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## Executive Summary

Although nearly every province in Canada has pursued some form of local restructuring over the past 25 years, municipal amalgamation remains a controversial subject. A vast amount of research has found that consolidation fails to produce promised cost savings, rarely leads to more efficient service delivery, and reduces the ability of citizens to be involved in the life of their local governments. It is no surprise, then, that local restructuring proposals have often been met with stiff resistance from local residents. It also comes as no surprise that many residents argue that their communities were better off prior to amalgamation.

In the wake of this lingering resentment, de-amalgamation is often offered as a solution. For many, the idea has some merit: if the new municipality has become inefficient, costly, and less responsive to local need, then simply undo the work of amalgamation and return the municipality to its original borders. For those unhappy with the new incarnation of their municipal government, this is an attractive prospect, but poses some significant challenges. There are significant costs to de-amalgamation, there is no guarantee a municipal government would be any more efficient after de-amalgamation than before, and, finally, there is no guarantee there would be community consensus to move forward with the plan. Despite all of these concerns, de-amalgamation proposals continue to emerge in amalgamated communities. Some are more vocal than others, but lingering concerns about the efficiency, cost, and the nature of representation within amalgamated communities persist.

Taken together, the prospect of de-amalgamation raises two important questions. First, is it possible to reverse a municipal amalgamation? And, second, if so, is it even desirable to de-amalgamate? This paper delves into these questions and examines two cases of municipal de-amalgamation: Montreal, Quebec and Headingley, Manitoba, which seceded from Winnipeg. After provincially imposed amalgamations, residents of both communities demanded institutional reforms. In Montreal, a change in provincial governments led to a de-amalgamation referendum, as communities within the newly amalgamated cities were given the opportunity to leave the new city. While many opted to stay, some did leave, forcing the creation of a new level of government to coordinate government activity on the Island of Montreal. In Headingley, community residents demanded they be allowed to secede from the amalgamated City of Winnipeg. After many years, the province finally took up their case and legislated their removal from the City of Winnipeg, sparking bitter separation negotiations that nonetheless finally restored Headingley's independence.

In this paper, we examine the fiscal and governance implications of both de-amalgamations and provide a set of criteria to evaluate when considering the de-amalgamation of a consolidated local government. Overall, we find no reason that de-amalgamation cannot be pursued, but we argue that is not often desirable.

Provincial governments have the ability to amalgamate municipalities and, therefore, also have the ability to separate them. Looking at the case of Montreal, we demonstrate that, if de-amalgamation is not done correctly, it is very possible to further complicate the governance of a region and distract from much more important conversations about regional policy integration and planning. We argue that the difficulty in successfully implementing de-amalgamation means that amalgamation is something that cannot, and should not, be easily entered into. More care needs to be taken in finding the best institutional structure for our municipal governments.

## Introduction

At the conclusion of Toronto's most recent municipal election, pundits and researchers lined up to analyze the results. One of the most frequent arguments was that the city was divided, not a surprising conclusion for those looking at the electoral map. John Tory won votes mainly in downtown and mid-town Toronto, whereas Doug Ford won most of the polls in the city's suburbs in the former municipalities of Etobicoke and Scarborough. When examining the election results, *Globe and Mail* columnist Marcus Gee described the city as "hopelessly, irretrievably divided" and laid the blame for this divide on the city's 1998 amalgamation: "throwing the suburbs and the core together into one big city was a disaster" (2014). Similar conclusions were reached by the *National Post's* Robyn Urback, who also described Toronto as "divided" (2014), and Ryerson University's Murtaza Haider who argued the city's politics were polarized between the core and its peripheries (2014). Haider even speculated on the shape of the city's politics if amalgamation had not occurred: "if Toronto were not amalgamated, Mr. Ford would have been the mayor of Scarborough and Etobicoke" (2014).

The question is what should we do about this division? Many pundits put the responsibility upon newly elected mayor John Tory, who promised to build "One Toronto". Robin Sears of the *Toronto Star* went so far as to speculate openly about whether John Tory could truly accomplish this task, bluntly asking, "can John Tory unite a deeply divided Toronto?" (2014). Time will tell, but another group of pundits turned their attention to institutional change, expressing much less comfort in the notion of political healing between each part of a city united through a provincially imposed union. John Barber sang the praises of Metropolitan Toronto in the *Toronto Star*, arguing that the two-tier system was a "brilliant innovation" that let "localism thrive while leveraging the downtown tax base for massive, cross-border public works" (2014). His solution is a system of "refederation", where devolution could slowly resurrect the two-tier system over time (2014). Others did not share Barber's enthusiasm. Marcus Gee took time to argue that de-amalgamation was not the answer because "amalgamation is a done deal, in place for 16 years" (2014).

Gee, however, does not offer much more in terms of support, only asking a series of rhetorical questions: "Does anyone seriously argue that it would make sense to break into pieces again? Do we want to go back to having, say, a separate city of East York with its own mayor and city council?" (2014). This reaction is not uncommon. When you ask people to reflect upon the amalgamation experience and outcomes, you often receive a similar response: amalgamation caused a host of problems but we likely cannot do anything about it. The *status quo*, most will argue, is challenging but change is impossible.

Amalgamation could be compared to making an omelet or scrambling an egg. Many parts are combined together to create a whole, leaving the question: can we really unscramble an egg? Are pundits like Gee right? Is amalgamation set in

stone? Is there truly no way for amalgamated cities, such as Toronto, to return to their pre-amalgamation configuration? Or, are those such as John Barber correct in arguing that amalgamation can, and, in some cases, should be reversed? This paper begins to examine these questions, asking whether de-amalgamation is possible. If so, is it something desirable? Much of our research on restructuring has focused on the process of amalgamation. Very little has looked at the policy ramifications of reversing amalgamation. With this paper, we hope to change that.

There are several sections. In the next, we examine the process of amalgamation in Canada. Several provinces have pursued consolidation aggressively: the most notable is Ontario, the most recent, Manitoba. This section reviews these efforts, examining the process and outcomes. The next section examines the literature that has examined amalgamations in Canada empirically. Much of this work has been centered on Toronto. Since it is the largest city in Canada, it is certainly a unique case, but we can learn much from the results of its forced amalgamation. For the most part, the promises surrounding cost savings and efficiency have not materialized.

