

**PROBLEMS ARISING FROM LACK OF ORGANIZED  
MUNICIPALITIES IN NEWFOUNDLAND**

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Mr. Chairman, our one lady visitor,—for the first occasion, I think, we have a lady present,—and gentlemen, I assure you that it is a very great pleasure for me to be present at this, your First Annual Conference. Your invitation does me a very great honour, which is deeply appreciated.

It is natural, I suppose, that having acquired a new province, you should like to find out something about it; in what way is it similar to and in what way different from the others. I should like to think, however, that your invitation was prompted by something more than mere curiosity, that it was an expression of your desire to make us in Newfoundland feel that we are now a part of the great Dominion of Canada; that you are anxious for us to come here and take a part in your activities because your problems are our problems and ours are yours.

**Municipal Councils in Newfoundland**

The subject of this paper would indicate that Newfoundland is far behind the other provinces in municipal organization. This is true. Excluding Labrador, the population of the province is

322,000, of whom less than 81,000, or one-quarter, reside in organized municipalities, and of this number, 45,000, or more than one-half, reside in the City of St. John's.

Outside St. John's, there are only 36,000 with any form of municipal government. The total number of municipalities is 22, so that if St. John's is excluded from both the population and the number of municipalities, it will be seen that the average population of a local government unit in Newfoundland is only about 1800. These municipalities are scattered over the whole province, from St. Anthony in the extreme north to Fortune in the extreme south; from Harbour Grace in the east to Port aux Basques in the west, and are independent of each other. Thus, Newfoundland has no local government divisions which correspond to the counties of the other eastern provinces or to the rural districts and municipalities of the central and western provinces.

It is apparent, therefore, that municipal organization in Newfoundland is in its infancy. Indeed, it was not until 1938 that the first municipality was created outside the City of St. John's; the second was created in 1942 and third in 1943. The remaining 18 were created between 1945 and 1949. It will be seen that even where municipalities have been created, with one or two exceptions, the municipal councils have not been in power long enough to make any material change in the problems created by the absence of municipal government.

#### **Financial Problems**

Now that Newfoundland has entered into confederation with the other nine provinces, perhaps the greatest problems arising from the lack of organized municipalities are financial. Prior to confederation, Newfoundland's annual revenue was approximately \$41 million, of which the customs and excise duties and income tax amounted to some \$34 million. Since confederation, these customs and excise duties and income tax amounting, as I have said, to some \$34 million, have been lost to the province and, in their place, we are entitled to receive statutory grants and tax rental payments amounting to some \$6½ million in all. Of course, there is a decrease in expenditure also, due to the fact that certain services have been taken over by the Dominion Government. For example, a large part of our public debt, the Department of Customs, the Department of Posts and Telegraphs, Gander Airport, the New-

foundland Railway, War Pensions, and other services, are now the responsibility of the Federal Government; but the savings to Newfoundland are not equal to the losses, with the result that at the negotiations which preceded confederation, it was agreed that additional grants would be required to enable the Province of Newfoundland to carry on without curtailing existing services. It was accordingly decided to make transitional grants beginning with \$6½ million for each of the first three years and thereafter decreasing annually until they disappeared at the end of twelve years.

Within the next twelve years, therefore, the Newfoundland Government must either find new revenue to replace these transitional grants or must find a way to transfer some of its obligations. In the other provinces, a substantial part of the financial responsibility for education, public health, public welfare, roads, police and fire fighting is borne by the municipalities, but in Newfoundland, municipal government is not sufficiently organized to assume these responsibilities and, as a result, the province is faced with a real financial problem.

