2023. Presumably this is in addition to the rate increase needed to meet their share of the shortfall identified in the 2002 comptroller's report, referred to above.

As for other municipalities, such as the new municipality of Tantramar, there is reason to think that the provincial government will delay LSD tax increases until after the reform process has concluded. Bruce Wark reported on 1 June 2022 that the Sackville treasurer Michael Beal announced that the town of Sackville has been told that LSD tax rates "will not go up significantly in 2023." The 2023 budget of expanded municipalities, including the tax rates, will be determined by the provincially appointed and paid consultant acting as "facilitator" of the reform process, instead of a democratically elected mayor and council. This means that coping with the real costs of the new system and the likelihood of tax rate increases in 2024, to be set in the fall 2023, will be the exclusive responsibility of

the municipal governments. We should expect that the LSD tax rates will go up just to maintain the current level of services, which is certainly not what Minister Allain has been telling people. There is also uncertainty regarding how much the municipal sector will need to contribute to the new regional service commissions. Citizens in the "legacy municipalities" will be unhappy if it comes to pass that they must pay higher taxes or see expenditures and services cut to subsidize the former LSD areas because of this reform. The mayor and citizens of Lac Baker in northwestern New Brunswick in late May 2022 made a similar case to the minister, to no effect.¹⁵

Democratic Sacrifice Zones

Second, there is the "environmental sticker shock" in this process. One of the initial selling points of the Finn Report was that all New Brunswick would be covered by a municipality. That meant that rural people would have the potential to employ land-use planning to protect the local environment and regulate how new rural industrial operations are developed. However, one of the flaws in the current reform is the creation of twelve new rural districts, which are very much like LSDs in that there will be advisory committees, but all the decision-making power will still be in the hands of the provincial government. That 8 per cent of New Brunswickers will still live without democratic, local self-government belies the government's claims that it is motivated by eliminating the democratic deficit in rural New Brunswick. These areas represent a vast majority of the province's territory and contain most mining sites and forestry areas, including places for future development. Perhaps from the perspective of large industrial operators, the inclusion of the twelve rural districts makes municipal reform more palatable than the original Finn proposal.

An illustration of the stakes for property owners was revealed in March 2022, when it was discovered that four parcels of land on the northern edge of Entity 40 (now designated as Tantramar) of over 25,000 hectares in size were transferred from Entity 40 to the adjacent rural district. The forest land has been identified as the property of J.D. Irving Ltd. and will continue to be regulated by the provincial government instead of the municipality of Tantramar. Sackville Councillor Sabine Dietz called this move "absurd" given that the provincial government said in December 2021 that it was not open to boundary changes. Mayor Shawn Mesheau said that the Entity 40 Advisory Committee has asked that the territory be restored to Tantramar and the answer has been "no." Green MLA Kevin Arseneau (Kent North) has approached this issue from a different angle. Using his time at the Standing Committee on Estimates and Fiscal Policy on 21 April 2022, Arseneau asked Minister Allain if the twelve rural districts will be covered by the regional development plans that will be produced by the regional service corporations. Allain said "yes" to this, saying that it is in the White Paper. While it is uncertain what practical importance this will have, it does leave open the possibility that the regional service corporations can influence development in the rural districts, though it is likely that final authority will still rest with the provincial government.

Devolve and Diminish Local Connections

Third and finally, people are likely to face "cultural sticker shock" as a result of the reform, manifested in a number of ways. The first issue is the conflict between community and municipal identity. In order to sell the plan, Minister Allain has been saying that this reform is the creation of new political entities but that these entities will have only limited effect, since people can still use their community names and will still get their mail at their existing address. What this overlooks is that new

political entities seek to align the economy, culture, and society to the new political entity. It may be that the individualism of contemporary conservatives makes it difficult for them to recognize structures (Margaret Thatcher famously said that there is no such thing as "society"). But society does exist, as does culture. So people may well want to maintain their old identity of and attachment to place, but over time it will be reduced to a neighbourhood and their attachment will become more tentative and even quaint. After all, cities often rename their space by the compass directions (e.g., Miramichi East), and ignore whether there is a community of interest, and provincial electoral districts often follow. So this is yet another claim that the new municipalities will actively undermine.

