

DEMOGRAPHIC CHANGE AND REGIONALIZATION OF PUBLIC SERVICES

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Demographic Change and Regionalization of Public Services

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The Population Project: Newfoundland and Labrador in Transition

In 2015, Newfoundland and Labrador had the most rapidly aging population in the country – which when combined with high rates of youth out-migration, declining birth rates, and an increasing number of people moving from rural parts of the province to more urban centres, means that the province is facing an unprecedented population challenge. Without intervention, this trend will have a drastic impact on the economy, governance, and the overall quality of life for the people of the province. Planning for this change and developing strategies to adjust and adapt to it is paramount.

The Harris Centre's Population Project has developed potential demographic scenarios for the province and its regions for the next 20 years and will explore a number of the issues arising. These include, but are not limited to, those concerning:

- **Labour markets** – how will future demands for labour be met given a shrinking labour supply?
- **Service demands** – what are the implications of an aging and a geographically shifting population on the demand for public, private and non-government sector services?
- **Service provision** – what are the implications of a declining rural population for the costs and delivery of services to an increasingly smaller and older, but still geographically dispersed population?
- **Governance** – how will local and senior levels of government respond to changing governance issues in the light of these demographic changes and challenges?

Utilizing expertise from both inside and outside the university, the project employs a combined research and debate approach to inform and contribute to government policy, as well as to develop strategies for the private and non-profit sectors to respond to the broad range of issues resulting from the anticipated population shifts.

This report, prepared by Pat Curran, MA, offers an analysis of regionalization of public services, informing public policy approaches in greater regional service delivery. It first assesses the case for greater regionalization and what regionalization means in the context of Newfoundland and Labrador. It defines the extent to which regionalization already exists, what services or programs are currently provided through regionalization, who manages them, and how. It considers how future demographic change might affect the need for, and benefits and costs of, regionalization, and whether there are other services that might be regionalized. The report identifies best practice in regionalization in other jurisdictions nationally and internationally and their potential application to the province. It considers the prospects for regionalization, defining the impediments and barriers to action and how they might be addressed. It considers who might take the lead, who else needs to be involved, and whether local communities, and their residents, must first buy in to regionalization before proceeding. It identifies regional differences and how they might affect implementation strategies and outcomes.

Funded by the International Grenfell Association (IGA), the report is the ninth published through the Population Project. This and all other reports generated through the Population Project are available online at www.mun.ca/harriscentre. More information about the project can be obtained by contacting the Project Director. Comments on the Project and reports generated are welcomed.

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LIST OF ACRONYMS

ACOA	Atlantic Canada Opportunities Agency
CCRC	Community Cooperation Resource Center
CFIB	Canadian Federation of Independent Business
DMAE	Department of Municipal Affairs and Environment
DSR	debt serving ratio
EAS	Employment Assistance Service
EBSMs	Employment and Benefit Support Measures
EU	European Union
GTF	Gas Tax Fund
ICSPs	Integrated Community Sustainability Plans
LMDA	Labour Market Development Agreement
LSDs	local service districts
MARPA	Massachusetts Association of Regional Planning Agencies
MHA	Member of the House of Assembly
MNL	Municipalities Newfoundland and Labrador
NLEC	Newfoundland and Labrador Employers Council
OHS	occupational health and safety
RCMs	Regional County Municipalities
REDBs	regional economic development boards
RSB	regional service boards
SEP	strategic economic plan
UIAs	unincorporated areas

EXECUTIVE SUMMARY

This report considers regionalization in Newfoundland and Labrador in an historical-institutional context, concluding that the debate has been, and will continue to be, defined by the actors and the setting in which regionalization is considered. Given past experience, and despite a seeming urgency for dramatic change, the likely approach, perhaps the only feasible one, will be incremental. That said, the report identifies a possible approach that might help set the stage for more effective policy development, engagement and implementation in regionalization.

The report places the current focus on regionalization in context, defining why there is an impetus for regionalization at this time. It follows with an overview of federalism and the division of powers, in essence the formal space within which regionalization takes place. It defines regionalization and its past application in Newfoundland and Labrador and provides some insight into how greater regionalization is perceived, including advantages, disadvantages and likely impediments. It considers how other jurisdictions and service sectors have approached regionalization, identifying possible best practice and whether the promise of regionalization was fulfilled. It determines the extent to which a case for greater regionalization exists in the context of Newfoundland and Labrador, concluding that the strongest argument in favour of regionalization is that to do nothing but maintain the *status quo* will guarantee the impact of the negative demographic changes foreseen for much of rural Newfoundland and Labrador

The report assesses the policy environment within which greater regionalization is being considered, providing a sense of how regionalization might be best advanced, including timing, leadership, scope of services, and how functional regions might be defined. This begins with an acknowledgement that Newfoundland and Labrador's demographic situation in general, along with emerging governance challenges at the local level more specifically, means that the existing approach to local government and service delivery is unsustainable, and that change is required. This implies a need for leadership at both the provincial and local level, leadership that is willing to expend potentially great amounts of political capital to transform local and regional governance.

Overview of Recommendations

Despite recent consultations on regional government, an ongoing review of municipal legislation, and a seeming willingness among municipal leadership engage in greater regionalization, the report recommends a far more mandated, comprehensive and integrated approach. It concludes that the pace of greater regionalization will be limited until government provides clear parameters around which municipal government will be structured and operated in the future, and initiates a staged and integrated process based on defining and meeting core service requirements.

SETTING PARAMETERS FOR MUNICIPAL GOVERNMENT IN THE FUTURE

In defining an approach for greater regionalization, there is a lead role for the Provincial Government in setting the regionalization agenda. Defining these conditions at the outset will compel municipal leaders to engage in a more meaningful assessment of the various regionalization options available. Significant issues exist in relation to current municipal performance perpetuating the perception that the *status quo* is a viable, and acceptable, option, particularly among many municipal leaders and many of their residents. Ensuring regulatory and legislative compliance, providing a framework for effective land use planning, and allowing a consistent approach to taxation across all communities should be the very basic expectation for municipal government in the future.

On setting parameters, the report makes 13 recommendations across 4 broad areas including ensuring legislative and regulatory compliance for municipalities and LSDs, mandatory coverage for all areas within a regional or municipal planning area and plan, the adoption of a consistent tax regime, based on a universal property tax for all areas, and a freeze on further municipal incorporations and dis-incorporations until the regionalization agenda is set.

NEXT STEPS IN THE REGIONALIZATION PROCESS

With clear parameters around the future operation of local government, a staged process to regionalization is required. On next steps in the regionalization process, the report makes 16 recommendations across 6 broad areas including defining core (mandatory) and optional service requirements, identifying and determining optimal levels for regional service delivery, preparing regional sustainability plans within functional regions, assessing legislative and regulatory authority, and establishing appropriate governance structures.

Conclusion

Following on the notion of functional regions, if effective economic, community and social development planning can take place, planning that is aligned with local capacity, opportunity and realistic expectations, and then there is greater promise for regional sustainability. Regionalization may help to build and sustain a more competitive service mix, enabling regions to compete for new industry, support existing enterprise and attract and retain new residents. This requires capacity that may only come from a renewed approach to regional governance at the local level and partnership with government in defining a new approach to rural and regional sustainability.

1.0 INTRODUCTION

1.1 Project Background

Newfoundland and Labrador is experiencing dramatic demographic change, defined by a rapidly aging population, high rates of youth out-migration, declining birth rates, and an increasing number of people moving from rural parts of the province to more urban centres. In turn, this is impacting the viability of many rural and remote communities in the province, increasing pressure on those remaining in sustaining basic services and limiting the prospects for future growth.

Regionalization of public services has been identified as one way to address this challenge by achieving greater efficiencies in service delivery and improving viability outcomes. But what is meant by regionalization of services? Can greater efficiency and improved outcomes be demonstrated based on the experience of other jurisdictions? Regionalization has been ongoing for many years, and hundreds of instances of regional service delivery already exist, often delivered through layered arrangements among local governance authorities. When we speak of greater regional services, are we considering just those delivered by local government? Or are we speaking of provincial services that might be delivered at a local or regional level, perhaps by some regional authority? Finally, what are the benefits of regionalization?

1.2 Research Objectives

This report considers regionalization of services, determining whether there is a case for greater regionalization and if so, how might it be applied in practice.

1.2.1 A CASE FOR REGIONALIZATION

The report examines the case for regionalization of services and what it means in the context of Newfoundland and Labrador. To what extent does regionalization already exist, what services or programs are currently provided, who manages them, and how? Can improved efficiencies and outcomes through regionalization be demonstrated and defined? How might future demographic change affect the need for/benefits of/costs of regionalization? With considerable regionalization already underway, are there other services that might be regionalized and why? How are other jurisdictions approaching regionalization and are there “best” practices that might inform our own public policy process?

1.2.2 REGIONALIZING PUBLIC SERVICES IN PRACTICE

If a case for regionalization of provincial services exists, what are the prospects for action? Who has the responsibility to lead regionalization of services? What is the relationship between government and governance in this context? Who should be involved? Will “local” authorities “buy in” to regionalization? Do they have the mandate or capacity to do so? What would they

need to allow them to do so? Do regional differences in population size and distribution (e.g. Labrador or the Island of Newfoundland) significantly affect implementation strategies and outcomes? Are there examples of good/best practice where regionalization has happened locally, nationally and internationally, and how has regionalization been approached/applied?

1.3 Research Methods

Several methods were employed to achieve the research objectives including extensive desk research, face-to-face and telephone interviews (15) with key informants and a focus group with labour representatives.

1.3.1 BACKGROUND RESEARCH

As part of this project, an extensive literature review was conducted, providing an overview of major writings and other sources on regionalization. Sources include primary material drawn from past/current examples of regionalization in Newfoundland and Labrador and elsewhere, scholarly journal articles, books, government reports, web sites and so on.

1.3.2 INTERVIEWS

A number of interviews were carried out among key informants identified on the basis of their association with past and current regionalization efforts or significant public policy initiatives. The group included several former government ministers, representatives of both Municipalities Newfoundland and Labrador (MNL) and Professional Municipal Administrators (PMA), several members of the executive and management with the Government of Newfoundland and Labrador, and others in the business and academic communities. These interviews followed a structured interview format and followed requests to participate. The invitation to participate is attached as Appendix A. The discussion guide is included as Appendix B.

1.3.3 FOCUS GROUP

A focus group session of labour representatives was held on February 21, 2018 and followed a structured discussion format similar to the interviews.

2.0 CURRENT IMPETUS FOR REGIONALIZATION

"We need to talk more about regionalization."

Dover Mayor Tony Keats (CBC News 2017a)

A focus on greater regionalization in Newfoundland and Labrador is not new. The renewed interest at this point driven by several factors, including population projections for the province, which indicate declining numbers, particularly for many rural areas, and the province's poor fiscal situation and associated pressures to cut spending or download services. Government's own consultative processes around regional government and municipal legislative reform have served to heighten the focus. What appears to differentiate the current emphasis on greater regionalization from those in the past is the engagement of the broader community, heightened in great part by a general sense that rural areas of the province are approaching a tipping point. In the recent past there have been more opportunities for public engagement provided in part by the Harris Centre and its ongoing work, including the Population Project, along with greater media coverage of rural decline and related themes, including resettlement. The release of the Democracy Cookbook in the fall of 2017 (Marland and Moore 2017) and the publication of articles from the Cookbook by the province's major newspaper, *The Telegram*, has led to a heightened focus on governance. Combined, these pressures appear to have placed greater regionalization on the front burner in relation to other policy issues.

2.1 Population Projections

In December 2017 CBC Newfoundland and Labrador hosted a town hall forum in Gambo called Rethinking Resettlement. While the primary theme of the session was resettlement, Tony Keats, Mayor of Dover and current president of MNL, highlighted an emerging sense that community survival, particularly in rural areas of Newfoundland and Labrador, is increasingly dependent on greater regionalization. This sense of urgency was considered in light of demographic projections prepared and released by Memorial University Harris Centre's RAnLab (Simms and Ward, 2017) through the Population Project. During the Forum, MNL's Chief Executive Officer Craig Pollett suggested a link between greater regionalization and addressing population decline (CBC News 2017a).

Simms and Ward's analysis paints a dismal prospect for the population of the province, particularly in rural areas, with most regional projections showing continued decline and aging over the 2016-2036 period. Birthrates in most regions are low and outmigration has, and will continue, to compound the problem. This is not new – as they conclude, most regions have been in decline for multiple census periods. They go on to point to the impact of population decline on community and regional sustainability, particularly in the context of meeting future labour demands, and the cost of, and delivery method for, the provision of services (Simms and Ward, 2017).

With the exception of the Northeast Avalon and some regions in Labrador, all other regions are expected to decline in population over the projection period. This will have significant impact on labour supply and the demand for, and the delivery of, services in the community by the public and private sectors. And while the scale of those impacts may vary by region, all areas will require strategies to mitigate the problem. The difficulty is in finding solutions that reflect local and regional conditions, and local leadership that is prepared to, and has the capacity, to take on the challenge. Simms and Ward conclude that current local governance approaches are inadequate to meet this challenge and that a new regional governance model must be developed and implemented as soon as possible (Simms and Ward 2017:127).

2.2 Fiscal Situation

As if population decline was not enough, the province is currently facing an unprecedented fiscal challenge, precipitated in great part by a massive decline in oil revenue from a high of \$2.8 billion in 2011/12 to \$551 million in 2015/2016 (CBC News 2016). According to the Fraser Institute, from 2005/06 to 2011/12, program spending increased by an 8.4 per cent each year on average (Fraser Forum 2017). Combined, lower revenues and higher expenses led to an historic deficit in fiscal year 2016/17 of \$1.83 billion.

The focus of Government's 2018 budget consultations were on spending, with an acknowledgement that expenditure has outpaced revenues for many years resulting in the province's net debt now reaching \$13.6 billion. Government has chosen to emphasize finding efficiencies and creative solutions rather than making major cuts, recognizing that these expenditures provide services and programs that are important to people (Government of Newfoundland and Labrador 2018a).

This province's dismal financial outlook has led some, including the Parliamentary Budget Officer and the Auditor General of Newfoundland and Labrador, to conclude that the province's current fiscal policy is at minimum unsustainable (Parliamentary Budget Officer 2017 and Auditor General of Newfoundland and Labrador 2017). Others, including Ian Lee of Carleton University, suggest that the very solvency of the province may be at stake (CBC News 2017b). The Newfoundland and Labrador Employers Council (NLEC) identifies the underlying fiscal problem as one of too much spending, suggesting that government could address much of the current deficit by rolling back or freezing public sector wages, reducing sick leave, and lowering expenditure on the two greatest budget item within government – health and education. They further suggest reductions in the number of employees in core government services through a non-replacement of retirees (Newfoundland and Labrador Employers Council 2017).

2.3 Pressure to Cut or Download

There appears an increasing attitude among many that rural areas must pay more to sustain the services that are important to them. Some have gone so far as to suggest that the province revisit resettlement and amalgamation as part of the solution (Short 2017). This in turn has led to a certain wariness among municipal leaders who perceive that their communities are being asked to bear the brunt of provincial efforts to meet its fiscal situation by either eliminating services to rural areas or downloading them to municipal government. Some municipal leaders have reacted very strongly to the suggestion that rural Newfoundland and Labrador has become a burden to the province and that they must pay more for services. St. Brendan's Mayor Veronica Broomfield, for one, did not understand the backlash to the cost of running the island's ferry service when questioned this past fall by VOCM News (VOCM News 2017). In Stephenville, a number of municipal and community leaders walked out of a consultation session on the regional government initiative - among those leaving was Kippens Mayor Debbie Brake-Patten who felt proposed regional government was just another level of government to tax people out of their homes (Telegram 2017).

