

Last April, the **Task Force** examining user fees for public services published its report *“Mieux tarifer pour mieux vivre ensemble.”* The group’s labours were framed by a mandate to examine the issues and advise the government in its elaboration of a new user-fee policy. Mostly, the task force sought to debunk a number of persistent myths surrounding the issue of user fees.

First myth: Public services are free

Even though a minimal price, if any, is levied on public services, they are not free. Obviously, the cost of healthcare, education, and daycare services are assumed by the taxpayer, who thus ensures their provision.

Second myth: Fees always increase

In the past ten years, most of the user fees charged for public services in Quebec (the price of electricity and university tuition, for instance) have increased less rapidly than inflation.

Third myth: User fees are higher in Quebec than elsewhere

Truth be told, revenues generated from user fees are lower in Quebec than elsewhere, and Quebec relies on them less than other provinces.

Fourth myth: User fees are hidden taxes

In fact, user fees reflect the notion that those who use a service should be the ones who pay for it—the user-pays concept. In the case of taxation, on the other hand, those who pay the taxes that fund the services are not necessarily those who use them.

Fifth myth: User fees are inequitable

To the contrary, it is more efficient and equitable to directly and explicitly subsidize low-income households than to fix an artificially low charge for all.

The task force also saw fit to reiterate some of the benefits of user fees: They contribute to improving services, encourage efficiency in the use of government resources, and force decision makers to ask tough questions regarding the financing of a public service—thus leading to answers that are the most appropriate given the nature of the service proffered.

The Status Quo in User Fees

A big problem today is that user fees do not reflect costs. For example, ignoring healthcare, revenues from user fees represent approximately 36% of the total cost of programs. If we factor in healthcare, this proportion drops to 17%. Furthermore, citizens are not informed as to the real cost of these programs or the magnitude of this gap—which is financed

by taxes. In addition, the modalities laid out in the guidelines are ignored. While it is strongly recommended that government departments and agencies periodically review the rates in effect, over half of total user-fee revenues (52%) are indexed.

The Task Force’s Recommendations

The task force proposes that the goal of the new user-fee policy be to define rates that are both efficient and equitable.

- They must be efficient, so that they send the right signals to the users, ensure good management of our resources and public services, contain fiscal pressures and, consequently, enhance our welfare and improve our communities.
- User fees must also be equitable, since we are obligated to account for consumers’ ability to pay and for the precarious situation of society’s most disenfranchised citizens.

The task force identified six principles that should provide the grounds for the government’s new user-fee policy: covering costs, transparency, solidarity with the poorest, spending income from user fees on the services that generated it, accountability, and the valuation of government policies having a user-fee component.

The task force recommends that the government create framework legislation to define the principles and the key terms and conditions of the new user fee policy for public services.

In concluding the report, the task force desires to send a clear message to the government and all citizens: User fees, applied in an efficient and equitable fashion, constitute a tool for enriching society and improving the welfare of all, and it is in our interest to use them. User fees are not a disguised tax. To the contrary, they represent an irreplaceable instrument for sending the right signal to the user. An efficient user-fee policy is compatible with the necessary protection of the most disenfranchised. It is simply a matter of the government resisting the temptation to act on the user fee itself rather than transferring the resources low-income families need to acquire essential goods and services.

In light of the extent of the government’s financial involvement in our economy, it is unthinkable that efficiency and equity criteria do not dominate the setting of user-fee levels. It is unacceptable that citizens have so little information on the actual connection between the user fees and taxes they pay, and how they pay them.