

**Address to The Canadian Club of Toronto
and The Empire Club of Canada
Wednesday, February 26, 1997
on
The Megacity Discussion
by
Dr. Anne Golden**

Introduction

Thank you very much, Stanley. Members of The Canadian and Empire Clubs, fellow panelists, ladies and gentlemen.

I am pleased to speak to you today about the dramatic changes being proposed for our city-region; and I am honoured to join the list of the illustrious speakers who have addressed this forum in the past.

Completing the GTA report in nine months wasn't easy. Summarizing my thoughts about the Megacity in less than eight minutes is even harder – but I'll do my best.

When people tell me that they are both anxious and confused about “the Megacity”, they are referring not only to the proposal to amalgamate Metro's six municipalities into one City of Toronto, but to the series of

announced changes which include *assessment reform, structural reform within Metro and the GTA, the so-called disentanglement proposals* for re-defining who does and pays for what, and, finally, and to some most importantly, *the process itself by which these mega-changes are being implemented.*

The primary rationale being put forward by the government for these massive changes is that "the status quo is not an option" – this has become a mantra, a ritualistic response to critics of every stripe regardless of the merit of their arguments.

Perhaps a little ironically, the Task Force which I chaired couched its recommendations in the same language. However, when we noted that the status quo was not an option, our recommendations were grounded in research and made in response to a clear diagnosis of the problems. I believe that much of the present anxiety is because of the absence of a perceived logical link between the *proposals* for change and the *real need* for reform.

The Key Problems: How Relevant are the Proposed Solutions?

What in fact *is* the case for change? What are the key problems that bedevil the economic and social health of our city and our region?

Unless we understand the case for change, we cannot intelligently analyse the current Megacity proposals.

First, the property tax: there are two separate but related challenges. One is to stop the continuing erosion of the property tax base through successful assessment appeals; the second is to reduce or eliminate the difference in the level of property taxes paid by businesses in Metro compared to those outside Metro – an inequity which is encouraging businesses to migrate from Metro to other GTA municipalities, thereby further eroding the already compromised tax base.

Unless this dual problem is solved, we face the prospect of the infamous “downward spiral” – a vicious cycle of reduced assessment, higher taxes and/or reduced services, which in so many cities south of the border has resulted in urban decay.

Let me be crystal clear – unless this dual problem is solved, the mismatch between social needs and what the property tax can afford will intensify and we will experience the same kind of urban decline and central city decay that we have smugly assumed could never happen here.

With so much at stake, will the Government's tax proposals solve the problems? The answer is – partly.

The introduction of a comprehensive, uniform, and updated property tax system based on current value assessment (we called it AVA) is the right thing to do – there is no alternative that meets the tests of both reliability and fairness. Phased in properly, it is the essential first step. Here the Government is to be commended.

However, the second and complementary step to assessment reform is some measure of GTA-wide business tax pooling, with a uniform rate on businesses in the GTA to reduce the business tax gap. To date, the Government has *not* determined how business and commercial tax rates for education will be set, or whether there *will* be a uniform rate. They *have* said that the dollars collected from businesses will stay within the city-region – and that is positive – but without a uniform rate, the incentive for out-migration of businesses from Metro will continue.

But where the potential for urban decay really lurks is in the current plan to download welfare and welfare-related costs to municipalities. Because society's most vulnerable groups are concentrated in Metro to a far greater extent than anywhere else, the pressure to raise taxes or cut

services in bad times will be unavoidable. Since business taxes will also go up, the tax gap problem for Metro's businesses will get even worse.

Any plan to redistribute provincial and municipal funding and program responsibilities that does not address these issues is unacceptable.

The property tax crisis is closely linked to the **second critical challenge**: to make the Greater Toronto region economically competitive. To do so, both our Task Force and the Crombie Panel recommended the creation of a new regional governing body.