The fiscal situation initially led Government to consider reductions in services, many impacting rural areas. Budget 2016 proposed the closure of some public libraries and downgrading of other regional services. The push back at the time was considerable, particularly in the case of public libraries. Government later initiated a review of the entire public library system before closure and consolidation plans were implemented (CBC News 2016a). Government's initial approach on library consolidation called on greater engagement from local governments, suggesting an effort to offload certain responsibilities to the municipal level and the subsequent review recommended that government invite MNL and municipalities to engage in the development of a co-shared funding model (EY 2017: 24).

2.4 Government Consultations

Further impetus to consideration of regionalization has arisen from two consultative initiatives of Government including regional government and the review of municipal legislation. Both initiatives have involved an extensive public consultation process over the past year, one coming hard on the heels of the other, leading in part to the renewed focus on regionalization and approaches to regional service delivery in the province.

2.4.1 REGIONAL GOVERNMENT

Government's consultation on regional government has been framed in the context of addressing significant demographic change, which will have implications for the province's local government system in two ways – a declining pool of candidates to run local governments and the increasing costs of maintaining infrastructure and services to an ever-declining population. The regional government initiative follows on a commitment in 2015 to consider regional government as a key component of a renewed fiscal framework for municipalities.

MNL has been a strong advocate of regionalization and in particular the regional government initiative. MNL has played an active role in the working group leading to the regional government consultation process which featured 22 consultation sessions, over 6,000 in-person comments, over 700 participants and over 70 questionnaires completed online (Government of Newfoundland and Labrador, What We Heard 2017a).

2.4.2 MUNICIPAL LEGISLATION REVIEW

The review of municipal legislation review constitutes the first comprehensive assessment of municipal legislation in the province in decades and encompasses the *Municipalities Act, 1999*, the *City of St. John's Act*, the *City of Mount Pearl Act*, and the *City of Corner Brook Act*. Municipalities have a responsibility to provide services while managing development. The legislation essentially defines the roles and responsibilities of local and city governments in this regard. At this stage, the consultation process has been limited to a call for written submissions and close to 70 submissions had been received by the January 3, 2018 deadline. Further opportunities for public consultation are planned before Government begins drafting revised legislation (Government of Newfoundland and Labrador 2018b).

2.5 Summary

The current focus on regionalization has arisen from several key factors. First, there is an increasing awareness, if not sense of urgency, over the dire projections for the province's population, particularly in rural areas. Second, the province's financial situation has led to a focus among some on reducing spending and achieving efficiencies within government at both the provincial and municipal level. Finally, formal opportunities for citizen engagement on regionalization through the regional government and legislative review processes, and more informal discourse generated through media events, radio call in shows, policy statements and position papers by stakeholders such as the NLEC and input by other commentators, have contributed to increased public attention regarding regionalization.

3.0 REGIONALIZATION AND DIVISION OF POWER

“In Canada, the lack of constitutional recognition has evolved into a system where municipal governments lack local autonomy. Provinces retain the discretionary power to make binding decisions on local governments, and local governments have no options for recourse.”

Loleen Berdahl, 2001

3.1 Federalism – A Framework for Regionalization

Regionalization takes place in the context of defined responsibilities within various government systems internationally. In Canada, overall powers are either delegated or shared among multiple levels of government including the federal government, provincial governments and local governments, including indigenous communities, in what is considered a federal system of government, or federalism. Since Confederation in 1867, politics and governance in Canada have been defined by a debate over the balance of powers between the federal and provincial governments. At times, and again more recently, this debate has included the appropriate role of municipal and indigenous government. From the municipal perspective, local governments have often had to respond to federal initiatives, despite the fact that they are governed by provincial authority.

Often, the exercise of power at one level has implications for another, and equally as often, one level of government may try, and sometimes succeed, in pushing the limits of its authority. Sometimes the reverse is true and one order of government vacates its lead responsibility, leaving needs to be met by another order of government. This friction is the basis of considerable debate, and the federalism literature is full of varying concepts, from centralized versus decentralized systems, to subsidiarity, to the notion of downloading and the emerging concept of natural person powers. Some of these concepts are explored further below.

3.1.1 FEDERALISM DEFINED

Federalism is generally defined as the distribution of powers between a central authority and its constituent parts. The division of powers is generally reflected within a constitution recognizing the various levels of government within the federal state, each with its own constitutional powers. In most cases, there is a national government (federal government) exercising powers, such as defense and foreign affairs) along with multiple state or provincial governments that that exercise authority over more regional and local issues (Mapleleafweb n.d.).

3.1.2 CENTRALIZED AND DECENTRALIZED FEDERALISM

While there are many examples of federalism worldwide, there is considerable difference among them in terms of the division of powers between the national and regional

governments. The alignment of jurisdiction and power within each in turn introduces concepts of centralized or decentralized federalism. As the term implies, centralized federalism occurs when authority is vested primarily in the national government. Decentralized federalism in contrast provides regional governments with more authority (Mapleleafweb n.d.).

3.1.3 DIVISION OF POWERS

Federal Powers

The division of powers in Canada is reflected in Sections 91 and 92 (and to a lesser extent sections 93 to 95) of the *Constitution Act, 1867*, assigning areas of legislative authority to the federal and provincial legislatures. Federal powers are defined within Section 91 and consider authority in broad national areas including the postal service, defense, currency, bankruptcy, divorce, and criminal law, unemployment insurance, telecommunications, trade and commerce, banking, copyright law, and matters related to First Nations people. Inferred federal powers within Section 91 include residual powers and the federal spending power. The reference to residual powers, known commonly as the Peace, Order and Good Government (POGG) clause, has enabled the Federal Government, through Parliament, to make laws on all matters not assigned specifically to the provinces within Section 92.

Provincial Powers

Section 92 of the *Constitution Act, 1867* outlines provincial authority, including taxation, the establishment and tenure of public officials in a province, incorporation of companies and generally legislative authority over “all matters of a merely local or private nature in the province.” These include establishment of hospitals, solemnization of marriage and the administration of justice (including the organization of provincial courts) in the province. Importantly for the concept of regionalization, it includes the authority to establish municipal bodies (Dewing, Young and Tolley 2006). As such any consideration of regionalization or regional service delivery within Newfoundland and Labrador must in turn be placed in the context of provincial authority and how and whether that authority is delegated to regional entities including, but not limited to, municipalities and local government.

Municipal Powers

Municipal powers are defined by the province within provincial legislation, consistent with Section 92 of the *Constitution Act*. The authority and responsibility of local government varies across the country. In some jurisdictions, municipal government is responsible for delivering services that may be delivered by the provincial government in others.

Municipal authority in Newfoundland and Labrador is defined by legislation, primarily the *Municipalities Act, 1999* and the various *City Acts* for St. John’s, Corner Brook and Mount Pearl, and also by various other pieces of legislation. Table 3.1 highlights legislation relevant to municipalities in Newfoundland and Labrador (Government of Newfoundland and Labrador 2014).

Table 3.1: Relevant Municipal Legislation in Newfoundland and Labrador

Act	Relationship to Municipal Government
<i>Animal Health and Protection Act, 2010</i>	Relates to the Minister's authority to delegate administration of all or a portion of the Act to a municipality.
<i>Access to Information and protection of Privacy Act</i>	Relates to municipalities being considered as a "public body" under the Act and requirements to comply.
<i>Assessment Act, 2006</i>	Applies when Councils adopt a property tax model of taxation.
<i>Crown Corporations Local Taxation Act, 1990</i>	Applies to exemption of Crown Corporations from local taxes.
<i>Environmental Protection Act, 2002</i>	Requires municipalities to have Ministerial approval (certification) for waste disposal sites and governs the operation of such facilities.
<i>Fire Protection Services Act, 2008</i>	Applies the Fire Commissioner's authority to ensure compliance with fire and life safety regulations and the appointment of local assistants, normally municipal fire chiefs or their designates.
<i>Firefighters' Protection Act, 1996</i>	Applies to liability and protection of firefighters and fire departments established under the <i>Municipalities Act</i> .
<i>Health and Community Services Act, 1995</i>	Applies to the responsible Minister's authority in relation to sewage treatment, restricted areas, and unfit dwellings.
<i>Highway Traffic Act, 1990</i>	Applies to the responsible Minister's authority to delegate to council the power to make regulations consistent with the Act.
<i>Housing Act, 1990</i>	Applies to municipal provision of public housing.
<i>Labour Standards Act, 1990</i>	Requires municipalities, as an employer, to adhere to the Act.
<i>Liquor Control Act, 1990</i>	Applies to requirement for municipalities to approve all permits for the sale of liquor and as well the conditions under which communities may declare it will be free from alcohol sales.
<i>Municipal Affairs Act, 1995</i>	Relates to the Department of Municipal Affairs administration of municipal affairs in the province.
<i>Occupational Health and Safety Act, 1990</i>	Requires municipalities, as an employer, to adhere to the Act.
<i>Public Tender Act, 1990</i>	Requires municipalities to adhere to the <i>Public Tender Act</i> in the procurement of goods and services.
<i>Regional Service Board Act, 2012</i>	Relates to the establishment of regional service boards for service delivery, primarily waste management, in regions of the province.
<i>Taxation of Utilities and Cable Television Companies Act, 1992</i>	Applies to municipal taxation of utilities and cable companies.
<i>Urban and Rural Planning Act, 2000</i>	Applies to land use planning and sets the conditions within which municipal and regional land use planning are undertaken.
<i>Water Resources Act, 2002</i>	Applies to municipal role in the management of water resources and the process of approving, constructing and maintaining sewage and water systems.

Within the *Municipalities Act, 1999*, municipal regulatory authority may be characterized in terms of those things which a municipal government **must** do and those which they **may** do. Section 414 of the *Municipalities Act, 1999* states:

(1) *A council shall make regulations:*

- (a) *to control the construction, location, use and maintenance of privies, sewer systems, septic tanks and sewers;*
- (b) *respecting the digging, drilling, use and construction of wells and water supply systems;*
- (c) *prohibiting and controlling the use of a source of water that the council considers dangerous to public health and restricting or prohibiting the use of water in a municipality;*
- (d) *controlling and respecting the design, construction, alteration, reconstruction, minimum lot size and occupancy of buildings and classes of buildings and the demolition, removal, relocation and maintenance of buildings;*
- (e) *subject to the approval of the minister, respecting*
 - (i) *the control of and management of its fire department, and*
 - (ii) *participation of the fire department in emergency activities not related to firefighting or fire prevention; and*
- (f) *subject to the approval of the minister and the Fire Protection Services Act, respecting the prevention of fire in a municipality and the inspection of buildings in a municipality for fire prevention purposes.*

Section 414 of the Act also allows local government discretion to enact regulations across a broad range of activity from animal control to development regulations, from curfews to use of recreational facilities (see Appendix C attached).

Summary of Federal, Provincial and Municipal Powers

Federal, provincial and depending on the provincial or municipal jurisdiction, municipal powers, are represented by Table 3.2 (Civix, 2011).

Table 3.2: Federal, Provincial and Municipal Powers

Federal Powers	Provincial Powers	Municipal Powers
Indians/Indian reserves	Management/Sale of Public Lands belonging to Province	Agriculture services
Regulation of Trade/Commerce	Prisons	Airports
Public Debt and Property	Direct Taxation within Province	Ambulance services
Unemployment insurance	Hospitals	Animal control
Direct/Indirect Taxation	Municipalities	Business licences
Postal Service	Formalization of Marriage	By law enforcement
Census/Statistics	Property and Civil Rights	Cemeteries
Defence	Administration of Civil/Criminal Justice	Community or convention centres or halls
Navigation/Shipping	Education	Cultural facilities (museums, libraries)
Quarantine	Incorporation of Companies	Emergency and disaster services
Sea Coast and Inland Fisheries	Natural Resources	Family and community support services
Ferries (interprovincial/ international)	Matters of a merely local or private nature	Fire services
Currency/Coinage		Municipal land use planning
Banking /Incorporation of Banks/Paper Money		Parks and pathways
Weights and Measures		Police services
Bankruptcy		Public lighting
Patents		Public transportation
Copyrights		Recreation facilities and programs
Criminal law, including Criminal Procedure		Roads, streets and walks
Penitentiaries		Sanitary sewage and treatment
Works connecting provinces; beyond boundaries of one province; within a province but to the advantage of Canada/or more than one province		Storm sewers and drainage
Citizenship		Water supply and distribution
Marriage/Divorce		Tourism
		Waste management
Concurrent/Shared Federal and Provincial Powers		
Old age pensions		
Immigration		
Agriculture		
Environment		
Health		

Overlap of Responsibilities

Clearly there are instances where federal, provincial and municipal authority may at times overlap, even beyond those powers identified as concurrent or shared federal and provincial powers. For instance the Government of Canada supports economic development along with provincial and municipal governments. In respect to immigration, while the responsibility is shared between the federal and provincial governments, local governments often lead effective settlement and integration efforts.

In some cases, the exercise of authority at one level has implications for another. A topical example at present concerns the impending Wastewater Systems Effluent Regulations by the Government of Canada, which in turn has left municipalities across the country, including those in Newfoundland and Labrador, scrambling to ensure monitoring and compliance while at the same impacting long-term capital planning and requirements for local government (Federation of Canadian Municipalities 2017).

The alignment of authority, not just on who is responsible in a legislative sense, but as importantly who pays, are the critical considerations within the overall division of powers. Regionalization then is the intersection of meeting service needs and authority. As will be seen, there are various perspectives on what that appropriate level of authority should be.

3.2 Relevant Concepts

Much of the recent academic literature around regionalization focuses on the emergence of international regions, particularly in an economic context. That said, a number of key concepts arise from the federalism literature that relate closely to regionalization, in particular on the division of powers between national, sub-national and more local authorities. Several of these concepts are considered more fully below.

3.2.1 SUBSIDIARITY

Subsidiarity is the principle that decisions should be taken at the lowest possible level or closest to where they will have their effect, for example, in a local area rather than for a whole country (Cambridge Dictionary n.d.). Grounded initially in Roman Catholic social doctrine, subsidiarity suggests that all social bodies exist for the sake of the individual - what individuals are able to do, society should not take over, and what small societies can do, larger societies should not take over (The Free Dictionary n.d.). In practice, the principle of subsidiarity has been most readily embraced by the European Union (EU) in the Treaty on European Union, which defines the circumstances in which it is preferable for action to be taken by the Union rather than the Member States. In essence it limits the Union's exercise of non-exclusive powers, allowing Member States an opportunity to address the issue at a central, regional or local level. That said, justification for action by the higher authority, in this case the EU, can be exercised when Member States are unable to achieve the objectives satisfactorily and added value can be achieved if done at the Union level (European Parliament n.d.).