Also, part of our culture in New Brunswick after Equal Opportunity was an understanding of the roles and relationship between municipal and provincial governments. These roles and relationships will change as part of the municipal reform, and more profound changes are a possibility in the coming years. In terms of what is certain, twelve new regional service commissions (RSCs) are being created and they will have new roles, in addition to their current roles of land-use planning and solid waste management. There are actually two reforms happening right now, but there is little public awareness of the likely impact of the RSCs. The RSCs are being given five new roles and will be funded by their constituent municipalities, including former LSD citizens. According to the November 2021 White Paper that launched this whole process, these are "economic development, community development, regional tourism promotion, regional transportation and cost sharing on regional recreation infrastructure." A regional approach to economic development makes sense given the wide effects of economic development, but community development? The communities are found within the new municipalities, not at the level of the RSC, so how can the RSC contribute to this, beyond muchmaligned duplication? Regional public transportation will be valuable, but how will regional tourism promotion work? Will the RSC fund and operate visitor information centres, for example, rather than the municipalities and the provincial government? There is a lot to get right here, and time will tell whether the two orders of government will be up to the task.

The second challenge to the existing culture is a future possibility and is found among the province's most conservative wing, represented in the editorial pages of the Brunswick News outlets. During this reform process the papers transferred from the Irving Group of companies to Postmedia, the new owners, though as of mid-2022 there has been little editorial change. The papers have been highly complimentary of the Higgs government and Minister Allain on municipal reform, though remarkably they have called on the government to go much farther, particularly on the issues of tax cuts (a constant drumbeat) and the devolution of government powers and resources from the provincial to municipal order of governments. In editorial after editorial run in the provincial English-language dailies starting in fall 2021, the publisher has advocated for something close to a return to the 1950s before the dawn of the Equal Opportunity Program in the 1960s. In a 10 April 2021 editorial entitled "Equal Opportunity Should Be on the Table," the editors called for a transfer of power and money to allow local governments to make more decisions. As they argued, "The best way forward for the province is to return power to strong regional municipalities. The province should give these local governments substantial budgets based on population and let them take charge of social services." "19

In a 19 June 2021 editorial, entitled "Devolve Powers from Province," they asserted that the solution to our problems is "to reimagine how local government works, taking inspiration from the country model that was once prevalent throughout the province," and that municipalities should have "key responsibility for key issues like economic development, housing and homelessness." One can understand that it is in the interest of the large corporate sector to devolve powers to municipal

governments, since Equal Opportunity ended their heyday in which they could extract major subsidies and concessions from local governments. Recall that we saw a reminder of this in the early 2000s in the embarrassing special legislation that the Bernard Lord government passed to offer a tax concession to the Irving-Repsol LNG project in Saint John. But does anyone really believe that municipal governments can rival the provincial government when it comes to professional policy-making and implementation, or is it just alright if we return to the poorhouse model of social services and the county gaol?

Third, it is worth commenting that in naming the new municipalities there was a failure of imagination and a lost opportunity, one that shows the values of the Higgs government. It is remarkable that during the process of naming the new municipalities in 2022 not a single Indigenous name was picked. As Jennifer Sweet of CBC reported, this was a matter of provincial policy rather than a lack of goodwill among New Brunswickers. Mayor Rita Winslade of Cambridge-Narrows said that the naming committee for what would become Arcadia was told to avoid picking an Indigenous place name, and similar reports came from Grand Bay-Westfield and elsewhere. The provincial government's claim is that picking Indigenous place names would take too long because they would require consultation with Indigenous people, though Indigenous leaders say that they think the length of time needed has been exaggerated.²¹ Just as there is a growing movement to rename the Confederation Bridge to Epekwitk Crossing, in the not-so-distant future people will also see this as a missed opportunity.

Testing the Waters for Future Reforms

What this process says about New Brunswick politics and its future is important to consider carefully. Like so many things, this was a highly elitist project from the beginning. As we have noted above, municipal reform of this type has been an elite goal for the past twenty years, because the provincial government wants to deal with fewer actors, wants to maintain control of resource development in the rural districts, and wants someone else to increase rural taxes, thereby reducing their own expenditures without taking a political hit. The pandemic and a majority government made this possible. A Green Paper was issued, the consultation was largely a formality, and the White Paper and legislation were issued and passed. The government has appointed paid facilitators who exercise considerable power in defining the size of the new councils and how they will be elected, the municipality's name, who will be appointed as CAO, what the organizational chart will look like, and in setting 2023 municipal budgets. The key question is whether this will prove to be a model for the future. Can these same techniques work in restructuring health care along neoliberal lines, for example, by privatization and means testing who gets publicly provided health care?

These kinds of ideas are in the air, judging again from Brunswick News editorials. In a 13 April 2022 editorial entitled "Use Dental Care to Trial Health Insurance," the writers are supportive of a federal role in subsidizing dental care because they believe it could be a precedent to reduce the public role in health care generally. "One option is for a federally administered dental-care program that would see Ottawa directly insure children, seniors and Canadians with disabilities....The model may well prove successful when it comes to dental care—and it could also work for health care more generally." The argument against applying this elitist model successfully to health care reform is that there is much greater public engagement with and support for the existing health care system, just as there was for the campaign that effectively prevented the sale of NB Power to Hydro Quebec during the Shawn Graham

government. This municipal reform is done and will be impractical to reverse, but in the next year or two it will be interesting to see the fallout.