In light of the Megacity proposals, we must remember that the problems of fragmentation that were identified exist not *within* Metro, but *among* the five regions of the GTA and *between* the municipalities and the Province. Lamentably, in my view, the current proposals do not go far enough in addressing the lack of coordination that presently exists at the Greater Toronto regional level. The creation of a Greater Toronto Services Board would be a useful step only if it were accompanied by the simultaneous elimination of one of the levels of government below it – and this is *not* part of the current plan. As it stands, the current plan would leave us with, for example, 20 economic development departments, one for Metro representing 50% of the region's people,

and 19 others competing with Metro on behalf of the other 50%. This doesn't make sense.

We need a new government structure that will facilitate a more strategic and integrated approach to managing the growth that will come with the expected addition of some two million people to this city-region over the next 25 years.

This brings me to my third issue, also fundamental to our economic competitiveness, which is the need for more integrated planning of land use and infrastructure, such as transportation, across Greater Toronto. This is necessary to avoid both the environmental costs of inefficient land use and the unnecessary spending of billions of dollars over the next 25 years. This is money that will be wasted on roads, sewers, and schools, for example, that we wouldn't need if we moved to more compact urban development. These savings could then be redirected into human services – services which underpin our exceptional quality of life. And it is this quality of life that is our city-region's single greatest comparative advantage.

My real concern about the Megacity unification plan is that it will make this essential regional agenda more difficult to achieve. If amalgamating Metro's municipalities solves a problem, that problem has yet to be

identified. The main point about Megacity for Metro is that it *misses* the point!

The fourth critical issue is the need for more entrepreneurial, more cost-effective, and less entangled government. Our research confirmed problems of excessive duplication, overlapping mandates and, in some instances, jurisdictional gridlock – *but* the problems identified were *between* the five regional governments, *not within* Metro. Our research also confirmed that the opportunity for cost-savings and improved efficiency was tied to the injection of competition into the management system, not the elimination of a few dozen politicians or senior officials, as some suggest.

And so we must ask the question, will a single, bigger bureaucracy in Metro be more cost-effective?

The evidence says no.

- ◆ beyond a population of one million, most service mergers create diseconomies of scale, because salary settlements and service standards migrate to the highest level when wage and service structures are integrated (for example, merging fire departments saves

five fire chiefs' salaries, while the salaries and benefits of thousands of firefighters rise)

- ◆ a single bureaucracy reduces opportunities for efficiencies through contracting out, and for innovations that occur when various jurisdictions are able to do things differently. (Jane Jacobs feels strongly about this point.)

Time does not permit a full refutation of the unsubstantiated claims of cost-savings which have been made. Suffice it to say that alarm bells should go off when defenders of Megacity resort to superficial and hastily produced studies to make their case. The Deloitte & Touche study released yesterday makes the same point.

Finally, I want to say something about the process. Today's polls confirm that people from across political, income, and occupation spectrums share anxieties about a process they see as overly-hasty, insufficiently thought-out, and heavy-handed. Signs of government flexibility on some of the issues are in the air. I hope that this flexibility will be applied to the critical issues highlighted here.

Conclusion

To recap, the real task before us is to create the capacity for region-wide problem-solving, combined with effective local government. The Government's proposals for assessment reform and a GTA-wide body are relevant and constructive, but the current proposals to download welfare, social housing and long-term care are destructive. These must be revamped to meet three essential criteria: one, to ensure that municipalities aren't forced, because of an inadequate tax base, to abandon their responsibility to meet people's needs; two, to prevent the inequitable and asymmetrical impact on Metro Toronto; and, three, to avoid further polarization between city and suburbs.

As for the plan to "Megacitize" Metro, it is irrelevant at best, and possibly counter-productive. Counter-productive because it distracts us from the real task. It absorbs our energy and creates needless anxiety and alienation. It also creates a new problem – that of ensuring adequate citizen access to decision-making, for which compensating new local councils and committees are now being proposed.

My greatest concern about the combination of proposals before us is that they foster a political climate and dynamic of unhealthy competition instead of regional cooperation. It is this destructive

competition which has polarized U.S. city centres and their suburban municipalities. It is this polarization that has produced the too-familiar pattern of over-concentration of poverty in their inner cores together with the continuous outward flight of money and jobs to newer and more distant suburbs.

This not a road worth taking. But if we fail to grasp that we are all in this together, we will go down this road whether we want to or not.

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