

FOREWORD

BY

EDWARD G. BYRNE, Q.C., Chairman

When I was asked in 1960 to accept the chairmanship of a proposed commission, my reaction, if not of refusal, was one of extreme reluctance. Further discussion so convinced me that the Premier, the Minister of Municipal Affairs and the other members of the government of the day were determined to ascertain the facts and seek a remedy for the apparent worsening plight of our municipalities that refusal would have meant rejection of a public duty. Nevertheless, my acceptance was accompanied by an expression of belief that the reports of other commissions had not received the consideration they perhaps otherwise would have received had their terms of reference been substantially broader. They were limited to recommending what should be done but prohibited from recommending how. Reference to the Act authorizing the establishment of this Commission and the sweeping terms of particular reference of the Order-in-Council providing for its establishment can leave no room for doubt as to the desire of the government for effective solution. My suggestions as to the requirements for technical assistance and staff were likewise readily acceded to.

The first constructive act was to make inquiries and seek the employment of technical staff. Highly recommended, A. Milton Moore was contacted and he accepted the task of leading the consulting staff of the Commission. There followed the engagement of Dr. John F. Graham and Philip H. White as consultants and engagement of a permanent secretary, James F. O'Sullivan. As the planning and work of the Commission went forward other staff was added in accord with need, including statisticians and clerical workers.

Professor Moore, a graduate of Queen's University and the University of Chicago, has been associate professor of economics at the University of British Columbia since 1959. He served as research associate for the Canadian Tax Foundation from 1951 to 1957 and for the next two years as economist with the Canadian Pulp and Paper Association. Among his many published works perhaps the most widely acclaimed are *Forestry Tenures and Taxes in Canada*, published in 1957, *Taxes and Exports* in 1963 and *Financing Canadian Federation* which he co-authored in 1953 with J. Harvey Perry, now Executive Director of the Canadian Bankers Association and a member of the federal Royal Commission on Taxation.

Dr. John F. Graham is head of the Department of Economics and Sociology at Dalhousie University. As such he is entirely familiar with the basic economic problems of both New Brunswick and the Atlantic region as a whole. His doctoral thesis dealt with provincial-municipal fiscal relationships, using Nova Scotia as a case study. It was recently published under the title of *Fiscal Adjustment and Economic Development* by the University of Toronto Press. Dr. Graham, among his many other responsibilities, is general editor of the Atlantic Provinces Studies, a project established by the Social Sciences Research Council to conduct and publish research on a wide range of problems facing the Atlantic region. Dr. Graham now leaves the Commission and his other duties to spend a year in a visiting research post at Queen's University, during which time he will spend a month in Austria at the new Institute for Advanced Study in Vienna.

Professor Philip H. White was born in England and graduated from the University of London with high honours in his specialization of property valuation and land economics. From 1952 until 1958 he headed the valuation department at the University of London. Since that time he has been specializing in the same field at the University of British Columbia and doing consulting work. He is the author of numerous articles and two books namely, *Principles and Practices of Rating Valuation* and *A Guide to the Town and Country Planning Act*. His recent work on urban redevelopment policies was widely acclaimed and published by the Royal Institute of Chartered Surveyors. It was awarded the gold medal of the same institution in 1961.

James F. O'Sullivan, the permanent secretary of the Commission, in effect occupied a dual role of responsibilities, as chief administrator and consultant. His research and other contributions to the work of the Commission have been invaluable. Mr. O'Sullivan was born in Saint John. His degree in business administration was awarded by the University of New Brunswick where he also pursued post-graduate studies in economics. During 1959-60 he was engaged with the Treasury Board Division of the federal Department of Finance. Prior to accepting the secretaryship of this Commission, he acted as Secretary to the Royal Commission on Higher Education in New Brunswick. He is now on the staff of the Economic Council of Canada.

Although it would not be fitting or possible for me to single out any individual associated with this Commission for commendation, it would be remiss on my part if special mention were not made of Mr. O'Sullivan. His superior, natural abilities, his training and devotion to duty, coupled with his intuitive ability to interpret policy and carry out his administrative functions in cheerful willingness in spite of many long hours extending at times into the early morning, was one of the principal factors that made the completion of my task and that of the Commission possible. His ready understanding of principle and his ability to master and develop detail are unique.

The selection and appointment of my fellow members of the Commission by the Lieutenant-Governor in Council was further assurance of the co-operation and intention of the government to find an answer to the problems referred to us. They are men about whom it is easy to say that it was not only my privilege but my honor and pleasure to serve with.

