

**PART IV**

**GENERAL AND LOCAL SERVICES:  
A PROGRAMME FOR RECONSTRUCTION**

# CHAPTER V II

## GENERAL ARGUMENT FOR THE RECOMMENDED RE-ALLOCATION OF FUNCTIONS BETWEEN PROVINCIAL AND MUNICIPAL GOVERNMENTS

### *I. Purpose of Chapter*

1. In the chapters that follow we analyse in some detail the present structure of provincial-municipal organization and finance and make recommendations, which taken together, constitute an integrated programme of reconstruction designed to replace the present antiquated and ineffectual structure with one which is appropriate to the mid-twentieth century.

2. The implementation of this programme will require substantial changes in the allocation of functions between the municipal governments and the provincial government and in the form of provincial administration. It will involve, among other things, the assumption by the provincial government of responsibility for the administration and finance of education, health and hospitals, social welfare, justice, court houses, gaols, the assessment of property, the collection of property taxes, and the establishment of a commission form of administration for public education, hospitals, social welfare, and municipal affairs.

3. The purpose of this chapter is to present the main elements of the reasoning that led us to recommend this solution to the plight of the province's municipalities. This chapter contains no recommendations although it refers to some of those made in other chapters. The reader is warned that he cannot rely on this chapter to give him a full picture of the reasoning behind our recommendations. He can get this only by carefully studying the more detailed discussion in the subsequent and preceding chapters.

### *II. No Perfect Solution to Present Problems*

4. We should like to emphasize at the outset that there is no perfect solution to the financial and administrative problems that face this province and its municipalities. It is virtually impossible to reconcile fully the inevitable conflicts of interest between citizens in various walks of life and between the different levels of government, particularly in a modern society which requires governments to provide a host of services, some of them highly complex, many of them vital to the people's well-being. It is possible to choose the best of the alternatives available. This has been our task. While there is no panacea, we have not been content with mere palliatives but

have sought, and believe found, the solution that will enable both provincial and municipal levels of government to function most smoothly, efficiently, and democratically. We believe there is sufficient flexibility in our solution for it to be appropriate for many years to come.

### *III. Origins of the Present Structure*

5. The present structure of local government was established in the latter part of the nineteenth century when New Brunswick was mainly a rural subsistence society characterized by large, extended families and economic independence. The horse was the main form of local transportation. Communities were largely self-contained, and horizons were limited. Education, health, welfare and justice were regarded as being primarily of local concern and therefore local responsibilities and were severely limited in scope. The provincial government contributed to the support of education, but the requirements were modest compared to the present day. There was not much concern over lack of uniformity and in any case the rudimentary requirements of the day did not give rise to obvious inequalities. Moreover, in that kind of society there was less economic inequality among communities, hence less inequality in services. According to the prevailing poor law philosophy of welfare, the indigent were the responsibility of the family and relatives and, failing them, of the immediate community — which in the rural areas, meant the parish. The public relief provided was usually the barest minimum, and this was the sole public measure for social welfare. There were few hospitals. The ill were usually cared for in their homes. Gaols and county courts, likewise, were appropriately local oriented. Under these circumstances, public control — including the power of the taxpayer to demand efficiency of his government — was clearly best achieved by having functions performed by governments placed as close as possible to the people, that is, by municipalities and by school boards in small local districts. The large number of governing bodies and committees at the local level were quite suited to the times.

### *IV. Inappropriateness of This Structure Today*

6. The rapid social and economic change of the present century has completely altered the

circumstances which gave rise to this structure. Yet there has been no fundamental change in the structure itself. The result is that existing provincial and municipal government agencies are singularly unsuited to the needs of the times. Education, health, welfare, and the administration of justice have come to be regarded as general services, first, because their benefits extend beyond the municipalities which provide them and affect the whole province, and second, because citizens in all parts of the province feel that they are entitled to receive the same quality of these services. The range and magnitude of the general services, especially those relating to education, health, and welfare, have increased far beyond the modest levels of half a century ago so that the formulation of policy and the over-all direction of administration must of necessity be province-wide in scope. The efficient administration of such highly complex programmes requires well trained specialists, and these can only be mustered at the provincial level, where their abilities can be adequately utilized, where there is a sufficient range of opportunities to offer an attractive career, and where adequate salaries can be paid. As it is presently administered, the main source of locally raised revenue, the property tax, is an inadequate and inappropriate base for financing these services. Finally, vast improvements in transportation and communication have made the whole province a compact political unit. In terms of travelling time, Fredericton is now closer to Ottawa than it was to Saint John in 1914 and no farm in the province is now more distant from Fredericton than Saint John was in 1914. It is easier to administer a service for the whole province today than it was to administer it for a county then, and thus there are no insurmountable technical barriers to the provincial assumption of the responsibility for the general services. At the same time their day to day administration can readily be decentralized so that local circumstances are adequately taken into account.

#### V. *Intervention by the Province and the Decline of Local Autonomy*

7. It was inevitable that the province had to intervene more and more in the provision of the general services — education, public health and hospitals, welfare, and the administration of justice — both because their provision at adequate levels came to be the general concern of the whole province, rather than solely the concern of the individual municipality, and because the enormous increase in their range and magnitude was beyond the resources of the municipalities. The very uneven influence of industrialization in the different parts of the province was reflected in wide variations in the property tax base, the main

source of local revenue. The very nature of the general services implied that they should be provided at uniform levels throughout the province, but the wide variations in the tax base meant that this could only be accomplished if inordinate tax burdens were imposed on the property owners in the poorer municipalities.

