

Article

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THE EFFECTS OF THE DIVISION OF THE CITY OF LLOYDMINSTER BY THE ALBERTA-SASKATCHEWAN INTER-PROVINCIAL BOUNDARY ¹

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The contemporary problems of electoral reform, natural resource development, metropolitan growth and regional planning, have necessitated increased attention be given to the viability of boundaries at the substate level. There have been few studies in Canada at this scale. Much research remains to be done with respect to the relevancy of present administrative boundaries for patterns of population and economic activity.

This paper presents the main effects of a geometrical boundary located originally with no reference to the pre-existing pattern of settlement. By chance it divided Lloydminster, whose problems of development as a consequence have been considerable as the settlement became a town and then a city. The original settlement was called the Barr Colony after its organiser, the Reverend Isaac M. Barr, who arranged for a group of almost 2 000 immigrants from England to settle on a site in April 1903, which he had acquired from the Department of the Interior. The town site itself consisted of a section of land and every settler who wished to build a house could obtain a free lot. The community grew so rapidly that by November 30th, 1903 it was established as a village in the Northwest Territories under the name of Lloydminster. ²

¹ This paper is based partially on an unpublished M.A. Thesis by T.L. DYKSTRA, (1970), *The Political Geography of Lloydminster*, University of Alberta.

² As a result of loss of confidence in Reverend I.M. Barr, the Chaplain to the Barr Colony, the Reverend G.E. Lloyd became the leader. Consequently the village was named after him. The details of the settlement scheme and the respective roles played by the Reverends Barr and Lloyd are told by Helen E. REID, in her book, *All Silent, All Damned*, 1969, Toronto, Ryerson Press.

The Provincial Boundary of 1905

The combination of an active immigration policy by the government of Sir Wilfrid Laurier, and the rapid migration westwards stimulated by the construction of the Canadian Pacific Railway, resulted in strong development of the Northwest Territories between 1897 and 1905. The task of providing for the immigrants in terms of social provision and public works was the sole responsibility of the Territorial Government. But immigration was controlled by the federal government. The financial problems eventually became insurmountable for the resources of the Territorial Government which, therefore, requested provincial status³.

The different proposals for dividing the Territories and for the location of new boundaries are outlined by Nicholson⁴. It is sufficient to indicate here that the federal government felt that the Northwest Territories covered too large an area for a single province and that the area north of 60°00' North Latitude and west of Keewatin was « absolutely unfit for agriculture, » and « thick and permanent settlement, » and, therefore, stable provincial government⁵. Consequently, provincial autonomy was to be granted only to that part of the Territories located between the American boundary and the 60th parallel of North Latitude, and between Keewatin and British Columbia. This area, consisting of 550 345 square miles, was, in Ottawa's estimation, still too large for a single province. Therefore, it proposed to divide the area into two provinces, approximately equal in size, by a line running 761 miles north and south along the 4th meridian (110°00' W) between the 49th parallel and 60°00' north, giving each new province an area of about 275 000 square miles and a population of about 250 000 people (figure 1). The eastern province was to be called Saskatchewan and the western province Alberta.

Although there was particularly criticism reported in the newspapers of Calgary, Macleod and Medicine Hat, which objected to the division of the range grazing country between Medicine Hat and Swift Current, the residents of Lloydminster, had a more legitimate complaint. The boundary divided the village of Lloydminster itself. The citizens of Lloydminster therefore, vigorously opposed the location of the new boundary, particularly the section dividing their community. The village corresponded with the Prime Minister, indicating the many problems which could result from the division of the village, and asking him to change the divisional line so that the whole village would be located within one province. In reply, Sir Wilfrid Laurier indicated that the Dominion Parliament could not divert the boundary from

³ NICHOLSON, N.L. (1969), *The Boundaries of Canada, Its Provinces and Territories*. Ottawa, Geographic Branch Memoir 2, Department of Mines and Technical Surveys, p. 79.

⁴ *Ibid.*, NICHOLSON, N.L., p. 79.

⁵ *Ibid.*, NICHOLSON, N.L., p. 82, Quotation from *The Debates*, House of Commons of Canada, Ottawa, King's Printer, 1881.

the Fourth Meridian, but that the Provincial Parliaments would have the power to deal with the problem⁶. The community therefore, decided to await the commencement of the Provincial Parliaments.

Although the boundary's effects can be traced through many aspects of the community's life, the discussion is restricted to the main effects, which pertain to civic government and economic activity.

Factors Leading to Civic Unification

Perusal of the *Lloydminster Times* indicates that the location of the provincial boundary created great confusion in the new community, particularly during the early stages of its development. The majority of its citizens, felt that the village could achieve its goal as the regional service centre only if it remained politically unified. This in turn could be attained only if the boundary was moved either east or west of its original position, or if the citizens opted to be placed under the jurisdiction of one province regardless of the boundary.

To the latter end, a poll was conducted on March 12, 1906, and the result overwhelmingly favoured the Province of Saskatchewan by a vote of 79-35⁷. The plebiscite was never accepted as final by either province, and on July 6, 1906 the Alberta sector of the community was officially proclaimed as the Village of Lloydminster, Alberta, followed ten months later, on April 1, 1907 by a similar announcement incorporating the Saskatchewan sector into the Town of Lloydminster, Saskatchewan⁸. For the next 23 years the problem of political unification faced the two Councils but little was attempted. It was not until almost 25 years later on May 20, 1930, that the Village of Lloydminster, Alberta and the Town of Lloydminster, Saskatchewan, were amalgamated into the Town of Lloydminster⁹.

Despite the Minutes of the Council of the Town of Lloydminster indicating that the Town Clerk should write to the Board of Trade expressing the sympathy of the Council with the proposed amalgamation¹⁰, it is clear from information obtained from the Chamber of Commerce, that it was Mr. J.D. Hamilton, President of the Board of Trade, who was the enthusiastic supporter

⁶ *Lloydminster Times*, Vol. 1, No. 19, Aug. 29, 1905.

⁷ « Boundary Line », *Lloydminster Times*, Lloydminster, Vol. 1, No. 47, March 13, 1906, p. 5.

⁸ *Survey of Lloydminster*, Department of Industry and Development, Edmonton, 1963, p. 4.