3.2.2 DOWNLOADING (OR OFFLOADING)

Downloading (or "offloading") is defined broadly as "the range of ways that provincial and federal governments pass administrative costs, capital costs, service provision and other expenses and responsibilities to local levels of government without adequate funding or revenue streams" (Beresford, Duffy and Royer 2014). Emerging requirements for waste water treatment in compliance with Federal regulations, along with increased costs for social housing and enforcement of impending marijuana legalization have been identified as expenses that have been downloaded to lower orders of government, particularly municipalities.

3.2.3 NATURAL PERSON POWERS

Natural person powers are essentially the powers enjoyed by a real person when granted to some form of corporate body. Generally, these corporate bodies are businesses, but increasingly these powers are being extended to local forms of government. In 1995, for instance, Alberta's *Municipal Government Act* was amended to provide municipalities with natural person powers. These powers grant corporate bodies the right to own, sell, and use property with the full discretion of any natural person. They permit corporate bodies to enter into contracts, to sue, and to be sued. Finally, they accord corporate bodies the freedom to do anything the law does not expressly prohibit (Alberta School Boards Association 2015).

4.0 REGIONALIZATION: DEFINITION AND PRACTICE

“Characterizing regionalization depends on the sector.”

Anonymous from consultations

Regionalization as a concept appears to be little understood, or at minimum, means different things to different people. Past efforts toward regionalization have coloured people’s perspective on what future regionalization might mean. Given the re-emergence of regionalization as a public policy consideration it might be helpful to actually understand what regionalization means, and has meant, in the Newfoundland and Labrador context.

4.1 Regionalization Defined

Simply defined, regionalization is the process of aligning, organizing and delivering services, on a spatial basis, often with an associated level of administration or governance. Regionalization can refer to regional alignments at a local level, across state and provincial boundaries, and across international boundaries involving two or more nation states (or portions thereof). Any discussion on regionalization is difficult without a focus on governance structures. However, regionalization may be formal, as in a regional government, or informal, as in an agreement among communities to share services. The associated geographic area considered within a regionalization initiative may be considered a region, however, only to the extent of the particular service or approach being considered. In effect, regionalization is about process, while regions focus on the geographic area around which something, e.g. services are aligned. In the current Newfoundland and Labrador context, as will be seen, regionalization has come to define a possible policy initiative or desired outcome – one which has ebbed and flowed over time and which once again has come to the fore as a way of addressing the Province’s demographic, and to some, fiscal challenges.

4.2 Forms and Notions of Regions and Regionalization

Whatever the formal definition of regionalization, it is clear that when people are asked what regionalization means, they have different responses. Some associate it with amalgamation. Others, particularly given government’s recent consultation process, hear regional government. Still others hear resettlement. Regionalization in Newfoundland and Labrador has taken many forms, some grounded in legislation, others evolving over time and still others emerging to meet a particular service requirement. There appears to be a lack of consistency and understanding of regionalization, and how it is defined. In addressing these mixed perceptions, language and terminology become very important suggesting a need to define very clearly what we mean when we speak of regionalization.

4.2.1 PROVINCIAL AND FEDERAL APPROACHES TO REGIONAL SERVICE DELIVERY

Regionalization in Newfoundland and Labrador is generally thought of in relation to the provision of local or municipal services. However, regional approaches are also a feature of provincial and federal service provision. Provincially, these services are provided either indirectly through boards and agencies of government including regional health authorities (RHAs) and, historically, school boards, or directly through government line departments organized administratively on a regional basis. In the case of indirect agencies and boards, such as RHAs, service provision is aligned around a specific region with a corresponding governance structure. Depending on the line department, regional approaches provincially generally align around four or five administrative regions defined most often as Labrador, Western, Central, Eastern and Avalon. More recently the Eastern and Avalon regions have been treated as one area in some cases while some of the management functions of the Labrador region, again depending on the department or service, are attached to the Western region.

Federal approaches to service delivery are much the same. Within the province, various federal departments align themselves around administrative regions, similar to those of the provincial government. "Regions" for the Federal Government are often aligned around multiple provinces, such as Atlantic region, Western region, etc.

In the context of regionalization of provincial services, delivery is best considered as a continuum, from those services highly centralized to those highly de-centralized. Any movement toward greater centralization, undertaken perhaps as part of austerity measures such as those highlighted in the 2016 provincial budget, is perceived to disproportionately impact rural areas and, rather than enhance service delivery and effectiveness, is generally equated with layoffs, office closures and diminished service levels.

4.2.2 REGIONALIZATION AT THE LOCAL LEVEL

Regionalization of services at the local level is not a new concept. The Municipal Census of 2003 showed over 50% of all municipalities were sharing services with at least one neighbouring community, with 91% of these partnerships being between town and cities (Municipalities Newfoundland and Labrador 2003). The census suggests these arrangements were longstanding and that the services most often shared related to fire and emergency services, waste management and recreation. The 2011 Municipal Census indicated that 76.3% of those responding shared services, suggesting an increase in regionalization over time. The presence of 16 regional joint councils or mayor's committees across the province in 2007 also suggests that informal and formal structures exist within which regionalization might be identified, discussed and fostered (Municipalities Newfoundland and Labrador 2011). Shared service arrangements have taken various forms, including informal agreements to provide assistance or support, formal mutual aid agreements, contracts for service provision, other agreed upon purchase of service arrangements, or the formation of a joint service provider/committees with representation from participating communities (Vodden, Hall and Freshwater 2013).

4.2.3 REGIONAL SERVICE BOARDS

The *Regional Service Boards Act, 2012* (Government of Newfoundland and Labrador 2012) enables the establishment of regions and regional service boards for the delivery of a regional service. Specifically, Section 3 of the Act states:

- (1) *The Lieutenant-Governor in Council may, on the recommendation of the minister, by order, create a region and establish for that region a regional service board for the purpose of providing regional services in accordance with this Act.*
- (2) *The Lieutenant-Governor in Council shall designate the boundaries and select a name for the region to be administered by the board established under this section.*
- (3) *A region created and a board established for that region under the Regional Service Boards Act is continued under this Act.*

Since 2012, several regional service boards (RSB) have been established, primarily for regional waste management as part of the Provincial Waste Management Strategy. These include boards for the Eastern, Central, and Western regions, the Discovery region, and on the Burin and Northern Peninsulas. Government has extended Eastern RSB's mandate to include implementation of a pilot project on Regional Water and Waste Water Systems Operators (Eastern Regional Service Board n.d.) while the Northern Peninsula RSB also manages regional fire services (NorPen n.d.).

4.2.4 AMALGAMATION AMONG MUNICIPALITIES AND OTHER COMMUNITIES

Amalgamation is another form of regionalization, essentially the formal process of combining two or more municipalities. As will be seen, amalgamation has a storied history in the province, in great part because of a top down process adopted in the late 1980s and early 1990s that forced a number of municipalities to merge. While successive provincial administrations since then have adopted a 'no forced amalgamation' policy, current municipal legislation continues to provide for amalgamation at the request of two municipalities, or annexation of adjacent areas by a single town. Sections 3.1 of the *Municipalities Act, 1999* (Government of Newfoundland and Labrador 1999) states:

- (1) *The Lieutenant-Governor in Council may, by order, on the recommendation of the minister and subject to a feasibility study being prepared under section 9,*
 - (a) *incorporate an area in the province as a town;*
 - (b) *amalgamate towns and annex areas to towns;*
 - (c) *establish and alter boundaries of towns; and*
 - (d) *disincorporate a town.*

Since the early 1990s, a number of municipalities have considered amalgamation, completing feasibility assessments as required under the legislation. These include Victoria and Salmon Cove, and Port Aux Choix, Port Saunders, Hawkes Bay and River of Ponds in 2007, Fogo Island in 2009, Little Catalina and Trinity Bay North in 2010 and, most recently, the Towns of Labrador City and Wabush, and Botwood and Northern Arm in 2017. For the most part, these initiatives

have not resulted in formal amalgamation, often despite the recommendations arising from the feasibility assessment. In the case of Northern Arm and Botwood for instance, Northern Arm residents rejected amalgamation in a non-binding plebiscite held on January 23, 2018, voting 136 against of the 202 ballots cast. The Northern Arm Town Council has since confirmed that the proposed amalgamation with Botwood will not proceed.

4.2.5 REGIONAL GOVERNMENT

As noted above, Government has initiated consultations on regional government. The initiative follows on a commitment in 2015 to consider regional government as a key component of a renewed fiscal framework for municipalities. MNL has been a strong advocate of the regional government initiative, playing an active role in the working group leading to the regional government consultation process (Government of Newfoundland and Labrador 2017b). An update on the initiative, in particular potential pilot projects, is anticipated in the spring of 2018.

4.2.6 REGIONAL ORGANIZATIONS

Vodden, Hall and Freshwater's (2013) work on regional governance in Newfoundland and Labrador identified seven classifications of organizations or services aligned on a regional basis including:

- Economic and Labour Market Development
- Health and Social Services Development
- Environment and Natural Resources
- Community Development and Multi-objective (defined as various other regional activities)
- Local Government and Regional Services
- Aboriginal Governance
- Federal and Provincial Political Districts

Vodden, Hall and Freshwater identified over 1,000 regional organizations across these classifications, delivering a range of programs and services. For the most part, regional boundaries for service delivery did not align, resulting in multiple and layered governance approaches across and between various organizations and sector.

Given that future community sustainability is being considered in the context of greater regionalization, several warrant further explanation, particularly within the economic and labour market development classification. Here, both levels of government have established regional approaches to planning and delivery, only to withdraw support at a later point. These include economic zones and regional economic development boards (REDBs), local labour market planning through regional committees of the Labour Market Development Agreement (LMDA), and Employment Assistance Service (EAS) offices, all established to provide active labour market programs to the public, particularly in rural areas.

Regional Economic Development

The impetus for a new approach to regional development within the province was first reflected in *Building on our Strengths: the Report of the Royal Commission on Employment and Unemployment* (1986). The Report recommended a more balanced and integrated approach to regional development and first suggested the division of the province into economic regions or zones (Royal Commission on Employment and Unemployment, 1986). In June 1992 the Provincial Government released *Change and Challenge* the new strategic economic plan (SEP) for the province (Government of Newfoundland 1992). A Task Force on Community Economic Development was established in March 1994 and its final report contained twenty-nine recommendations, including the creation of 18 (later 20) economic zones and the establishment of REDBs (Task Force on Community Economic Development 1995).

By 1995, the process of establishing regional economic development boards was begun, engaging local stakeholders within each region inclusive of business, local government, education and labour. The REDB process was reviewed in 2005 and the mandate and composition of the boards were tweaked to reflect an increasing emphasis on municipal and business engagement. In December 2011 the primary federal partner, the Atlantic Canada Opportunities Agency (ACOA), indicated its desire to withdraw support from REDBs and the Government of Newfoundland and Labrador followed suit shortly thereafter. By early 2013, after a transition year, final subsidies were withdrawn and the REDB experiment concluded.

Labour Market Development Agreement

Through the Canada-Newfoundland and Labrador Labour Market Development Agreement (LMDA) provision was made for regional LMDA Committees to determine active labour market measures. Comprising federal and provincial representatives along with other community and industry stakeholders, regional LMDA committees set priorities around the various Employment and Benefit Support Measures (EBSMs) identified within the Agreement. The intent was that each committee would guide investment to meet local and regional labour market development priorities. In November 2009 the Government of Canada devolved responsibility for the LMDA to the Government of Newfoundland and Labrador. Throughout the process leading up to the devolution, the local and regional LMDA committees became increasingly inactive. They were later disbanded on devolution to the province.

Employment Assistance Service

One of the benefit and support measures within the LMDA included Employment Assistance Services (EAS), primarily comprising support for career counselling and related supports. The EAS program was most often delivered by local, community or regional partners under contract to government. In 2013 the Government of Newfoundland and Labrador withdrew support for the EAS, consolidating employment counselling within its own Department of Advanced Education and Skills. The action displaced dozens of employment counselling staff

working for community partners, while impacting numerous organizations in which EAS funding had become an integral part of their operating budgets.

4.2.7 THE CONCEPT OF FUNCTIONAL REGIONS

Another way to define regions in Newfoundland and Labrador was introduced by Freshwater, Simms and Vodden (2011). Determining that regions can be defined in relation to local labour market patterns, primarily supply and demand, they go on to argue that these functional labour market regions in turn represent a basis for greater economic integration and potential collaboration. Their initial research suggested 28 separate functional regions within the province. The research has since been extended to the balance of Atlantic Canada on the basis of a revised regional hierarchy of urban centres, small cities and regional towns, and 1st, 2nd and 3rd order rural regions, depending on size and labour market dynamics (Freshwater, Simms and Ward 2014).

4.3 Prior Experience in Regionalization and Shared Services

4.3.1 HISTORIC RECORD OF MUNICIPAL COLLABORATION AND COOPERATION

As noted in section 3.2.2 above, local governments have demonstrated a capacity to initiate arrangements with their neighbouring communities and there are many examples of shared services and collaborative approaches – as such, the concept of regionalization is not a new one. These approaches have left considerable latitude to local governments to determine the shape and form of such arrangements, with much of the discretion for the pace and form of regional engagement remaining with local governments themselves.

4.3.2 FORCED AMALGAMATION

In 1989, government's overall approach to regionalization came to focus more specifically on amalgamation of local governments. Coinciding with the election of the then new Wells Liberal administration, government moved to consider operational efficiencies and many government services and programs were examined - particularly those delivered (or that might be delivered) on a regional, and presumably more efficient basis. These actions, part of a broader austerity program, were in direct response to the province's financial situation. The local economy was weak, the national economy was sliding into recession and the Government of Canada was beginning to review Federal-Provincial transfers on which much of the Newfoundland and Labrador economy was then based. The closure of significant fish processing operations in the winter of 1990 placed the future of the province's traditional fishery in grave doubt and though the ground-fish moratorium was still two years off, the collapse of offshore ground fisheries was a harbinger of worse to come, particularly for rural areas.

Initially, 108 municipalities were identified as candidates for amalgamation, with the number of these municipalities to be reduced to 43 (Boswell 2005). There was an immediate negative

reaction among impacted communities and, facing strong local opposition, the scheme was eventually abandoned, but not before 33 former municipalities had been reduced to 13.

4.3.3 POST AMALGAMATION – RECENT APPROACHES TO REGIONALIZATION

Following the amalgamation era, the provincial government turned to new approaches to support and encourage greater regionalization, preferably through formal amalgamation of two or more municipalities, but also through service collaboration (i.e. implementation agreements) between local governments, a process characterized then, and now, as regional cooperation. In 1997, the Newfoundland and Labrador government commissioned a task force to review and then reconstruct the concept of regionalization in a way that would improve outcomes. The final report recommended that new regional and governance structures be established without forced amalgamation. The primary conclusion was that given the past experience with amalgamation, radical transformation of local governance was inappropriate.

The election of a Progressive Conservative Government in October 2003 did not result in any change to the “no amalgamation” principle, instead government focused on reinforcing the advantages of regionalization. From 2004 to 2015, a number of initiatives were undertaken to encourage regionalization. Funds were set aside to support feasibility planning among two or more local governments who expressed interest in voluntary municipal amalgamation. An inventory of external consultants was prepared to facilitate the anticipated feasibility assessments on behalf of local governments. With government support, the Community Cooperation Resource Center (CCRC) was established by MNL to research and exchange knowledge on regional approaches. Government’s renewed approach also was manifested in several distinct initiatives relating to recreation programming and sustainability planning. In 2007 Government announced a three-year pilot project for regional recreation planning and operations, providing support to four areas that had demonstrated a willingness to collaborate on recreation programming. With respect to sustainability planning, in April 2009 Government outlined the criteria for the development of Integrated Community Sustainability Plans (ICSPs) highlighting a fifth pillar of sustainability within the program criteria – governance. The focus on governance was unique in the country and enabled government to support collaborative approaches to ICSP completion and implementation, with financial incentives provided to offset plan development among collaborating municipalities.

