



Water Conservation Without Tax Increases



Response of the Canadian Taxpayers Federation to the
Alberta Government's *Water for Life* discussion draft

A Submission to Environment Minister Lorne Taylor

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit, non-partisan, education and advocacy organization. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. In twelve years it has grown to become an organization with over 60,000 supporters nation-wide.

The CTF's three-fold mission statement is:

1. To act as a watchdog on government spending and to inform taxpayers of governments' impact on their economic well-being;
2. To promote responsible fiscal and democratic reforms, and to advocate the common interest of taxpayers; and
3. To mobilize taxpayers to exercise their democratic responsibilities.

The CTF maintains a federal office in Ottawa, and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a Centre for Aboriginal Policy Change dedicated to monitor, research and provide alternatives to current aboriginal policy and court decisions. Provincial offices and the Centre conduct research and advocacy activities specific to their provinces or issues in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's official publication, *The Taxpayer* magazine, is published six times a year. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. The CTF is not a registered charity, and contributions are not tax deductible.

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Water management infrastructure must be paid for

Alberta's water may be free, but its management and distribution are not. It costs money to move, measure, purify, store, test, and monitor water, and to distribute water to Alberta's people, farms, businesses and industries.

Alberta's provincial and municipal governments own and manage Alberta's dams, headworks, lake outlet structures, water treatment facilities, water distribution systems, irrigation canals, and drainage canals. This water infrastructure must be maintained and rehabilitated on an ongoing basis.

Alberta's water consumers – including individuals, farms, businesses and industries – ultimately have to pay the full cost of water management and water infrastructure, whether through taxes, fees or both. *Water for Life* states that it is necessary to determine the full cost of water, including safe drinking water, that is provided by Alberta's water management infrastructure.

Proposal for a system of water pricing and polluter charges

The Alberta government's *Water for Life* discussion draft suggests (at pages 34-35) the possibility of developing “a system of water pricing and polluter charges, as well as other economic tools and incentives to stimulate changes in behaviours and patterns of water use.” In a similar vein, *Water for Life* also recommends water metering for users on municipal systems, for commercial and industrial users, and for large agricultural operations.

Water pricing and polluter charges would be excellent tools to promote water conservation. A system of user fees would give every individual, farm, business and industry in Alberta a direct, tangible and personal incentive to use water efficiently. In fact, user fees are preferable to paying for water infrastructure out of general tax revenues (whether provincial or municipal), because user fees make consumers aware of the full cost of storing and distributing water. In contrast, when services and programs are paid for out of general tax revenues it is not readily apparent to Albertans how much a program or service costs.

Existing tax revenues are sufficient

In the 2003-04 fiscal year, the Alberta government expects to collect \$21.9 billion in taxes from Albertans – an average of about \$7,000 from every man, woman and child. Roughly one fifth of this money comes from the sale of Alberta's non-renewable oil and gas resources. Roughly one tenth of these provincial revenues come in the form of transfers from Ottawa. The remainder comes from personal income tax, the health care premium tax, corporate income tax, provincial

property tax, and various other provincial taxes on fuel, tobacco, alcohol, VLTs, lotteries, hotel rooms, etc.

These massive quantities of tax revenues enable Alberta to spend more, per person, on government programs than B.C., Saskatchewan, Manitoba, Ontario and other Canadian provinces. Alberta's program spending is 60% higher than it was seven years ago, while Alberta's population grew by 14% during the same period.

Clearly, there is no shortage of money to pay for maintaining water infrastructure, or even to build new water infrastructure. If there is insufficient funding available to maintain water infrastructure, then this means that too much money is being spent on the wrong priorities. If the Alberta government has failed to provide adequate funding in the past for the proper maintenance of Alberta's water infrastructure, then this is a failure for which the government must accept responsibility. The Alberta government has erred in awarding double-digit pay increases to nurses, MLAs, teachers and other public sector workers which far exceed the wage increases received by workers in the private sector. Forcing taxpayers to pay even more money for water infrastructure is grossly unfair.

In short, the Canadian Taxpayers Federation agrees that proper levels of funding are necessary to achieve long-term sustainability of Alberta's publicly funded water management infrastructure (*Water for Life*, page 38). However, tax increases are not necessary to ensure proper levels of funding, as \$21.9 billion in provincial tax revenues – plus billions more in municipal taxes – are more than adequate for this purpose.

New user fees must be matched by a reduction in taxes

As explained above, user fees are acceptable, in and of themselves.

However, *new* user fees are not acceptable when *added* to existing provincial tax revenues of \$21.9 billion per year. If new user fees for water consumption are imposed on Albertans without a corresponding cut to provincial or municipal taxes, the new user fees are simply a tax increase. The provincial government has plenty of money available to maintain and upgrade existing water infrastructure, and simply does not need more revenues from fees.

New user fees imposed on water consumers are unacceptable unless they are accompanied by an equivalent reduction in taxes. For example, it would be acceptable for provincial and municipal governments to charge \$1 billion in new user fees to pay for the cost of water management and water distribution if provincial and municipal taxes were reduced by \$1 billion.

User fees are a legitimate means of promoting conservation, but only if matched – dollar for dollar – by a reduction in provincial or municipal taxes. This principle should be added to the list of core principles listed at pages 7 and 8 of *Water for Life*.

Policy changes announced by the Alberta Government in the Fall of 2003 should adhere to this principle.