⁹ The Lloydminster Municipal Amalgamation Act, 1930. Assented to March 21st, 1930. Chapt. 54, *Statutes of Alberta*, 20 Geo. V, 1930. An Act with the same title was passed also in Saskatchewan.

¹⁰ Town of Lloydminster, Minutes of Council, July 3rd, 1928. It is also clear from the Minutes of Feb. 4th, 1929, of the Village of Lloydminster, that amalgamation was favoured.

and organiser of action leading to amalgamation¹¹. The Board of Trade appointed a Special Committee to study amalgamation, and on January 14th, 1930 a public meeting was held to discuss a draft of an Act respecting the Amalgamation of Lloydminster, to allow Town and Village to operate under the Town Act of Saskatchewan or Alberta. It was proposed that under the new Act, municipal and school matters of both town and village were to be administered under the Town Act and School Acts of the Province of Saskatchewan while it was also provided that a Commission be appointed by the provincial governments to revise the Town Act of Saskatchewan to be capable of application to both the town and village as a Charter¹².

On February 3rd 1930 an Amalgamation vote was taken. In the Village of Lloydminster there were 150 for and 3 against. In the Town there were 335 for and 4 against¹³.

Prior to the amalgamation, much municipal confusion existed in the communities. Not only were there two separate councils, two fire brigades, two public schools, but two of almost every administrative and service function¹⁴. While this situation created much friendly rivalry between the two sectors, it also resulted in unnecessary and costly duplication of municipal facilities and functions, particularly in relation to the relatively small population of the community¹⁵. Before any mutually beneficial civic or public service function could be carried out, the cooperation of both communities was required, otherwise it would be economically unfeasible. For example,

¹¹ Letters from J.D. Hamilton, President of the Board of Trade to J.R. Lowry, Home Oil Co. Ltd., Jan. 30th, 1928, and to the Honourable J.G. Gardiner, Premier, Province of Saskatchewan, Jan. 24th, 1929.

¹² Outline of the Chief Points of the Amalgamation Plan on which the vote is to be taken on February 3rd, 1930. *Lloydminster Times*, Jan. 30th, 1930.

¹³ Letter from J.D. Hamilton, President of Board of Trade, to Dr. Walter S. Scott, Legislative Council, Province of Alberta, Edmonton, Feb. 8th, 1930, Chamber of Commerce of Lloydminster.

¹⁴ Survey of Lloydminster, *op. cit.*, p. 4.

¹⁵ There have been no cost-benefit studies conducted by the Town or City of Lloydminster as it developed with respect to the financial costs of the duplication of public services or the benefits such as dual provincial grants to the Community, i.e., the actual cost in quantitative terms of the boundary. As the city has grown, after amalgamation, more of the services have been centralised and the cost to the community has been assumed to decline. There have also been no overall studies relating to commercial costs and benefits. A basic problem facing any analysis of the costs for a public service e.g., a fire station before and after amalgamation, is that a time period is involved during which the city has grown in size and the public service has been expanded. Per capita expenditure for fire protection can be calculated for 1970 for example and with various assumptions applied to the two Communities in 1925 or some other year before amalgamation to estimate the actual financial cost of the boundary for this service. Costs of fire protection for communities of comparable size as Lloydminster before amalgamation could also be compared with the duplicated cost of the service. Further research to determine the actual costs and benefits resulting from the boundary is being undertaken. Another complicating problem is that costs and benefits have to be traced back to the provincial government level because of duplication of provincial services to Lloydminster.

it was necessary to arrange a mutually acceptable cost-sharing agreement for the installation of an electric lighting system. However there were instances when community pride resulted in such fierce competition that common sense was forgotten. The competition between the two fire brigades was so great that, at one time, one was not allowed to cross the border into the other's territory even for emergencies.

The Lloydminster Charter

Since 1930 Lloydminster has operated under a special charter known as the « Lloydminster Charter ». This unique piece of Legislation originated under the provisions of the « Lloydminster Municipal Amalgamation Act » passed in 1930 by the Government of Alberta, and in the same year by the Government of Saskatchewan. It was approved under complementary Orders-in-Council by the governments of both provinces ¹⁶. This meant that the Town of Lloydminster would function municipally under the « Lloydminster Charter », instead of under the Town Act, Alberta or the Town Act, Saskatchewan. When the town was given City status on January 1, 1958, the « Lloydminster Charter » was amended accordingly ¹⁷.

Under the regulations of this charter the civic affairs of Lloydminster are administered by one council, consisting of a mayor and six councillors, elected on the basis of a city-wide vote, without any residence stipulation ¹⁸. Council has complete jurisdiction over the entire city, and all residents are governed municipally by city by-laws, although they are bound by provincial statutes in respect to the province in which they reside ¹⁹.

I EFFECTS OF THE BOUNDARY ON CIVIC GOVERNMENT

Even though the amalgamation of 1930 eliminated many of the civic problems, there remains an inherent inefficiency in the city's administration. For example the City of Lloydminster has no authority to sell its debentures until it has gained the approval of both the Local Government Board in Regina, and the Local Authorities Board in Edmonton. While this approval is generally granted, the procedure entails unnecessary delay and expense for the city ²⁰. Also, although the Royal Canadian Mounted Police serves the community, offenders may be prosecuted only in the province in which they committed the offence, as this is regulated in the provincial statutes. This applies particularly to traffic and liquor offences ²¹. It necessitates the establishment of a court room on each side of the boundary, one for Alberta offenders and one for Saskatchewan offenders. Not only does this situation increase the possibility

¹⁶ Pers. Comm. His Worship Mayor E.G. Hudson of Lloydminster, Oct. 5th, 1967.

¹⁷ *Survey of Lloydminster, op. cit.*, p. 4.

¹⁸ Pers. Comm. Mayor E.G. Hudson, *op. cit.*

¹⁹ *Loc. cit.*

²⁰ Pers. Comm. Mayor E.G. Hudson, *op. cit.*

²¹ *Loc. cit.*

of two different levels of punishment for the same offence, but it has prevented the City of Lloydminster from having its own court house, as neither province is willing to have its provincial laws administered by the judicial system of the other. Lloydminster is, however, not of sufficient size to warrant the construction of two separate court houses.