From a legislative and regulatory perspective, the proclamation of the Regional Service Boards Act provided a framework within which shared service arrangements might become more formalized. On waste management, government took a stronger regulatory stance, encouraging, even compelling, municipalities to engage in a regional approach. This was accomplished not only by the creation of RSBs, but by adjusting existing regulations and timelines, such as scheduled closure of existing regional landfills, to compel local communities to engage in regional waste management planning and, ultimately, service delivery (Curran 2010). In some cases government provided preferential cost sharing ratios for “regional” infrastructure projects.

4.4 The Legacy of Past Regionalization Efforts

The future prospects for regionalization, and the debate associated with it, are grounded in great part on the past experience of those engaged. The evolution of regionalization processes over the years, and the collective experience gained, represent a lens or filter through which new regionalization efforts will be viewed. Some of these are considered further below.

4.4.1 NO AMALGAMATION

There are several lasting legacies from the amalgamation exercise that linger today. Abandoning the program before full implementation created an impression of a discredited process for which a high political price was paid - the Government's own minister of Municipal Affairs and cabinet's lead on amalgamation was defeated in the provincial general election of 1993. A second by-product was that communities became more suspicious of later calls for regionalization, often conflating regionalization with amalgamation.

4.4.2 HOW MUCH FURTHER CAN WE GO?

Current levels of regional collaboration are often cited by local governments as evidence that they are already collaborating effectively, that efficiencies have already been achieved and that there is little more to be gained through further regionalization. This is despite the suggestion in Government's consultation document on regional government, that there are more opportunities to be explored in shared services (Government of Newfoundland and Labrador 2017c). In essence, the collective and historical experience of regionalization represent a point beyond which many municipalities, and other communities, are not prepared to go. With the exception of the era of forced amalgamation, the discretion left to local governments on where and how they regionalize may limit further regionalization - unless they are compelled to do so.

4.4.3 URBAN NEEDS APPLIED TO RURAL AREAS

The ICSP process noted above represented a distinct urban/rural division with larger towns often having in-house capacity to address the sustainability planning requirement while rural municipalities were left to muse over the necessity and expense of a planning process more relevant to larger centers. To that extent, at least in the minds of rural municipalities, the process was an instance of urban strategy being applied to a rural setting.

4.4.4 LEADERSHIP FOR GREATER REGIONALIZATION

The initiative for greater regionalization has at times rested with local communities, at others, the provincial government. When led by local governments, the pace appears to some glacial, and the results inconsistent across the province. When aggressively led by the provincial government, as in the case of forced amalgamation, government has paid a high political price. Who leads the discussion and who follows will be a critical factor in the prospects for greater regionalization.

5.0 WHY REGIONALIZE?

“The aging population in Newfoundland and Labrador has put considerable strain on communities, particularly in rural regions. Ensuring that the province has mechanisms in place to support changing demographics is essential.”

(Government of Newfoundland and Labrador 2017c)

The efficacy of past regionalization efforts, regardless of where they have taken place, appear uncertain or at least, little understood. As Stephen Tomblin suggests, “replacing and challenging sovereignty, capacity, and autonomy of embedded regimes is often easier said than done” (Tomblin 2007). Regionalization, or as Tomblin styles it “regional integration”, is not new and is often undertaken in response to perceived crises, and often with mixed results.

Various theoretical frameworks in political science place considerable emphasis on both the individual perspective from which policy is generated and the environment in which it is developed (Curran 2008). The recent Regional Government consultations, along with the consultations and comparative research undertaken through this report, provide considerable context on how regionalization is perceived in Newfoundland and Labrador and practiced elsewhere. This section will consider some of these findings, answering the question of “Why Regionalize?”

5.1 Comparative Approaches to Regionalization

5.1.1 REGIONALIZATION EXPERIENCE IN CANADA

In advancing considerations for regional government in Newfoundland and Labrador, three provinces were highlighted within the public consultation document – British Columbia, Quebec and Nova Scotia. In addition, there has been considerable analysis of amalgamation of municipal government in Ontario that can be drawn on. For British Columbia, there is also analysis of the growth of municipal spending in recent years, primarily from increased public sector compensation, along with compelling arguments put forward on the impacts of downloading on increased municipal expenditure.

British Columbia

For over 50 years British Columbia has operated with 27 regional districts, working in line with local government and unincorporated areas. The regional councils provide a forum where regional issues may be considered. Representation is provided at both the municipal and regional level with municipalities appointing representatives to the regional council and elections held in unincorporated areas for the balance of representatives. Regional services are provided by the regional council in unincorporated areas and certain municipalities, depending on the will of each municipal council. Service delivery options are determined by the regional board and vary by regional district. There appears to be flexibility in approach to meet local

circumstances. While municipalities have the flexibility to opt in to services, opting out, or even withdrawing, is more difficult given the potential impact this would have on services to the remaining areas (Government of Newfoundland and Labrador 2017c).

British Columbia also provides an opportunity to consider the impact of emerging new service and regulatory requirements, often implemented by a higher order of government. The Columbia Institute's *Who's Picking up the Tab?* assesses this impact, noting that since the mid-1950s, federal contributions to capital investment in municipalities in BC have declined from 34 percent to 13 percent, while the municipal share of costs increased from 27 to 48 percent (Beresford, Duffy and Royer 2014)). Anticipated compliance with federal wastewater regulations is expected to increase the municipal burden for infrastructure even further (Federation of Canadian Municipalities 2017). At the same time, local governments are increasingly engaged in social and community service delivery, including housing, addictions and recreation. Not surprisingly this has led to an increase in the size of the municipal sector, with employment in local government rising by 30 per cent since 2001 and local expenditures increasing by 173 percent for sewer services, 134 percent for policing and 108 percent for recreation over the 2001 – 2010 period (Beresford, Duffy and Royer 2014).

This growth in municipal spending has been characterized by some as unsustainable, with the Canadian Federation of Independent Business (CFIB) pointing to a 49 percent increase in overall operating spending between 2003 and 2013. In particular, wages and benefits were identified as a major source of this increase, with a large disparity between municipal sector and private sector salaries, wages and benefits. In contrast revenue generation has not kept pace. An examination of property tax growth on all British Columbians indicated a 30% increase in per capita property taxes from \$572 to \$743 by 2015 (Canadian Federation of Independent Business 2015). There appears to be considerable debate over whether municipal spending is increasing because of downloading or irresponsible spending by ever-enlarging municipal governments.

Quebec

Similar to British Columbia, Quebec's local government system includes municipalities and Regional County Municipalities (RCMs) with representation provided at the regional level for those communities without a formal local municipal structure. The current municipal system followed a significant overhaul by the Quebec Government in the late 1970s which replaced rural counties and replaced them with RCMs. RCMs include cities and have responsibility for regional planning. A key advantage of the Quebec RCM model is services provision and long term planning for rural areas. Other features include representation for non-municipal areas of the province and, similar to BC, barriers to opting out of service arrangements. Quebec's approach has been criticised as a "one size fits" all approach, however the research suggests the model works for both small rural areas and those RCMs that include major urban areas (Government of Newfoundland and Labrador 2017c).

Nova Scotia

Nova Scotia represents a hybrid model, with counties, towns and regional municipalities. The regional municipalities were created through an amalgamation process over twenty years ago. Representation is provided through different structures of local government depending on where you live, including counties, towns and regional municipalities. There is no governance level that is solely responsible for regional services, however there is an emphasis on municipal cooperation and inter-municipal agreements for service sharing (Government of Newfoundland and Labrador 2017c).

Ontario

Ontario represents an interesting case for comparison given the significant level of analysis that has been undertaken since municipal amalgamation in the late 1990s. The expectation was that the municipal restructuring process would result in increased efficiencies and greater cost savings, lower taxes and reduced bureaucracies. A Fraser Institute assessment of amalgamation in Ontario draws a number of conclusions on the extent to which these expectations were met, and in particular considers the impact of amalgamation on smaller municipalities. The research found limited evidence of tax savings or cost reduction, rather expenditure on certain services and remuneration increased, in part a consequence of wages being harmonized upwards. In many instances, the tax burden on individual households increased. Amalgamation also increased pressure for services and expectations of increased service levels in rural areas. Whereas residents in smaller municipalities prior to amalgamation had limited expectations on the nature and range of services provided, these expectations changed, expanded and increased once amalgamation took place. Also instructive from the Ontario experience was the short timeframe allowed for the amalgamation process to proceed, which limited effective planning at the local level. As in Newfoundland and Labrador, the amalgamation process in Ontario has had a lasting impact, leaving many with "...uneasy relationships in many amalgamated communities across the province (Milja and Spicer 2015).

5.1.2 EXPERIENCE FROM OTHER AREAS

Enhancing Collaborative Approaches - Massachusetts, USA

Various examples exist of other non-Canadian jurisdictions that have opted for greater regional collaboration among existing municipal entities rather than wholesale restructuring of municipal government. The Massachusetts Association of Regional Planning Agencies (MARPA) provides resources for regionalization, including access to regionalization "best practice" (Massachusetts Association of Regional Planning Agencies 2012). The State of Massachusetts provides a grant program to promote collaboration and encourage stronger relationships among the over 350 cities and towns in the state. The grant aid, known as the Efficiency and Regionalization Competitive Grant Program provides support for municipal and other entities, e.g. school districts, interested in planning for long-term sustainability (State of Massachusetts 2018).

Local Government Restructuring in Response to Crisis - Ireland

In 2012 the Republic of Ireland restructured its approach to local and county government, in large part in response to the financial crisis that beset Ireland, and many other jurisdictions, following the bank crash in October 2008. In restructuring local and county government, the national government exercised its authority to dramatically change current approaches to municipal governance, guided by a vision that placed local government as the primary instrument of governance and public service at the local level, leading economic, social and community development, and representing citizens effectively and with accountability. The initiative, known as the Action Programme for Effective Local Government, emphasized the need for local decision-making in response to local needs.

The scope of the program was broad and included measures to enhance the main elements of local government; its structures, functions, resources, operational arrangements and governance. This implied the restructuring of existing municipal and county structures including, in some cases, merging municipal councils with county councils. It also included enhanced responsibility for service delivery, including devolution and delegation of responsibilities currently performed by the national government, particularly in economic and social development and enterprise support. Interestingly, the realignment of authority worked in an opposite direction in the case of nationalization of water administration – a case of uploading of responsibility from a lower order of government to a higher one. An emphasis on customer service, service standards and a more robust system of performance standards and monitoring was proposed, with a focus on key indicators and on outcomes, value for money, and comparative performance among authorities. The development of annual service plans as part of the budget process, setting standards, and adherence to performance standards and indicators was now required.

The key purpose for local government was defined as promoting the well-being and quality of life of citizens and communities. To meet this objective, local governments were expected to maximise both representational effectiveness and accountability on the part of the elected councils, and operational efficiency on the part of the administration. The expectation was that the new arrangements would improve responsibility and accountability, community identity, responsiveness to local issues, subsidiarity, coherence and efficiency while yielding cost savings and better value for money (Government of Ireland 2012).

Ireland's approach is notable for its overall comprehensiveness with all aspects of municipal governance considered within the strategy, from restructuring of municipal entities, to authority for service provision, to performance-based management and an emphasis on outcomes.

5.1.3 DE-CENTRALIZATION IN HEALTH CARE

Research suggests that regionalization in healthcare is best considered in the context of decentralization. Tidwell defines four forms of decentralization including:

- *Political* - authority is delegated to lower levels of authority

- *Administrative* - greater authority is given to managers, including financial discretion accompanied by increased accountability
- *Internal* - authority is delegated to existing tiers in the hierarchy
- *External* – authority is delegated to newly established units, some with separate legal status

Following on the concept of subsidiarity considered earlier, decentralization is seen as an important organizational tool with decisions made as close to the source of delivery as possible. The advantages of a decentralized approach in health care appear to include facilitating public participation, allowing local and personal control over the key determinants of health, supporting cooperative approaches of key stakeholders at the local level while enhancing empowerment and local autonomy, and community-based health planning. A key consideration is that innovation appears to be most effective at the local level and must be considered in conjunction with regionalization (Tidwell 2009).

5.2 Perceptions of Regionalization in Newfoundland and Labrador

In the late summer and fall of 2017 the Government of Newfoundland and Labrador initiated an extensive consultation process on regional government, culminating in the release of a “What we Heard” document in December 2017. In framing the consultations, regional government was cast not only as a way to address demographic challenges, but also to realize potential efficiencies, reduce duplication, raise more revenue through equitable taxation, sustain governance, broaden service offerings, support economic development and generally achieve better policy outcomes. Similarly, government’s review of municipal legislation was expected to help ensure that the municipal legislative framework was enabling and meeting the needs of local governments (Government of Newfoundland and Labrador 2017b). Over 700 residents participated in the Regional Government consultation process, and this, along with online submissions, mailed submissions, emailed submissions, and telephone discussions generated over 6,000 individual ideas and comments. Findings from this project’s consultations and research provided additional insight on regionalization. In some instances, the feedback aligned with government’s rationale for considering regional government. In others they did not, resulting in mixed views on the advantages and disadvantages of greater regionalization.

5.2.1 VALUE FOR MONEY

Effective and Efficient Service Delivery

Participants in the Regional Government consultations indicated that one of the potential advantages is that services could be delivered more effectively and efficiently, as there would likely be more opportunities to share services and equipment, which could lead to cost savings. Increased service sharing would reduce the duplication of service delivery that exists in some areas. The interview process confirmed these findings in part with regionalization seen as an

opportunity to provide better value for money, achieving efficiencies, economies of scale and better utilization of resources and infrastructure. Improving outcomes was identified suggesting that current performance at the municipal and provincial level was sub-standard – that government is underperforming and as a result not reaching its full potential.

Cost Savings

The evidence from other jurisdictions having undergone forced amalgamation is that savings are rarely realized. The experience from Ontario suggests that cost savings, particularly among rural areas, were not realized. The demand for new, equitable and enhanced services associated with regionalization, particularly where larger municipalities with a more robust service offering were included within the area being regionalized, appeared to absorb any savings (Milja and Spicer 2015). Similarly the experience in BC appears to support the criticism that the growth in municipal spending has outstripped annual inflationary pressures, in great part a consequence of an expanding bureaucracy and increases in salaries and compensation that exceed the pace of that in the private sector.

A recent assessment of local governance options for the Towns of Botwood and Northern Arm projected modest savings in expenditures through amalgamation of between \$124,000 to \$139,000/year or 3.54% to 3.97% of the combined expenditure of both towns in 2017 (Pat Curran + Associates 2017). That said, there were numerous instances cited throughout the consultations for this report where economies of scale might be realized through regionalization, notably in relation to fire protection and planning.

Through this report's consultations, it was suggested that the overall impact of regionalization would be modest, at least in terms of potential cost savings that might help address the province's fiscal situation. Overall, net cost savings were expected to be small, unless regionalization and greater centralization was considered for the two most significant provincial expenditure items, education and health. It was felt that the motivation for regionalization should not just be about saving money - regionalization must be sold on better outcomes, not on cost savings.