Next, we focus on the viability of de-amalgamation, examining both the costs and benefits that could come from reversing the consolidation process. We also examine two cases of de-amalgamation, the secession of Headingley, Manitoba from the amalgamated city of Winnipeg, and the city of Montréal. In the concluding section, we present a set of criteria for establishing the viability of de-amalgamation.

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## Amalgamation in Canada

Municipalities across the country—small and large—have experienced restructuring in the past several decades. While some amalgamations, such as the 1995 amalgamation of Abbotsford and Matsqui in British Columbia, have been voluntary and approved by voters in a referendum, the trend in Canada has been towards involuntary, or provincially mandated, amalgamation (Sancton, 2011). The first case of a municipality amalgamated against the expressed will of voters and council occurred in the Windsor area in 1935. In that case, the more affluent community of Walkerville was forcibly consolidated by the province with the three surrounding municipalities to create the new City of Windsor in an effort to stave off insolvency (Kusilek and Price, 1988). Walkerville fought the restructuring, even taking the matter to the Judicial Committee of the Privy Council in England, which at the time was Canada's highest court of appeal (Sancton, 2011).

After the precedent set in Windsor, a number of provincial governments have amalgamated their municipalities by force. One of Canada's first large-scale urban amalgamations occurred in Manitoba where, in 1971, the provincial government

consolidated the two-tier Metropolitan Corporation of Greater Winnipeg into a single-tier “unicity” (Kiernan and Walker, 1983). The provincial government had created the two-tier government only 11 years earlier in 1960 as a way to coordinate area-wide servicing between the City of Winnipeg and its ten neighbouring communities (Higgins, 1986). Motivated by a desire to end inter-municipal bickering and promote fiscal equity within the Winnipeg area, the provincial government amalgamated Metro Winnipeg in 1971 (Sancton, 2011).

Following Winnipeg’s consolidation, amalgamations went forward in the Atlantic cities of Charlottetown and Summerside in Prince Edward Island, Miramichi in New Brunswick and Cape Breton, and Halifax in Nova Scotia (Sancton, 2011). Many of these amalgamations were limited to larger cities. Other provinces, namely Ontario and Quebec, later set out to restructure municipal government on a much larger scale. In the 1990s and 2000s, these provincial governments engaged in one of the country’s largest consolidation programs. When Mike Harris and his Progressive Conservative government was elected in 1995, there were 850 municipalities in the province but by 2000 that number had been reduced to 444 (Siegel, 2005: 129). Much of the focus of the Progressive Conservatives was on Toronto, where the two-tier Metropolitan Toronto government was dismantled and converted into a single-tier government (Friskin, 2007). In Quebec, the provincial government moved forward with wide-ranging municipal amalgamations in 2001 and 2002, largely at the request of big-city mayors. Amalgamations occurred in and around Montreal, Quebec City, Longueuil, Hull, Chicoutimi, Sherbrooke, and Trois-Rivières (Sancton, 2011). A de-amalgamation movement discussed later in the paper reversed some of this restructuring.

Amalgamation in Canada is, of course, not a thing of the past. Manitoba’s government is currently attempting to amalgamate every municipality in the province that has fewer than 1,000 residents. The government’s plan would require 87 municipalities to amalgamate, a decision that prompted the Association of Manitoba Municipalities to file legal action against the province (Lambert, 2013). Many of the municipalities in the Greater Victoria Area recently held referendums to consolidate the region into a single municipality. Most voters opted to explore amalgamation (Knox, 2014).

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## Evaluating the Amalgamation Process

Much has been written about amalgamation in Canada. Forcible amalgamation has occurred in a number of Canadian jurisdictions. What has been the effect of this restructuring? Most of the research has analyzed amalgamated communities on one of two fronts: fiscal—Did amalgamation result in efficiencies? Did

amalgamation create cost savings? Did amalgamation save money?—and governance—Did amalgamation create challenges for governance? Did amalgamation create greater access for citizens? Did amalgamation increase accountability and transparency?. We explore both below.

### Fiscal challenges

There is some debate about the fiscal advantages of consolidation. While some (Bahl and Linn, 1992) have argued that consolidated, single-tier municipalities offer greater fiscal capacity, more ability to borrow, and larger taxation capacity, most academic research has found that consolidation produces fiscal challenges. For the most part, local consolidation has produced few economies of scale (Byrnes and Dollery, 2002; Hirsch, 1959; Bird and Slack, 1993). Costs generally increase after amalgamation, largely because of a harmonization of service costs and wages (Blom-Hansen, 2010; Dahlberg, 2010; Bird, 1995). The transitional costs after amalgamation are often quite high and, in some cases, can reduce or even eliminate any immediate cost savings anticipated from consolidation (Flyvbjerg, 2008; Vojnovic, 1998). Research has also found that amalgamation has not led to more efficient service production or delivery (Kushner and Siegel, 2005; Found, 2012; Moisiso, Loikkanen, and Oulasvirta, 2010). Additionally, municipal mergers reduce competition among municipalities, which weakens incentives for efficiency and responsiveness to local needs, while also reducing the choice of residents to find an ideal ratio of tax to services (Charlot, Paty, and Piguet, 2012; Bish, 2001). Since municipal mergers rarely result in boundaries that encompass entire metropolitan regions, externalities may still exist in transportation and land-use planning (Bahl, 2010; Slack and Chattopadhyay, 2009). Municipal amalgamations have also been shown to internalize externalities (for example, by forcing rural residents to pay for urban services to which they do not have access) (Vojnovic, 1998).

Within Canada, the cost savings always promised as a benefit of large-scale amalgamation have not materialized (Sancton, 1996; Slack, 2005; Sancton, 2000). For example, Kushner and Siegel, in their examination of three mid-sized amalgamated Ontario cities, found few cost savings: there were lower expenditures after amalgamation in Central Elgin but none found in the larger municipalities of Kingston or Chatham (Kushner and Siegel, 2005).

Toronto is perhaps the best-known example of consolidation in Canada. As such, it has attracted much of the scholarly attention in this area. Slack and Bird (2013) examined expenditures in some core areas of service delivery—fire protection, garbage collection, libraries, and parks and recreation—between 1997 and 2009 and found very few cost savings after Toronto’s amalgamation. Expenditures for fire protection, garbage collection, and parks and recreation increased after amalgamation. Only expenditures for library services decreased, although the authors argue that this is likely the result of the changing nature of library service, which moved from handing out books to providing electronic and internet resources (Slack and Bird, 2013). Slack and Bird also found that residential and

business property taxes decreased after amalgamation. Much of this, however, can be attributed to political decisions aimed at alleviating the widespread notion that amalgamation would lead to higher taxes (Slack and Bird, 2013).