It is true that the terms of Union provide: "In view of the difficulty of predicting with sufficient accuracy the financial consequences to Newfoundland of becoming a province of Canada, the Federal Government will appoint a Royal Commission within eight years from the date of Union to review the financial position of the Province of Newfoundland and to recommend the form and scale of additional financial assistance, if any, that may be required by the Government of the Province of Newfoundland to enable it to continue public services at the levels and standards reached subsequent to the date of Union, without resorting to taxation more burdensome, having regard to capacity to pay, than that obtaining generally in the region comprising the Maritime Provinces of Nova Scotia, New Brunswick and Prince Edward Island," but, as I have already stated, many of the services provided by the Provincial Government of Newfoundland are municipal services, and it is clear, I think, that the Royal Commission will not recommend grants to the Province of Newfoundland to enable it to continue services which, in other Maritime Provinces, are being supported either in whole or in part by the municipalities.

Were such a recommendation made, the reaction of the other provinces can be easily imagined. Furthermore, the term I have

quoted contemplates additional financial assistance to Newfoundland only to prevent "taxation more burdensome than that obtaining generally" in the other Maritime Provinces. But, "taxation obtaining generally" includes municipal taxation. It follows, I think, that the solution to the financial problem I have described does not lie in term 29 of the Terms of Union of Newfoundland with Canada.

#### **Lack of Public Responsibility**

It would appear that the solution to this problem, as well as of others which I will mention, is to organize the province into municipalities and transfer to them the responsibility of services provided by the municipalities of the other provinces.

In attempting this solution, however, other problems are encountered. First, there is the firm and continuing conviction that the Provincial Government is responsible for local services and, secondly, there is the almost fanatic dread of property taxes. The first stems from the fact that Newfoundland governments of the past assumed full responsibility for local services because there were no municipalities to assume them. For example, all public roads except those in the City of St. John's were built by the Newfoundland Government—many of them as relief measures to supplement the income from the fisheries in bad years. This applies not only to roads that connected one settlement to another but also to local roads within the settlements themselves. Because the Newfoundland Government has provided for such a long time not only roads, but also, as I have stated, health, education, police, protection against fire and even public wells, it is now firmly established in the minds of Newfoundlanders that the Provincial Government is solely responsible for these things.

#### **Fear of Property Taxes**

Had these services been provided by municipalities, the inhabitants would have learned to regard property taxes in their true light; as it is, property taxes are regarded as a diabolical plot to rob the owner of his property.

To understand this fear of property taxes, it must be recalled that until the year 1824, it was the policy of Great Britain to prevent settlement in the island in order to maintain the virtual monopoly of the West Country merchants of England who sent schooners to Newfoundland every year to fish. It was thought that a fishery

which was carried on by schooners that came out in the spring and returned in the fall would provide an excellent training ground for the Naval service should men be required in an emergency, whereas a fishery carried on by settlers would not provide this training and, in any event, even if it should, the settlers would not be available for Naval service if they should be required.

It was only after a long and a bitter struggle that the right to own property was won, and once won, it is jealously guarded. It must be remembered also that land in our province is generally a strip of ground along by the waterfront from which the fishing operations are carried on. Anything that interferes with the right to this property interferes with the fishery, and anything that interferes with the fishery in Newfoundland is absolutely taboo.

Furthermore, a natural disposition against property taxes was increased by the confederation campaigns of both 1869 and 1948. In both of these campaigns, politicians argued that confederation would mean municipal government; municipal government would mean property taxes, and property taxes would result in fishermen losing their boats, their nets and their land. Lists showing the taxes paid throughout the Maritimes were circulated together with extracts from Canadian newspapers relating to properties offered for sale because property taxes had not been paid. (Laughter).

In the 1949 campaign, family allowances and old age pensions won out over property taxes, but in no way diminished the power of property taxes to strike dread into the heart of the average Newfoundlanders.

#### **Incorporation by Local Initiative**

Because of this lack of a sense of responsibility for public services and the dread of property taxes by the inhabitants of Newfoundland, Newfoundland Governments have been reluctant to create municipalities by compulsion. When, in 1933, the Government of the day decided that the island should be organized into municipalities, it passed the Local Government Act which empowered the Governor in Council by proclamation to declare the inhabitants of any town, village or any number of contiguous places, a body corporate. Whether or not the Government intended to incorporate by compulsion is not known because before any action

could be taken on the legislation, Responsible Government was replaced by Commission of Government.