City development is also a cumbersome process. On December 21, 1965 the City of Lloydminster filed a petition for the annexation of more than 13 000 acres of land from the surrounding rural municipalities, both in Alberta as well as Saskatchewan. Usually annexation or amalgamation proceedings in Alberta and Saskatchewan are dealt with by the respective local government boards but, in the case of Lloydminster they have no jurisdiction in annexation proposals. Instead, a specially-appointed interprovincial committee conducted annexation hearings and reported their findings to the two provincial cabinets, which made the final decision²². In any other annexation hearings cabinet approval is not required.

The latest problem has arisen over fluoridation of Lloydminster's water. In Alberta a plebiscite is mandatory which is not the case in Saskatchewan. The government department which concerns itself with this issue in Saskatchewan, is the Water Resources Commission and not the Department of Health. But the Act which established the former has no relationship to the Lloydminster Charter which operates in accordance with the Health Act of Saskatchewan. At present, apart from the bureaucratic problem, the Alberta side of the city could outvote the Saskatchewan side on the issue if there was a plebiscite²³.

Yet the political division also produces some beneficial consequences, particularly financial. The city receives substantial financial grants from both provinces on approximately equal basis. These grants are generally based on the size of the population or an assessment basis in the respective sectors of the city, but in neither case do the provinces stipulate the manner in which these grants may be used by the city²⁴. The province of Alberta also provides low interest loans for projects developed in the Alberta sector of the city²⁵. The Province of Saskatchewan supplies all Lloydminster with free property valuation and free inspection of natural gas installations. The Saskatchewan Government's homeowner's grant is now \$800 compared with \$500 in Alberta. This may increase purchases of houses on the Saskatchewan side of the city.

²² These hearings were conducted in Lloydminster between January 25 and January 28, 1966.

²³ Mr. C.J. McGonigle, Pers. Comm., Nov. 27th, 1970.

²⁴ Pers. Comm., Mayor E.G. Hudson, *op. cit.*

²⁵ CARDIFF, W.M., City of Lloydminster, *The Alberta Municipal Counsellor*, Sept., 1958, p. 7.

II EFFECTS OF THE BOUNDARY ON ECONOMIC ACTIVITIES

A – Agriculture

The economic prosperity of Lloydminster has depended almost entirely upon its agricultural hinterland. More than sixty years since its settlement the Lloydminster area has developed into a thriving mixed-farming economy. The farmers on either side of the Alberta-Saskatchewan boundary raise the same livestock, operate farms of similar size, live in the same type of houses and use the same type of barn. The township and section survey occurs on both sides of the boundary.

There are at present no restrictions preventing the movement of agricultural products across the provincial boundary. Although there are regulations under the Federal Wheat Board Act which stipulate that grain products may not be moved across provincial boundaries without the consent of the Wheat Board, these are not enforced in the Lloydminster area²⁶. Farmers in the study area deliver their crops to any elevators privately operated, in Lloydminster although this is illegal. Deliveries to the respective Alberta and Saskatchewan Wheat Pool elevators must be made from the same province where the elevator is located.

Similarly no restrictions prevent the shipping of livestock across the provincial boundary. The Weiller and Williams Stockyards, located in the Saskatchewan sector of Lloydminster, handles large volumes of livestock originating on both sides of the boundary²⁷. Farmers also own or lease land on both sides of the boundary without encountering any serious problems, except a difference in property taxes. The majority of farmers however, were convinced that although Alberta farmers paid slightly higher taxes than their Saskatchewan neighbors they also received better services from the municipality, including road grading, gravelling and free fence posts in cases of road widening and snow plowing.

With respect to provincial taxes Saskatchewan farmers are required to pay considerably more than their Alberta neighbors. There is a provincial sales tax of five per cent on all new cars, trucks, and houses, even if the purchase is made in Alberta. Farm machinery is, however, exempt. In addition to the sales tax Saskatchewan farmers must pay six and a half per cent more in provincial income tax (1967), as well as slightly higher prices for bulk fuels and propane, but electric power, which is publicly owned, is considerably cheaper in Saskatchewan.

²⁶ 1953 Act (amended 1948 to include oats and barley) Part 4. Regulation of Inter-provincial and Export Trade in Wheat, Sect. 27.

²⁷ Pers. Comm. With Mr. L.P. Bromham of Weiller and Williams (Lloyd.) Ltd. Aug., 23, 1967.

B – Commercial Functions

Evidence collected by field interviews confirms the consensus among Lloydminster residents that the provincial boundary exerts its greatest impact on the commercial sector of the economy. From an inauspicious beginning, the small commercial core of the new community developed steadily until the depression of the 1930's. For almost two decades commercial growth stagnated until discovery of the Lloydminster oilfield in the late 1940's revived the sagging economy. Expansion since then is reflected in the number and value of commercial building permits issued. For example, eighteen permits valued at \$304 350 were granted in 1965 and 23 permits valued at \$1 093 245 in 1969²⁸. As of September 1970 Lloydminster supported a total of 217 business establishments and 34 professional practices. Total retail sales rose from \$10 440 000 in 1961 to 21 950 000 in 1969, an increase of 110 per cent. Today Lloydminster is the market centre for the surrounding rural area, as well as the city's growing industrial community. The small but stable trading area, extends roughly 40 miles north, 50 miles east, 70 miles south, and 50 miles west, with a population of 28 414 people in 1966²⁹. Lloydminster itself has 8 183 people in 1971 with approximately 55 per cent living on the Alberta side of the city.

The single most important factor affecting the commercial functions of Lloydminster's business community, is the five percent sales tax levied on most purchases by the Saskatchewan provincial government. The tax is primarily to raise revenue for health and education and is collected on all consumer goods, ranging from automobiles to household appliances, clothing and liquor, but not on farm machinery or restaurant meals below \$2³⁰. This sales tax has been a handicap to the Lloydminster business community ever since its implementation by the former C.C.F. government of Saskatchewan. Field interviews indicated that Saskatchewan merchants were extremely aware of its disadvantages for their business, many objecting vigorously to the tax. If they were forced by political or other means to collect this sales tax on all purchases made by Saskatchewan residents, their customers would simply turn around and walk across the street to make their purchases tax free from the retailers on the Alberta side.