A significant proportion of the anticipated cost-savings from the Toronto amalgamation was lost in the transition period. Schwartz (2003) found that the transition from Metropolitan Toronto to the new consolidated city cost \$275 million. The harmonization of service levels across the city was the major cause of these transition costs, but harmonization of wages and salaries was also a significant expense. Research has also found that, while some positions were eliminated in the wake of amalgamation, many more were added over time. Schwartz (2004) found that, between 1998 and 2002, about 2,700 positions were eliminated because of amalgamation but, over the same time period, an additional 3,600 positions were added. “Downloading”—that is, the transferring of responsibility for services from the provincial government to municipalities—also complicated the post-amalgamation financial picture of the city. The provincially mandated process of Local Service Realignment drove up expenditures in key Toronto service areas, particularly social services (Schwartz, 2001; Slack and Bird, 2013).

### **Impact on governance**

Along with the fiscal impact of municipal restructuring, amalgamation has also caused strain in city governance. In the wake of Toronto’s amalgamation, for instance, there were concerns that resident’s access to local decision-makers would be diminished. In an effort to ensure there was adequate access for those communities amalgamated into the new city, a network of community councils was established; however, past research has found that these councils have largely fallen into a state of disuse, and been reduced in number (Golden and Slack, 2006; Côté, 2009). A similar situation occurred after the creation of the Winnipeg “megacity”: embedded resident advisory groups were eliminated and community committees were reduced after they received mixed reviews (McAllister, 2004; Kiernan and Walker, 1983; Axworthy, Grant, Cassidy, Siamandas, 1973).

Amalgamation in both Toronto and Winnipeg also neglected the regional question. In Toronto, for example, the provincial government seriously examined the broader integration of the Greater Toronto Area (GTA) prior to a change in government. The most notable effort in this area was the Task Force for the Future of the Greater Toronto Area, chaired by Anne Golden, which recommended a relatively powerful, but not directly elected, Greater Toronto Area Council, which would act as a new upper-tier authority and replace Metropolitan Toronto and the four adjoining GTA regional governments (Todd, 1998; Golden, 1996). Golden, of course, was also quite critical of the prospects of amalgamation for the GTA, arguing that the cost-saving benefits of amalgamation were often “over-stated” and that consolidation can also create diseconomies of scale (Sancton, 2000: 116). The provincial government, however, disregarded many of Golden’s recommendations and instead moved forward with altering the internal borders of Metropolitan

Toronto (Sancton, 1999). The regional conversation that Golden began fell by the way side and the problems with regional coordination identified by Golden and others persisted.

Taking these two governance issues together, researchers have concluded that Toronto is both too big and too small (Slack and Bird, 2013; Spicer, 2014). Slack and Bird argue that “the city is too small to address the regional issues that plague the GTA (such as transportation and land use planning and economic development) and too big to be very responsive to local residents” (2013: 20).

Winnipeg experienced a similar phenomenon after consolidation. In 1971, the amalgamated City of Winnipeg accounted for 99.1% of the population within the Winnipeg Census Metropolitan Area (CMA) and 92.7% in 1996 (Sancton, 2000: 61). Between 1991 and 1996, the City of Winnipeg’s population increased by 0.5% while the rest of the CMA increased by 7.7% (Sancton, 2000: 62). Because of this regional disparity, the provincial government initiated the Capital Region Review in 1998. In the Review’s report, the following problems were identified:

the existing legislative, policy and procedural framework in the Region has not been entirely effective. In particular, there is a need to improve regional awareness and thinking; to institute strategic regional planning of those activities which involve region-wide impacts; and to ensure that the costs and benefits of service delivery in the Region are better allocated among the various governments, ratepayers, and residents ... We believe that some form of regional agency is required to address these needs. There is a broad spectrum of options available, ranging from a third tier of government to greater collaboration between existing local governments. (Sancton, 2000: 62)

Much like Toronto, Winnipeg eventually found itself in a situation where the enlarged, restructured city was unable to capture all of the region’s growth. In this case, the new City of Winnipeg was simply too small to address the growth pressures of the province’s largest (and only true) city region. As a result, the province began to muse about adding additional tiers of government to help manage growth and development that spilled over the city’s boundaries.

Taken together, the research on amalgamation has largely proven that consolidation has created a series of fiscal and governance challenges. Since this is so, it is no surprise that many jurisdictions that were amalgamated have been calling for institutional change. For instance, in Ontario, the Municipality of Killarney recently passed a motion asking the province to de-amalgamate part of the community (2014: 14-232). Of course, they are not alone. Ontario municipalities such as Essex, Sydenham, and Kawartha Lakes all have groups calling for de-amalgamation (Gowan, 2013). Would de-amalgamation be a viable alternative? In the next section, we examine this prospect.

## De-amalgamation in Canada

In Canada, the overall trend in municipal restructuring has been toward creating larger, not smaller, municipalities. Very rarely have we seen municipalities de-amalgamate. This, however, does not mean that it is impossible to reverse restructuring. Below, we provide two examples: Headingley, Manitoba, and Montréal, Quebec. The two offer insight into different processes and results.<sup>1</sup> Headingley is a rural municipality west of Winnipeg and was de-amalgamated after a number of studies identified very little commonality with the rest of urban Winnipeg. The community was primarily rural and presented a servicing burden for the amalgamated City of Winnipeg. In 2003, the amalgamated City of Montréal was given the option of de-amalgamating in a city-wide referendum. Some areas chose to de-amalgamate, while others did not, creating a governance challenge for the region.

The two regions give us a look at the differences between urban and rural de-amalgamations. In the case of Headingley, the municipality was permitted to de-amalgamate largely because it was rural and had little in common with the rest of the city. Officials from the community wanted to remain rural and feared urban development would slowly overtake the area if they remained within the boundaries of the City of Winnipeg. Those in Montréal took a different perspective. Every community within the amalgamated City was urban and the referendum focused mainly on taxation and service levels along with the language politics that generally consume debate within the Montréal region.

### Case study: Headingley, Manitoba

Winnipeg has undergone intense institutional change. Much like Toronto, Winnipeg was federated as a two-tier municipality prior to being forcibly consolidated in 1971. Caught in this process was Headingley, a small rural community on the western edge of the City of Winnipeg. After amalgamation, those in Headingley pushed for secession. As a primarily rural community, residents did not believe they had much in common with the larger, urban sections of the city.

