

Quebeckers are deeply concerned about issues of social justice. In the spirit of this preoccupation, we have placed the principle of fairness at the centre of our exploration of user fees for water services. The general recommendations we develop expand on the various aspects of this principle: vertical fairness, protecting the poorest consumers from rates they cannot afford; horizontal fairness, ensuring that conscientious consumers do not unduly subsidize the squandering of those who are irresponsible; and intergenerational fairness, safeguarding the durability of our infrastructures.

As one might expect, vertical fairness can be obtained by reducing the bills of the poorest by providing subsidies that reflect their water requirements and incomes. Intergenerational fairness involves a (very) long-term approach to managing services and infrastructures. Horizontal fairness requires identifying users' practices. Clearly, fully equitable pricing requires the installation of water metres for all consumers commercial, industrial, institutional but also residential users.

Currently, most municipalities in Quebec rely on property taxes and assistance from the provincial government to finance water services, which are then provided in virtually unlimited quantities to residential users. This means of financing cannot be completely equitable: It may, under some conditions, respect vertical fairness, but it inevitably erodes the goal of horizontal fairness (users' bills do not reflect their consumption) and of intergenerational fairness (the absence of self-financing does not provide incentives for long-term management).

Fairness has value, as we see from the emphasis it receives in the public discourse on how we pay for and price water services in Quebec. Fairness also has a cost, in particular because the cost-effectiveness of residential water metres has yet to be demonstrated. In addition, since fairness has several dimensions that are difficult to reconcile at an affordable cost, as we have shown, Quebec will need to strike a balance between vertical, horizontal, and intergenerational fairness that best reflects the concerns of Quebeckers. Thus, before even beginning to address the question of dollar amounts, we believe a thorough discussion is needed to shed more light on fair pricing and its ramifications for the management and financing of water services.

### **General recommendations**

- 1. Remove the management of water supplies from the budgetary process:** There should be an expectation that water services will be **self-financing**.
- 2. Any new fees should be accompanied by a cut to property taxes** that will offset the amount collected for water services.
- 3. Regardless of the financing mode chosen, it must be transparent.**
- 4. Similarly, any reform should be introduced progressively,** so as to give the public a chance to adjust.

The full study (French only) is available on CIRANO's Website at:

<http://www.cirano.qc.ca/pdf/publication/2014RP-02.pdf>