The prices charged for grocery products by stores in either sector of Lloydminster are basically the same. If, however, Saskatchewan merchants were forced to collect a five percent sales tax, the additional costs would place them at a competitive disadvantage. After imposing this tax on the people of Saskatchewan, the C.C.F. government gradually ignored collecting

²⁸ Mr. C.J. McGonigle, Pers. Comm., *op. cit.*

²⁹ *Urban Renewal Study — City of Lloydminster*, Makale, Holloway and Associates Ltd., Edmonton, July, 1968, p. 8.

³⁰ The sales tax has been revised several times. For example it was levied at 5% in 1964; it was reduced to 4% by the new provincial government and has since been increased again to 5%. Items covered under the tax may also change from year to year.

the tax in the Lloydminster area in fear of a political backlash. But the Treasury Department did collect the tax on all purchases of new motor vehicles, as one of the requirements of licensing was evidence that the sales tax had been paid. Sales tax was also collected on any liquor sold by the government operated liquor vendor on the Saskatchewan side of the city, as well as on all electricity consumed by Saskatchewan residents. In addition, token payments were received from Saskatchewan business men on purchases of business and office equipment to operate their firms³¹. With the change in government administration in 1964 from C.C.F. to Liberals, this policy was suddenly altered, on the premise that Lloydminster area residents should not receive preferential tax treatment in relation to other Saskatchewan residents. The new administration began enforcing the collection of the sales tax.

One of the first steps undertaken by the Treasury Department of the Saskatchewan government was to institute road checks along the boundary. It was felt this would aid in gathering information on purchases of major items by Saskatchewan residents from Alberta merchants, as Saskatchewan has no legal jurisdiction to collect the sales tax from merchants registered in Alberta. This action produced the publicity which the C.C.F. government had so desperately tried to avoid. « Lloydminster Fears a 'Berlin Wall' in Crackdown on Sales Tax Evasion », said a headline in the *Edmonton Journal* ;

Six plainclothes policemen are reported cruising the streets of this border town conducting spot checks of shoppers suspected of tax evasion. The policemen are carrying out government instruction to enforce the Saskatchewan sales and tobacco tax regulations, which Lloydminster residents are said to have been avoiding by crossing the street and shopping on the Alberta side of town.³²

It was obvious that this method of surveillance was not the solution to Lloydminster's tax problems, because all the Saskatchewan residents making « illegal » purchases could not be caught. The government felt however, that these checks had the salutary effect of making retailers on both sides of the provincial boundary realize that they had some responsibility for collecting the sales tax³³. As a result, a committee of representatives from the Saskatchewan sector of the Lloydminster business community negotiated with the Saskatchewan Provincial Treasurer and Treasury Department and a compromise solution was reached. This agreement required Alberta merchants to keep records, and to make available information to the Saskatchewan Treasury Department, on all sales of taxable items in excess of \$100 which were made by Saskatchewan residents in their stores. There was considerable difficulty, however, in implementing this agreement, as Alberta merchants claimed that they were never a party to this agreement and refused to co-

³¹ Pers. Comm. with Mr. A.T. Wakabayashi, Deputy Provincial Treasurer, Province of Saskatchewan, July 18th, 1967.

³² *The Edmonton Journal*, Saturday, May 21, 1966, p. 1.

³³ Pers. Comm., Wakabayashi, Ibid.

operate. But agreement was reached for the collection of the sales tax on all houses and buildings constructed in Lloydminster and its surrounding area ³⁴.

In a final effort to obtain co-operation, Premier Ross Thatcher withheld the \$50 home-owner grant from residents in Lloydminster and adjacent area, to compensate for the loss of sales tax revenue. After several meetings between Lloydminster citizens and the Premier, this situation was finally resolved, and the home-owners received their \$50 bonus in 1967.

There are only a few solutions to the taxation problem. The ultimate solution is the imposition of a similar sales tax by the Alberta Government. This would probably be politically unacceptable, both to the Alberta Government, and Alberta residents ³⁵. A second possibility, which also appears to be politically unacceptable, has been effectively carried out by the City of Bristol, located on the boundary between the states of Virginia and Tennessee, U.S.A. Tennessee imposes a state sales tax but Virginia does not. An arrangement was made whereby the City of Bristol, Virginia, agreed to levy a city sales tax on merchandise sold on the Virginia side of the city, at the same rate as the Tennessee sales tax, in order to place all vendors in the city on the same competitive basis. However, Alberta merchants have refused to accept a city sales tax, claiming that this would result in a loss of business to Alberta retailers located in nearby settlements outside of the city limits of Lloydminster. A third solution was recently agreed upon by the Finance Ministers of Ontario and Québec to solve the sales tax problems in Hull-Ottawa. This requires the merchants on each side of the border to record and report sales made to residents of the other provinces.

At present the sales tax problem is dormant. The Saskatchewan government has left the responsibility for payment of the tax to the shopping public. Customers can either pay the tax to the store at the time of purchase, or mail it directly to the provincial government. In former times the following warning, issued by the Provincial government of Saskatchewan, was clearly visible in almost all of the Saskatchewan retail outlets :

Notice to Saskatchewan Residents :

Failure to pay the Education tax could result in a

1. Fine of \$10.00 to \$500.00
2. Conviction
3. Forced payment of tax

Persons are held responsible for six years after the original purchase.

Although the majority of shoppers are not influenced by the sales tax problem, with respect to shopping in Saskatchewan, the threat of such a tax has been sufficiently strong to act as a psychological deterrent to some

³⁴ *Loc. cit.*

³⁵ *Loc. cit.*

people who have reduced the frequency of their visits to the Saskatchewan stores, in spite of the fact that it was not collected.

But the problem is far from being solved. In a commercial questionnaire conducted for 31 firms in Lloydminster, none of the 19 Saskatchewan firms which answered collected the sales tax on their own initiation³⁶. Fourteen of them do not collect the tax at all, four collect it only if the customer volunteers to pay the tax himself, while the last firm, an automobile dealer, must collect the tax, as proof of tax payment is a prerequisite for the purchase of license plates.