The arguments of Headingley residents were finally formally addressed in a 1986 review of the City of Winnipeg's governance structure. The review was initiated by the provincial government in 1982, with a focus on examining, "city planning [and] the distribution of responsibilities and powers between the City of Winnipeg and the Province of Manitoba" (Wichern, 1986: 3). The review committee eventually made 73 recommendations concerning everything from the composition of council, to intergovernmental relations to the city's electoral system (Wicher, 1986: 3). Their recommendations on Headingley were, therefore, only one part of

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1. There are relatively few examples of de-amalgamation in Canada. Therefore, the two most prominent were selected for this paper.

the extensive review but, for our purposes, they are central. Headingley, the report's authors argued, should be allowed to secede from the City of Winnipeg, noting:

We perceive the area as a predominantly rural area without the status of a rural municipality. It would appear beneficial, therefore, to permit the area to pursue its rural and agricultural future as either a separate municipality or as part of an existing rural municipality. As an important asset in the Winnipeg region, rural Headingley should be given the opportunity to govern itself within the role that apparently all parties within it play. (Sancton, 2000: 61)

In 1987, before the review was issued, the residents of Headingley began a campaign that called for the town's secession from the City of Winnipeg (O'Brien, 1993: 32). These efforts were mainly led a group called the "Headingley Taxpayers Association", who had been agitating for a review of the new amalgamated city structure since consolidation. The report merely confirmed their attitude toward Winnipeg.

In 1990, the City of Winnipeg commissioned a survey of Headingley residents<sup>2</sup> to gauge their attitudes on issues such as service delivery and governance. The survey did not ask residents specifically whether they wished to continue as part of the City of Winnipeg. What the survey did reveal, however, was that residents had a deep desire to continue as a rural community. A vast majority wanted Headingley to continue to keep its "semi rural atmosphere", with very little new development. Reduced property taxes were also favoured by a majority of residents over improved services and the introduction of "urban services". The largest concerns of Headingley residents were the loss of farmland from their community (City of Winnipeg, Dep't of Environmental Planning, 1990).

Overall, the survey found that most residents within the community had no desire to develop along the same grounds as Winnipeg. Headingley residents overwhelmingly wanted to remain as a rural community. Most respondents indicated that they liked most about living in Headingley was the "peace and quiet" (29.60%) and the "country atmosphere" (31.39%). Very few (6.27%) indicated they enjoyed the community's "proximity to Winnipeg" (City of Winnipeg, Dep't of Environmental Planning, 1990).

The City of Winnipeg used many of these results in drafting its "Action Area Plan", a framework for examining the status of Headingley. The report began by acknowledging the deep distinctions between Headingley and the rest of the communities within the City of Winnipeg. Of note, the report's authors identified the following about Headingley: its land area is one fifth that of Winnipeg, its predominant land use is agricultural, it has a rural service level and, finally, its

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2. The survey itself was distributed both by mail to all homes within the Headingley community and at a public, open-house meeting. In total, 312 questionnaires were distributed, with a resulting coverage of 61.3% of the homes in Headingley. 194 questionnaires were returned, for a response rate of 62.2%.

groundwater is not potable (City of Winnipeg, 1991). The report also began by recognizing that many residents had concerns about tax dollars leaving their community to subsidize services in urban portions of the city and that it would be challenging to create a more compact urban form while still within the city's boundaries (City of Winnipeg, 1991).

The study identified that the community of Headingley was still very small. In total, 1,380 residents were identified as living in 435 private dwellings. The land area of the community was quite large (29,445 acres), with most of the land used for agriculture (75%) (City of Winnipeg, 1991). Although the report's mandate did not include the community's concerns with taxation, it did identify several challenges to providing city services within such a rural area, namely the inability of city buses to navigate primarily gravel side roads, the high cost of water delivery in consideration of the households served, and a lack of municipal water supply in the delivery of fire protection (City of Winnipeg, 1991).

Overall, however, the report found that the largest impediment to improving service levels in Headingley were the desires of local residents to maintain their semi-rural character. Wanting to remain rural was identified as an impediment to increased development in Headingley, which would have more easily facilitated extension to services to the community. As it stood, delivering such services was more costly than it needed to be. Residents also expressed concerns regarding the cost to them through local improvement levies for the local distribution system (City of Winnipeg, 1991). In short, the residents of Headingley were unwilling to accept the increased density that would have more easily facilitated the expansion of services and were unwilling to pay more such services in the absence of such development.

In 1991, approval was granted from the provincial government to allow the residents of Headingley to hold a referendum on secession (O'Brien, 1993: 32). Of the 1,390 people entitled to vote, 1,163 voted and of these 1,008, or 86.7%, supported secession and the establishment of a new rural municipality (Sancton, 2000: 61). Following the results of the referendum, Jim Ernst, the provincial Minister of Urban Affairs, presented a bill before the Manitoba Legislature that would allow Headingley to separate from the city of Winnipeg (O'Brien, 1993: 32). Ernst read a summarized list of residents' concerns in the Legislature on February 24, 1992:

Unlike most suburban residential communities in Winnipeg, Headingley is a semi-rural community with no municipal sewer or water service, a limited bus service and unpaved roads ... in short, Headingley has more in common with its neighbouring rural municipalities than it does with Winnipeg, in terms of land uses and levels of municipal services available in particular (O'Brien, 1993: 32).

Ernst reassured his colleagues that his government continued to support the concept of the Unicity despite the secession of Headingley:

Let me assure the House that the government is fully committed to the concept of the Unicity. The government does not encourage or support the dismantling of Unicity. In our view this would be counter-productive. To conclude that because we agreed to Headingley's secession we would therefore permit any other community to become an independent municipality is ... an incorrect assumption (O'Brien, 1993: 33).

Ernst's bill contained an amendment that prevented any secession from leading to a new urban municipality and stated that Headingley was an isolated incident and did not threaten the Unicity concept, stating that "given the very special circumstances of Headingley there is no legitimate basis for concluding that allowing Headingley to secede means other communities will be permitted to withdraw one by one over time ... I can assure you this is not the government's intention, nor will that happen" (O'Brien, 1993: 33). Headingley was separated and gained the status of an independent Rural Municipality.