8. Consequently, the municipalities no longer have effective control over the nature of education, welfare, public health or hospitals, or the local institutions involved in the administration of justice. They have become the instruments of the province for the administration of services for which the major policy decisions are and must be made by the provincial government. At the same time, the administration has become so complex that it requires well-trained specialists who can only be mustered at the provincial level where adequate salaries can be paid and there is adequate scope for the exercise of their abilities. Considering the very limited population of most New Brunswick municipalities, the use of such specialists is not feasible at local levels of government.

9. Local autonomy with respect to the general services is already minimal. The rural municipalities, the counties, are now in the position where four-fifths of their expenditures are out of their direct control. The funds they must raise for education account for three-fifths of their over-all total expenditure, and these as a rule are requisitioned from the councils by school boards (a similar situation also exists in most of the urban municipalities). Although the school boards have some budgetary and administrative discretion, even they are bound by a network of provincial regulations. In the last analysis, the counties are now mainly property assessing and tax gathering agencies. They have retained responsibility over those functions which they are least competent to perform.

10. The urban municipalities, in contrast to the counties, provide a wide range of local services, such as streets, sidewalks, sewers, street lighting, cultural and recreational facilities, community planning and so forth, which are not appropriate to rural areas. These services are best determined by the people whom they directly concern; indeed they provide the basic reason for the existence of the municipality as a governmental institution. Even with the elimination of municipal responsibility for general services (education, health, welfare, the administration of justice and operation of gaols), it is taken for granted that the urban municipalities will continue to provide their residents with these vital local services. If, as we propose, these municipalities are relieved of their present substantial administrative and financial burdens with respect to the general services and with respect to the assessment of property and collection of property taxes, they will

be free to direct their attention fully to the provision of the very important local services where they do have and ought to have meaningful and effective local autonomy.

## VI Weaknesses of Property Taxation

11. The objections to the present local administration and use of the property tax are given in detail elsewhere in this report, particularly in Chapters 8 and 13. The largest single item of expenditure by local government is public education, which in 1961 accounted for an average of about 60 per cent of all expenditures in the counties, 42 per cent in the towns and 37 per cent in the cities. It is the rapid increase in the cost of education and in the spiralling burden of property taxation to cover this cost that has caused the greatest concern in the municipalities. Even with no change in the educational programme, the most conservative estimate indicates a doubling of costs over the next ten years. No less significant are the great inequities of property taxation as it is presently administered. These inequities arise in two ways: (1) from great variations in fiscal capacity among municipalities whether measured by per capita equalized valuation (see Table 7: 1) or by equalized valuation in relation to need, for example, equalized valuation per pupil; (2) from great variations in the ratio of assessed value to market value for different properties within the same municipality (see Tables 13: 3 to 13: 8 in Chapter 13). The first kind of inequality results in heavier burdens having to be imposed to support any given level of service in the poor municipalities (ones with low equalized valuation in relation to need). It can be corrected either by a system of grants designed to equalize the property tax burden that must be imposed to provide a given level of service or by complete assumption of financial responsibility for the service by the province. The second kind of inequality can only be corrected by an improvement in the accuracy of assessment.

12. We have not found in general that the burden of the *real* property tax is unduly high in New Brunswick at present, although it is high on some properties because of lack of uniformity in assessment within municipalities and it is high, even on the average, for some municipalities in which the equalized valuation is low in relation to services provided. The main cause for complaint is the heavy burden in some areas of the *personal* property tax and the capriciousness of the incidence, particularly of this tax, but also of the real property tax. We are concerned, however, that if nothing is done, that is, if the real property tax has to cover a major portion of the anticipated future costs of education and the other general services, some parts of the province will find it beyond their means to finance the increases.

## VII. *Basic Requirements for a Satisfactory Solution*

13. In our view there are several basic requirements which our recommendations must satisfy:

(1) The provincial and municipal governments must provide the highest level of services possible with the resources at their disposal. This is the dictum of economy. We use the term "economy" in its precise sense to mean getting the maximum benefit from the resources available. It would obviously be uneconomical (wasteful), for example, to give the responsibility for administering a programme costing several million dollars to an incompetent man at a salary of, say, \$15,000. It would also be uneconomical to spend more on highways if a similar expenditure on education would yield greater benefits.

(2) The basic services must be provided at uniform standards with uniform tax burdens throughout the province.

(3) There must be adequate safeguards for the democratic processes by which a citizen may participate in the making of political decisions and be protected from arbitrary and unjust treatment by those in authority.

(4) There must be adequate scope and encouragement for the exercise of courageous and enlightened political and administrative leadership.

That is, our recommended programme must be economical, equitable, democratic, courageous, and enlightened.

## VIII. *A Choice of Alternatives*

14. We found that two main alternatives were open to us:

(1) We could recommend that the present division of responsibility for services be unchanged and that a system of equalizing conditional grants be paid to the municipalities to enable them to provide defined levels of the general services with equal tax burdens. Education would be the main service affected. This solution would require an even greater degree of influence over the level of services provided by the municipalities than at present. It would also require a rationalization of assessment practices to arrive at equalized valuations for all municipalities and to eliminate the inequities among

Table 7: 1

**ACTUAL REAL PROPERTY TAX ASSESSMENTS PER CAPITA, CONVERTED TO ESTIMATED FULL MARKET VALUE, MUNICIPALITIES OF NEW BRUNSWICK, 1962<sup>a</sup>**