When these same firms were asked whether the imposition of the sales tax had resulted in some of their customers shopping on the Alberta side the following answers were obtained : Yes – seven, No – eight, No Opinion – three, Not Applicable – one. When the reverse form of this question was asked of the 12 Alberta firms interviewed – whether the imposition of the sales tax had increased the number of Saskatchewan customers shopping on the Alberta side, the results were as follows : Yes – six, No – four, No opinion – one, Not Applicable – one (only florist in Lloydminster).

In reply to the question if they would favour the unification of Lloydminster under the jurisdiction of one province, the following breakdown occurred :

Breakdown of Provincial Preference — Lloydminster Merchants

	<i>Store Location</i>	
	<i>Alberta</i>	<i>Saskatchewan</i>
Yes	7	9
No	3	4
No Opinion	2	6
<i>Province Preferred</i>		
Alberta	10	6
Saskatchewan	0	4
No Opinion	2	9

³⁶ Questionnaires were used in interviews conducted in the summer of 1967 with 31 commercial companies (out of a total of 85) and 26 industrial companies (out of 67) in Lloydminster. Usable questionnaires were obtained for 26 commercial and 24 industrial companies. Companies were selected in descending order of number of employees and as many visited as time allowed.

None of the firms located in Alberta showed any desire to be affiliated with Saskatchewan, but six Saskatchewan firms would like to be in Alberta, with only four preferring to remain in Saskatchewan. A very high number were undecided.

Other Commercial Implications of the Boundary

Another major commercial problem is the tobacco tax, which is a 10 percent tax levied by the Saskatchewan government on all tobacco products sold by Saskatchewan merchants. The same problem exists in collecting this tax as with the sales tax. Retail outlets dealing in tobacco products refuse to collect the tax from their customers, preferring to pay the government out of their own pockets. In some instances store owners have been fined for refusal to collect and pay the tobacco tax.

Another problem which occurs is related to the supply of various commodities to franchised dealers. For instance electrical supplies originating as imports at Vancouver for franchised dealers registered in Alberta can be obtained at lower prices from Alberta suppliers than Saskatchewan dealers can obtain them from Saskatchewan suppliers³⁷. This is the result of transportation costs. Goods such as Honda motorcycles, are shipped from the manufacturer in Japan to Vancouver, and from there to the various regional distribution centres. Since Winnipeg is the distribution centre chosen by Honda for both Manitoba and Saskatchewan, the Hondas are first transported from Vancouver to Winnipeg, and then with a backhaul west to the Lloydminster dealers. Vancouver is the distribution centre for both British Columbia and Alberta. Thus the Honda dealer on the Alberta side of the boundary receives his shipment directly from Vancouver. This situation results in a difference of \$30.00 to \$40.00 in the respective retail price of the Honda between Saskatchewan and Alberta dealers of this product as there is no backhaul³⁸.

Other problems resulting from the boundary include the necessity of dual licensing of trucks transporting goods to both provinces, the dual licensing of skilled tradesmen including barbers, electricians, plumbers and professional people such as lawyers, doctors and dentists if they wish to practice in both sectors of the community. There is also considerable duplication in administration for many firms, particularly those dealing in building supplies and automotive sales, as the sales tax must be collected on these items, even if they are purchased in Alberta. Finally it is an extra financial burden on any goods such as fire equipment, purchased by the city since the city pays the 5 per cent sales tax on all purchases.

³⁷ Pers. Comm. with electrical, retail and repair shop dealers in Lloydminster.

³⁸ Pers. Comm. with a Honda dealer, Lloydminster.

The Effect of the Boundary on the Commercial Land

Use of Lloydminster

The commercial property in the Alberta sector of Lloydminster's Central Business District is of a higher physical standard than the commercial property in the Saskatchewan sector. The Saskatchewan side maintained its dominant role in the community until the oil boom of the late 1940's when the Alberta sector began to assert itself as an important factor in the economic life of the entire community. As the Saskatchewan side of Lloydminster was the first to be developed commercially, it was also the first to use up the available commercial property. This occurred about the time of the oil boom. Consequently, and new firm wishing to locate in Lloydminster was restricted to the Alberta side of the boundary for well located, high quality commercial property, particularly within the Central Business District.

Over one-third of the buildings within the Central Business District were constructed prior to 1930. These stores are generally small in size, possessing an average commercial frontage of about 33 linear feet³⁹. Most of these stores are located in Saskatchewan. With the economic prosperity of the oil boom and its aftermath, many of these firms wished to expand their facilities. However, their development plans restricted them almost exclusively to the Alberta side of the boundary because commercial sites were more readily available there and the average size of lots was much larger as a result of a later type of subdivision. Another reason not readily admitted by the store owners involved, was the imposition of the Saskatchewan sales tax and tobacco tax, and the ensuing problems associated with the collection of these taxes. Several merchants have relocated as a result on the Alberta side of the provincial boundary. Others wish they could move, but store policy originating in head offices in Saskatchewan, will not allow it. Among the major firms which have vacated their Saskatchewan premises and relocated in Alberta are Eaton's of Canada, Fisher's Variety and Bailey's I.G.A. The first two firms were forced to relocate when their former premises burned down, while the I.G.A. store moved to a new building.

Many of the buildings constructed prior to 1930 are beginning to deteriorate, the majority being located in the Saskatchewan sector. In 1968 while several vacant lots and empty buildings existed on the Saskatchewan side, very little commercial floor space was available on the Alberta side of the city. This is almost the reverse of the conditions prevailing in the late 1940's and early 1950's. It has been reported that as a result of the tax problem the value of business property on the Saskatchewan side of Lloydminster has depreciated 50 to 70 percent⁴⁰.

Although the most apparent influence of the boundary stems from the imposition of the Saskatchewan provincial sales tax and the problems asso-

³⁹ *Urban Renewal Study - City of Lloydminster, op. cit., p. 73.*

⁴⁰ *Edmonton Journal, May 21, 1966, p. 1.*

ciated with it, the long term effect of the boundary on the existing commercial structure of the city, and hence on the urban land use pattern, must certainly not be under-estimated. It is apparent that there is much more commercial development on the Alberta side of the city.