While the secession went ahead as planned, the legal wrangling over assets continued for some time. Headingley and Winnipeg were unable to find an appropriate method of dividing assets and referred the matter to the Municipal Board of Manitoba for a resolution. The Board examined four main issues:

1. division of the excess of assets over liabilities;
2. allowance for out-standing taxes payable to Winnipeg by Headingley taxpayers;
3. provision for Winnipeg-owned land within Headingley;
4. provision for debt relating to Headingley infrastructure.

Headingley made a submission, claiming they were owed a significant sum from the City of Winnipeg. Specifically, Headingley argued that they were owed: payment of \$650,000 for infrastructure capital costs in 1993, payment of \$100,000 to cover the cost of the consultants and preparation of materials for the Municipal Board hearing, the transfer of all Winnipeg-owned properties within Headingley, cancellation of all capital debt charges claimed by the City of Winnipeg for maintenance of farm drainage during the 1980s, cancellation of a retainer fee for fire services for 1993 (\$166,839), contribution of \$146,000 towards a repayable loan from the provincial government to support the operation of Headingley from 1992, and financial considerations for the John Blumberg Golf Course, which was formally a Winnipeg-run operation (Municipal Board of Manitoba, 1994). Overall, the most surprising part of Headingley's statement of claim was the demand for compensation for "neglect and excessive taxes" that the City of Winnipeg extracted from the community over the twenty-year period it was part of the amalgamated city (Municipal Board of Manitoba, 1994).

The City of Winnipeg agreed to the transfer of property, which was transferred to Headingley for the sum of \$1.00 (Municipal Board of Manitoba, 1994).

The Municipal Board did not see any validity to the claim that the continued operation of the John Blumberg Golf Course requires any compensation from the City (Municipal Board of Manitoba, 1994). On the more substantial issues, such as the transfer of assets from each community, the Board established some general protocols. The Board believed that since the two communities shared a governance structure for only 21 years, Headingley did not have a reasonable claim to share in all of the assets developed by City (1994). Assets put in place during that period, such as the City's Solid Waste Disposal System, were sharable (1994).<sup>3</sup> The Board also felt that existing tax revenue was not sharable, but the City's unallocated reserves were (1994). Despite the objections of the City of Winnipeg, the Board also recommended that the equity from the Land Operating Reserve also be shared (1994).<sup>4</sup> The Board considered City equipment and chattels sharable. These were estimated at a cost of \$53,204,600 (Municipal Board of Manitoba, 1994).

Once it had been established which assets were considered sharable, there was still disagreement about the apportionment of these assets. Headingley maintained that this ratio should be in proportion to the municipality's assessed value (in this case 0.0053) while Winnipeg argued it should be based upon portioned value, that is, the value on which taxes are levied (0.00424). The Board argued that the apportionment should be based upon portioned value (Municipal Board of Manitoba, 1994). Using that formula, Headingley's share of the equity of \$178,242,000 apportioned on the base of assessment amounted to \$755,746 (Municipal Board of Manitoba, 1994). In terms of outstanding taxes, the Board found that Winnipeg owed Headingley taxpayers \$139,055 (1994). Conversely, the Board also found that Headingley owed Winnipeg \$108,670 in outstanding taxes (1994).

Since Headingley left the City of Winnipeg, there have been no other secessions from the city, nor has the provincial government encouraged them.

### **Case study: Montreal, Quebec**

Municipal amalgamation had been explored for some time in Quebec prior to Montreal's restructuring. After the wide-ranging amalgamations in Ontario during the 1990s, Quebec Premier Lucien Bouchard began to explore restructuring in earnest by assigning chairs of advisory committees for municipal structures in Montreal, Quebec City, and the Outaouais area (Sancton, 2011). Louis Bernard was appointed as chair for Montreal, and eventually proposed the creation of 27 boroughs, each of which would have a council with authority to manage a range of local services and levy property tax within the territory of the borough (Sancton, 2011). The Province put its agenda into action in December 2000, with the passage of Bill 170 in the Quebec National Assembly. The legislation led to the

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3. On this particular component, Headingley was entitled to \$435,000 in equity from the Solid Waste Disposal System.

4. The Interim report on Headingley's secession argued that this Reserve had not originally included equity from land in Headingley but the City of Winnipeg was unable to prove conclusively that this was true. This led to a re-adjustment of the total allocation by the Municipal Board.

consolidation of 213 municipalities into 42, with the most significant amalgamation on the Island of Montreal where all 28 municipalities were merged to create a new Montreal megacity (Spicer, 2014). On top of the newly created amalgamated city, was another tier of government called the Montreal Metropolitan Community (MMC), which covered the entire metropolitan area (Sancton, 2011).

Because borough governments were included, Montreal's new structure would look very different from that of Toronto. According to Sancton, this step was unique: "never in Canadian municipal history had a serious proposal for an amalgamation been accompanied by such a high degree of political and financial decentralization" (2011: 159). Tomàs (2012) explains that there were two main reasons for creating the borough governments. The first was linguistic, as 14 of the municipalities where English was the language spoken by the majority had a bilingual status prior to amalgamation and provided services to citizens in both English and French. The second was about local responsiveness: the boroughs were seen as a way to preserve the sense of community in the former municipalities.

The amalgamation of Montreal was controversial. The mayors of many suburban municipalities were opposed to the merger. Some even held public consultations in their municipalities to gather support to oppose the mergers (Vaillancourt and Meloche, 2013). Others even took the matter to the courts and attempted to block the forcible consolidation (Vaillancourt and Meloche, 2013). Since this was the case, we should not be surprised that a level of animosity was still present after the restructuring process. In the 2003 provincial election campaign, the Quebec Liberal Party (PLQ) promised to allow residents to have a say on the municipal mergers. The PLQ's commitment to allowing debate on municipal amalgamation was long-standing. At the party's 2000 congress, a resolution allowing for de-amalgamation was moved by Roch Cholette, the party's municipal affairs critic (Sancton, 2006). Party leader Jean Charest expressed support for the motion, including the need for voters to have a say in the fate of their communities (Sancton, 2006). The current government's merger plan, Charest argued, was heavy handed and largely excluded the public. During the election campaign, a large public rally was held in Pointe Claire in the west end of the Island of Montreal, where Charest promised to provide a mechanism for de-amalgamation, if elected. Specifically, Charest stated: "The Liberal Party [has promised] once it forms a government [that it will] allow the citizens who have been victims of these formed mergers to speak and undo what the Parti Québécois has done" (Sancton, 2006).