Cities	\$	% of Mean for Cities & Towns	Village	\$	
Campbellton .....	<b>1,575</b>	<b>64</b>			
Edmundston .....	<b>3,685</b>	<b>148</b>	Port Elgin .....	<b>821</b>	
Fredericton .....	<b>3,734</b>	<b>151</b>			
Lancaster . . . . .	<b>2,659</b>	<b>107</b>			
Moncton ....	<b>3,536</b>	<b>143</b>	Counties	\$	% of Mean for Counties
Saint John . . . . .	<b>1,989</b>	<b>80</b>			
			Albert .....	<b>2,164</b>	<b>164</b>
			Carleton .....	<b>1,088</b>	<b>83</b>
Towns	\$	% of Mean for Cities & Towns	Charlotte .....	<b>1,055</b>	<b>80</b>
Bathurst . . . . .	<b>3,117</b>	<b>126</b>	Gloucester I .....	<b>447</b>	<b>34</b>
Carquet . . . . .	773 <sup>b</sup>	<b>31</b>	Kent .....	<b>414</b>	<b>31</b>
Chatham .....	<b>1,436</b>	<b>58</b>	Kings .....	<b>2,119</b>	<b>161</b>
Dalhousie . . . . .	<b>3,965</b>	<b>160</b>	Madawaska ... I, I .....	<b>925</b>	<b>70</b>
Dieppe .....	<b>1,285</b>	<b>52</b>	Northumberland	<b>510</b>	<b>39</b>
Grand Falls .....	<b>1,664</b>	<b>67</b>	Queens .....	<b>1,252</b>	<b>95</b>
Hartland . . . . .	<b>2,850</b>	<b>115</b>	Restigouche ...	<b>651</b>	<b>49</b>
Marvsville .....	<b>1,817</b>	<b>73</b>	Saint John ....	<b>2,179</b>	<b>165</b>
Milltown . . . . .	<b>1,161</b>	<b>47</b>	Sunbury .....	<b>902</b>	<b>68</b>
Newcastle .....	<b>3,580</b>	<b>145</b>	Victoria .....	<b>2,021</b>	<b>153</b>
Oromocto <sup>c</sup>			Westmorland . . . . .	<b>1,515</b>	<b>115</b>
Rothsay . . . . .	<b>6,150</b>	<b>248</b>	York .....	<b>2,520</b>	<b>191</b>
Sackville .....	<b>4,740</b>	<b>192</b>			
Shediac . . . . .	<b>941</b>	<b>38</b>	Mean of 15 values for Counties	<b>\$1,317</b>	<b>100%</b>
Shippegan .....	<b>1,494</b>	<b>60</b>			
St. Andrews .....	<b>3,881</b>	<b>157</b>			
St. George .....	<b>1,044</b>	<b>42</b>			
St. Leonard .....	<b>874</b>	<b>35</b>			
St. Stephen .....	<b>2,007</b>	<b>81</b>			
Sussex . . . . .	<b>2,142</b>	<b>87</b>			
Woodstock .....	<b>2,264</b>	<b>91</b>			
Mean of 26 values for the Cities & Towns	<b>\$2,475</b>	100%			

a) These are estimates of the market value of the present real property tax base and should not be confused with the new tax base proposed in this report, which includes the new business tax base and other items not included here.

b) Estimate of 2800 for 1963 population used to calculate per capita value.

c) Not relevant and so not included in table, because bulk of property is owned by federal government and therefore not taxable. Per capita value of taxable property was only \$190.

Source: Prepared by Commission staff, using populations from 1961 census.

property owners within municipalities. We are convinced by the arguments developed in Chapter 13 that this could not be achieved without the complete assumption by the provincial government of the responsibility for assessment of property.

(2) We could recommend a re-allocation of responsibilities for services by having the provincial government assume responsibility for education, health, welfare, administration of justice, and operation of gaols, that is for the general services, and the rationalization of the property tax structure. This rationalization would mean provincial assumption of responsibility for the assessment of property and for the collection of property taxes. These taxes would be levied by the provincial government to the extent it used them to finance general services and for local services which it provided where there was no form of local government, and by the municipalities for local services.

15. The first alternative would leave the structure of government and the distribution of responsibilities for services between the provincial and municipal governments very much as they are at present. It would do nothing to adjust the structure of government to the fundamental economic and social change of the last half century; that is, it would retain a nineteenth century structure of government for the totally different conditions of the mid-twentieth century. This patchwork approach is no solution at all and is one which we are convinced should be firmly rejected.

16. In practically all of their representations to us, the municipalities pleaded for more money from the provincial government; but the province's experience of recent years has shown that simply giving the municipalities more money is not the answer. As we have pointed out in Chapter I, and throughout this report, the municipalities are presently carrying out programmes of general services over which they have limited control and, in some cases, with which they have little sympathy. Under these conditions, and where a large part of the funds spent are provided by grants from the provincial government, there is a strong tendency towards extravagant and irresponsible spending and inefficient and inept administration. Inside of a few years the affairs of the province would be in an even worse mess than at present and the finding of a more enduring solution would be all the more difficult.

17. While the implementation of the first alternative would improve the assessment practices, it would not protect property owners from having to bear the anticipated large increases in costs of general services, particularly education. While some temporary relief might be given to the property owner, it is likely that his taxes would double within the next ten years, without

a commensurate improvement in services to show for it.

18. More important, if we proposed the first alternative, we would be sweeping the fundamental problems under the carpet. The municipalities would continue to spend large amounts of their own and of provincial funds on the general services, programmes which they are incapable of operating efficiently. The province, on the other hand, would continue to have inadequate control over the level and distribution of expenditures and over the standards of administration for these services, unless it imposed so many restrictions on the municipalities as to make their participation a complete farce.

19. Another possibility, which could be combined with the first alternative, would be to (enlarge the counties and reduce their number in order to strengthen their administrative and financial structure. Although this might be an improvement, it remains open to all of the objections already raised with respect to the first alternative and should be firmly rejected on the same ground.