C – *The effects on Industry*

Securely based on the city's agricultural service functions, the industrial development of Lloydminster proceeded steadily through the 1920's but stagnated during the depression. However, the dramatic discovery of large quantities of high-asphalt and light-gravity crude oil in the surrounding area during the late 1940's, rapidly revived Lloydminster's industrial development. By 1966 more than 67 industrial firms had located in Lloydminster employing 703 persons, most of these industrial firms being established in Lloydminster since 1945⁴¹. The majority of them employ less than 25 workers and only two companies employ more than 100 people⁴². While many industries serve mainly the local market others ship their products to widely scattered markets as far away as Eastern Canada and the United States.

Almost synonymous with oil in the Lloydminster area is Husky Oil Canada Ltd. This Canadian-based firm has operated its refinery in Lloydminster since 1947 and during the last six years has invested between \$40 and \$50 million in facilities at Lloydminster⁴³. The second major industrial firm in Lloydminster is the Nelson Lumber Company Ltd. Begun in 1949 as a granary employing one person, the company now employs between 175 to 200 people in Lloydminster, as well as an additional 100 workers in Edmonton and 75 more at an affiliated saw mill operation in Fort McMurray⁴⁴. Originally built for the rancher and farmer, Nelson Homes has also captured a substantial share of the urban manufactured housing market in Western Canada.

The influence of the boundary on the industrial land use is not so obvious as its effect on commercial activities but it is nevertheless significant (Figure 1). The most striking feature which can be observed is the almost total lack of heavy industry in the Saskatchewan sector of the city. All the heavy industrial plants are located on the Alberta side of the provincial boundary. There are several possible explanations for this contrast. A most important factor is the location of the Husky Oil Refinery. As most of what may be termed heavy industries in Lloydminster, depend either upon the by-products of the oil refinery, or supply materials to the oil industry, they are generally all clustered in the vicinity of the refinery. Thus the site of the Husky Oil

⁴¹ Pers. Comm., Mrs. D.M. Kuehn, Secretary-Manager, Lloydminster, Chamber of Commerce, Oct. 24, 1967.

⁴² *Urban Renewal Study, op. cit.*, p. 28.

⁴³ See « Lloydminster : Plenty of Icing ». *Alberta Business Journal*. Vol. 2, No. 5, Jan-Feb., 1969, p. 34. And also Lloydminster, City Homecoming 1971, Chamber of Commerce, Lloydminster.

⁴⁴ *Alberta Business Journal, ibid.*, p. 34-35.

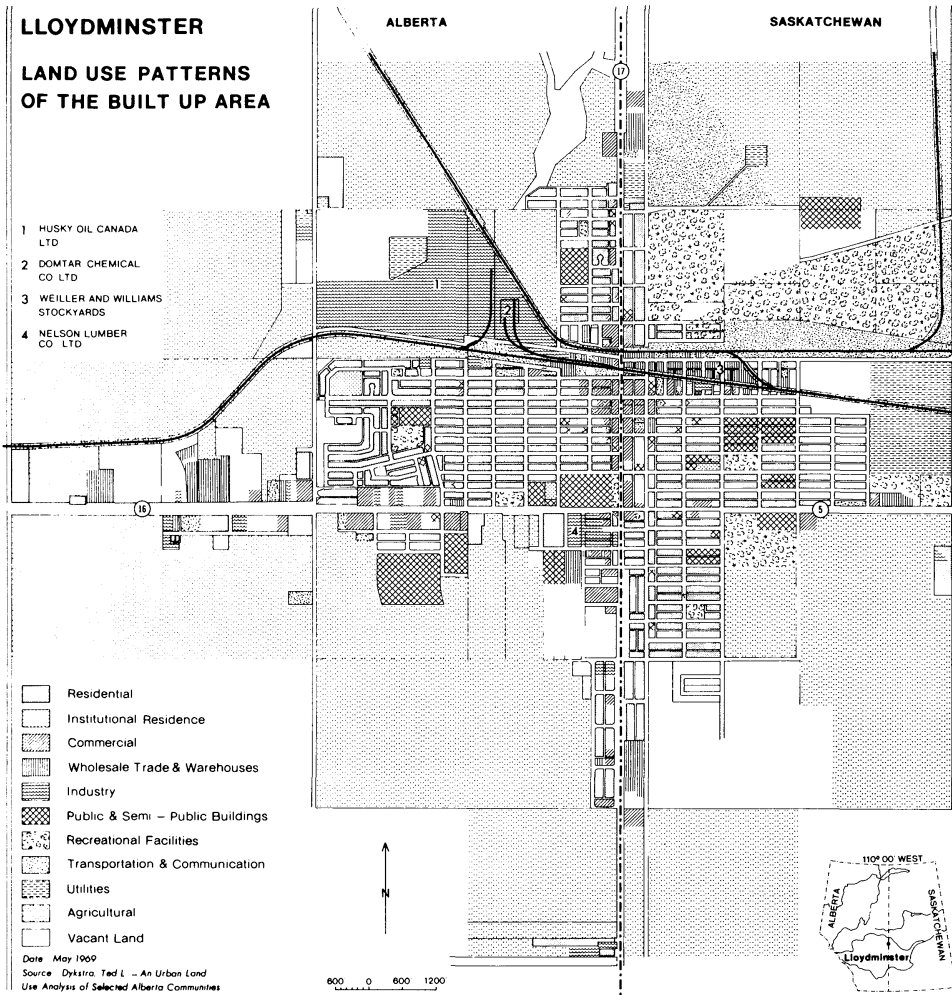


Figure 1
 Refinery and the « linkage influence », to a large extent determine the location of many of the industries in Lloydminster.

Several reasons have been advanced to explain the refinery's present location. One point at least is certain. The refinery was not located in Alberta as a result of the oil production capacity of the Alberta segment of the oil field. The Saskatchewan sector of the Lloydminster oil field has been out-producing the Alberta sector by about a 2:1 ratio since drilling was first begun. Informants indicated that the decision to locate the refinery at its present site was based on political motives rather than physical site selection⁴⁵. When Husky Oil Canada Ltd. came to Lloydminster it was considering a site southeast of the town, on the Saskatchewan side of the provincial boundary. This would have been a suitable location with respect to the potential air pollution problem for the city as the prevailing winds are gene-

⁴⁵ Interviews with business and industrial employees 1967.

rally from the northwest. However, the company eventually chose to locate on the northwest side of town. The official company explanation was that the price of the original site selected had become too expensive through speculation, and that therefore, they chose to locate in their present location⁴⁶. When this point was discussed with several business and industrial representatives, it was alleged that Husky Oil located its refinery at its present location, not so much as a result of increased land prices, but because of the threat of higher taxes and possible nationalization of its property by the socialistic policies of the C.C.F. Government. This was unequivocally denied by the manager of the Husky Oil Refinery. It should be noted that the Company's new office building is on the Saskatchewan side of the boundary. With respect to oil and gas policy, the four western provinces have standardised their policies on exploration. Although there are royalty differences between Saskatchewan and Alberta the greatest advantage for Husky Oil has probably been the lower Alberta taxes. Generally there are few problems with this industry.