To comment on this essay, please write to editorjnbs@stu.ca. Si vous souhaitez réagir à cet essai, veuillez soit nous écrire à editorjnbs@stu.ca.

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Notes

- ¹ Data comes from the *Local Government Statistics for New Brunswick*, 2000 and 2021 editions, published by the Department of Environment and Local Government and its predecessors.
- ² Geoff Martin, "Municipal Reform in New Brunswick: Minor Tinkering in Light of Major Problems," *Journal of Canadian Studies*, 2007, 41(1): 75-99; D. Bourgeois and F. Strain, "New Brunswick," in A. Sancton and R. Young (Eds.), *Foundations of Governance: Municipal Government in Canada's Provinces* (Toronto: University of Toronto Press, 2009), 186-222.
- ³ Michelle Landry and Julie Guillemot, "Pour ou contre habiter une municipalité: Discourse sure les project de communauté rurales au Nouveau-Brunswick," *Revue Canadienne des Science Régionales*, 2020, 44(1): 10-21.
- ⁴ Bourgeois and Strain, "New Brunswick," 198.
- ⁵ GNB website with past documents: <u>www2.gnb.ca/content/gnb/en/corporate/promo/local-governance-reform/studies-data.html</u>.
- ⁶ Zack Taylor and Jon Taylor, "Representative Regionalization: Toward More Equitable, Democratic, Responsive, and Efficient Local Government in New Brunswick," Centre for Urban Policy and Local Governance—Publications, 2021, 5. https://ir.lib.uwo.ca/urbancentre-reports/5
- ⁷ Bruce Wark, "Sackville Residents Protest Against Forced Amalgamation: 'This Is Not Democratic, This Is Authoritarian'," *New Wark Times*, 2 March 2022. Contrast this with the several hundred who showed up to defend the Sackville Memorial Hospital. See "'Stop Messing with Our Hospital'; Residents Rally Against Bed Closures, ER Cuts," *Telegraph-Journal*, 9 December 2021.
- ⁸ After the 2020 election the Société de l'Acadie du Nouveau-Brunswick expressed support for the Higgs government's apparent commitment to municipal reform. See Stephane Paquette, "Acadian Society Is Optimistic about Higgs Cabinet," *Telegraph-Journal*, 3 October 2020.
- ⁹ Flynn, Alexandra, Nathalie Des Rosiers, and Richard Albert, "How to Get Cities Out of Their Constitutional Straitjacket," *Policy Options*, 15 June 2021.

- ¹⁰ Andrew Sancton, *Merger Mania: The Assault on Local Government* (Montreal: McGill-Queen's University Press, 2000) and Martin, "Municipal Reform in New Brunswick."
- ¹¹ Moncton Times & Transcript, 19 October 2021.
- ¹² Office of the Comptroller, Department of Finance, "Review of the Provision of Government Services to Local Service Districts and Property Taxation Levels," October 2002.
- ¹³ Chiasson-Allain exchange, Hearing on Local Government and Governance Reform Budget Estimates, NBLA, Standing Committee on Estimates and Fiscal Policy, 20 April 2022.
- ¹⁴ Bruce Wark, "Sackville Treasurer Outlines Budget Priorities in a Time of Uncertainty," *New Wark Times*, 1 June 2022.
- ¹⁵ Mrinali Anchan, "Lac Baker Residents Leave Dejected after Meeting with Minister to Protest Amalgamation, Social Sharing," *CBC NB News*, 19 May 2022.
- ¹⁶ Erica Butler, "Province Takes JD Irving Ltd Lands Out of Entity 40," 8 March 2022, CHMA radio.
- ¹⁷ Arseneau-Allain exchange, Hearing on Local Government and Governance Reform Budget Estimates, NBLA, Standing Committee on Estimates and Fiscal Policy, 21 April 2022.
- ¹⁸ Department of Environment and Local Government, "Working Together on Vibrant and Sustainable Communities: White Paper," November 2021, 19.
- ¹⁹ Telegraph-Journal, 10 April 2021.
- ²⁰ Telegraph-Journal, 19 June 2021.
- ²¹ Jennifer Sweet, "Indigenous Leaders Decry Missed Opportunity in NB's Name of New Communities," *CBC NB News*, 27 May 2022.
- ²² Telegraph-Journal, 13 April 2022.