Arthur E. Andrews was born at Princeton, Maine. After graduation from Washington State Teachers' College in 1937 he taught school in the State of Maine as principal of Surry Junior High School until his enlistment in the Royal Canadian Air Force, prior to the United States entering the war. After active overseas service during the Second World War and upon demobilization at war end, he represented Canada Life Assurance Company in Charlotte County until 1948 when he became associated with Fashion Frocks Limited and now acts as secretary-treasurer and general manager of that organization. He is most active in community affairs including the Rotary Club, Boards of Trade, the Canadian Legion, Fish and Game Protective Association, the Canadian Red Cross and Boy Scouts organizations. An ardent curler and golfer, he was also founder of the Saint Stephen Little League. His broad understanding of many practical problems confronting the Commission and his counsel, especially in the very real problem of education, have contributed much to the work of the Commission.

Dr. Alexander J. Boudreau was born at Cheticamp, Nova Scotia, a descendant of our first Acadian families with a background of those who till the soil, hew the forest and go down to the sea in ships. He is a graduate in classical studies of Levis College in 1929, a bachelor of agricultural studies majoring in rural economics from Ste-Anne-de-la-Pocatiere College in 1933 and in 1943 obtained his master's degree in public administration from Harvard University. In 1958 he was awarded the degree of doctor of social sciences by Saint Joseph's University. Whilst a professor at Laval University from 1938-48 he was responsible for organizing and managing the Quebec United Fishermen, a federation of co-operatives. After

completion of a term of service as a member of the federal Civil Service Commission, he acted as Canadian Consul General at Boston in 1957. In spite of his many responsibilities Dr. Boudreau also found time for service as consultant to various United Nations agencies, in Paris (1948), Pakistan and Cambodia (1951), and Indo-China (1955). In 1958 he became director of extension at the University of Sudbury, resigning in 1960 to become director of extension and public relations for Saint Joseph's University where his duties take him into every nook and cranny of New Brunswick. It seems pointless to say that his ability, training, specialized knowledge and experience have been such that he has contributed to every phase of the many tasks assigned to us.

Mr. Ulderich 'Nadeau was born of old New Brunswick Acadian families at Baker Brook. He received his bachelor of arts degree from Laval University in 1930 followed by a commercial course at Modern Business College after which he entered the publishing business by his association with Madawaska Printing until 1939. He then returned to the family business in Madawaska County participating in farming, merchandising and lumbering, and assumed the ownership and direction of the entire enterprise in 1952. He was first elected to the Madawaska County Council in 1939 and the years since have brought him the honour of continuous re-election by acclamation. In 1952 he was elected warden and has since held the post continuously. It has been my practice to refer to him as the "Perennial Warden of the Great Republic of Madawaska." His further municipal interests include membership on the finance committee of the County since 1942, and on the County Schools Finance Board since its inception. He has also been chairman and member of the Baker Brook School Board for various terms throughout the years. He is an active member of the Agriculture Society and honorary chairman of both the John Howard and Children's Aid Societies. Without the detailed vast fund of knowledge of municipal structure, function and practices available to us in the person of Mr. Nadeau, we might have foundered on the rocks of ignorance. His experience in lumbering, farming and merchandising contributed much to the knowledge of all.

Charles N. Wilson is also the scion of old New Brunswick families. Born at Hopewell Cape and raised there, he commenced his outstanding career in the business world in 1911 in Saint John as a junior clerk with the Bank of New Brunswick. In 1923 he became associated with the Saint John Dry Dock and Shipbuilding Co., Limited, becoming manager in 1928. In 1947 he became president, a position which he occupied until he disposed of his interests in 1959. He is the president of six companies and holds directorships in many

national companies, including the Bank of Nova Scotia. His varied business activities still leave room for his active participation and leadership in such organizations as the New Brunswick Protestant Orphans' Home, Saint Joseph's Hospital, the Salvation Army Hospital, the Saint John Exhibition Association, the Canadian National Institute for the Blind, the Y. M. C. A., the United Appeal Fund of Greater Saint John and a host of others. The work of Royal Commissions is not new to Mr. Wilson. He has just completed his duties as an adviser to the federal Royal Commission on Government Organization, commonly known as the Glassco Commission. Most interested in the works of Boards of Trade, he is a faithful participant in the work of the Saint John Board of Trade and Canadian Chamber of Commerce. His boyhood associations with life in rural communities and farming have not been abandoned. He owns and operates several farms in the province and is presently engaged in the reclamation of extensive bog lands in the Musquash area. His wide knowledge on the subject of hospitals? business administration and farming contributed much to the deliberations of the Commission. Perhaps a better appreciation of Mr. Wilson can be gained from his reply to my question to him as to how he found time for the work of this Commission: "I consider it a duty and a privilege to be called upon to contribute my services for anything directed towards the betterment of the province."

