

# Environmental Pricing Initiatives

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# Current Tools

## ***User fees:***

- designed to raise revenues rather than to ration services efficiently.
- fail to include environmental/social costs

## ***Local taxes and infrastructure charges:***

- seldom designed with efficiency objectives
- do not include environmental/social costs

## User Fees – For What Services?

- Water and sewage treatment
- Solid waste collection & disposal
- Public transit & transportation
- Public recreation

## Current Practice - Water

<u>Price structure</u>	<u># of cities</u>	<u>% of pop</u>
Flat rate	489	23.4
Volumetric	427	76.6
Constant	304	45.4
Decreasing block	84	7.9
Increasing block	39	23.3

\*\* Trends are described in SP's report

## Current Practice - Sewer

- Almost always recovered through surcharges on water bill
- Mainly flat rates even when water is based on volumetric prices
- Sometimes, as a % of water bill

# Current Problems with Water/Sewer Pricing

- Many municipalities not metered
- Grants often cause problems
- Rates do not reflect time of day, season of year, distance from source
- Asset replacement costs often ignored
- Opportunity cost not included

## Water/Sewer Pricing: What Should Be Done?

- Meters are required

Prices should include:

- asset replacement & opportunity costs
- cost differences due to time of day, season of year, distance from source

## Solid Waste: Fees or Local Taxes?

- Fee per bag/container is most efficient.
- Studies show fees lead to less trash, more recycling & composting.
- Fee should cover all operating and opportunity costs (cost of space, for example) of landfill site.

# Public Transit & Transportation

- Transit fares - vary by zone & time of use.
- May be efficient to subsidize public transit from road charges
- Municipalities should be permitted to:
  - tax parking lots
  - have variable vehicle registration fees
  - issue differential drivers' licence fees
  - impose a municipal fuel tax
  - impose congestion/toll charges

# Infrastructure Charges

## Development Charges:

- To cover growth related costs
- Variable rates should be used when costs differ across neighbourhoods.

# Infrastructure Charges (cont.d)

## Tax Incremental Financing Districts:

- Used for 'brownfield' remediation & city center revitalization and infilling.
- Stimulates private investment in neglected urban areas.
- Divides local tax revenue into two categories – i) pre-assessed development and ii) increased assessed value.
- Assists in discouraging urban sprawl.

# What Is Achieved from Improved Pricing and Taxation?

- Improved resource allocation
- More environmentally friendly
- Improved fiscal sustainability
- Better accountability & transparency
- Fair in its impact on users

# Key Challenges?

Must overcome attitudes re:

- the notion that user fees are regressive;
- a reluctance to change current accounting practices;
- an expectation that senior governments should provide grant funding to fund local services;
- the importance of proper pricing policies for efficiency, accountability, transparency and fairness in funding local services.