Other factors have also influenced the industrial land use of the city. While most of the light industries are distributed along the railway tracks and major highways for transportation accessibility, many have chosen the province for location on the basis of personal preference. These preferences, on the part of individual owners or head offices, whether conscious or unconscious, do exist. This fact was recognized by D.L. Makale in recommending possible areas for future annexation by the city⁴⁷. It was advised that industrial land should be zoned on both sides of the boundary and annexation for this purpose was undertaken in 1967. However a large area was reserved west of the city for industrial expansion, that is in Alberta, and not in Saskatchewan.

The problem of personal preference was also indicated by the results of the industrial questionnaire survey. In reply to the question « Did the presence of the provincial boundary influence your choice of location in any way ? » (i.e. in the form of economic benefits, tax incentives, etc.) the following results were obtained :

Influence of Boundary on Industrial Site Location

	<i>Alberta Firms</i>	<i>Saskatchewan Firms</i>
Yes	6	1
No	12	4
Qualified	0	1
No Opinion	2	0
Total	20	6

⁴⁶ Pers. Comm., Manager Husky Oil Refinery. Aug. 22, 1967.

⁴⁷ City of Lloydminster Annexation Hearings, Jan. 27, 1966, p. 320.

The lone Saskatchewan firm which answered « yes » to this question was the Co-operative Dairy. As this firm has its head office in Saskatchewan, the site was limited to a Saskatchewan location. The firm whose answer was qualified, stated that they took over existing facilities, but if they had started from scratch they would have preferred an Alberta location. The following are some of the reasons advanced by the six Alberta firms which replied in the affirmative. Alberta has a property tax advantage not available in Saskatchewan ; a more stable government ; no socialistic government ; no tax on capital purchases ; a more realistic labor legislation ; no sales tax ; the government is more fair to business.

Although the statements based on personal opinion cannot be discussed from a substantive viewpoint, those based on taxation and labour differentials between Alberta and Saskatchewan can be studied. There is a substantial discrepancy between the respective provincial tax assessments.⁴⁸ For example, in 1965 the County of Vermilion River No. 24 assessed all of the Husky Oil Canada Ltd., property at \$453 210 including improvements and land assessment where applicable. The same property was assessed by the Saskatchewan government at the sum of \$719 000, a difference of \$265 790. Similarly the Alberta assessment of International Cooperage Co., of Canada Ltd., property was \$15 470 while the corresponding Saskatchewan assessment figure was \$45 000. In all fairness to the Saskatchewan assessors, however, it must be said that their assessment of Domtar Chemical Co. Ltd., was \$166 000 or \$23 420 less than the value of \$189 420 made by the Alberta government.

This rather sharp contrast between the assessment values of the two provincial governments may be attributed to the different assessment regulations of the two provinces. In Alberta the municipality has the option of assessing normal improvements at 60 percent of their value and if it is a the machinery equipment at 30 percent of their value or to levy a business manufacturing or processing plant the assessor has the option of assessing tax. Saskatchewan municipalities have no such options. They do not assess machinery equipment but only levy a business tax.⁴⁹

A close analysis of the existing labor legislation of the two provinces reveals that no major significant differences exist between them. While Alberta employees receive a slightly higher minimum wage, the Saskatchewan employees receive better fringe benefits such as more public holidays and longer annual vacations. But the industrial questionnaire survey made it clear that there is a disparity in the salaries actually earned by workers on the two sides of the boundary line. Alberta industrial workers earned an average salary of \$5 712 per annum, while the corresponding annual wage for their Saskatchewan counterparts was only \$4 724 or \$988 less per year.

⁴⁸ *Op. cit.*, pp. 487-493.

⁴⁹ *Ibid.*, pp. 499-500.

If the higher provincial income tax deduction in Saskatchewan is considered, this is quite a substantial difference.

In reply to a question « Does the provincial boundary have any effect on your business operations either directly or indirectly ? » the following tabulation was received :

Influence of Boundary on Industrial Operation

	<i>Alberta Firms</i>	<i>Saskatchewan Firms</i>
Yes	13	4
No	7	2
No Opinion	0	0
Total	20	6

Some of the effects experienced by the four Saskatchewan companies which answered in the affirmative are pertinent. The sales tax, although it does not influence most industries, affects the construction companies, particularly the building industries. Many felt that even if it did not affect them directly, it served as a psychological deterrent to customers. Other industries, such as body shops, simply cannot afford to collect the tax on any new car parts supplied to the customer. This would increase the price of a work estimate and result in possible loss of a customer through uncompetitive bidding. If the shop loses the bid it results in less work for its employees, leading to financial problems for their families. Thus the owner must absorb the loss out of his own profits. Livestock shipping companies such as Weiller and Williams Ltd., are faced with extra administration costs since they must of necessity be involved with the laws and requirements relating to livestock operations in both provinces, including the respective provincial Brand Acts, Dealer Bonds, licensing and so forth.⁵⁰ Some firms felt that the higher rates of pay in the Alberta industries had resulted in a drain of employees to Alberta located industries.

Many of these problems were also mentioned by the Alberta firms. One company stated that as a result of the Saskatchewan regulations the trading area of its products had been reduced by one-third, as the company could not comply with the stringent Saskatchewan regulations. Another firm, McKay's Transport Company Ltd., stated that they had problems applying the different labor legislation of the two provinces to their situation, with respect to hours of employment, workman's compensation, holidays and other labor laws, as these relate to the truck drivers.