Having secured the services of such an able and devoted staff followed by the appointment of my fellow Commissioners with their natural abilities and training, representing every class concerned with the economic life of the province, our ethnic and denominational divisions, the municipalities and taxpayers, it might be assumed that the demands upon the chairman were ended. Such was not the case. Over the past many months there were for the chairman problems to be ascertained, investigations to be made, principles to be evolved, tasks to be assigned, appointments to be kept, differences in opinion to be resolved, meetings to be convened, memorandums to be prepared, reports to be written, submissions to be studied, hearings to be conducted, statistics to be interpreted, and discussions, inquiries and administrative functions to be carried on, including the preparation of the Report.

Decisions were not easy. Some involved the setting aside of personal considerations. The issuance of the Interim Report of August 1963 was one such. The displeasure of some friends, clients and fellow residents in the Bathurst area was incurred. The facts and circumstances dictated, and prudence demanded, that in conscience the Interim Report and recommendations be issued. It is to

be hoped that subsequent events will warrant the action.

The general themes of submissions to the Commission by municipalities and administrators were "give us more money" whilst the plea of taxpayers was to "reduce taxation". The situation seems to be aptly described by Henry F. Angus in his essay entitled "Administration and Democracy".¹

"What do the people expect from government, of which the day-to-day aspect is administration? The answer is simple, They expect too much. To steal a phrase from Andre Siegfried, the people want a high price for wheat and a low price for bread. In the same inconsistent way they want generous social services and low taxes, or high wages with low prices. A successful politician (as Andre Siegfried suggests) must promise these incompatibilities. An administrator cannot deliver on such a promise."

and continuing,

"But the public does not think that it is in fact well-governed. It has a compendious four-letter word for government — so compendious that it includes legislature, executive administration, and local authorities as well It is the word "THEY." The public has never learned to say "WE" when it refers to government."

It is axiomatic that government service, like all other material things, must be paid for. The initial decision called for either the reduction of service or an increase in taxation. Realism dictated the latter, with at the same time the possibility of major economies through a more efficient administrative structure, so that taxpayers would get more value for each tax dollar spent.

Next in priority was to diagnose the ailment, its causes, effects and remedy. The problem is the present and continually increasing, ever greater difficulty of all governments to maintain and finance services. The causes — (a) limited tax bases aggravated by services introduced by higher levels of government, (b) administrative responsibility for shared services' and cost sharing, (c) responsibility for services that are not peculiar to the level of government entrusted with the function, (d) inefficient administration and (e) pressures. The effects — (a) waste, by duplication of services mainly in administrative functions, (b) extravagance by not obtaining full value for money spent and failure to recognize that the much sought after contributions of senior governments are also tax dollars, (c) destruction of initiative and the fostering of apathy, (d) in some instances an intolerable property tax burden with

¹ Canadian Issues, University of Toronto Press, 1961

its spread to all sections imminent, and (e) general discontent.

The remedy dictates a decision whether to treat or cure. Treatment would consist in prescribing a palliative for a chronic condition ever going from bad to worse. Such, specifically, would mean providing more money for the municipalities by way of grants without attempting to remove the causes enumerated above thus perpetuating an already deplorable situation. Treatment of this sort was rejected. The other alternative must be proceeded with in an attempt to cure. The shock of the remedy can only be condoned by the effect.

The remedy favored by the Commission is the functional rationalization of the various levels of government within the province. Essentially this rationalization can be only brought about by centralizing the control and administration of those public services which are beyond the financial, if not administrative, capacity of existing local government bodies. To obtain general acceptance of the desirable degree of centralization and provide relief it is necessary to reduce generally the weight of direct property taxation. The resulting revenue gap and increased costs at the provincial level will have to be filled through greater use of other sources of revenue.

Under the proposed system of government, programmes having province-wide significance and requiring large units for effective operation would be administered uniformly throughout the province by provincial government agencies. The operation of these agencies would involve centralized policy formulation, but provide also for decentralized administrative offices as required. There would be a provincial take-over and province-wide equalization of the burden of maintaining such general services, as education, health, including hospitalization, welfare and justice.

