

Prairie Centre Policy Institute  
Commentary

WHERE DO WE GO FROM HERE

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**To Fee or Not to Fee / Keep rein on user fees**

*By Brian Lee Crowley*

Every year produces a new fashion in taxation as our insatiable government spending machine searches ever more desperately for ways to part us from our hard-earned incomes. The flavour of the month this time is user fees. They have multiplied like picket lines in springtime in British Columbia.

People have legitimate concerns about this shift to user fees, such as their effects on fairness, that they may simply increase the total burden of government, and they may bear no relation to the real cost of providing any particular service. There are some good arguments for user fees, but we have to attach strong conditions to their use. Without these protections, many of the recent user fees are merely transparent cash grabs made necessary by our governments' inexcusable inability to control their spending.

When are user fees justified?

We have to distinguish between public services where there is a strong reason to subsidize costs, as opposed to public services that are simply the provision of useful services but there is no real argument for subsidizing them from general tax revenues.

People pay the real cost of many things in life, including things that are absolutely vital for their health and well-being, such as food, clothing and shelter for example. Just because they are provided by government, there is no reason why many kinds of service should not fall into this category.

If we use tax dollars to keep the price of these things artificially low, then we subsidize equally the billionaire and the pauper. That's inefficient and means we have fewer resources to help those that genuinely need it, because we've spent money helping those that didn't need help in the first place. That's one of the reasons why low tuition fees (which are a user fee) are a socially regressive policy: today's poor are taxed to educate tomorrow's élites. On the other hand, primary and secondary education provide social benefits that don't show up so clearly in individual incomes, so there are much stronger reasons to subsidize them.

For many services it is better to charge people the full cost, and then use transfers, directed subsidies or fees tailored to income to make sure that those on low-incomes have the money to buy needed services. A portion of tuition fee increases, for example, should be set aside to provide scholarships to low-income students.

We must never forget that if you provide a service for free or at a greatly subsidized cost, people consume more of that service than they would if they had to confront the true cost of it. If cars were free, you'd probably drive a much nicer car than you do today, when your choice is a trade-off against other things you want (if I get a car that's too expensive, I can't afford the kids' dental work, or the house renovations, or whatever). So when we artificially lower the cost of public services, people consume more of them than they really want, and this is one of the things that drives the growth of government: people get to pass some (or even all) of the costs of what they want onto others. User fees actually provide useful information about how much people really want a government service, and do so more objectively than protests and demonstrations by self-interested minorities looking for higher civil service pay, and free highways and tuition at taxpayers' expense.

But how do we know if the government is charging us a fair price for their services? We should draw inspiration here from a bill that was recently adopted in Ottawa that sets rules on the federal government's use of user fees. The fee-setting has to be open, transparent and directly related to the value of the good or service obtained. It can't be merely a disguised revenue grab for unrelated purposes.

I would go even further: user fees should have to be approved by an arm's-length body like a regulatory commission, where the government has to make its case for each user fee. The costs of providing each service should be separately accounted for, and user fees collected in excess of those costs should be returned to customers.

Finally, all of this should be subject to independent audit by the Auditor General, and legislation should allow people to lodge an appeal where they feel that user fees are excessive compared to the real cost of provision.

But user fees are not justified as a way to increase government revenues, not least because our tax burden is already ample to provide the public services that we want and need. Instead they are a way to help manage the demand for those services, and therefore keep costs lower. Those benefits should be returned to taxpayers in the form of lower taxes.

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