

# Environmental Tools:

## Resource/Infrastructure use fees and charges

### **What is a resource use fee or charge?**

A resource use fee or charge is a payment made for the use of resources, under the rationale that resources are not free, but rather commodities that should be priced to avoid inefficient use and related environmental problems. Traditionally, charges and fees have been employed to offset costs, such as infrastructure development, that have most often been incurred by government. In more innovative circumstances, this tool has been applied to internalize environmental costs, and encourage behaviour and management of natural resources in a more sustainable fashion. For example, a water use fee or charge could be rationalized since water has value as a resource and requires large capital investments to establish and maintain distribution networks. If appropriately priced, inefficient use and related environmental problems can be avoided.

Resource use fees and charges support the “polluter pays principle,” as it places an economic cost on the environmental resource and its provided service.

Examples are water fees, congestion or time-based highway tolls, conservation and park use fees and agricultural grazing fees.

### **Where are they used?**

#### **National and Provincial Parks**

Fees and charges are applied to park users as a means to generate revenue to fund the provision of park services and general management and maintenance of a park. Fees and charges are often charged to park campers, vehicle parking, and waste removal services. This revenue can then be used for educational programs, wildlife management, conservation measures and other park management needs.

#### **London Road Congestion Fee**

Since 2003, London, England has charged a fee for driving private cars in its central area during weekdays as a way to reduce traffic congestion in the city’s core and raise revenues to fund transportation improvements. This has significantly reduced traffic congestion, improved bus and taxi service, increased ridership, and generated substantial revenues.

#### **Canadian Forest Stumpage Fees**

Stumpage fees applied to the forestry industry in Canada set a financial charge to companies that harvest timber on public land. This fee is at the centre of the infamous Canada/US softwood lumber dispute, as there is debate to whether or not this Canadian stumpage fee is set too low, in comparison to costs associated to American companies, thus providing an “unfair” trade advantage to the domestic industry.

## **Other applications**

More common applications of a resource user charge include metering of municipal water use and pay-as-you go services for municipal solid waste services. These two examples are of interest as they are both effective in curtailing environmental pressures, and are also politically and socially feasible as the relevant constituency typically already pays for such services with a flat rate fee. In such circumstances, a resource user fee placed on water use and solid waste disposal can provide a fiscal incentive to reduce consumption, and minimize associated ecological impacts.

## **Tool performance**

### **Pros**

- Can incorporate environmental and social value of resources within the marketplace.
- If a resource is scarce, such as water, this can provide a mechanism to promote more efficient use and/or conservation.
- Recognizes that environmental resources are not free goods.
- Can incorporate environmental externalities.

### **Cons**

- Do not guarantee that a natural resource will be protected if a company or individual is willing to pay more than the price of the resource charge/fee, or if the fee is accepted as “a cost for doing business” and thus incorporated into normal business expenses.
- Could be viewed as a “money grab” by government if the payer is not aware of the value in a use fee, charge approach.
- Could add potential complexities surrounding international trade agreements.
- Could limit access to resources to individuals and businesses that have traditionally relied on resources without being subject to a charge/fee.
- Can be viewed as adding more of a burden to the poor.

## **Special considerations:**

To change behaviour of resource users, fees and charges need to be set high enough to change well-established habits, reflect the degree of resource scarcity and any other environmental externality.

There may be governance issues when implementing a resource use fee, where one has never been in place. This challenge may be increased if users had free and unlimited access to a particular resource in the past. This idea is based on the economic term, “willingness to accept”.

Use fees should be levied fairly and equitably and properly account for the benefit received by each user, and the environmental externalities associated with the use of that resource.