Local services to property and person would be administered in such a way as to allow local option as to the level of services maintained. Such local services would be administered by cities, towns, a lesser unit to be known as a village and for certain areas by a provincial agency. Although the county administrative unit as presently constituted would disappear, the new system would make it possible for rural areas to enjoy services as desired. Local services would be financed by taxation of real property within the area served and a rational grant system based on population, tax base and mean cost of services. Such grants are so devised that they will in equity reward the efficient and discourage the inefficient. There would, however, be all necessary supervision of municipal units by the appropriate provincial government agencies, with a view to eliminating opportunities for serious extravagance and mismanagement. Bonded indebtedness within limits would be incurred by local governments only with

the approval of its property taxpayers and a central supervisory agency. Moreover, management of past and future debt for local services would be administered by a central agency, with the costs charged back to the area responsible for the debt resulting in substantial saving at the local level. With respect to past debt, the provincial government would absorb all debt charges related to those services for which the province will have all future responsibility.

No local government units would continue to assess property or to bill and collect property taxes, with those functions to be turned over for reasons of greater efficiency and uniformity to a provincial government agency. It is only through central administration that the present inequities and inefficiencies in assessment and collection can be eliminated. To ensure democratic operation of the central assessment agency there would be highly qualified personnel and readily accessible avenues for effective appeal. Political and other pressures would be removed by autonomous agencies.

Educational administration would be in the hands of an independent central agency, working in conjunction with local school boards who would engage qualified teachers from a centrally established list, and who would be supervised and dismissed by local boards. Present school districts would be consolidated into units of viable size. The agency would establish minimum educational standards for province-wide application, probably at the level of the now highest, to be financed entirely by provincial government revenues with provision that the standard may be exceeded locally through supplementary property taxation authorized by a vote of the property ratepayers concerned.

The Commission appreciates that the necessary realignment of administrative responsibilities will very considerably reduce the role to be played in future by certain traditionally administrative bodies. Mr. Nadeau in particular regrets that circumstances compel the transfer to other levels of government of the functions so long carried out by the county units. These rural municipalities have a long history and have performed invaluable services during the decades when they could thrive on a reasonable level of property taxation. However, the growing complexity and increasing costs of the non-local or general services historically provided by the county unit, together with the irresistible but quite understandable need of senior governments to exercise closer control in return for bearing a major share of the cost of these programmes, have made it impossible for the county unit to operate as effectively as it did in the past. To bring the people closer to government there should be single member constituencies for the provincial legislature.

The only alternatives to the recommended

rearrangement of government functions at this time seems to be the imposition of an intolerably high level of property taxation which will accelerate the load and sooner or later result in the bankruptcy of many if not all local government units, or a complete collapse of standards for the services which they are now called upon to provide.

Personal property taxes and poll taxes would be abolished. The money would be found by the levying of a provincial fixed rate of $1\frac{1}{2}$ per cent on the market value of all real estate to be known as the provincial Education Tax, a fixed provincial tax on automobiles and from a widening of the base of the so-called sales tax and an increased rate.

The principal recommendations are interdependent and one or more should not, and in fact could not, be implemented without the complete implementation of all if the full benefit is to be gained. It is to be particularly noted that without complete implementation of the principal recommendations the Commission's cost and revenue estimates will be without foundation.

The report is only the diagnosis and prescribed surgery. Such 'surgery as-in indicated and recommended' by the report of the Commission can be performed only 'by the people of New Brunswick. They are the surgeons! The legislature is the operating theatre and the government and members of the legislature are the instruments of the people.

Post-operative care may also at first seem unpalatable. The substitution of semi-autonomous commissions at the central level, in addition to providing more efficient administration, is intended to render more value for money spent and in the long run effect economies without stinting service. Another objective is to remove political pressures on government that are hostile to the public interest. This is not said in castigation of our politicians. Such men are always subject to the pressures of influence, opinion, and the actions of others over whom they have no control. For them it is oft-times necessary to yield to one pressure in order to avoid a greater one. The stamina of some is such that they will not refuse to abandon a principle. Such recommended administrative bodies are intended to shield the scrupulous and frustrate the unscrupulous.

The recommended changes, admittedly, are sweeping and startling. We, however, must accept that we occupy a position in a fast changing society. The past has been inherited but we are not committed to its retention in the present nor the future. The necessity for change is apparent and the means rest with the people. The human being does not easily accept or adapt to change.

It may be idiocy on the part of the Commis-

sion to recommend change, rather than the continuation of the past — change directed at bringing about a corporate betterment in the equity of our tax structure. It is my belief that the present time is particularly favourable to the bold, imaginative, carefully thought-out and practical programme of reconstruction proposed, and that it would be a sign of vigour in this fine old Province if it responded fully and confidently to its challenge. If such belief be wrong, then honest error is confessed, with an expression of the hope that at least it is a step towards the greater illumination of the truth since the report exposes to debate and to clearer definition those matters which might otherwise remain obscure and unidentified.