In 1937, the Commission of Government passed the Local Administration Act which granted the Governor in Commission the power to create municipalities by Order, but no municipality was created by compulsion and no town asked to be incorporated.

Anxious to organize municipalities, the Government then announced a policy under which it agreed to subsidize any town which sought to become a municipality. The policy provided that after incorporation, the Newfoundland Government would pay the town one dollar for every dollar of local taxes collected up to \$3,000; fifty cents on every dollar collected between \$3,000 and \$10,000, and twenty cents on every dollar collected over \$10,000 and up to \$100,000. In addition, special grants were offered to meet the capital cost of carrying out approved road reconstruction programmes. Assistance to purchase fire-fighting equipment and install public water and sewer systems was offered on the basis of one-half grant and one-half loan at 3½%.

It was hoped that such a generous offer would bring an immediate response—but again nothing happened. The Local Administration Act of 1937 provided for a property tax and no offer, however generous, could buy its acceptance.

The government then agreed to pass a special Act for every town willing to become incorporated and in this Act to provide for the form of taxation preferred in each case. This brought a response, slow it is true, but still a response. As I have already pointed out, in 1938 one town was incorporated, in 1942 another and in 1943, still another. In 1944, a Director of Local Government Affairs was appointed. By radio, press and public meetings, the policy of financial assistance was explained throughout the whole province with the result that by the end of 1948, a total of twenty municipalities had been created. Only five of these impose property taxes.

The tax of general application in all the others is a town service fee which, in reality, is a poll tax. This poll tax is paid by all residents over the age of 21 years, residing or employed within the municipality. In addition to the poll tax, there are business and entertainment taxes. In justification of this financial policy, it must

be pointed out first, that there is little doubt but that the compulsory organization of municipalities in Newfoundland would have led to open revolt against the government; second, that as long as incorporation is by local initiative, it is necessary to give incorporated towns some advantage over the unincorporated towns, for no community will volunteer to assume financial responsibility for services which in another community are being provided by the provincial government; and finally, the Newfoundland Government cannot suddenly discontinue those services in the unincorporated towns.

It is hoped that even though the municipalities are subsidized, they will engender a sense of public responsibility and wipe out the dread of municipal taxation, thereby leaving the way clear for municipalities to assume greater responsibilities in the future. There is evidence to show that the desired result is being obtained but, at present, because of delayed municipal organization, with the exception of the City of St. John's, municipalities in the Province of Newfoundland, in terms of dollars and cents, are more of a liability than an asset.

#### **Exemption from Municipal Taxes**

A further problem arising from the lack of organized municipalities is the fact that certain large corporations are today exempt from municipal taxation. Newfoundland governments of past years, apparently under the impression that as there were no municipalities then, there would be none in the future, laid little or no value on the right to collect municipal taxes. Many corporations, however, as a result of their experience in other countries, did not take the same view and were careful to have included in their Acts of Incorporation exemption from municipal taxation or failing this, a provision that, in the event that a municipality were created in the town where they operated, municipal taxes would not exceed a fixed amount. These concessions, granted at a time when there were no municipalities in Newfoundland, are now creating financial problems for the new councils.

#### **Control of Military Areas**

It is now a well known fact that, during the last World War, Newfoundland was the Gibraltar of the North Atlantic. This was so not only because it was used as a base by the Canadian forces, but

also because under the terms of the London Agreement of the 27th March, 1941, the United States of America was granted the right to establish bases at St. John's, Argentia and Stephenville.

When construction of these bases was commenced, it created boom conditions in the adjacent areas, but St. John's was the only place where there was an organized municipality to exercise control. The influx of workmen quickly placed a premium on living space and created sanitary conditions more easily imagined than described.

In an attempt to solve the problem, the Government of Newfoundland passed legislation empowering the Governor in Commission to appoint a Commissioner to exercise municipal control in any unincorporated town which was within fifteen miles of any military or naval base leased to the United States of America. This Commissioner was vested with all the powers, duties and authority of a municipal council, save the power to impose taxes. As the Argentia and Stephenville areas were incorporated under this legislation, no taxes could be collected, but to exercise control and, in particular, to provide satisfactory sanitary conditions costs money. The Government, on the other hand, could hardly provide a free garbage collection service, for instance, for these two towns when other municipalities were providing their own from local taxes.