The PLQ went on to win the election and, once in power, passed a law requiring citizen consultations on the territorial reorganization that would allow municipalities that wished to leave any newly amalgamated municipalities to do so under certain conditions. Two conditions were put forward for de-amalgamation: first, a minimum of 10% of registered voters within a former municipality's borders had to sign a register and, second, a referendum to lead to a de-amalgamation had to include a majority of voters who represented at least 35% of registered voters (Vaillancourt and Meloche, 2013). Across the province, 31 municipalities—15 of

which were on the Island of Montreal—opted for de-amalgamation (Spicer, 2014). Municipalities that chose to de-amalgamate had their independent status restored on January 1, 2006.

### Agglomeration

The de-amalgamation on the Island of Montreal required yet another provincial reform: the creation of the Agglomeration. This new upper-tier structure was given responsibility for delivering higher-order services across the Island, including property assessment, social housing, large parks, policy, public transit, major streets, water supply, and sewage treatment. While the Agglomeration provides upper-tier services to the 15 de-amalgamated municipalities, it is dominated by the City of Montreal, which constitutes 87% of the population on the Island (Spicer, 2014). The Agglomeration council is headed by the mayor of Montreal and consists of 31 elected officials representing all of the municipalities on the island of Montreal: the mayor of Montreal, 15 members of Montreal's city council named by the mayor, the 14 mayors of the reconstituted municipalities (Île-Dorval and Dorval share one representative), and a second representative from Dollard-des-Ormeaux (because of the size of its population) (Vaillancourt and Meloche, 2013). Voting on the Agglomeration council is weighted, so that Montréal has 87% of the votes.

Servicing responsibility for the Island of Montréal is divided between the Agglomeration, the City of Montreal, and the boroughs. The Agglomeration is responsible for area-wide services (for example, property assessment, social housing, transit, and public safety). The City and boroughs are responsible for local services with the City managing services such as water, waste management, and economic development, while the boroughs oversee services such as local street maintenance, snow removal, libraries, and local parks (Spicer, 2014).

Borough governments are funded largely through transfers from the City of Montreal; the transfers totalled \$850 million in 2012 (Vaillancourt and Meloche, 2013). Property tax rates are relatively consistent throughout the city, as boroughs make little use of their taxation powers. Still, some boroughs are raising up to 20% of their revenues from their residents—largely through service charges such as parking revenue—whereas local revenues represent as little as 5% in others (Vaillancourt and Meloche, 2013).

The amalgamation and subsequent de-amalgamation of Montreal has led to a great deal of complexity in governance. Within Montreal, there are effectively four levels of government: the boroughs, the City of Montreal, the Agglomeration, and the Montreal Metropolitan Community. Many of these have elected representatives. Borough governments are not distinct corporate entities and operate within the City of Montreal. Each has a directly elected mayor who also sits on city council. Most have at least one other councillor on its borough council and some have up to four more. In total, 40 borough councillors are elected to serve at that level, while 64 members are elected to serve on Montreal city council, including the Mayor of Montreal and the 18 borough mayors (Sancton, 2011).

## Evaluation of the Case Studies

Since de-amalgamation, Headingley has remained relatively small. As of 2011, the municipality had a population of 3,215 people and only \$139 million worth of assessed property.<sup>5</sup> In this sense, de-amalgamation advocates got their wish. The 1991 survey by the City of Winnipeg's planning office identified 1,380 residents, which means the community has seen only a marginal increase in population over 20 years. Headingley is also a fiscally healthy community. As of 2011, the municipality had over \$7 million in cash reserves and a \$30 million surplus—the highest in its municipal class (populations between 1,000 and 5,000). Unfortunately, we do not have a survey similar to the one conducted in 1991 by the City of Winnipeg to gauge the satisfaction of residents with their municipal services but, from the latest financial returns, it appears that Headingley is fiscally healthy.

The case of Montreal is, of course, considerably different. As noted above, the partial de-amalgamation of the city has caused significant challenges in governance. The region is also experiencing fiscal challenges. In a 2013 article, Vaillancourt and Meloche argue that it is challenging to identify cost savings results from amalgamation because of the complexity of governance arrangements following the creation of borough governments and de-amalgamation. Servicing responsibility for the Island of Montréal is divided between the Agglomeration, the City of Montréal and the boroughs, all of which, they argue creates a host of service inefficiencies (Vaillancourt and Meloche, 2013). There is no clear formula to determine who ought to be responsible for delivering which services, but Vaillancourt and Meloche (2013) argue that efficiency will generally be higher when responsibilities and costs are shared appropriately. They, therefore, identify ways in which Montreal's financial and administrative arrangements could be made more efficient. They suggest that three borough-administered services—libraries, waste collection, and road maintenance and snow removal—could be more efficiently delivered by the City of Montreal (2013). They further argue that transactions between the boroughs also need to be priced properly in order to provide full accounting for municipal services (2013). Similarly, cost-sharing mechanisms should be fully explored to bring more efficient service delivery for items delivered partially by both the city and the boroughs, such as library services, since borrowers may come from outside a particular borough library catchment area. Overall, it is unclear whether amalgamation and the reforms that followed produced cost savings in Montréal, but there seems to be plenty of scope for making the city's current administrative arrangements more efficient than they are at present.

Headingley and Montreal have provided some valuable lessons about de-amalgamation. The case of Headingley should provide some hope for

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5. Data from the Province of Manitoba's Municipal Statistical Information. These figures are as of the end of the 2011 fiscal year.

de-amalgamation advocates in the rural parts of Ontario’s “megacities”, such as Ottawa and Hamilton. In both, the provincial government merged rural and semi-rural communities with large urban centres, a measure that was met with stiff resistance. If Headingley could secede based on its relatively few connections to the urban centre of the city, then so too could communities like Flamborough in Hamilton or Osgoode in Ottawa. Headingley also seceded from Winnipeg 21 years after first being amalgamated, which provides hope for communities told that too much time has passed since their original consolidation to reverse restructuring effectively.