Increased Cost and Bigger Government

According to the What We Heard summary, the greatest concerns over regional government were the potential for increased costs and the need to pay more for services, particularly within LSDs and UIAs. Despite this, it was suggested that people in rural areas are not paying enough now for the services they receive.

Many participants in the regional government consultation noted concerns over the creation of an additional level or tier of government, with some stating that regional government would make things less efficient and possibly more expensive. There were also fears of increased duplication in administration between a regional government and local municipalities within the region. The consultations for this report identified the potential of expanding

administration and organizations as a risk along with challenges around change management through the transition to greater regionalization, however defined.

5.2.2 REGIONALIZATION AND THE FISCAL CRISIS

Alleviating the Fiscal Crisis

From the perspective of provincial government finances overall, where the majority of expenses fall into the three main categories of health, education and debt servicing, government would have to withdraw or downgrade many aspects of regional service delivery to achieve even modest savings. Alleviating the province's financial crisis, or more specifically reducing the province's annual deficit, would likely only come from a massive cut in government spending or downloading delivery, and the cost, of those services to a lower order of government at the local or regional level.

The province's debt servicing and financing requirements comprise 14% of current account expenditure annually (Government of Newfoundland and Labrador 2018a). An equivalent measure for local governments is their debt-servicing ratio (DSR). While capacity might exist at a local level for an increased debt burden arising from the delivery of additional services or the assumption of a greater portion of capital spending, current legislation restricts DSR to a maximum of 20% of projected revenues (Government of Newfoundland and Labrador 1999). While there may be some room to transfer a portion of future debt burden to local or regional governments, there has been no comprehensive assessment of remaining debt tolerance and capacity among local governments as yet.

Increased Revenue Capacity

The extension of regional government to LSDs and UIAs for the provision of services would result in increased tax revenue at a regional level. However, the possible transfer of responsibility for services currently provided by the provincial government to LSDs and UIAs to regional governments (downloading), although not quantified, would likely consume much of this currently untapped revenue at the regional level. Increased revenue capacity, or alternatively put reduced expenditure, would therefore be felt at the provincial, not regional level.

5.2.3 HIGHER QUALITY AND GREATER ACCESS TO SERVICES

Greater Access

Through its regional government consultations, government heard that regional government could potentially offer communities greater access to professional resources, improved services, and a broader service offering, particularly for smaller communities. This is consistent with the research for this report, which identified an expectation that, with regionalization, there will be

a greater range and level of services. Generally, it was felt that regional government would result in more consistent and standardized services across regions.

A number of services were identified that might be delivered through regionalization, including water systems operations and water quality, waste management, engineering, inspections, recreation, youth and seniors coordination and programming, transportation and road maintenance, and snow-clearing and associated tendering. Commercial fire inspections, fire and emergency training and policing were also suggested. Development control, permitting and assessment were several other opportunities identified. Most of those interviewed for this research project felt that regionalization would lead to better policy outcomes, creating synergy through collaboration. Regionalization might allow communities to improve services while not necessarily increasing bureaucracy or cost.

Higher Quality

In some instances, regionalization might result in higher quality services that better meet the needs of local residents. In health care, greater decentralization appears to encourage better health outcomes as local communities become more engaged in defining health priorities (Tidwell 2009). Regionalization might help provide a more diverse service offering, but in the case of Ontario many of these services were not necessarily priorities for many rural areas prior to amalgamation. The experience there suggests that with amalgamation, there were increased expectations of new and higher quality services, even those that were not a priority prior to regionalization (Milja and Spicer 2015). With increased capacity at the regional level, local initiative and responsibility appears to decline. In the case of the proposed Botwood – Northern Arm amalgamation, many Northern Arm residents remained unconvinced that their service levels would remain the same, let alone improve (Pat Curran + Associates 2017).

Density and Scale

Density was identified as a problem in cost-effective service delivery, particularly in rural areas. The distribution of rural populations limits the impact of density on service delivery – as a result, cost savings are not always readily apparent and may be limited to some savings on administration. Given the large geographic area within which many services are delivered, the relatively low density of population tends to drive costs higher. For instance, waterline installation per household is more expensive in rural rather than urban areas given the considerable distances between homes in contrast to planned neighbourhoods in urban areas. Scale is important in maintaining critical mass for service delivery and administration. Investments in key infrastructure and services require a certain level of utilization. For example, an investment in a water treatment facility to service 100 households may not be feasible, however the same investment to service 500 households may be.

5.2.4 EQUITY AND FAIRNESS

Paying a Fair Share

While regional government may result in more consistent and standardized services across regions, it was also felt that through regionalization, everyone would “pay their fair share”. Equity in services and taxation was also identified in the research for this report, enabling services to be tailored to local preferences and facilitating the scalability of service delivery at the local, regional and provincial level.

Services and Cost

Participants had concerns over equity in cost and service with a fear that some communities would receive or have to pay for services they do not need. There was a particular concern that larger towns would take an unfair share of service delivery, leading to a disproportionate distribution of benefits and costs across a region. Similar concerns were expressed in the consultations for this report.

Free Riders

An underlying message throughout government’s consultations and the research conducted for this report related to increasing revenue by eliminating “free riders” and making everyone pay – in particular those in LSDs and UIAs. For many, regionalization is really all about money. Equity and fairness, and people being treated the same are considered important. The view of many is that despite their protestations, those in LSDs and UIAs who say they are paying their own way are not. Those living within some municipalities quite often pay for certain services that the provincial government provides at no charge to residents of LSDs, UIAs and some municipalities. Regionalization provides some prospect of greater equity in taxation.

5.2.5 MUNICIPAL AND REGIONAL AUTHORITY AND RESPONSIBILITY

Realigning Responsibilities

There was a recognition that needs vary across communities based on their size and geography, and that defining the services to be regionalized would be a challenge. At the same time, and based on Ireland’s experience, regionalization might provide the context for a meaningful discussion on increased regional authority through subsidiarity and realigning responsibilities to the most appropriate order of government, not just for delivery, but cost. New governance models might flow from that assessment. Ireland’s Action Programme appeared to address all of these elements in a comprehensive way at the same time. The Government of Newfoundland and Labrador’s approach appears more disjointed. While the current review of municipal legislation provides some of the context for that discussion, there is an apparent lack of connectivity between that initiative, ongoing consultations on regional government and previous efforts on addressing municipal fiscal capacity.

Downloading

Greater regionalization might result in enhanced capacity at the regional level, capacity that in turn may make regional government an attractive target for downloading by provincial governments, not just of existing services, but also in response to new services requirements. This may not be as ominous as it appears, particularly if it follows a logical realignment of responsibility between provincial and local or regional authorities as suggested above and is accompanied by a transfer of financial resources adequate to provide the service.

5.2.6 BUILDING AND SUSTAINING GOVERNANCE CAPACITY

Increased Participation and Voluntarism in Governance

Participants in the consultations anticipated that regional government would likely increase democratic participation among residents, providing access to a larger pool of candidates. Also, a regional government system might offer the potential for increased volunteerism and a greater pool of volunteers to draw upon. Governance models could be structured to enable community-based representation, ensuring no loss of connectivity between regional councils and communities. This report's consultations support the view that regionalization would build, or at least sustain volunteer capacity in local areas. That said, the notion of allowing municipalities to opt out of the proposed regional government model would not address volunteer capacity for local government. For those communities who chose to remain outside of the proposed regional government structure, the challenge of demography will remain, threatening their long-term sustainability.

Strengthened Capacity

Some felt that acting as a region would provide communities with a stronger voice and increased strength when advocating for the needs of the region. Findings from consultations for this report indicate people felt that regionalization would enable stronger regional and sub-regional planning and decision-making. This in turn may enable communities to attract and retain more people. The greater resources available through regionalization would help sustain the municipal sector in terms of human resources and employment, allowing communities to attract and retain staff. It might also provide an opportunity to address respectful work places and pay equity.

This expectation of strengthened capacity through regionalization appears in line with the experience of other rural and remote regions nationally and internationally. Felt (2009) considers municipal agency and capacity in contrasting Corner Brook, Newfoundland with Akureyri, Iceland, concluding that Corner Brook is limited to basic service provision by a lack of legislative empowerment that might enable leadership within the municipality and region. Consideration of territorial development strategies and governance in the Faroe Islands, Greenland, Iceland and coastal Norway suggest that developing synergies with neighbours is a crucial factor in improving economic growth (OECD 2011). Numerous others emphasize

regional collaboration and decentralized decision-making as key ingredients in successful regional economic development (Freshwater and Tomblin 2009; Bryden 2009; O’Keeffe and Douglas 2009; Douglas and O’Keeffe 2009; Lipton et al. 2009; Baldacchino, 2009).

5.2.7 LOCAL IDENTITY AND DECISION-MAKING

Identity

Some in the regional government consultations expressed concerns around the potential loss of community identity and the consultations for this report affirmed that perception. Regionalization may be difficult to reconcile with community identity. That view appears to be in line with Northern Arm resident Shirley Landon who said, “I’m going to be like Donald Trump, I’m going to build a wall across the bridge!” in reference to the proposed amalgamation with Botwood and the bridge that separates the communities (CBC News 2018).

Governance and Local Decision-making

There are many who equate their current local governance structure, e.g. a municipal council or LSD committee, with community identity and an ability to make decisions for themselves. To the extent that an attachment to these existing governance models exists, many people will be challenged in supporting an approach to regionalization that does not maintain local decision-making. Some in the regional government consultations expressed a concerns that smaller areas would lose their voice and that larger communities would have a disproportionate influence over smaller ones.

Discord among Communities

Government heard that some communities in a region might not be able to work well together, and generally, that there are concerns about conflicts amongst communities. Community rivalries and rifts were identified in this report’s consultations as an impediment to greater regionalization, especially in relation to regional government and amalgamation.

5.2.8 GREATER DECENTRALIZATION

Greater decentralization, or subsidiarity, appears to be a two-edged sword for many local communities. On the one hand, there appears a desire to assume greater responsibility and control for local service delivery, particularly in relation to development. At the same time, there is significant concern over the capacity of communities to provide financial resources to meet these new responsibilities. In addition, past experience in Newfoundland and Labrador, particularly through the era of REDBs, would appear to suggest a willingness on the part of the provincial and federal government to meaningfully engage local communities and other economic development stakeholders. In practice, despite the rhetoric, decision-making was not decentralized (Greenwood 2009:288-289.).

5.3 A Mixed Case for Regionalization

Simms and Ward suggest that the province's demographic challenges require a "strong but sensitive government working with those affected", along with a new governance model to address the impact of declining populations on the current approach to municipal government throughout much of the province (Simms and Ward 2017:127). This view is echoed in the province's own consultation document on regional government where the Minister of Municipal Affairs and Environment acknowledges that demographic challenges will affect future local governments' abilities to govern effectively and deliver local essential services (Government of Newfoundland and Labrador 2017c).

But what can be expected from this "new governance" and implied regionalization model? Is it enough to simply address a declining candidate pool for local government by regionalizing, thereby decreasing the numbers of local elected officials required to provide municipal or regional services? Or should we expect more? Will regionalization help alleviate the Province's fiscal position by rationalizing service delivery and building regional capacity, enabling government to transfer responsibility, and in some cases cost, to a more robust lower order of regional government? Or will it make the best use of existing resources to achieve efficiencies and greater outcomes? Can it help maintain or enhance local service delivery? Can regionalization provide equity, not only in service delivery, but also in taxation? Can it build local and regional capacity to meet the challenge of demographic change and support sustainable development planning that focuses on strategic community and regional strengths? Simply put, beyond addressing an emerging crisis in municipal governance due to a declining and aging population, what is the case for or against regionalization?

The answer to these questions on regionalization depends on who you ask, where you ask it, and the context within which it is asked. For example, you might get a different response to the same question depending on whether you are speaking to a municipal councilor or a chief administration officer, whether the person represents an urban municipality or a rural town or local service district, and whether the discussion is about meeting a particular regional service need, e.g. fire and emergency services or regional government writ large.

Regionalization might help meet an immediate and long-term challenge in local governance by addressing contestation and a pool of eligible candidates. It will not address the bigger demographic threat to rural areas posed by an aging population, out-migration and a declining birthrate. Nor will it address the province's fiscal challenges, as the savings from regionalization are too modest, and in service areas too small as a percentage of total provincial expenditure, to have much meaningful impact.

At the local level, regionalization might provide modest savings that could be used to meet enhanced or emerging service requirements. However it will also increase expectations for enhanced and equitable service delivery, likely increasing expenditures beyond the modest savings that might be initially realized. Equity in services implies equity in taxation and there are many within LSDs and UIAs, as well as in existing municipalities, who will pay more, at times for services that they may not feel they need. At the same time, regionalization might address a

strongly held view among most consulted that there are too many “free-riders” in the current municipal governance system, and that residents of LSDs, UIAs and among some municipalities, are not paying enough now to meet local and regional service needs. This view might help explain a failure by some municipalities and LSDs to meet even basic compliance requirements (Government of Newfoundland and Labrador 2017c).

The current municipal legislation review provides the context within which a renewed approach to municipal authority might be considered - an opportunity to consider and align regional service offerings to meet local and regional requirements, particularly if a “one size does not fit all” approach is taken. Additional financial resources might accompany downloading of responsibilities as the province might shift its current delivery model for some services to new regional authorities, compensating them accordingly. Potential downloading to regional governments without corresponding resources will inhibit their ability to meet current service requirements, let alone new requirements.

In terms of enhanced capacity, regionalization might enable better planning outcomes in social, economic and community development. As Baldacchino, Greenwood and Felt (2009) suggest, there are instances where rural and remote areas might “...create opportunities, heighten differences and enable, if not directly promote agency...at lower political or spatial scales.”

5.4 Doing Something is Better than Doing Nothing

Will greater regionalization save rural Newfoundland and Labrador? No. However it might enable rural areas to adapt to the new reality and challenges facing rural and remote communities in the province. Maintaining the *status quo* will guarantee the impact of the demographic changes foreseen by Simms and Ward on local governance and service delivery, not to mention the economic prospects for rural areas. Doing something different at least offers an alternative, helping to adjust to the cost and organizational implications of demographic change. Even then, it may be only a stop-gap measure as for the most part, the prospects for individual communities are limited.

Following on the notion of functional regions, if effective economic, community and social development planning can take place, meaning that planning that is aligned with local capacity, opportunity and realistic expectations, then there is greater promise for regional sustainability. Baldacchino, Greenwood and Felt (2009) argue where such opportunities exist, they can be capitalized through initiative, strategic planning and capacity building at a local and regional level that can turn challenge to new advantage. Like Simms and Ward (2017), they conclude that these challenges and opportunities require new approaches to governance. Regionalization may help to build and sustain a more competitive service mix, enabling regions to compete for new industry, support existing enterprise and attract and retain new residents. This requires capacity that may only come from regional governance structures with a renewed and clear sense of authority, supported as Simms and Ward suggest by a “sensitive provincial government”, and with adequate financial resources to provide services and effect change.