The problem in the Argentia area was solved when the residents asked to be incorporated under the usual special Act, so that a local council could administer control. No such request was received from the Stephenville area, however, and as a result, control there is still confined to exercising supervision over building. The sanitation problem remains.

### **Sanitation**

Because of lack of municipal organization, sanitary conditions in Newfoundland are, I regret to say, generally bad. It is common practice for garbage and refuse to be thrown in street drains and gutters. The usual source of drinking water is still the well, while privies and septic tanks are the rule rather than the exception. Only six towns have water systems and only three have sanitary sewers. Wells and sanitary privies served adequately in the past, but an increase in population has resulted in subdivision of the lands so that privies and wells are now being constructed closer and closer together.

**Health**

Medical services in Newfoundland are provided almost entirely by the Provincial Government at a cost of about \$4 million a year. Apart from the hospitals operated in northern Newfoundland by the International Grenfell Association, two religious hospitals in St. John's and one private hospital each at Corner Brook, Grand Falls, Twillingate and Buchans, all medical institutions in the island are owned by the Provincial Government. All but four of the non-government hospitals receive substantial provincial grants and one of these is now being replaced by a new building erected largely with Government funds.

In St. John's, all the government-owned hospitals except the Fever Hospital and the Sanatorium make a per diem charge. Obviously, however, patients cannot be refused admission if they are unable to pay, with the result that very little revenue is being collected. For those who do not require hospitalization, the Government provides free clinic and public nursing services. In addition to the Government services, members of the medical profession carry on large private practices.

Outside St. John's, medical services are provided through four non-government hospitals, thirteen provincial-owned hospitals, three nursing stations and about sixty public health nurses. There are very few private practitioners and more than three-quarters of these have been appointed Provincial Medical Health Officers at a salary which constitutes the major source of income.

The Government-owned hospitals outside St. John's are known as Cottage Hospitals. These Cottage Hospitals are small—fifteen to twenty-bed institutions, staffed by a doctor and two or three nurses. Each cottage hospital serves a district in which public health nurses are located at strategic points.

Erection of cottage hospitals was commenced in 1935. and, because there were no organized municipalities, the Government of the day appointed Local Boards of Health to administer what may be called a health insurance scheme. Under this scheme, persons who pay an annual fee of \$10 are entitled to both surgical and medical treatment in the hospitals or the services of the public health nurses, as required. If the public health nurse is unable to treat the case, the patient is sent to the cottage hospital, and if

treatment or surgery is beyond the facilities available there, the patient is sent to one of the Government-owned hospitals at St. John's at no additional cost to himself other than travelling expenses.

It is to be noted, however, that the inhabitants of the hospital districts are under no compulsion to pay the annual fee. True, there is the threat that if the fee is not paid, treatment will not be given, and this has some effect, but it is also true that when a patient is in need or treatment, it cannot be refused whether the fee has been paid or not. Because there is no means of enforcing payment, there is a tendency to defer payment until it is known that treatment is required. Revenue collected by these local boards of health amounts to only about \$160,000 a year. Fees paid on the per diem basis at the St. John's Hospitals are a bit less than this, or approximately \$140,000 a year. Thus, the total annual revenue received from medical services is only about \$300,000, against a total of expenditures of about \$4 million.

Due to the lack of organized municipalities, the Province of Newfoundland is faced with the problem of financing its medical services almost entirely from the general revenue.

### **Education**

In education a similar problem is encountered. The Province is divided into a number of school districts for each of the religious denominations organized for educational purposes. The religions organized for educational purposes are the Roman Catholic, the Church of England, United Church of Canada in Newfoundland, and the Salvation Army.