Montreal provides some very different lessons. The PLQ government should be credited for providing voters with a mechanism to vote for de-amalgamation. They promised to do so in the 2003 campaign and, when given the opportunity, held to their promise. The Ontario Liberal Party under Dalton McGuinty’s leadership promised something similar during the 2003 Ontario election campaign, but abandoned the notion of allowing de-amalgamations, even after a referendum on the issue was held in the consolidated municipality of Kawartha Lakes (Sancton, 2006). For the most part, the Ontario Liberal government felt that the fiscal health of many smaller, municipalities would be in jeopardy if they were allowed to de-amalgamate.<sup>6</sup>

While McGuinty was heavily criticized for his decision, examining the complicated governance network in Montreal may lend some support to his decision. Residents in Montreal now live in a multi-tier system, where decision-making authority, servicing, and financing responsibility is fragmented. While it is commendable that the government of Jean Charest, unlike the previous PQ government, allowed residents to have a say in the future of their municipal governments, by not reversing amalgamation completely, they created a needlessly complicated system of local governance.

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## Is De-amalgamation Possible?

De-amalgamation does not necessarily mean a return to pre-amalgamation boundaries. As we have seen through the two examples above, often de-amalgamation means accepting peculiar boundaries and new governance arrangements. In Headingley, the community long felt that they had no connection to the rest of the City of Winnipeg. As a rural community, residents of Headingley took pride in their agricultural economy and feared that urban expansion would soon overtake their community. The section of the City of Winnipeg that contained the former

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6. Personal communication from Richard Joy, Former Advisor to Minister of Municipal Affairs and Housing, John Gerretsen, Government of Ontario (February 28, 2014).

municipality was sectioned off and Headingley was reborn with Rural Municipality status. The legal wrangling over assets took some time to conclude, largely because of how long Headingley had been part of the City of Winnipeg. In Montreal, the amalgamated city was not together very long, allowing de-amalgamation without many legal complications. The question remains, however, is de-amalgamation possible?

In a theoretical sense, de-amalgamation is certainly possible. If the borders of municipalities can be enlarged, they can be reduced or divided. Provincial governments in Canada have the ability to redraw local boundaries and re-assign responsibilities. Simply put, if provincial governments can amalgamate, they can de-amalgamate. The question then becomes: If de-amalgamation is possible, is it desirable? Would de-amalgamation correct many of the problems identified above? In this case, the question is less clear. In fact, as we have seen by examining Montreal, the end result of de-amalgamation could be a messy governance arrangement. Below are some items to be taken into account when evaluating whether de-amalgamation would be beneficial.

### **Fiscal health**

One of the most important factors in restructuring municipal governments is the fiscal health of the community. For many municipalities, size and function are often most important for ensuring municipalities are fiscally healthy. Does it have enough of an assessment base to properly deliver services to residents? What the Ontario Liberals found when they examined the case for de-amalgamation of the City of Kawartha Lakes was that many of the smaller communities, who were once independent municipalities in Victoria County, were not able to absorb the cost of many of the services transferred to their responsibility by the provincial government. It is likely that many communities could be facing similar situations. In the years since amalgamation, fiscal conditions may have changed. Therefore, it is important to find the right governance structure to ensure the new municipality is fiscally healthy.

### **Governance**

Consideration must be given to the type of governance network that would accompany de-amalgamation. In Montreal, de-amalgamation led to the creation of a new tier of government to help coordinate services. This new system, as we have seen, has created confusion amongst residents and fragmentation in the region's governance and service-delivery structure. De-amalgamation in Montreal has created a patchwork of governance within the region and blurred the lines of accountability. Adding institutional layers to a region, however, does not always solve these types of servicing and governance dilemmas. Research has shown that inter-local cooperation shows promise in ensuring service and policy continuity throughout a region (Feiock, 2007). De-amalgamation could, therefore, be achieved without replicating the complexity found in Montreal by relying on voluntary service sharing networks.

### **Service delivery**

In many cases, amalgamation is pursued to better provide for service continuity, or to limit the amount of inter-jurisdictional bickering related to servicing. It is unclear whether de-amalgamating a community would mean a return to these types of servicing dilemmas. Structural change does not always solve inter-jurisdictional conflict. For this reason, there is a chance that de-amalgamation may further complicate matters, an aspect the Montreal case clearly demonstrates. How can economies of scale and scope be best achieved? Would service quality improve? Would service delivery be more efficient? In certain cases, de-amalgamation may likely make achieving service efficiency more challenging if the right governance structure is not put in place.

### **Transaction costs**

The relationship between Headingley and Winnipeg in wake of Headingley's de-amalgamation has shown that there are steep costs to de-amalgamation. When communities de-amalgamate, they are rarely able to leave without some costs, especially if they have been amalgamated for a particularly long time. In some cases, the transaction costs may be too high to make de-amalgamation possible. Not only will there be legal and financial negotiations with the municipality from which the community is separating, but consideration will have to be given to the transition costs of establishing a new administrative and political structure. As we noticed with Toronto's amalgamation, labour costs erased much of the anticipated savings. The same forces would be at play during de-amalgamation. In some cases, these transaction costs could affect the ongoing fiscal health of the community, perhaps making de-amalgamation unfeasible.

### **Public support**

As we have seen, the public is often excluded from decisions surrounding amalgamation. Municipalities can be forcibly consolidated without ever gaining consent from the community. In fact, a number of provincial governments have taken this route. Manitoba is currently engaged in a large-scale forced amalgamation of its smallest municipalities. A number of municipalities in the Greater Victoria Area recently held referendums on whether to explore amalgamation. This, however, is a rarity. Even when public input was not sought prior to amalgamation, it is important to seek it prior to de-amalgamation. Institutional change should have the broad support of residents. In Montreal, the option of de-amalgamation was provided to all former municipalities and was rejected in many. As unpopular as forced amalgamation often is, many do find benefit in these new governance structures. Seeking a clear mandate to pursue de-amalgamation not only bolsters the case of those advocating it but also ensures community support.

Even in the right conditions, provincial governments will not always consider de-amalgamation. Politics are inevitably in play during amalgamation

and de-amalgamation. In the absence of provincial political support or if de-amalgamation does not make sense, administrative decentralization may help residents return some semblance of local control to their communities. Community councils may be able to accomplish this, if they were empowered with decision-making ability and responsibility over local matters and some finances. Participatory budgeting and the type of borough councils that Montreal has in place also show some promise. There is a way that these types of mechanisms would garner the benefits of a two-tier system: local control over fiscal and planning functions, but with an area-wide purview for service delivery.

