

The dark side of amalgamation

In the excitement of several Capital Region communities voting for an amalgamation study, there seems to be a rush to get these cities down the aisle and married off as quickly as possible.

Not to sound like the grumpy parents of two love-struck teenagers, but there is a whole lot more to consider before taxpayers give their approval to such a wedding.

Most people think it's obvious that putting smaller cities together will save taxpayers money. The academic work of Robert Bish proves otherwise – the vast majority of city amalgamations have cost taxpayers more money.

This is due to three items that are rarely considered in amalgamation: the menu of services, labour costs and loss of tax competition. Thus far, very little has been said about these vital issues. Bish writes in-depth on how amalgamations usually end up with every city rising to the highest, most expensive level of services available. This throws away any sense of frugality or consideration of hyper-local needs.

That menu of services leads into the second point: labour costs. Municipal government, as a whole, has done a poor job managing its labour costs. A B.C. government report shows municipal payrolls have grown twice as fast as in the provincial government and 15 percentage points more than inflation.

But within the CRD, there are cities doing a pretty good job of managing those costs. Langford, for example, believes in contracting out as much work as possible. This has actually lowered how much they pay staff in salaries, wages and benefits from \$8.3 million in 2009 to \$8.1 million in 2013; this also saves money in pension payouts down the road.

However, for every Langford, there is a Victoria, which saw its payroll bloat from \$89.3 million in 2009 to \$104.2 million in 2013.

So whose view of labour management will win out? Very likely the more expensive Victoria.

The Community Charter stipulates that a majority of the residents of each city involved in amalgamation must vote in favour of such a plan. In an area like Greater Victoria, with so many unionized public sector employees and potentially many jobs at stake, you can bet the unions will be out in force.

To get that necessary majority, amalgamation proponents may feel the need to cut a deal with the unions to protect jobs and pay scales, and for taxpayers in well-run cities like Langford, that will mean far more cost. If the only staffing redundancy being eliminated is politicians, cost savings will be minimal at best.

Finally, tax competitiveness must be considered. As hard as it is to believe when you rip open that property tax bill every spring, having cities compete for residents and businesses does help push down tax rates.

Every city council looks at how their tax levels compare to their neighbouring jurisdictions and, often, this keeps politicians looking for cost savings.

Like any business, they know that raising rates will cost them customers. Losing that sense of competition should concern taxpayers – and must be considered before an amalgamation vote.

There's no reason why some cities can't decide to share services or contract with each other where there will be cost savings, but it's unlikely a full-on marriage of the CRD communities will save taxpayers money when it comes to labour or taxes.

Hopefully, the province's study will look at all of these issues before anyone gets too excited about popping the question.

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