## IX. *Getting to the Roots of the Problem*

20. After a great deal of investigation and deliberation we have come to the firm conclusion that *the second alternative is the only one that offers an acceptable and enduring solution to New Brunswick's plight.*

21. In the following chapters we analyse in some detail the problems of providing both general and local services and show, we feel conclusively, *why* each of the general services, education, welfare, health, and the administration of justice, should be taken over by the provincial government and *how* this should be done. We have also made recommendations for the more efficient administration of local services and for equalizing the tax burdens to pay for them.

22. Apart from the specific arguments which we make later for provincial assumption of responsibility for each particular general service, there are two fundamental arguments applying to all of these services that are conclusive in themselves:

(1) Since they all bestow a general benefit, that is, one not confined to the locality in which the recipients reside, and since they are now universally regarded as a right to which all citizens are entitled, the responsibility for determining and providing them should rest with the province. The level of service received should not depend on the particular economic circumstances of the locality in which a citizen resides.

(2) The services have so expanded in amount and have become so complex in

nature that they can only be satisfactorily provided by the higher, provincial level of government with adequate resources and with a highly trained and specialized staff. The kind of staff required can only be mustered and efficiently utilized at the provincial level. It is only at this level that the range of opportunities is sufficient to attract the persons required and only here that there is sufficient scope for the exercise of their abilities to warrant the salaries that must be paid to attract and retain them.

23. To those who fear that centralization of responsibility for these services will establish a bureaucracy in Fredericton that is too removed from the people to respond to their individual needs, we should like to point out the following:

(1) We have repeatedly emphasized throughout this report that we are not proposing centralization of administration and operation of the programmes of general services, but only centralization of responsibility for these functions. In all cases we are recommending that the day-to-day administration of the general services be decentralized into regions of the size most appropriate to each particular service. In the vital case of education, for example, the basic unit of administration will be the new consolidated school district of which we envisage there will be about 60 in the province. Each such school district will have its own fully elected school board, which will have the vital roles of helping to gear the programme to local circumstances, of choosing teachers, of proposing supplements to the standard programme, and providing the essential liaison between the members of the local community and the government.

(2) It must be remembered that New Brunswick has a population of approximately 600,000 and that this is less than the population of the City of Toronto and only a third of that of Metropolitan Toronto. Moreover, New Brunswick is a compact geographical unit, an advantage which the central and western provinces lack. No part of the province is more than a half-day's drive from Fredericton. Looked at from this point of view, it is on the one hand absurd to leave the responsibility for providing the vital and complex general services to 43 small local governments and over 400 school boards, and, on the other hand, even more absurd to be concerned over the assumption of the responsibility for them by the provincial government, particularly with the decentralized administration we have recommended. In-

deed, with such a small population and geographical size, there would not be very great cause for concern even with highly centralized administration.

24. There is little doubt that if the province were starting from the beginning, under present conditions, the provincial government would undertake full responsibility for education, welfare, health and the administration of justice, including the operation of court houses and gaols. These services would be provided by the provincial government at a uniform level and financed by uniform taxes throughout the province. The administration would be decentralized into regions for greater efficiency and to take local circumstances into account. The local services, which by their nature concern only the people in the communities where they are provided, would be determined and administered and in large part financed by municipal governments wherever the size of communities was large enough for efficient administration. Only in communities which were too small to administer required local services would the provincial government assume responsibility for administration of local services financed by local tax levies. With such a structure, there would be no need for the county unit of local government. Given the large measure of provincial participation in the provision of the general services that already exists, present conditions are extremely favourable for the establishment of this governmental structure with a minimum of upheaval.

25. It is true that this action would terminate some of the traditional functions of local government and that it would leave no role for the rural municipalities, the counties, but there is no virtue in local governments retaining functions simply because they have traditionally had them, or in the county governments continuing to exist when the conditions which once warranted their existence are no longer present. This is particularly so when, in most cases, the municipalities undertook the functions not because of popular local demand but because they were imposed on them by the provincial government. We wish to emphasize that the termination of county government is not arrived at as a result of a direct policy decision on our part. It is, rather, an inevitable outcome of our findings that those functions presently being performed by the county governments can be satisfactorily performed only under provincial administration. Moreover, as we have stressed elsewhere, the disappearance of county government would not on any account mean the disappearance of the counties as geographical entities.

26. We have not come to our recommendation for centralization of responsibility for the general services lightly or without obtaining some

indication of the public reaction to such a change. The response to this question by practically all of the municipalities and others who appeared at our hearings was one of willingness to relinquish local responsibility for these services, and with it the modicum of local autonomy still attached to them, in return for relief from financial responsibility for them. The only proviso was that in the case of education a strong local voice should be retained through elected school boards. This we have amply provided for in our recommendations in Chapter 8. While we have no doubt that some citizens will oppose our recommendations, we are confident that they are in harmony with the general tenor of public opinion, and that they will be supported by the vast majority of the people in the province.

27. In arriving at our recommendations for functional centralization of responsibility for the general services, we have carefully considered the effect their implementation would have on the democratic processes in the province. Our firm conclusion is that it would strengthen them, paradoxical as this may at first seem in view of the discontinuance of the counties as governmental units. Since services relating to education, health, welfare and justice are now regarded as matters mainly of provincial concern, it is desirable that citizens should transfer their interest in them from the local sphere, where the present responsibility is confined largely to raising funds to finance some part of the cost of mandatory programmes, to the provincial sphere of government where the important policy decisions are made and the administrative structure determined. Particularly in a small province like New Brunswick, where provincial administration can be efficiently decentralized and unusually close contact maintained between the centre of policy making and administration and the people, it is not a bad thing for democracy if people come to consider what was once local matters in their proper provincial context and if they become less parochial in the process. The transfer of the focus of government with respect to the general services will enhance the effectiveness of representative democracy at the expense only of the largely illusory local democracy that exists at present. Where local services are concerned, the full strength of local democracy where it is appropriate and vital will be preserved, indeed enhanced, by adoption of our recommendations for improved local administration.