A school Board is appointed by the Lieutenant-Governor in Council for each school district of each religion. Thus, any given area may be a school district for, say, three denominations and have three different school boards, each administering the schools of its own religion.

In 1942 the Newfoundland Government passed the School Attendance Act which made school attendance compulsory and, at the same time, increased the educational grant to the four denominations. The theory is that education in Newfoundland is compulsory and free. If we assume for the moment that education is compulsory and free, it will be seen that from lack of municipalities,

the Provincial Government is faced with the problem of financing the whole cost of education from the general revenue. In actual fact, however, education is not free. No School Board is able to meet its entire costs from government grants. To supplement these grants, it must obtain additional revenue from voluntary contributions.

The problem of financing education on this basis must be experienced to be appreciated. There are Parent and Teacher organizations, ostensibly to bring parents and teachers into closer cooperation, but also to secure the financial assistance of the parents. The mothers of the children are organized into groups to knit and sew articles to be sold to augment school board funds. Almost every school teacher knows that he or she is expected to produce several school entertainments a year to help defray school expenses. Just prior to leaving St. John's, I attended a meeting of parents which was called by one School Board to ask approval for the imposition of a voluntary fee per pupil to enable the Board to balance its budget.

In this connection I should like to read from an editorial which appeared in the St. John's "Daily News" of September 26th:

"An indignant parent protests in a letter to the News against raising fees in so-called 'free' schools. The suggestion that the higher fees are an outrageous attempt to rob the children of the benefits of family allowances is, of course, preposterous. So long as the Government fails to contribute adequately to the maintenance of 'free' schools, Boards of Education have no recourse but to assess parents at higher rates for school operating costs or lower substantially the standards of education provided by their school. These Boards, usually incorporating many parents in their membership, have the thankless task of devoting a great deal of time and worry to making ends meet while keeping up standards and only if gross inefficiency can be proven in school management is there justification for criticism of their efforts. Actually, local Boards have performed wonders in keeping things going in the schools under their supervision with the financial problems they have to face and all parents with children at school owe a debt of gratitude to those who have assumed the heavy and

thankless burden of administering educational institutions in this community."

The Provincial Government spends about \$4 million a year on education, but nobody knows the value of contributions which are made both in cash and in kind, for in addition to cash contributions, it is common practice for schools to be repaired or painted and even erected in whole or in part by means of free labor. It is impossible, therefore, to check the efficiency of our educational system or state the annual cost per pupil.

### **Traffic Regulations**

Lack of municipal organization has resulted in an almost complete absence of control over building. Buildings have been erected on sites to suit the convenience of the owner with a total disregard for the rights of the public. Separate business and residential sections are practically unknown. Roads have been built on footpaths which wander in and out among the dwellings. The result is settlements which are quaint and picturesque to the eye of the tourist, but this quaintness and picturesqueness create tremendous problems for the provincial government and the newly organized municipal councils because increased motor traffic requires wider and straighter roads.

Increased motor traffic also requires traffic regulations. Without organized municipalities, traffic regulation poses an almost insoluble problem for the Provincial Government. In the absence of a detailed knowledge of local conditions, it is impossible for the Provincial Highroads Division of the Department of Public Works to find a satisfactory solution and, if it were found, there would remain the problem of enforcement.

Two or three weeks ago an editorial in one of the local newspapers described the dangerous traffic conditions which existed in one of our towns and pointed out that "somebody should do something about it". Obviously, the "somebody" who should take action is the municipal council—but the town is not incorporated.

### **Recreation Facilities**

Lack of playground facilities is another problem which creates traffic hazards. As there was no municipal organization to control building, no provision was made for playgrounds for children ex-

cept in the City of St. John's. Outside St. John's a number of School Boards have obtained public subscriptions and received playgrounds as gifts from either public spirited corporations or citizens, but children in the majority of our larger towns have to choose between playing in the street or remaining at home.