6.0 THE POLICY ENVIRONMENT FOR REGIONALIZATION

As Leslie Pal suggests, “policies are responses to problems, and so the character and shape of the problem will deeply affect the nature of the response” (Pal 2006:97). Problem definition is one of the core elements of public policy, along with policy goals and policy instruments. Failure to fully define a problem often results in poor or misguided policy approaches and subsequent outcomes. In *Muddling Through*, Charles E. Lindblom (1959) defined an incremental approach to policy development, an approach characterized by narrow policy outcomes, limited values and variables, fewer alternatives, and policy decided on the basis of what is not only desirable, but what is possible. Policy feedback, both positive and negative, serves to reinforce past approaches and generally suggest minimalist shifts in future policy (Bandura, 1977).

This section will consider how the “regionalization” problem is defined, highlighting disjointed policy responses as a result of an ill-defined “problem”. It defines how past approaches to regionalization are impacting consideration of future efforts and it considers the central role of political leadership at the provincial and local level in how regionalization might be advanced.

6.1 Defining the Problem

6.1.1 A PROBLEM OF MUNICIPAL GOVERNANCE OR RURAL SUSTAINABILITY?

In many communities declining populations are impacting local governance in terms of contestation of elections and the pool of available candidates. Declining populations are also impacting the sustainability of services. The lack of a default mechanism, for instance regional government that addresses municipal governance and service delivery requirements when a local government is no longer able to sustain itself or its operations, is an immediate challenge.

In the face of significant demographic change though, the greater problem may actually be how to sustain not just municipal governance, but rural and remote communities and populations in much of the province. Simms and Ward suggest that these challenges require a “strong but sensitive government working with those affected”, along with a new governance model to address the impact of declining populations on the current approach to municipal government throughout much of the province (Simms and Ward 2017:127). “Working together” implies a broad reassessment and possible realignment of responsibility for rural sustainability between the provincial and federal governments, and local communities. The need for a “new governance model” suggests that existing governance models and approaches, e.g. municipal government, regional collaboration etc., are not able to meet the challenge.

6.1.2 DISJOINTED POLICY RESPONSES

As noted earlier, the regional government initiative has been framed in the context of addressing the impact of demographic change on local governance, a narrow perspective consistent with the incremental approach defined by Lindblom above. Other policy approaches by government relate somewhat to the sustainability of municipal governance yet they are not specifically defined as such. These include the ongoing review of municipal legislation, the recent consultation process on the *Municipal Assessment Act* (Government of Newfoundland and Labrador 2017d) and the review of the *Crown Lands Act* (Government of Newfoundland and Labrador 2016a). Each of these was initiated within the Department of Municipal Affairs.

Other departments and agencies contribute policy toward sustainability. On immigration, the Department of Advanced Education, Skills and Labour launched *The Way Forward* on immigration (Government of Newfoundland and Labrador 2017e) and is a partner in the Atlantic Immigration Pilot Project (Government of Newfoundland n.d.a). The Department of Tourism, Culture, Industry and Innovation maintains a suite of programs geared toward regional, including rural, development (Government of Newfoundland and Labrador 2018c). Government's over-riding policy document, *The Way Forward*, outlines numerous initiatives to address the province's sustainability (Government of Newfoundland and Labrador 2016b).

The challenge with many of these initiatives is that while they generally reference sustainability and capacity, they do not specifically focus on rural sustainability or governance. By not actually recognizing the real problem, these policy initiatives fail to provide a comprehensive and integrated approach to addressing it.

6.2 Policy Feedback

Policy initiation and development is impacted by how the problem is defined, political and bureaucratic leadership, perceptions of past experience and the range of policy possible policy options. It should come as no surprise then when regionalization is placed in the context of past experience.

6.2.1 PAST APPROACHES ON REGIONALIZATION

Interviews conducted for this research project characterized regionalization in different ways - some associate regionalization with amalgamation. Others, particularly given government's recent consultation process, hear regional government. Still others hear resettlement. Some instances of regionalization are characterized as well advanced and done well, some not so well, and in others, not at all. At the same time, there appears to be a lack of understanding of the potential benefits of regionalization and a difficulty in getting people to think in terms of regional services. The challenge is in defining the benefits of regionalization however it is hard to translate "regionalization" at a practical level.

While many jurisdictions have decentralized regional and rural development strategy, both the Government of Newfoundland and Labrador and the Government of Canada have not. There appears a consensus that historically, governments' approach has been top down with little decentralized decision-making. One of the primary criticisms of the recent experience with economic zones and REDBs boards was the failure of government to allocate sufficient resources at a regional level to enable successful implementation of regional plans. More recently, while identifying numerous sectoral approaches throughout *The Way Forward* vision document, the provincial government places little emphasis on regional empowerment in advancing its strategic objectives (Government of Newfoundland and Labrador 2016b).

6.2.2 ATTACHMENT TO THE STATUS QUO

Among many municipal leaders and the general public, several considerations appear to offer a disincentive to consideration of greater regionalization. First is the sense that local government is performing well, or at least as well as it can, given the circumstances. Second is the notion that there is little more to be gained from greater regionalization. Finally, there is the perception that maintaining community identity is inextricably linked to maintenance of current governance structures.

Municipal Performance

Government's consultation document on regional government provides a detailed overview of the current state and challenges facing local government in the province, pointing to significant concerns in relation to municipal performance, in particular legislative compliance, and weaknesses in approaches to planning, economic development, and revenue collection (Government of Newfoundland and Labrador 2017c). An assessment of municipal compliance undertaken between 2014 and 2016 indicated that just 15.4% of municipalities and 5.5% of LSDs were fully compliant with the legislative requirements set out under the *Municipalities Act*, 1999. Beyond compliance with municipal legislation it has been suggested that some municipalities do not comply with other regulatory requirements, for instance occupational health and safety (OHS). In larger towns it appears that there is a greater expectation of compliance with OHS regulations, while smaller towns are given a pass.

A significant minority of municipalities have not undertaken the development of the primary tools required to guide their own development – a municipal plan and associated development regulations. Just 58% of municipalities have a municipal plan and development regulations and of these 28% of the plans predate the current planning legislation. Only thirty percent of towns identified expenditures for planning and zoning. A little over 7% of municipalities maintain dedicated staff resources for economic development, while 10% report expenditures for regional development and 36% for tourism and marketing. Other data in the Consultation document indicate that towns, excluding St. John's, Mount Pearl, and Corner Brook, are not maximizing local revenue collection as average tax receivable balances have increased by an average of two percent per year between 2010 and 2014. Many LSDs also identified a similar

issue regarding difficulty in revenue collection (Government of Newfoundland and Labrador 2017c).

Limited Opportunities for Further Regionalization

As noted above in Section 4.2.2, there are numerous examples of regional collaboration throughout the province, across multiple communities and services. However, this extensive experience is often cited by local governments as evidence that they are already collaborating effectively, that efficiencies have already been achieved and that there is little more to be gained through further regionalization. To some, these existing levels of regional cooperation and service sharing may limit opportunities for further approaches to be undertaken. This view is challenged by findings from previous Department of Municipal Affairs and Environment (DMAE) research, referenced in the Regional Government consultation document, that there remain opportunities to share services between communities with the majority of respondents indicating that their municipality shared one to three services and 22% indicating that they do not share any services at all. Just 9% indicated they shared four services or more. This would suggest further room for growth. There is additional potential in relation to LSDs and UIAs, with 21.4 % of these communities located within 5 km of a municipality and 43.5% within 10 km (Government of Newfoundland and Labrador 2017c).

Community Identity

Many in the summary report on regional government and in the research conducted for this report spoke of the potential impact of regionalization on identity. It should be remembered however, that the ability to equate community identity with municipal government is a fairly recent phenomenon, and for the most part the period of municipal government represents just a fraction of the historical timeline for most communities. The attachment to community identity and local decision-making may more be about the ability to define service requirements on a community basis and determine an appropriate revenue and taxation model.

6.3 Leadership and Regionalization

There is a general consensus from the research for this project that regionalization needs to be owned by someone and sold by someone. However there appears limited political will at the provincial and local level to move on amalgamation and the political system is not willing to mandate the pace and form of regionalization.

Provincial Government as Lead

Many interviewed felt that the Provincial Government must take a lead role in the process. However, successive provincial governments throughout the post-amalgamation era have adopted a policy of no forced amalgamation, allowing regionalization to move forward at a pace defined by municipal leadership in each region. Greater regionalization, and the potential political fallout, is seen by some as having a major impact on a politician's primary job – that of

getting re-elected. Less cynical observers suggested that decentralization and greater capacity at the regional level is a threat to the role of elected members of the House of Assembly and there may be a need to redefine the role of the Member of the House of Assembly (MHA) in the future.

Local Municipalities as Lead

Many in the consultations for this report felt that the initiative for regionalization must come from the bottom up. At the local level it is felt by some that communities are not honest enough to even have the conversation around the benefits of greater regionalization and that it was time for communities to “grow up”. Many municipal and other local leaders take the line that “my community is sustainable”. Strong local leadership will be required to advance greater regionalization, yet much of the current leadership is older and in consequence well-grounded in past approaches. Often when government asks about regionalization, they are asking the same people they asked 10-15 years ago and getting the same response. There is a recognized need to empower younger leadership who are less concerned over community differences and the past. Through better leadership it is felt that potential opposition at the local level can be overcome.

7.0 CONSIDERATIONS ON REGIONALIZATION

With the exception of the amalgamation era in the late 1980s and early 1990s, an incremental approach has been the way forward for regionalization policy to date (Curran, 2010). But will continuing that approach provide policy responses to the problems defined above, or more importantly perhaps, within a timeline that addresses the significant and urgent challenges facing much of rural Newfoundland and Labrador before it is too late? Despite a need to consider new governance models and to talk more about it, the debate today appears marked by multiple and disconnected policy approaches, differing interpretations of what regionalization even means, and little consensus on the need to act quickly. The next stage in the regional government initiative appears to focus on pilot projects, a process that will likely defer broader implementation for some time yet.

The above suggests a continued incremental approach toward regionalization. An alternative approach, grounded in rational choice theory, would be marked by a broad view of a policy outcome, considering all values, all options and all alternatives before settling on a specific policy direction. What must be considered if greater regionalization is to take place? Any public policy initiative must consider the basic issues of who, what, where, how, and ultimately when. Of these, perhaps the easiest to define is when – there appears a need to move quickly on a new approach to regionalization before the full impact of demographic change on local governance is felt, an impact that may will likely diminish local capacity to meet emerging challenges even further. As for the remaining considerations, these need to be further assessed, preferably as part of an integrated and comprehensive policy development process.

7.1 Is Now the Time for Greater Regionalization?

It has been over 25 years since the ground-fish moratorium obviated the basis upon which much of the province's early settlement patterns were based. The decline of other natural resources-based industries, particularly the forestry sector, since then has compounded the problem. Greater regionalization appears to offer a stark choice between maintaining past approaches to rural sustainability, approaches that have contributed in part to the current prospects for rural areas, and doing something different. Local governments have long demonstrated a capacity to initiate shared service and collaborative arrangements with their neighbouring communities. Outside of the amalgamation era in the late 1980s however, these approaches have left considerable latitude with local governments on the pace and form of regionalization (Curran, 2010).

Many feel the current approach is taking too long. To be certain, new regional governance models and greater regionalization are only part of the solution and leadership from local governments can only impact the problem to a certain degree. The lack of a default mechanism, for instance regional government for those municipalities and LSDs unable to sustain either their current governance or service models, is an emerging need. There appears to be a growing consensus that the *status quo* must change while there is time to affect meaningful change.

7.2 What Services?

Greater regionalization is about service delivery and the services that can, or should be delivered, on a regional basis. A number of services might be delivered through regionalization including water systems operations and water quality, waste management, engineering, inspections, recreation, youth and seniors' coordination and programming, transportation and road maintenance, and snow-clearing and associated tendering. Commercial fire inspections, fire and emergency training and policing, along with development control, permitting and assessment were several other opportunities identified. In addition, services provided by the province, notably regional economic development, might be delivered through a renewed regional approach.

There is an opportunity to develop a tiered approach to services province-wide, with some defined as "must have" and others as "optional" services. There is a view that most services can be better delivered by regions that express a desire to define the required services and deliver them. This would enable consistency in minimum standards throughout the province while allowing regions to align service offerings that meet the needs of a particular area.

7.3 Who Plays and Who Pays?

While there is a generally agreed notion that greater regional service delivery makes sense, the discussion must consider who is best able to do things and at what level, addressing density and scale, and ultimately who the ideal delivery agent for those services might be. Section 3.1 above defines the division of powers and shared approaches, and depending on the service, there is recognition that service delivery may involve an eco-system of players. Any change must be mindful of the impact on other structures above and below. Depending on the service, this might imply subsidiarity and downloading of services currently performed by the provincial government, for instance regional economic development, or, alternatively, uploading local responsibility to a regional authority, for example waste management in the case of RSBs. Depending on the area, and the preferred configuration of local and regional service options, flexible approaches might be developed that address the notion that "one size does not fit all".

Formal or informal governance structures would follow from this discussion, including further regional collaboration, regional government and/or potential amalgamation of existing municipalities and annexation of LSDs and UIAs with adjacent municipalities. The inclusion of the LSDs and UIAs in considerations on regionalization, at least from the perspective of much of the current municipal leadership, and certainly from that of government's own consultation document on regional government, appears a given. Downloading in the case of the province or delegation to a higher authority in the case of local governments may result in another layer of administration and government at the regional level, raising legitimate questions on where is the economy if the basic delivery structures (e.g. local municipalities) remain the same.

A further consideration is on relevant authority and whether existing legislation enables services to be delivered at a certain level. On the surface, government's current review of relevant municipal legislation might seem to provide a context within which a detailed assessment of municipal authority and services might be considered. However the review does not focus on other legislation relevant to regional service delivery, for instance the *Regional Service Boards Act*, nor consider a more integrated assessment of regionalization involving other provincial legislation (Government of Newfoundland and Labrador 2017f.) There are doubts whether others, particularly the provincial government, would give it up authority in favour of decentralized regional delivery.

7.4 Where – Defining Regions?

Government's regional government consultation document defined 22 potential areas for regional government. Consideration was given to regions comprising a minimum population of 10,000 and a maximum of 20,000 residents and followed extensive review by local government leaders and administrators during early stakeholder consultation. The feedback received during government's consultation, along with research for this report, overwhelmingly indicate that the regions defined were too large and that a criteria other than population should be used. This might include proximity and distances for service delivery, service requirements, patterns of interaction, culture, past collaborative experience and a willingness to cooperate further (Government of Newfoundland and Labrador 2017a).

If not 22 regions, then how many? Freshwater et al. (2011) defined 28 separate functional labour market regions, representing a basis for greater economic integration and collaboration. While a greater number than the 22 proposed in the regional government consultations, these functional regions are based on labour market flows and do not necessarily consider the other criteria noted above. Are there other regions already defined for other services that might be worth considering? In education, the K-12 system is delivered throughout the province on the basis of a number of regional catchment areas. In the provision of health and community services, and depending on the program or service, Regional Health Authorities (RHAs) are aligned across multiple regional configurations. In transportation, the Department of Transportation and Works maintains 65 depots responsible for the provision of road maintenance and snow clearing within assigned areas.

These arrangements suggest several things. First, there appears to be a basic geographic area around which certain services may be ideally delivered. Second, depending on the program or service, the area or region can be scaled to meet the need in service provision, as in health and community services above. Given the direct relationship between a service and the size of the region to be serviced, municipal leaders may be best positioned to define what the basic functional region is and how best to scale services to larger areas as required. This process may be guided by the catchment area for existing joint service and collaborative arrangements, regional joint councils or other service regions defined above.