#### *X. Reform of Property Assessment, Taxation, and Collection*

28. As our proposals for the re-organization of property assessment and taxation are an integral and crucial part of our recommended pro-

gramme, we want to make some reference to them here. Our detailed analysis and recommendations relating to financial matters are contained in Chapters 13, 14 and 15.

29. Municipalities have for decades been responsible for imposing and collecting property taxes to cover the share of the costs of services assigned to them by the provinces and costs of locally initiated expenditures; and it has been thought for decades that the assessing of property should be done by the government that imposed and collected the tax. Everywhere without exception, whether it be in Canada? the United States, Great Britain, or Europe, such local responsibility for assessments has resulted in the property tax being the most capriciously inequitable of all-taxes levied. This is a strong statement but few authorities will dispute it. In fact, it is now becoming widely recognized that the accurate assessment of property is as difficult as any tax administration problem. And it is impossible to have equitable taxation without accurate assessment. The administration of property taxation requires persons at least as highly trained and experienced as do the personal and corporate income taxes — and more highly trained persons than those required for the assessment of sales and excise taxes. Moreover, the real property tax requires more university-trained assessors per \$1,000,000 of revenue than do the income taxes.

30. A primary aim in levying any type of tax should be to treat similarly-situated taxpayers similarly. In the case of the property tax this means, since the tax base is the value of property, that owners of property of the same value should pay the same tax. Furthermore, since the property tax is generally intended to be a proportional tax, the tax paid should be in proportion to the value of property, so that, for example, the tax on property with a value of \$20,000 should be twice the tax on property valued at \$10,000 and four times the tax on property valued at \$5,000 etc. In order to accomplish this, all property must be valued on the same basis. As is shown in Chapter 13, the only satisfactory basis is market value. If there are variations among different properties in the ratio of the assessed value to the actual market value, the taxes imposed by applying a uniform rate will be inequitable. The owner of property with an assessment ratio that is higher than the ratio for another owner will bear an unjustly heavier burden. In some equalization schemes, such as that used in Nova Scotia for education, estimates are made of the total market value of property in each municipality and a uniform rate, presently 90 cents per \$100 (0.90 per cent), is applied to this estimate for each municipality in order to determine its share of the cost of the foundation programme. The municipality then uses its own assessment roll with its own assessed

values and strikes the rate required to raise its share. No attempt is made to adjust for the variations in the ratio of assessed to market value among the properties within the municipality. There are two fundamental defects in this scheme:

(1) The estimates of total market value for each separate municipality are subject to considerable error since they are based largely upon samples of properties in each municipality that are unlikely to be representative of all of the property in the municipality. (Within its inherent limitations, this method is used in Nova Scotia about as effectively as it could be, largely because of the outstanding competence of that province's director of assessment, who conducts the annual revaluation).

(2) Even if the estimates for the municipality as a whole were perfectly accurate, the method would fail to equalize the burden on individuals because of the variations that exist in the ratio of assessed to market value within each municipality. And since it is only the equalization of the burden on *individual taxpayers* that is of consequence, not the equalization of the burden on municipalities as such, the scheme fails to achieve its ostensible purpose.

31. The only satisfactory method of achieving equalization of assessments, and therefore of tax burdens, is to have a highly skilled corps of assessors, centrally organized and directed, but in most cases regionally located, who can assess all property in the province in a uniform manner. We are convinced that this is the only way of developing an equitable property tax base in this province. Moreover, an essential element of a good property tax is that the taxpayer should have an effective right of appeal against errors and inequities of assessment; and effective right of appeal exists only where there is central assessment, as in the United Kingdom, because elsewhere assessment is so inefficient that effective appeals are precluded. The continuation of property assessments by locally appointed assessors can only result in the continuation of gross inequality and discrimination.

32. We are accordingly recommending that the provincial government assume responsibility for the assessment of all property in the province. It is proposed that the province be divided into districts of the most efficient size and that permanent assessment offices be established in these districts. Assessors working from these district offices would normally assess all of the residential and ordinary commercial property, although even in the district offices there could be specialists in the different types of property. Specialists work-

ing out of the head office in Fredericton would assess most of the industrial property and timberlands, which are more difficult to assess. Continual checks would be made by supervisors to assure a high degree of uniformity of assessment for all types of property in the province.

33. Since it would require a number of years to put this programme fully into effect and to complete the re-assessment of all properties in the province, it would be necessary in the transitional period to use estimates of equalized valuation on a municipal unit basis and for the citizens to tolerate some inequities. (At least these inequities would be less than the ones which they are presently subjected to). We have accordingly made provision for such transitional arrangements in our recommendations in Chapter 13.

34. It has come to be realized that no purpose is served by requiring that the same body be responsible for tax imposition, tax assessment, and tax collection. The first is a legislative function; the other two are administrative functions which should be assigned to whatever body will perform them most efficiently. On this basis, we have recommended that both the assessment of property and the collection of taxes be done at the provincial level. The reasons are fully developed and the specific recommendations made in Chapter 13.

35. In our recommendations, the province would be levying a 1½ per cent public education tax on property throughout the province, and varying levies for the urban services which it is to administer directly in the new local services districts; the urban municipalities and new villages would be levying taxes for the local services they provide, and the local school districts would be authorizing taxes to cover supplements to the educational programme of the Public Schools Commission. We have recommended that all of these property taxes be collected by the provincial government through a single tax bill sent to each property owner and that the municipalities' portions be remitted to them by the provincial government.