De-amalgamation, however, has been shown to be possible. It has been pursued on a number of occasions, but rarely achieved. Provincial governments are generally not motivated to reverse their decisions. Even new provincial governments are loathe to revisit the decisions of previous administrations when it comes to municipal amalgamations. Opponents of amalgamation have made their case to reverse restructuring decisions in certain cases. Headingley and Montreal present two cases: one is rural, while the other is urban; one was a partial de-amalgamation and the other was gauged on a city-wide basis. An important distinction, however, is also the length of time between amalgamation and de-amalgamation. In Montreal, de-amalgamation activists pressured the government to reverse their decision throughout the merger process. An opposition party saw an opportunity to capitalize. In Headingley, the de-amalgamation process took more than 21 years to achieve but, in this case, advocates never relented and continuously made a case restore their community's autonomy. The key, then, appears to be advocacy and research.

Returning to the question posed by Gee and his colleagues, what would de-amalgamation look like in our largest city, Toronto? Is Gee right that de-amalgamation is not possible? Quite frankly, no. De-amalgamation in Toronto is possible. Montreal has shown us that de-amalgamation of a large city is possible. Headingley has demonstrated that the tenure of consolidation complicates the de-amalgamation process, but that does not fatally harm it. The City of Toronto, therefore, could, at least in theory, be de-amalgamated and the previous borders restored. However, is it desirable to do so?

The key lesson from Montréal's experience with de-amalgamation is that allowing certain areas to de-amalgamate and others to stay can create a fragmented patchwork of governance across the region. A similar situation in Toronto is not desirable. If de-amalgamation were to be pursued, the return of a two-tier structure would be the best option. The external boundary of the City of Toronto and Metropolitan Toronto are the same. The provincial government merely removed the internal boundaries at the time of amalgamation. Some of these boundaries are still in place. In the wake of amalgamation, community councils were established to address issues that were local in nature, such as business licensing and property standards issues. Originally six community councils were established, adhering to

the boundaries of the former lower-tier municipalities in Metropolitan Toronto. In 2003, the number of community councils was reduced to four: Etobicoke-York; North York; Scarborough; and Toronto and East York.

These current boundaries could theoretically serve as new internal boundaries, leaving the exterior boundaries in place. Servicing responsibility could be decentralized within the city and placed in the hands of these local councils, effectively recreating a two-tier system that was, at one time, widely praised for its ability to balance local interests with servicing efficiency. Metropolitan Toronto originally had responsibility for area-wide services, such as property assessment, the construction and maintenance of arterial roads, major sewage and water facilities, regional planning, public transportation, the administration of justice, metropolitan parks, and housing (Colton, 1980: 71). The lower-tier municipalities would be responsible for local services, such as police and fire protection, business licensing, public health, and libraries (Colton, 1980: 71). In other service areas, responsibility was shared with Metropolitan Toronto (Colton, 1980: 71). The same servicing arrangement could be put in place again, thereby ensuring a degree of localization while maximizing economies of scale and scope.

All of this, however, is only speculative. There is no guarantee that the service framework or governance structure mentioned above is even feasible. In fact, the possibility of de-amalgamation in Toronto needs to be buttressed by two important points. First, the majority of the research on Toronto's amalgamation has indicated that restructuring has created a host of challenges for the city. There is no reason for us to believe that today's provincial officials would do a better job de-amalgamating the city than yesterday's officials who were responsible for its amalgamation. Second, prior to Toronto's amalgamation, provincial policy-makers were engaged in a regional conversation, attempting to bring about greater connections between the city and its suburban neighbours. Amalgamation ended those discussions. Since then, regional coordination continues to be a challenge. De-amalgamation, then, could very well postpone those much-needed discussions once again.

Municipalities require the right governance structures. Research has shown that municipal amalgamation is fraught with fiscal, policy, servicing, and governance challenges. Policy-makers ought to pursue an institutional arrangement that best provides for economies of scale and scope, while also allowing citizens suitable access to decision-makers. It is not always apparent whether de-amalgamation would provide this type of institutional arrangement. A number of factors, including fiscal health, governance, service delivery, public input, and transaction costs need to be carefully considered prior to pursuing de-amalgamation. In certain cases, such as Toronto, de-amalgamation is possible, but likely not desirable, mostly because such a decision would further complicate the region's coordination challenges. We have, however, seen cases of successful de-amalgamation. Headingley provides us with an excellent example of a community that expressed their desire to be independent and long pressed their concerns with the province. By all accounts,

today the municipality is fiscally healthy and free to remain primarily rural, a key desire of de-amalgamation proponents. Montreal, on the other hand, provides us with an example of how de-amalgamation can create a messy and blurred governance network. As such, Montréal is an example that de-amalgamation proponents should hope to avoid.

Overall, however, examining both cases and considering de-amalgamation in a large city like Toronto, should give us pause when considering both amalgamation and de-amalgamation. The goal of policy makers should be to find the right type of institutional structure for municipalities that is embraced by citizens. As we have seen from this discussion on de-amalgamation, reversing local institutional change is very difficult. It is a long and challenging process, that often has high legal and financial costs. Therefore, provincial governments should more carefully examine the benefits of amalgamation because once implemented, this type of restructuring is nearly impossible to reverse without significant cost and challenge. Institutional restructuring, therefore, is something we should never take lightly.

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## About the Authors



**Lydia Miljan** is an Associate Professor of Political Science at the University of Windsor, and a Senior Fellow of the Fraser Institute. She was Director of the Fraser Institute's Alberta Policy Research Centre and from 1988 to 2001 was the Chair of the National Media Archive. She holds a Ph.D. in Political Science from the University of Calgary, specializing in political communication. Dr. Miljan teaches in the areas of Canadian public policy, research methodology, and politics and the media. Her main research interests include how journalist's personal views are reflected in news content and public opinion formation. In addition to peer-reviewed papers, she is the author of three books: *Public Policy in Canada*, *Hidden Agendas: How Journalists Influence the News*, and *Cross-Media Ownership and Democratic Practice in Canada*. *Hidden Agendas* was short-listed for the Donner Prize for the best book in public policy, 2003/04.



**Zachary Spicer** is a SSHRC Post-Doctoral Fellow with the Laurier Institute for the Study of Public Opinion and Policy at Wilfrid Laurier University. He received his Ph.D. in 2013 from the Department of Political Science at the University of Western Ontario. In 2013/14, he held a post-doctoral fellowship with the Institute on Municipal Finance and Governance at the University of Toronto's Munk School of Global Affairs. His research has appeared in a variety of academic journals, including *Canadian Public Administration*, *Canadian Public Policy*, and the *Journal of Urban Affairs*.

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