### **Fire Prevention**

The problem of fire prevention is also created by lack of building regulations. Not only are buildings erected without regard to an orderly and well planned community, but fire hazards are created by lack of control over construction methods and materials. Added to this is the fact that there is no organization to purchase and operate fire fighting equipment. The gravity of this problem can be judged from the fact that one of the first projects of almost every newly organized municipality is to acquire fire fighting equipment. Outside the organized municipalities and three or four company-owned towns, fire prevention is almost unknown.

### **Political Problems**

Newfoundland's history is one of early and arrested development. This is true not only economically, but politically as well. The Province's early development brought about by the fisheries was arrested by a policy of retarded colonization adopted by the mother country in an attempt to secure the benefits from the fisheries for her west country merchants.

Newfoundland was granted Responsible Government in 1855; in 1934 Responsible Government was lost. In 1855 the roof was placed on the constitution but the foundations of municipal government were never laid. Being built from the roof downward, self government failed in Newfoundland. Due to the lack of municipal organizations, there was nobody to deal with local problems at the local level. But the problems existed and, as the Newfoundland Government was the only body available to deal with them, they were brought to it by the elected representatives.

Matters which in the other provinces were left to the decision of municipal councils were brought into the island's House of Assembly. The members, from force of circumstances, were obliged to lobby in the interests of their political districts and this occupied

such a large part of their time that they had little time left to devote to the interests of the island as a whole. This was not true of all members, but those who wished to concentrate on general policy found little support from others occupied with local matters.

The result was that national interests were sacrificed for local interests. Eventually democratic government in Newfoundland failed altogether. I do not contend that the lack of municipal organizations was the sole cause, but I do submit that both directly and indirectly it was one of the major causes.

This same problem exists today in spite of the fact that we have been without elected representatives for some fifteen years. Because local self-government is not yet developed over a sufficiently wide area to deal with any substantial part of the local problems, electors are now coming to the provincial members seeking solutions. It is not unusual for a member, particularly a Provincial Cabinet Member, to be occupied during the whole of his day at the office and often the whole of his evenings at home, with callers from his district seeking solutions to purely municipal problems that affect either the voter personally or his home town in general. The problem of finding time to carry on provincial affairs under these circumstances is very great.

I mention this problem because I think it contains a warning to the whole Dominion. Newfoundland failed to organize municipal governments and, largely because of this, democratic government was lost. True it is that the other provinces have organized municipalities, but unless these municipal institutions are maintained in a vigorous and healthy state, is it not also true that democratic government is in danger of being lost?

Today there is abundant evidence of an ever-increasing tendency toward centralization. In justification of this tendency, it is claimed that centralization is more efficient. If this be so, and centralization in government is carried to its logical conclusion, then it would appear that we are forced to decide between efficiency and democracy.

But, is not the efficiency of central governments due largely to planning and the adoption of improved administrative procedures and techniques? Whereas, not only municipal but also provincial governments have tended to conform to the old practices which,

although they may have been adequate in the past, will not serve in the present.

Herein, in my opinion, lies a challenge not only to this Institute but to ourselves, to every one of us, as individuals. If planning and improved administration *can* increase the *efficiency of* central government, cannot the efficiency of municipal government be increased in the same manner? Central governments are big, and today there is everywhere a weakness for big things. Municipal institutions are small and they tend to be overlooked. But municipal institutions, I think we agree, are fundamental to democracy and it behoves us to direct our thinking with a view to increasing their efficiency by modifying and changing them where necessary, to serve the needs of the present. Gentlemen, I thank you. (Applause).

MR. SHINK: I wish to thank Mr. Powell for his paper which allowed us to understand the problems that confront his new Province. I will now call the next speaker, Mr. George E. Gathercole, to speak on the subject that has been allotted to him: "The Role of the Institute of Public Administration of Canada".

Mr. Gathercole is very well known to you. He was born something like 39 years ago. This evidently is the afternoon of youth. The speaker who preceded Mr. Gathercole was only 36 years of age. Mr. Gathercole is a Bachelor of Arts of McMaster University, Hamilton, and a Master of Arts of the University of Toronto. He also did post-graduate work at the London School of Economics, England. I ask Mr. Gathercole to come to this table.