36. Many representations to us argued for the abolition of the personal property tax. We agree that it is the most unsatisfactory and capricious of all taxes. It is an anachronism that has been abolished in most other provinces. In cases where total property taxation is unduly burdensome at present, we have found that this is mainly a consequence of the personal property tax rather than of the real property tax. We have accordingly recommended abolition of the personal property tax.

37. Another particularly objectionable tax is the poll tax and we have also recommended its abolition. It is one of the most inequitable and least satisfactory of all taxes, both because it bears even less relation to ability to pay than the real

and personal property taxes and because it is evaded by many of those whom it is especially intended to reach — those who pay no direct property tax — with the result that 'the burden falls largely on property owners and, where there is payroll deduction, on the #employees of the larger establishments. Moreover, this tax is particularly costly and bothersome to collect. The poll tax is an anachronism. It was a forerunner of the income tax and has been abolished in most of the western world. Its abolition in New Brunswick is long over-due.

38. One of the most frequent and persistent arguments given in representations to us was that property is not an appropriate tax base for financing the general services, and particularly that property should not bear the brunt of the unstable and soaring education costs. We are in a large measure of agreement with this argument. While we have been forced by revenue considerations to retain a tax on real property for education, it has been fixed at  $1\frac{1}{2}$  per cent of the equalized property and business tax base for all properties in the province. The fluctuating residual part of the revenue required for education will now come from other provincial sources. Initially, more than one-half of the revenue required for education will come from the property tax, but the proportion coming from the other sources will increase in future years. As long as the education tax is held at  $1\frac{1}{2}$  per cent the revenue will increase only with the gradual growth in the tax base. The other general services will henceforth be financed by general provincial revenues. Thus the property tax base will be insulated from the soaring demands for funds for the general services that have plagued local governments and property owners for many years. At the same time the provincial government will now have both control over the general services and the clear financial responsibility for them.

39. With these changes, the property tax burden will, on the average, be reduced very significantly in the rural areas and, with the aid of unconditional grants for local services, reduced in the urban areas as well. In the rural areas the rate of property taxation will be fixed until changed by an act of the legislature. Whether in the years ahead the property tax burden in the urban areas will also remain' at the new low level will depend largely on how effectively these municipalities manage their affairs and on the decisions which they make to adopt new programmes and to expand or discontinue existing ones. However, the burden of local taxation will not fluctuate from year to year because of provincially imposed requirements for general services, as' is very often the case under present arrangements. With their new property tax base and with the flat-rate and equalizing unconditional grants for local services,

which we recommend, the municipalities will, we believe, have sufficient financial resources to provide a good standard of local services, with reasonable tax burdens. If a municipal administration is extravagant or inefficient it is the taxpayers in the municipality who will suffer. While the best control of such abuses is an alert local citizenry, we have made recommendations in Chapter 12 that are designed to help insure good civic administration. We are also recommending in Chapter 12, as a measure conducive to improved municipal government, that all legislation concerning municipalities be consolidated into a single municipalities act and that the provincial government refrain in future from enacting legislation pertaining only to particular municipalities.

40. We have provided in our recommendations for full equalization of general services and of local services at standard levels and of the tax burdens necessary to support these services. This would be accomplished for the general services by the provincial government assuming responsibility for them and by the fact that provincial taxes, including the new provincial education tax on real property, would be levied at uniform rates throughout the province. It would be accomplished for local services by the payment of equalizing unconditional grants designed to enable municipalities to make standard levels of expenditure for local services with uniform tax burdens on the new municipal property tax base. These unconditional grants are explained in detail in Chapter 14. The unconditional grants we propose have a flat-rate component and an equalizing component, both based on a computed standard expenditure for local services. The purpose of the flat-rate component is to give tax relief to *all* municipalities. The municipalities have also been classified into different groups, principally according to size. The purpose of the equalizing component is to enable all municipalities in each group to make the standard expenditure for their group at a tax burden which is approximately uniform for all municipalities in the group. The recommended new grants reflect differences in ability to pay (fiscal capacity) rather than the irrelevant factor of municipal status as is presently the case.

41. Without such grants, there would be considerable variations among municipalities in the burden required to support any given level of services because of differences in fiscal capacity, as measured by equalized assessment per capita (see, for example, Table 7: 1). The new grants will promote uniformity of tax rates among municipalities of equal efficiency. They will also allow tax rates to fall as municipalities increase their administrative efficiency and rise as they become less efficient, thereby giving ratepayers a much better indication of how well their money is being

spent. There will still be variations in tax rates among municipalities, but these will reflect differences in actual levels of services and in efficiency and not in fiscal capacity. It needs to be emphasized that *on no account* should unconditional grants be paid as per capita grants, which is the case at present, or as proportional grants (a fixed percentage of expenditures with no equalizing component). In either case the burden of taxation required to pay for the balance of services for which the grant is made will be heavier in, and therefore penalize, the municipalities with lower fiscal capacities.

42. We recognize that our proposals will increase expenditures in some areas, such as education and administration, and will increase overall expenditures above present levels. But we are convinced that increases of the same magnitude would likely occur under the existing structure without a corresponding increase in public benefits to show for them. We expect that in the long run our programme will reduce costs below what they would otherwise be and are confident that the residents of the province will receive considerably more value per dollar of expenditure than at present.

43. We have sought the most economical solution. This does not mean the one that results in the smallest outlay of funds but the one that will produce the maximum public welfare that the province's resources are capable of providing. For example, if the benefits to the people of the province from improved education would exceed the extra cost, it would be wasteful to withhold the extra expenditure; if additional expenditure on counselling or caring for people's eyes or teeth would permit the rehabilitation of people who would otherwise be chronic welfare cases, it would likewise be wasteful to withhold the expenditure; and if a good administrator at a high salary would enhance the value of a programme by many times his salary it would be wasteful to employ an inferior administrator at a low salary. We have placed a great deal of emphasis throughout our report on the importance of mustering staffs of capable, aggressive and incorruptible administrators. The success of our programme and, for that matter of any programme of public services, will depend more on the ability to recruit and retain such men than on any other single factor. Moreover, the penalties of mismanagement can be extremely costly when dealing with programmes that require annual outlays of many millions of dollars — far too costly for a low-income province like New Brunswick.