⁵⁰ Pers. Comm., Mr. L.P. Bromham, Weiller & Williams (Lloyd) Ltd., Aug. 23, 1967.

In general the province of residence has very little bearing on the place of employment, although many people prefer to work in the province in which they reside if work is available in the province. This preference is especially true for income tax purposes. Provincial income tax is deducted from the employee's pay cheque according to the rate established by the province in which the person is employed. When he files his tax return, however, he must pay his provincial income tax on the basis of the rate set by the province in which he resides. Thus an Alberta resident employed in Saskatchewan, would receive a substantial refund on his income tax and be required to pay a considerable adjustment with his tax return. Unless this tax difference of 6,5 percent is taken into consideration by Saskatchewan residents employed in Alberta, it could result in an unnecessary financial problem when tax returns are due.

Unless future advantages occur for industry because of the city's border location, it is probable that these difficulties, legal complications and expensive duplication, will deter new industry from locating at Lloydminster. There are signs that this is occurring since the earlier boom of the 1960's.⁵¹

Finally to try and ascertain what extra costs, caused by the boundary's location, were perceived by people living and working in Lloydminster, a questionnaire survey was conducted by personal interviews on Saturday, March 18th, 1972 in public places of Lloydminster. Only residents of the city were interviewed. There were 79 usable returns including 39 from males and 40 from females. Forty two respondents lived in Alberta, 37 in Saskatchewan ; 34 worked in Alberta, 28 in Saskatchewan. Thirteen respondents lived in Alberta and worked in Saskatchewan while 14 lived in the latter province and worked in Alberta. The respondents had a wide range of occupations though major groupings included sales personnel, managerial staff, store owners, students and housewives. Frequency of visit for purposes other than work to the part of the city in the adjacent province, from where respondents resided, was for 82 percent of the respondents more than 4 times per week. The main purpose was overwhelmingly for shopping, socializing, and personal business.

It was found that 73 percent of the respondents did not think there was any personal cost to them resulting from location of the boundary. Only a handful detailed any estimated costs which ranged from \$40 to \$1 000 or more per annum for expenses relating to the sales tax, insurance, licensing, lights, telephone. Although few respondents thought any problem existed, 13 suggested the boundary should be moved east to include the whole city in Alberta and 5 thought the same for Saskatchewan by moving the boundary westwards. Only 3 respondents thought there would be extra public administrative costs to the city resulting from the present location of the boundary. The uniqueness of the city and its tourist potential was mentioned by three

⁵¹ J. McLean, Lawyer, Lloydminster reported in *Edmonton Journal*, Nov. 19th, 1970.

people. In association with other evidence substantial financial costs are being incurred only by businesses and skilled trades people rather than the ordinary resident since the latter is little affected now by the sales tax compared with industry and business.

CONCLUSIONS

According to the federal postal authorities all residents of Lloydminster live in Saskatchewan as the post office is located on that side of the provincial boundary ! If this was the actual situation then a majority of the business and industrial community would probably support it. The contemporary problems are very real indeed for the community. They depend to a large extent on good will existing between two provinces, particularly with respect to the prosperity of commercial activities and the lack of any trade barriers. Although the reasoning of the final decision-making with respect to the location of the Husky Oil Refinery cannot be known fully, it is possible that the contrast between the two provinces in political policies which has repercussions on economic activities, may have influenced both commercial and industrial location decisions. The respondents to the commercial and industrial questionnaires certainly indicated they had been influenced by this consideration. But the results of the recent survey in public places of Lloydminster seem to indicate that there is not such a strong desire by the layman for the unification of Lloydminster under the jurisdiction of one province. While the city operates under its own charter political unification is unlikely to occur except under a future unification of all three prairie provinces which in turn is rather doubtful. Despite the symbolism of the boundary in the names of shops, companies and sports teams such as « The Border Kings », there are clear feelings by business, industry and civic leaders that the community would prefer the more simple and less costly alternative of a united city, located wholly within one province.

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ABSTRACT

The Effects of the Division of the City of Lloydminster by the Alberta - Saskatchewan Inter-Provincial Boundary

The paper traces the effects of the superimposed inter-provincial boundary line on the development of Lloydminster. Duplication of public services, and other difficulties encouraged early efforts to amalgamate the community under one jurisdiction. This was accomplished in 1930 and the city is operated under special legislation which is called the « Lloydminster Charter ». Inherent inefficiencies still remain for civic government as well as disadvantages for private enterprises as the provincial legislation of Alberta or Saskatchewan prevails depending upon which side of the boundary a person resides, works, shops, or an economic enterprise is located. The sales tax levied on most purchases by the Saskatchewan Government remains a problem for retailers and citizens. Most of the commercial and industrial development is occurring on the Alberta side of the City.

There is evidence that industrial and commercial companies, professional people and residents, would prefer the City to be either in Alberta or Saskatchewan in order to eradicate the inefficiencies and irritations caused by the division of the city by the boundary.

RÉSUMÉ

Conséquences de la division de la Cité de Lloydminster par la frontière entre les provinces de l'Alberta et de la Saskatchewan

L'article expose les conséquences, sur le développement de Lloydminster, de la localisation de la ligne frontière Alberta – Saskatchewan qui coupe cette cité en deux. Les problèmes de la duplication des services et des équipements publics encourageaient, dans les premières années d'existence de la communauté, les essais de fusion des deux parties de Lloydminster. Cette fusion a été accomplie en 1930, et la cité fonctionne sous une législation spéciale, le « Lloydminster Charter ». Les inefficacités inhérentes à cette division subsistent encore, en particulier pour le gouvernement municipal, de même que les désavantages pour les activités commerciales, parce que la législation provinciale de l'Alberta ou de la Saskatchewan s'applique aux individus, selon le côté de la ligne frontière où ils résident, travaillent, font leurs achats, ou possèdent des industries. La taxe de vente levée par le gouvernement de la Saskatchewan reste un problème pour les marchands et les habitants. La majeure partie du développement commercial et industriel se situe à l'ouest de la cité, c'est-à-dire en Alberta. Les sociétés industrielles et les marchands, les gens de métier et les habitants veulent que la cité soit située entièrement en Alberta ou entièrement en Saskatchewan pour supprimer les inefficacités et les irritations qui résultent de la division de la cité par la ligne frontière.