Well is it anticipated that the report will be received with mixed feeling. The loss of personal position, prestige or gain may prompt public discussion on the part of some with intent to mislead. There will be misunderstandings of substance and intent and a word of caution is indicated. The interdependence of the varied principal recommendations are so related that the report must be *studied* in its entirety. A casual reading of it in whole or in part is not likely to be sufficient for understanding. The semantic difficulties encountered in expression when preparing the report indicate that *study* is necessary.

Further search for adequate controls prompted me to cause an investigation of the Swedish system of welfare by Dr. Boudreau. A resume of his investigation is appended to the report. It comes as a distinct shock to learn that we in New Brunswick have practically the same services as Sweden in terms of welfare administered at the political level and at the same time on the misnomer — "free basis" — whilst that of Sweden is for the most part administered by autonomous agencies and contributory. The Swedish controls consist in the main of contributory plans and the commission type of administration. In the field of social assistance full employment, by New Brunswick standards, keeps the Swedish expenditure in control.

The recommendations generally increase provincial cost and it follows — taxation. To meet the problem of inability to support present costs of services there is no other alternative but increased taxation. Taxation cannot be reduced if services are to be maintained. They must be paid for. Remedy of the present inequities is provided especially in the field of the taxation of property. At the same time municipalities are placed in the position of being masters of their own affairs by removing from their responsibilities those services over which — cost-wise — they have no control. The homes and factories of our people will no longer form part of the tax base for the support

of such services as social assistance, facilities for hospitalization and administration of justice. Such taxation of property as remains will be upon uniform assessments and so far as the cost of education is involved at a fixed rate of 1½ per cent of market value. Municipal rates based on such assessment, intended to average less than one half of one per cent, are within the control of the property owner. The composite tax rate on real estate for both education and municipal services should not exceed 2 per cent of market value. Those few urban municipalities which find their municipal rate in excess of 0.5 per cent must, and are in a position to, put their affairs in order. In accordance with the will of the real property taxpayers they become the masters of their own destiny.

There is a general reduction in tax load and uniformity provided for, in the taxation of property. In this field a very substantial general tax reduction is afforded to persons in rural areas. Lacking any service their total tax burden is 1½ per cent of the market value of their real estate. Urban areas also bear the provincial Education Tax of 1½ per cent and are left responsible for the cost of their own local services subject to the amount received from the general and equalization grants. The majority of twenty-six remaining cities and towns will enjoy a reduction in real property taxes. One town is not considered due to particular circumstances and another because of lack of any data. The minority number of cities and towns will suffer higher taxes on real property but not necessarily all their ratepayers for the elimination of the personal property tax may dictate otherwise in individual instances. Those that will be higher after the effect of the equalizing grants have been computed can only suffer a greater tax load because of either inefficiencies, extravagances, or much greater service or services than those enjoyed by their municipalities in the same grant classification. The control of such costs and tax burdens is within their power by the recommendations.

Although not a specific recommendation, serious thought does occur to me, if perhaps not to some of my fellow Commissioners, that the trend of Canadian affairs suggests that the time may be opportune to give serious study to the advisability of some form of political union of the Atlantic Provinces into the Province of Atlanta. Admittedly one can envision many

objections, but union would dictate a more authoritative voice for the Atlantic area within the Canadian federation, and, if any significance is to be given present portents in Canadian affairs, then a united voice in seeking what many believe to be at least our manifest economic betterment.

There is a growing sense of relief as my task approaches its end, tinged only with regret for the loss of my associations. The task has been both challenging and tedious. There is great satisfaction in the completion and discharge of my duties.

To my associates — my thanks.

To my wife and family — on account of my many preoccupations and absences in the past two years — my apologies.

To the Premier and our other Ministers — my thanks for the confidence and trust in me reposed and my commendation of their efforts and sympathy for the task that now becomes theirs.

To the Leader of the Opposition and all Members of the Legislature, Mayors, Wardens, Aldermen, Councillors, Commissioners and Public Servants — my regrets for the length of the report.

To the Press, the words of the late Poet Laureate, Alfred Lord Tennyson:

“O you, the Press! what good from you might spring!

What power is yours to blast a cause or bless!
I fear for you, as for some youthful king,
Lest you go wrong from power in excess.
Take heed of your wide privileges! we
The thinking men of England, loathe a tyranny.”

To the people of New Brunswick — the advice of the eminent economist, John Stuart Mill:

“When the object is to raise the permanent condition of a people, small means do not merely produce small effects; they produce no effect at all.”

QUID VOBIS VIDETIOR?

EDWARD G. BYRNE
Chairman

November, 1963

² How does it seem to you?