44. One of the weaknesses of the present governmental structure is the large number of governing bodies for our small population. Table 2: 1 in Chapter 2 shows that in 1962 there were 547 in all. Our recommendations would result in the discontinuance of the 15 county governments

and the 14 county school finance boards and would reduce the school boards by about 362 (from 422 to about 60). There would likely also be some reduction in the number of local improvement districts (which in future are to be called "villages") and in the number of commissions, since some of these might be administered by the province as the new local service districts. It is likely that the total number of local governing bodies will be reduced to about 140, each efficiently geared to the functions it is designed to perform.

#### XI. *Proposal for the Commission Form of Administration*

45. We have recommended a completely integrated reconstruction of provincial-municipal government and finance, whereby the provincial government would assume responsibility for the general services, for the assessment of property and the collection of property taxes, while the urban municipalities would be responsible for determining the local services they will provide and for administering them — the functions that are uniquely appropriate to them and that are the prime justification for local government.

46. We are firmly convinced of the desirability of having the province assume full responsibility for the general services, education, health, welfare, administration of justice, and the operation of gaols and court houses. We are equally convinced that it would be folly to give the responsibility for developing and executing the new programmes in education, health, and welfare to the respective governmental departments as they are presently constituted. We have accordingly recommended that administrative commissions be established to develop and administer these programmes. We have also recommended that a Municipal Affairs Commission be established in view of the greatly expanded responsibilities to be assumed by the provincial government in the areas of property assessment and appeals, tax collection, municipal debt management, administration of local services in the new local service districts, and supervision of municipal administration.

47. There is nothing new or untried about the commission form of administration. It is embodied in the National Harbours Board, the Workmen's Compensation Board, the Liquor Control Board, and the New Brunswick Electric Power Commission, to name only a few of the commissions which are already familiar to New Brunswick residents. In Sweden, one of the best-governed countries in the world, commissions are used in all departments of government. The recommended composition and functions of the four commissions and the particular reasons for establishing each of them are contained in Chapters 8, 9, 10 and 12. In Chapters 1 and 16 we

present compelling and conclusive general arguments in their support. One of the main arguments for this form of administration is that the recommended programmes entail a great deal of administrative change. It is therefore essential for their success to have administrative bodies such as the proposed commissions that will get things done quickly and effectively, that will come to grips with the development of the programmes without delay and with wisdom and imagination. To achieve this, it is necessary to free the administrative bodies' concerned from the inertia and other restrictions and resistance to sweeping change that would be inevitable if the present departments were in charge, and that would not only block the implementation of the new programmes but would, we fear, also dilute and distort them. These are strong statements, but are fully justified by our observations and further supported in Chapter 16.

48. It is inevitable in any organization, public or private, where there is a good deal of day-to-day concern with established policies and programmes, that administration will be carried on by persons committed to the customary way of doing things. When the organization requires complete change, it is necessary to establish a new form of administration appropriate to the initiation of change and composed of men receptive to change, some of them, perhaps, moved from the old organization and some new ones with like attitudes added. In times of change it is therefore urgently necessary to revitalize the public service and to give more responsibility and scope to men of ability. It is the essence of good public administration to suit the form to the circumstances. There are times when a watch-dog sort of administration is appropriate, that is, when checks and accountability are the main requirements; there are other times, as now, when a far more active type of administration is required — when line executives are needed to develop and implement a bold new programme.

49. The use of the commissions would permit the assembling of the best qualified personnel both from within present departments and from outside, without restrictions as to salary scales and seniority. From the government's point of view, the kind of administration would develop in which it could take pride and which would have the extra virtue of protecting the cabinet and the other members of the Legislative Assembly from undesirable involvement with administrative decisions affecting particular interests. Constituted as we have proposed them, the new commissions would be insulated much more than is possible under the present departmental structure from the improper pressures that are a constant threat for any government's programmes. Put in another way, a prime virtue of the commission form of administration is that it would make the tradi-

tional functions of our government more effective by more clearly delineating the responsibilities for its administrative and for its legislative or policy making functions; at the same time, it would strengthen representative democracy by reducing the possibilities of improper influence being exerted to the advantage of particular interests but to the detriment of the general public.

50. The administrative commissions would have a considerable amount of autonomy, which they would require in order to discharge their responsibilities. Their success depends upon them having strong and able administrators. While it is expected and is desirable that such men will want to build and improve the programmes to which they are assigned, it is necessary to have strong budgetary and other controls that will keep the programmes within the bounds of the province's financial resources and in accord with carefully and firmly established priorities of expenditure for the various services. We have made proposals in Chapter 16 for such controls to be established and maintained by the continuous collective action of the cabinet and the Treasury Board. We have also emphasized the absolute necessity of the administrators in the commissions having a sympathetic attitude to budgetary control and establishing a co-operative relationship with the Treasury Board, and of the officers of the Treasury Board being aware of and having a sympathetic attitude towards the objectives of the commissions.

51. We should like to emphasize that we are not claiming that acceptance of our proposals will immediately or even ultimately usher in an era of sweetness and light in the administration of the affairs of this province. Government is far too complex a mechanism for anyone to hope that weaknesses in policy and errors in administration can be legislated completely out of existence, although there should be a continual and forceful tendency to eliminate such weaknesses and correct such errors. Nor do we argue that the commission form of administration is always the best. *We are convinced that under present circumstances in New Brunswick and for the foreseeable future it is the only way of bringing about the reconstruction of provincial-municipal government and finance that is required to replace the present antiquated structure.* It is quite possible that at some time in the future, when circumstances have changed, some other form of administration will be more appropriate, perhaps even a reversion to some variant of departmental administration. We would hope that if such a time comes, the required administrative changes would be made.