8.0 POLICY DEVELOPMENT FOR REGIONALIZATION

In relation to next steps in regionalization, Government will shortly announce the next stage of its regional government initiative and beyond a suggestion of pilot regions there is no sense of what that might look like. Regional government however is just one of several ways forward. Municipalities could continue a longstanding process of regional collaboration without necessarily tinkering with formal governance structures, essentially maintaining the *status quo*. An unlikely approach would have municipalities, along with LSDs and UIAs, initiate voluntary amalgamation consistent with Sections 3 and 9 of the *Municipalities Act* which provides for feasibility assessments of incorporation, annexation or amalgamation (Government of Newfoundland and Labrador 1999). An even more unlikely scenario would have government revisiting forced amalgamation, moving to define new regional areas around which local government must be structured.

A further alternative might be a comprehensive assessment of service requirements and definition of basic functional regions, regardless of formal or informal governance structures, around which those services might be provided. Too often the focus of regionalization turns to how a regional boundary is defined or what the regional governance structure might look like – the emphasis is on form over function. As noted above, the general case for greater regionalization is ill defined. In consequence, the benefits are best determined in context, for instance based on service needs reflecting considerations of scale and density within a specific geographic area. To overcome a sceptical municipal leadership and an even more sceptical public, there is a need to quantify the potential benefits of regionalization on sustaining service delivery and local governance, not in a general way but within an area and a context that reflects local and regional circumstances.

Government should begin by setting parameters around which the current approach to municipal government will be allowed to continue in the future, specifically with respect to municipal compliance and overall performance. This would compel municipalities to work toward better outcomes within the current approach, allowing an opportunity to consider whether that approach can be sustained into the future. At the same time, government should outline next steps in the regionalization process, focusing first on defining core and optional service requirements. The following recommendations address next stages in the policy development process, defining parameters around which local government will be conducted in the future, regardless of whether or not greater regionalization follows, while outlining key steps toward greater regionalization.

8.1 Setting Parameters for Municipal Government in the Future

In defining an approach for greater regionalization, there is a lead role for the Provincial Government in setting the regionalization agenda. Playing a lead role does not suggest a return to forced amalgamation. In fact, there is little support at any level for a return to that approach. Rather, taking a lead role is a reflection of government's constitutional responsibility

for determining how local government will operate in the province. Defining these conditions at the outset will compel municipal leaders to engage in a more meaningful assessment of the various regionalization options available.

Significant issues exist in relation to current municipal performance perpetuating the perception that the *status quo* is a viable, and acceptable, option, particularly among many municipal leaders and many of their residents. Ensuring regulatory and legislative compliance, providing a framework for effective land use planning, and allowing a consistent approach to taxation across all communities should be the very basic expectation for municipal government in the future. At minimum, requiring local governments to comply with the above will generate much needed discussion among municipal leadership and the general public on what the future sustainability of local government will look like and awareness of the very serious challenges facing the municipal sector.

8.1.1 COMPLIANCE

Enforcing compliance is within the legislative and regulatory authority of the province – the failure to ensure compliance in the past is no reason to not do so in the future. Doing so would result in several critical outcomes. It would raise the bar on municipal performance, compelling local leadership to enhance their governance approaches and in some instances allocate realistic resources to ensure that compliance obligations are met. It would ensure equity in compliance across all municipalities and LSDs. For some municipalities, the burden of meeting compliance requirements might lead to recognition of their own community’s weaknesses and capacity, allowing greater consideration of potential regional alternatives. Perhaps most importantly, enforcing compliance, and establishing a public disclosure process, would provide greater awareness, accountability and transparency on the efficacy of the current local government model, not just among municipal leaders but the general public.

Recommendation 1

Government must ensure that all municipalities and local service districts (LSDs) are complying fully with municipal and other legislation.

Recommendation 2

Government must budget sufficient resources to enable the Department of Municipal Affairs and Environment (DMAE), and other departments and agencies, to undertake ongoing auditing and compliance processes of municipalities and LSDs to ensure that these legislative and regulatory requirements are being met.

Recommendation 3

Government should provide public disclosure of municipal compliance, including instances where municipalities are deficient, what remedial action is required, when remedial action will be carried out, and the consequences of a continued failure to comply.

Recommendation 4

Government should ensure that non-compliant municipalities and LSDs are subject to the penalties provided for within relevant legislation.

8.1.2 COVERAGE BY MUNICIPAL OR REGIONAL PLANNING AREAS AND PLANS

Government considered the need for planning within the regional government consultation process, asking whether that there should be communities within the province that fall outside a municipal or regional boundary or authority. Setting aside formal governance structures for the moment, planning boundaries and authority are covered under Sections 6, 10 and 11 of the *Urban and Rural Planning Act, 2000* which makes provision for regional and municipal planning areas and plans (Government of Newfoundland and Labrador 2000). There are already instances in the province where UIAs fall within the municipal planning area of adjacent municipalities.

Removing the optional requirement for a plan would extend land use planning to all developed areas, resulting in consistency in planning approaches throughout the province. At the same time it would encourage the 42% of municipalities in the province without a plan, along with those in LSD areas, to consider how best to meet this new compliance requirement. For those in LSDs and UIAs, it would afford a level of development control within the context of a regional or municipal plan while encouraging interaction with neighbouring communities and placing them within regional or municipal planning areas.

Recommendation 5

Government should amend the *Urban and Rural Planning Act, 2000* and require all municipalities in the province to have an up-to-date municipal plan, or be covered within a regional plan.

Recommendation 6

Government should amend the *Urban and Rural Planning Act, 2000* and require that LSDs and unincorporated areas (UIAs) fall within a municipal or regional planning area and be covered within a municipal or regional plan.

Recommendation 7

Government should allow expenditures for municipal and regional plan development to be covered as an eligible activity within the Capacity Building component of the Federal Gas Tax Fund (GTF), seeking amendments to the GTF Agreement as required to enable use of those resources toward planning in LSDs and UIAs.

8.1.3 COMPARABLE TAXATION MODELS

For all of the weaknesses defined by MNL in its position paper on municipal financing (Municipalities Newfoundland and Labrador 2014), property tax is, and will likely continue to be, the most utilized model of taxation for many municipalities in the province. There has already been considerable effort on municipal financing by government (Government of Newfoundland and Labrador n.d. b) and MNL. As the focus turns to greater regionalization, an inevitable consideration must be municipal financing and how to pay for services.

A mandatory and universal property tax would ensure consistency and equity in approaches to taxation, if not tax rates, across all local government entities and areas in the province, including LSDs and UIAs. This approach would enable a more detailed comparison between communities in relation to possible future regionalization, including amalgamation. It would produce revenues from LSDs and UIAs that might be applied to the cost of delivering services to those areas by the provincial Government. Consideration must be given to the capacity of local governments to collect a property tax, potentially leading to the establishment of a municipal tax authority, as proposed by MNL, to assist municipalities in collecting and administering the property tax model (Municipalities Newfoundland and Labrador 2014). There will also be an initial upfront cost to complete the property assessment and an ongoing cost as assessments are updated.

Recommendation 8

Government should amend Part V (Taxation) of the *Municipalities Act, 1999* and require the adoption of property tax as the primary method of taxation within all municipalities in the province.

Recommendation 9

Government should allow expenditures for an initial property valuation/assessment in those municipalities without property tax, and in LSDs and UIAs, to be covered as an eligible activity within the Capacity Building component of the GTF, seeking amendments to the GTF Agreement as required to enable use of those resources toward preparing an initial property assessment for LSDs and UIAs.

Recommendation 10

Government should complete a feasibility assessment of a regional/provincial entity with authority for the collection of property tax within LSDs and UIAs, utilizing the interest earned on GTF to finance the assessment.

Recommendation 11

If a provincial/regional entity for tax collection is feasible, government should amend the *Municipalities Act, 1999*, or enact other legislation, to enable the creation of an entity, whether regional or province-wide, with authority for the collection of property tax within all LSDs and UIAs of the province.

8.1.4 A FREEZE ON FURTHER MUNICIPAL INCORPORATIONS OR DIS-INCORPORATIONS

As noted above, one of the concerns expressed over the impact of demographic change on municipal governance is the lack of a default mechanism to enable the continued delivery of local services when a municipal government becomes unsustainable. There is fear that some municipalities might opt for dis-incorporation as provided for within the *Municipalities Act, 1999*. At the same time, Government appears to be willing to allow further incorporations to take place as evidenced by the recent incorporation of the former LSD, Georges Brook–Milton, as a municipality. Until there is a clear path forward on regional and municipal governance, government should defer any decisions on future incorporation or dis-incorporation of municipalities.

Recommendation 12

Government should impose a moratorium on any requests by municipalities to dis-incorporate.

Recommendation 13

Government should impose a moratorium on any requests by LSDs and UIAs to incorporate.

8.2 Next Steps in the Regionalization Process

Any consideration of regionalization options should be advanced in the context of how local government will be operated in the future, not as it has been in the past, beginning by establishing parameters for future local government as defined above. So what follows? Following Ireland's example, there is an opportunity for a far more integrated approach to municipal governance reform than that already undertaken. A staged process is required that considers the following:

- core (mandatory) and optional service requirements
- optimal levels for regional service delivery

- regional sustainability plans within functional regions
- legislative and regulatory authority
- an appropriate governance structure

8.2.1 DEFINING CORE AND OPTIONAL SERVICES

To begin the regional sustainability plan process, a broad, province-wide assessment of services is required, identifying the full range of possible service needs and whether those service requirements are “must have” or optional. There is a need to define core services that must be delivered including environmental health, water resources (potentially including water treatment and distribution and waste water treatment), planning, fire protection, waste management and asset management. Given the sustainability challenges facing most rural areas, economic development planning might be considered as a core service along with recreation, leisure and healthy living programming. There is also a need to identify those services in which municipal government plays an indirect part, for instance Crown Land applications, and commercial fire and life safety inspections. In defining core and optional service requirements, provincial departments and agencies should be actively engaged in determining how their approach might be integrated, supported and potentially transitioned for delivery at the regional level, possibly by a regional government or through a regional collaborative approach. This follows on the notion of subsidiarity and the recognition that some policy initiatives and programs may be best advanced at a lower level, meeting local requirements and conditions. Several examples of possible shared or delegated approaches include economic development and community health, particularly healthy living, seniors, youth and recreation programming.

Recommendation 14

Government and Municipalities Newfoundland and Labrador (MNL) should prepare an inventory of all existing services provided either directly or indirectly by municipalities, detailing each service offering to ensure a clear definition.

Recommendation 15

Government should prepare an inventory of all existing programs and services provided by its various departments and agencies that relate to, or support, regional sustainability and municipal government.

Recommendation 16

Government and MNL should identify potential core (mandatory) and optional service requirements.

8.2.2 DEFINING OPTIMAL LEVELS FOR REGIONAL SERVICE DELIVERY

Once core and optional service requirements are identified, consideration of optimal levels of regional service delivery may follow. Simply put, some services may be best sustained and delivered within a larger geographic area, for instance waste management, while another, for instance fire and emergency services, may be best delivered within a smaller region. A review of requirements on a service-by-service basis, considering issues of density and scale, will likely identify those services that require a greater area to achieve economies of scale, and others that may be delivered within a far smaller region. This will likely result in a layered range of regional service alignments.

Recommendation 17

Government and MNL should conduct a jurisdictional scan of regional service delivery approaches in other areas, defining potential scale of operation to be utilized in meeting core (mandatory) and optional service requirements.

Recommendation 18

Government and MNL should define optimal regional alignments to meet core (mandatory) and optional service requirements.

8.2.3 DEFINING A "FUNCTIONAL REGION"

Based on the research for this report, and the discussion in Section 7.4 above, most people can readily define the basic "functional" region within which they live, work, and engage. In addition, the smallest area for regional service alignment noted above may represent a basic "functional region". It is difficult to imagine how to meaningfully engage municipal leadership unless some regional parameters are set, at least in the initial stages of defining optimal service regions.

Recommendation 19

Government and MNL should engage municipalities in defining notional "functional regions" based on optimal regional alignments for service delivery, determining the "functional region" within which their community is located.

Recommendation 20

Following input from municipalities, Government should identify basic "functional regions", around which future regional sustainability planning may be carried out.

Recommendation 21

Government should seek an immediate amendment to the GTF Agreement and require municipalities to complete a Regional Sustainability Plan before qualifying for further GTF resources.

8.2.4 REGIONAL SUSTAINABILITY PLANS

As noted in Section 4.3.3 above, the initial generation of the Federal Gas Tax Fund (GTF) required municipalities to complete an Integrated Community Sustainability Plan (ICSP) to qualify for resources under the GTF. At the time there was an optional provision to prepare regional ISCPs and a financial incentive offered for those municipalities who collaborated on plan development (Curran 2010). The second generation of the GTF covering the period from 2014 – 2024 continued adherence to the initial ICSP however beyond a modest linkage, the ICSPs are not viewed by most to be an ongoing tool for community, let alone regional sustainability (Government of Canada and Government of Newfoundland and Labrador, 2014).

Rather than meet the past requirement of an ICSP to avail of gas tax funds, a new requirement for mandatory regional sustainability plans involving all municipalities and adjacent LSDs and UIAs within an area would foster a collaborative approach to regional sustainability. The process should consider not just service needs, but current approaches to delivery, operating expenditures and governance, and result in a detailed regional sustainability plan within clearly defined functional regions.

Recommendation 22

Government should seek an immediate amendment to the GTF Agreement and require municipalities to complete regional sustainability plans before qualifying for further GTF resources.

Recommendation 23

Government should require engagement and inclusion of LSDs and UIAs within regional sustainability plans.

Recommendation 24

Government should utilize the interest earned on GTF to provide incremental resources to support the regional sustainability plan process in LSDs and UIAs.

Recommendation 25

Municipalities should undertake a detailed assessment of operating expenditures as part of the regional sustainability plan process, identifying potential opportunities for enhanced regional service delivery and collaboration.

8.2.5 ASSESSING AND ADJUSTING AUTHORITY

Throughout the assessment of service options, local municipal leadership, provincial government departments and agencies, and other stakeholders should consider relevant authority and whether a transition in service delivery, or even an enhanced collaborative approach, requires an adjustment to current legislative and regulatory authority. In any case, following on the concept of natural person powers, the *Municipalities Act* should be more permissive in relation to powers that can be exercised by municipalities.

Recommendation 26

Government and MNL should identify potential legislative and regulatory adjustments as required.

8.2.6 DEFINING GOVERNANCE MODELS FOR REGIONAL SERVICE DELIVERY

Through the processes above, municipal leadership and government will define core and optional service requirements, optimal levels for regional service delivery, functional regions around which service delivery may be aligned, regional sustainability plans and the relevant authority to administer a new approach to regional governance. All that remains is to be considered is a governance model, or models, around which regional service delivery may be provided.

