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Task Force on Fees for Public Services

The right fees to live better together

Québec, April 10, 2008 – The Task Force on Fees for Public Services today unveiled its report and presented the conclusions of its work carried out in accordance with its mandate. The Chairman of the Task Force, Claude Montmarquette, and the two members, Joseph Facal and Lise Lachapelle, recommend that the government establish a new fee policy that would serve as an efficient and fair tool for funding public services. In the opinion of the Task Force, the government should pass a framework law in which it would define the objective, the principles and the terms of the fee policy.

“The objective of this policy should be to ensure that fees are both effective and fair, making it possible to establish the right fees to live better together,” emphasized Mr. Claude Montmarquette.

It is worthwhile recalling that the Task Force on Fees for Public Services was born out of the need to examine the stakes and to advise the government on the establishment of a new fee policy.

Elements underlying the reflection

The setting of fees is a politically difficult subject. It entails social implications that warrant careful consideration. Indeed, changes to fees impact all citizens, notably the people who are least well off and who risk being affected more by fee increases that apply to essential goods or services.

There is also an erroneous perception that modifying fees is synonymous with imposing a new tax. In actual fact, the idea underlying the fee system is that the person who uses a service must also be the one who pays for it – the user pays concept –, whereas in the case of taxation, the person who pays the taxes may not necessarily benefit from the services funded by these taxes.

Moreover, among the stakes associated with fees, it is important to bear in mind that the fee policy raises the problem of the relative share of fees and taxes that goes to funding public services: every service for which insufficient fees are charged will have to be funded using the proceeds from income tax.

However, the effect of fees, when they are adequately defined, is to influence the behaviour of users in the right direction. Fees thus become an essential tool for managing our behaviour in order to meet collective objectives in an efficient and fairer manner.

Incidentally, Mr. Montmarquette emphasized that: “adequately defined fees make it possible to reduce the wasting of resources, to protect the environment and to ensure the sustainability of our heritage, while obtaining the necessary funding to ensure the quality of the service offered, enabling us to better live together.”

Dispelling myths and recalling virtues

A few myths undermine the discussions on the subject of fees and it is vital that these myths be dispelled before proceeding further in the analysis of this question.

Indeed, contrary to popular belief:

- public services are not free; their real cost is often concealed in the overall tax contribution;
- fees are not constantly on the rise in Québec. In actual fact, most fees charged in Québec for public services have grown at a rate that has not kept pace with inflation over the last ten years;
- fees are not higher here than elsewhere, quite the contrary. In all, Quebecers would have paid \$5 billion more in fees, if the fee rules existing elsewhere in Canada had been applied here.

When fees are used wisely, they can be fairer for the least well off in society. Indeed, fees make it possible to direct the assistance to those people who need it most.

It is also important to recall that in addition to these myths, the fee system has important virtues. Fees contribute to improving the quality of services and encourage efficiency in the use of resources.

A new fee policy

The various findings have led the Task Force to recommend that the government pass a framework law in which it would define the objective, the principles and the main terms of the new fee policy. This policy, which would be more efficient and would better take into account the interests of all concerned, should center on the following six principles:

- the coverage of costs, except where public policies have clearly decided otherwise and provided that these costs are evaluated on a regular basis;
- transparency;
- solidarity with the least well off;
- channeling the revenues from fees to the services for which the fees were charged;
- accountability;
- the evaluation of public policies having a user fee component.

Tangible suggestions

The Task Force presents a certain number of tangible suggestions concerning fees that affect certain major aspects of life in society. It examined the fees applied in five fields, namely university education, electricity consumption, water use, highway and urban tolls, and childcare.

Managing an invaluable asset: university tuition fees

The freeze on university tuition fees, in effect in Québec for much of the last four decades, is a typical example of a policy that was considered to be both effective and fair for a very long time. In actual fact, it is neither. The Task Force recommends, among other things, an increase in the ceiling that the government has put on university tuition fees to ensure that these fees better reflect the costs of a university education. Universities could decide whether or not to increase their tuition fees to the level of the ceiling. It is also suggested that the government make a corresponding adjustment to the loans and bursaries offered to students and that the government index, on an annual basis, the subsidy that it pays to universities in order to take into account the evolution of costs.

Electricity: a resource that is not sold at its real price

The Task Force recommends that the government revise the legislative framework governing the cost of electricity so that the fees charged for this resource take into account the value of electricity on the export markets and reflect the growing cost of production, stemming from recent projects.

In any event, it is important to make sure that the increase in electricity costs does not affect the least well off in society. The Task Force suggests that the government adjust social aid or one of the tax credits established in favour of low wage-earners, and that it avoid having to adjust the fees.

Water: putting an end to the waste

Canadian consumption is 65% greater than the average consumption of OECD countries and this over-consumption phenomenon, far from declining, is growing. When various cities across Canada are compared, the situation is not very bright. Indeed, Québec is one of the provinces where the use of water meters is the least widespread, but where the average consumption is among the highest. In the opinion of the Task Force, Québec should pass a general law governing water, which would establish a coherent legislative framework making it possible to implement the various measures necessary for a sustainable management of water, including, within 10 years' time, the mandatory presence of water meters in all homes, businesses and industries, as well as a fee schedule based on real production costs.

Improving our services and protecting the environment: highway and urban tolls

At the present time, road users are given little if any indication of the costs involved, but are well aware of the ageing of the road network as well as the need to find new sources of funding to ensure the renovation of the network. In order to make better use of the fees to improve the highway network, the Task Force recommends that the level of licence and registration fees be more closely linked to the real use of the network by drivers. It also recommends examining the possibility of setting up an urban toll system around the Island of Montréal or the metropolitan area in order to manage rush-hour congestion problems. This toll system should be accompanied by additional investments in public transit.

Ensuring the coherency between fees and the objectives sought: childcare fees in childcare centres and in home childcare operations

The childcare program is an interesting and relevant collective tool for responding to current demographical trends and living habits. However, it is important to be aware of the high cost of this program. Concerning the fees for home childcare operations, the Task Force suggests that the government make a rigorous evaluation of the current and the anticipated costs of the childcare funding policy and make a periodic adjustment to the contribution requested from parents in order to stabilize the proportion of the government subsidy and, in so doing, reflect the increase in costs.

Conclusion

In unveiling this report, the Task Force wants to send a clear message to the government and to all citizens: used in an efficient and fair manner, fees are a tool that contributes to our collective enrichment and enhances the well-being of everyone, and it is in our best interest to make use of such fees.

The Task Force believes that the proposed fee policy must be given tangible form in a framework law which will indicate the path that should be followed by all organizations that depend on the State. More specifically, the Task Force firmly believes that partisanship must not be allowed to distort an effective and fair fee policy.

A change in direction is needed and a new culture must be established if we are to arrive at this goal and to make citizens aware of the current links between user fees and income tax, and between what they pay and the manner in which they pay it.

The time has come to set to work and establish the right fees to live better together.

Mr. Montmarquette reiterated that: "It is the Task Force's wish that the report tabled today be examined dispassionately and based on its merits, and that each recommendation be assessed at its fair value, before any decisions are made."