## *XII. Further Advantages of Recommended Programme: the Achievement of Fiscal Equity*

52. The integrated programme which we

are proposing would, when fully implemented, assure (1) that general services were provided at approximately uniform levels throughout the province and (2) that the burdens of taxation to finance these services were approximately uniform, so that wherever a citizen lives in the province he would receive approximately the same services and bear approximately the same tax burdens on any given amount of property, expenditure, income, etc. It would also provide that standard expenditures for local services could be made in every municipality of each group at approximately uniform municipal tax rates. Our recommendations when fully implemented would also assure reasonable land approximately uniform tax treatment of commercial and industrial businesses wherever they are located in the province.

53. Although these results are certainly not the only goals we have had in mind, they are very important ones and their achievement played a large part in determining our recommendations. If New Brunswick is to make the most effective use of its productive resources, then its human resources (labour) and capital should be located where they are most productive. It is important therefore to remove any substantial differences in tax burdens or in services among the different parts of the province that would put pressure on people or on capital to move to where they are less productive.

54. In the course of our investigation, we found it useful for some purposes to consider the province as a whole, as a single economic and political unit, and to ask what principle should be followed to establish a fiscal pattern which would be conducive to the optimum economic development of the province and, at the same time, to the equitable treatment of its residents. The fiscal equity principle has the required properties. The gist of it is that similarly situated individuals, that is, individuals with the same income, expenditure, value of property, etc., should receive about the same levels of public services and incur about the same tax burdens regardless of where they live in the province, at least for each type of locality, rural or urban, in the province. The rates of provincially levied taxes and therefore the burdens of these taxes are by their nature the same throughout the province; that is, the rates of personal and corporate income taxes, sales taxes, gasoline taxes, motor vehicle licences, and similar levies are the same regardless of where a person lives in the province. Property is the main tax base in considering the tax burdens imposed on individuals by the municipalities. There is presently marked variation in the burden of the property tax, as measured by the ratio of tax paid to the market value of property, both within and between municipalities. Moreover, there are marked differences in the levels of both general and local services among the different municipal-

ities. As a result, the fiscal treatment of otherwise similarly-situated individuals is not equal in the different municipalities or even within municipalities. There is, therefore, fiscal pressure' on the less favourably treated individuals (the ones in localities where there are inferior services or heavier tax burdens, or perhaps a combination of both) to move themselves or their capital, or both, to localities where more favourable treatment is available. Since it is desirable from the economic point of view that labour and capital be located where their rewards are greatest, that is, where they are most productive, it is wasteful to subject them to differential fiscal pressure that encourages them to locate elsewhere. Such pressure induces labour and capital to move out of the poorer municipalities and inhibits labour and capital from moving in, even when they would be more productively employed there than in the richer municipalities, that is, than in the municipalities with a greater property tax base in relation to population. Our recommendations are designed to implement the principle of fiscal equity and so to eliminate this differential fiscal pressure.

55. The principle of fiscal equity has not only the virtue of being consistent with the most productive use of the province's labour, capital, and natural resources, but it also has the ethical virtue of dispensing the same measure of fiscal justice to all citizens regardless of where they live in the province. The implementation of the principle is fully in tune with our modern mobile society and with the widely held view that high and uniform levels of the general services are a right to which all are entitled.

56. It is well to bear in mind that under the Canadian constitution municipal governments are creatures of the provincial government. They depend for their existence upon functions delegated or assigned to them and revenue sources allocated to them by the province. They exist in large part because the province deems that some services can be most appropriately provided by them. Since to a considerable extent the municipalities must be considered as agents of the provincial government, the argument for dispensing the same measure of fiscal justice to all municipalities in the province in the way described is a particularly strong one.

57. Clearly, even if there were complete centralization of all services presently provided by the municipalities in the hands of the provincial government, there would be differences in the levels of some services it would be practical to supply in rural areas compared with urban ones — street lighting and sewers, for example. With centralization of only the general services, there are bound to be variations in local services even among municipalities of the same type (towns and cities of a given size), as well as some variations arising from local supplements to the standard

educational programme. There would be such variations even if the fiscal capacities of municipalities of each type, as measured, say, by per capita equalized valuation of property, were equal. To require a perfectly uniform level of local services would result in a considerable loss of well-being, to say nothing of the debilitating effects on the institution of local government itself; for a municipality would not then be free to determine its level of local services according to the consensus of its own residents. We have in our recommendation of unconditional grants made provision for full equalization of tax burdens necessary to support standard levels of local services in order to adjust for differences in fiscal capacity among municipalities. Our recommendations are therefore in accord with the fiscal equity principle in that they would assure that an individual living in some rural area or in some town or city would receive about the same services and incur about the same tax burdens as if he lived in another

rural area or in another town or city of similar size in the province. If our recommended programme is fully implemented, New Brunswick Will have a provincial-municipal fiscal structure that will dispense approximately the same measure of fiscal justice to all of its citizens and business firms, large and small, and at the same time encourage the most effective use of its resources.

58. Combining, as it would the provision of efficiently administered general and local services at uniformly high standards with reasonably moderate and stable taxes at approximately uniform rates throughout the province, the recommended programme would do much to provide an economic climate favourable to the development of new industries and the expansion of old ones and as well to the most economical location of industry in the province. The consequent strengthening of the provincial economy would, in turn, reduce the burden of providing necessary public services.