Many of those engaged in the research for this report suggested that a “one size does not fit all” approach might be the best way forward. Government may proceed with establishing regional government throughout the province, however a number of other options are currently available including:

- Municipalities and LSDs may establish regional councils as provided for within existing legislation
- Municipalities and LSDs may amalgamate as provided for within existing legislation
- Government may require LSDs and UIAs to be included within a municipal or regional planning area or plan
- Government may mandate annexation of LSDs and UIAs with adjacent municipalities
- Municipalities and LSDs may engage in additional joint/shared service arrangements
- Municipalities and LSDs may delegate some service delivery to Regional Service Boards as provided for within existing legislation

The regional sustainability planning process highlighted above should include consideration of potential governance models. At the same time, the *Municipalities Act, 1999*, provides for detailed feasibility assessments of local governance options. Several features of the current legislation may need to be reconsidered however, including the option of municipalities and

LSDs to opt out of the feasibility assessment process within a given area and as well clarifying whether municipal amalgamation requires the consent of the majority of communities or residents in impacted communities.

Recommendation 27

Government should require a feasibility assessment of local governance options, consistent with the *Municipalities Act, 1999*, as part of the Regional Sustainability Plan process.

Recommendation 28

Government should require all municipalities, LSDs and UIAs within the area covered by a Regional Sustainability Plan to engage both in the planning process and the feasibility assessment of local governance options.

Recommendation 29

Government should determine a threshold for acceptance of the recommendations of the feasibility assessment on local governance options, including the need for a plebiscite involving the residents of some or all of the communities impacted and the agreement of some or all of the municipalities/communities involved.

9.0 CONCLUSION

The concerns expressed over the sustainability of local governance capacity in the face of demographic change are real. However there is nothing new in more recent population projections – our population has been declining and aging for years, particularly in rural areas. It has been over 25 years since the ground fish moratorium signalled the beginning of a significant change in our traditional, natural resourced-based industries, the very economic basis upon which most rural communities are based and were originally founded. The response by government and municipalities to date appears tentative, neither acknowledging that the past approach to municipal governance, along with government’s own regional and rural development policy over the past 25 years, may be in some part responsible for the present circumstances. The focus on greater regionalization now is a consequence of a dawning realization that the *status quo* is longer sustainable, particularly in relation to existing forms of local governance. The lack of a preferred default mechanism for those local government entities no longer able to sustain either their local governance or service delivery model makes the situation even more acute.

In developing a policy response government has taken a narrow approach, focusing on one aspect of the challenges facing rural areas of the province, governance, rather than a more comprehensive consideration of the whole. In contrast to the approach taken in Ireland through its Action Programme, initiated in great part in response to the 2008 financial crisis and resultant austerity measures, government has not advanced an integrated approach encompassing all aspects of municipal governance or rural sustainability. Rather its response has been disjointed with very little connection between considerations on governance, municipal authority, or financing much less where its own programs and services might be better aligned with regional initiative and opportunity.

Government proposes to move forward with some version of regional government however the regional boundaries presented in the consultation phase appear too large to most and concerns exist that an additional layer of formal governance sitting atop 270+ municipalities will not necessarily realize efficiencies nor address demographic and service challenges, particularly in rural areas. Key stakeholders, including government and municipalities, appear to recognize that maintaining the *status quo* will not meet the province’s emerging demographic challenges, particularly in rural areas. In considering new approaches to regional governance, government and municipalities must focus not just on structures and regions, but services, optimal levels of delivery, legislative authority and municipal financing.

If a consensus exists on the need for change it must be advanced with strong leadership from the provincial government, and the engagement of municipalities, all dedicated to adopting and implementing the final outcome. For the most part, the prospects for individual communities in rural areas are limited. Only by strengthening regional capacity, and defining regional competitive advantage, will rural areas stand a prospect of surviving. For some area, greater regionalization might enable them to sustain what they currently have. For others, opportunities may be brighter. If effective economic, community and social development

planning can take place, planning that is aligned with local capacity, opportunity and realistic expectation, then there is greater promise for regional sustainability. Regionalization may help to build and sustain a more competitive service mix, enabling regions to compete for new industry, support existing enterprise and attract and retain new residents. This requires capacity that may only come from renewed regional governance structures with a clear sense of authority, supported as Simms and Ward (2017) suggest by a “sensitive provincial government”, and with adequate financial resources to provide services and effect change.

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APPENDIX A: Invitation to Participate



Demographic Change and Regionalization of Public Services project Interview Request/Discussion Guide

You have been identified as a key informant in the Harris Centre's Demographic Change and Regionalization of Public Services research project. The project considers regionalization of services, determining whether there is a case for regionalization and if so, how might it be applied in practice. The research will be approached in two distinct phases. Phase I will focus on *A Case for Regionalization* while Phase II will consider *Regionalizing Public Services in Practice*. The project is carried out under the auspices of the Harris Centre's Population Project with Dr. Keith Storey as Director. The research will be conducted by Pat Curran.

The Population Project has developed potential demographic scenarios for the province and its regions for the next 20 years and will explore a number of the issues arising (see <http://www.mun.ca/harriscentre/PopulationProject/>). Utilizing expertise from both inside and outside the university, the project employs a combined research and debate approach to inform and contribute to government policy, as well as to develop strategies for the private and non-profit sectors to respond to the broad range of issues resulting from the anticipated population shifts.

Confidentiality

Pat Curran commits to safeguarding the confidentiality of individual responses within each interview. Participant responses will be reflected in aggregate form only and will serve to identify broad themes and opportunities. Individual observations and comments, if referenced specifically in the draft and final reports, will not be attributed to the respondent without their express prior approval to do so.

Contact

Your engagement in this research project is valued, and would contribute to a broadened sense and understanding of the key issues impacting the prospects for greater regionalization from a number of perspectives. To arrange a suitable time for an interview, please contact Pat Curran at 709 687 8774 or by email at pat@patcurran.ca.

APPENDIX B: Invitation to Participate



Demographic Change and Regionalization of Public Services project Discussion Guide

Interview Discussion Guide

Newfoundland and Labrador is experiencing dramatic demographic change, defined by a rapidly aging population, high rates of youth out-migration, declining birth rates, and an increasing number of people moving from rural parts of the province to more urban centers. In turn, this is impacting the viability of many rural and remote communities in the province, increasing pressure on those remaining in sustaining basic services and limiting the prospects for future growth. Regionalization of provincial services has been identified as one way to address this challenge, achieving efficiencies in service delivery and perhaps improve outcomes.

Points to Consider

But what is the case for regionalization of provincial services and what does it mean in the context of Newfoundland and Labrador? To what extent does it already exist, what services or programs are currently provided through regionalization, who manages them, and how? How might future demographic change affect the need for/benefits of/costs of regionalization? Are there other services that might be regionalized and why? What are the potential costs and benefits? How are other jurisdictions nationally and internationally approaching regionalization and are there best practices that might inform our own public policy process?

If in turn a case for regionalization of provincial services exists, what are the prospects for action? Who has the responsibility to lead regionalization of services? What is the relationship between government and governance in this context? Who should be involved? Will “local” authorities “buy in” to regionalization? Do they have the mandate or capacity to do so? What would they need to allow them to do so? Do regional differences in population size and distribution (e.g. Labrador or the Island of Newfoundland) significantly affect implementation strategies and outcomes? Are there examples of good/best practice where regionalization has happened (locally/nationally/internationally) and how has regionalization been approached/applied?

Interview Questions

How would you characterize regionalization as it currently exists in the province?

What is your sense of current services that are provided through regionalization?

Do you see new or emerging service requirements in the coming years and to what extent can these be met through regionalization?

Are there other services currently provided by the provincial government, the community or others sectors, might be delivered through regionalization?

What are some of the advantages and disadvantages of regionalization?

What do you see as some of the impediments to greater regionalization?

Who should take the lead on greater regionalization?

Who else needs to be involved and why?

Can you point to experiences in other jurisdictions that might help inform our approach to regionalization?

APPENDIX C: Discretionary Regulations

What the Legislation Says

Section 414 of the *Municipalities Act, 1999* states:

- (2) A council may make regulations
- (a) respecting the control and management of water and sewage systems, storm drainage systems and water catchment areas;
 - (b) respecting the maintenance of public waiting areas;
 - (c) controlling or prohibiting the use of a stand or vehicle, whether or not that stand or vehicle is self moving, drawn by another vehicle or person or is temporarily or permanently stationary, or is a stand or vehicle for the sale of food or goods;
 - (d) respecting the method of the display for sale or rental in shops of pornographic books, magazines, films or other pornographic reading or viewing material;
 - (e) respecting the entrance of minors into shops whose primary purpose is the sale or rental of material referred to in paragraph (d);
 - (f) defining terms for the purpose of giving effect to regulations made under paragraphs (d) and (e);
 - (g) prohibiting, restricting and controlling the running at large of dogs and other animals and restricting and controlling the keeping of dogs and other animals;
 - (h) providing for the seizure and impounding of animals found at large or kept contrary to regulations;
 - (i) prescribing fees for the impounding of dogs and other animals;
 - (j) providing for the sale, seizure, destruction and disposal of diseased and impounded dogs and other animals not claimed and for which a fee is not paid in the time established by regulations;
 - (k) providing for the licensing and registration of dogs within the municipality and the renewal of licences and the period of validity of the licences;
 - (l) prescribing the form of dog licences and licence tags to be issued with the licences;
 - (m) prescribing the fees to be paid for dog licences and licence tags;
 - (n) providing for the appointment of dog licensing officers in the municipality;
 - (o) prescribing remuneration to be paid to licensing officers for licensing dogs and collecting and forwarding the fees to the municipality and providing for the payment to licensing officers of the cost to them of remitting the fees in addition to remuneration;
 - (p) respecting the number of dogs which a person may keep in a municipality;
 - (q) prescribing fines for the non-compliance or contravention of regulations made under this section;
 - (r) respecting the use, operation and location of places of entertainment subject to regulations made under the Act and the *Liquor Control Act* ;

- (s) prohibiting or controlling the time of operation and the operation in general of recreational vehicles, including motorized snow vehicles and all terrain vehicles, within the municipality and may require that a recreational vehicle be licensed;
- (t) respecting parking lots and parking garages and controlling or prohibiting the parking of commercial vehicles within the municipality or certain areas of the municipality;
- (u) to prevent the pollution of waters within or, subject to the minister's approval, outside the municipality, used or possessed by the council for the provision of the municipality's water supply or necessary for the future use of the municipality;
- (v) respecting
 - (i) the cutting of timber, or
 - (ii) the erection or establishment of a building, structure or work, on, in, over or under land or water within the water catchment area providing the water supply, whether the watershed is wholly or partially within or outside the boundaries of the municipality;
- (w) prescribing the specifications and quality of materials to be used to connect drains, sewers and water supply pipes to a building;
- (x) for the protection of drains, sewers, and water supply pipes and for keeping them free from obstruction;
- (y) requiring the owner or occupier, or both, of a building or part of a building that is within the boundaries of the municipality and within 60 metres, or the greater distance that may be prescribed in the regulations, of a public water supply system or a public sewage system to connect the building or other premises or part of the building or other premises to the system;
- (z) providing that the connection of a building, or part of the building to a public water supply system, a public sewage system or a storm drainage system shall be done wholly or partly at the expense of the council or the owner or occupier of the building or part of the building or partly at the expense of both;
- (aa) prohibiting the connecting of sewers, drains and water supply pipes to a building by a person other than an employee of, or other person engaged by, the council for that purpose and prescribing the conditions under which the council shall permit a person other than an employee of or other person engaged by the council to connect drains, sewers and water supply pipes to a building;
- (bb) respecting the fixing, collecting, holding and repayment, with or without interest, by the council of deposits to be paid, in an amount in the discretion of the council, by the owner or occupier of a building to which water supply pipes, drainage pipes or sewage pipes are connected;
- (cc) fixing the charges that the council may make for services it provides or performs for the purpose of connecting sewers, drains or water supply pipes to a building and fixing different charges in respect of different buildings or classes of buildings or in respect of different parts or the same part of an area serviced by the sewers, drains and water supply pipes;
- (dd) designating real property as a heritage building, structure or land;

- (ee) respecting noise or other nuisances, including the use of pellet and air guns;
- (ff) establishing highway reservations, improvement lines, lines and building lines to existing and proposed highways and sidewalks;
- (gg) with respect to economic development in the municipality;
- (hh) prescribing the height and type of construction of fences and requiring the owner or occupier of a lot abutting on a public highway within the municipality to fence the lot and to keep and maintain the fence in repair to the satisfaction of the council;
- (ii) prohibiting or controlling, subject to rights existing at the commencement of the regulations, the erection, maintenance and use upon or near public highways, sidewalks and bridges of telephone and electricity poles, signs and other objects and requiring their removal from one place to another and the removal shall be at the expense of the owner unless the location in that one place had been approved by the council;
- (jj) prohibiting or controlling
 - (i) coasting, skating or sliding on snow or ice on public highways, bridges or sidewalks,
 - (ii) the use of, riding or driving of children's wagons, push carts, inline skates, skateboards, tricycles and other similar objects on public highways or sidewalks,
 - (iii) the wearing of bicycle helmets and bicycle and other safety equipment necessary for activities referred to in this paragraph, and
 - (iv) the operation of recreational and other vehicles not licensed under the *Highway Traffic Act* on public highways, bridges or sidewalks;
- (kk) respecting the operation of bicycles within the municipality and the licensing of bicycles operated in the municipality;
- (ll) prohibiting or controlling vehicular or pedestrian access onto or over a public highway or bridge;
- (mm) protecting and preventing injury to public highways, bridges and sidewalks and trees, plants and structures contained within a highway reservation, and providing for the cleaning and removal of foreign matter from these public highways, bridges and sidewalks;
- (nn) respecting winter maintenance of highways and snow clearing, including regulations which
 - (i) prohibit or control parking during winter months,
 - (ii) prohibit or control the erection of structures which impede or hinder winter maintenance of highways and snow clearing, and
 - (iii) prohibit or control the deposits of snow on sidewalks and public highways;
- (oo) in accordance with sections 189 and 190 of the *Highway Traffic Act* ;
- (pp) respecting
 - (i) subject to the *Environmental Protection Act* , the administration and management of waste disposal sites, and waste management systems,
 - (ii) the storage and collection of solid waste,
 - (iii) the prevention of littering, and

(iv) the definitions of waste and litter;

(qq) respecting the location, development and maintenance of cemeteries and crematoria;

(rr) respecting the use, size, illumination, erection and maintenance of signs in the municipality;

(ss) respecting taxis including

- (i) fixing the number of taxis in the municipality,
- (ii) requiring the operators of taxis to have a licence to operate in the municipality and fixing a fee for those licences,
- (iii) fixing fares for users of taxis,
- (iv) requiring the inspection of taxis on an annual or other basis that the council may establish in the regulations,
- (v) establishing standards for taxis, and
- (vi) authorizing and assigning stands for taxis and the erection and maintenance of those stands,

and, for the purpose of regulations made under this paragraph, the word "taxi" includes any vehicle which carries a passenger for a fare, fee or other remuneration;

(tt) respecting permits and licences and requiring that permits or licences be obtained, including temporary permits or licences, as required under this Act or regulations and fixing terms, conditions and fees applicable to those permits and licences;

(tt.1) respecting the square meterage area of a non-residential structure for the purpose of paragraph 114(d);

(uu) establishing curfews for children of stated ages, stating that children of these ages not be permitted on a public road, park or place of amusement during certain hours, alone or accompanied by a parent, guardian or other adult; and

(vv) respecting the use, protection and operation of recreational facilities acquired or established under this Act and the fixing of charges for admission to and for the use of those facilities.