

*Private Members' Business*

I ask you, which is more important? Put another way, as mentioned already, a cubic metre of water, which is the amount an average residence uses daily, costs about 60 cents. This, incidentally, includes charges for sewage treatment. For the sake of comparison, a soft drink of similar quantity costs about \$800.

In earlier years the senior levels of government contributed heavily to the cost of water infrastructure. The federal government alone contributed about \$2 billion between 1961 and 1978. Because of its deficit reduction program and also because of efforts at fiscal disentanglement, it stopped this program in 1980. The provinces are now faced with major commitments of their own and are coming to the same conclusion; that is, if user-pay makes sense anywhere it is in the area of municipal infrastructure.

This leads to the conclusion that such funding will have to come from local sources in the future, primarily through user-pay pricing policies.

It is the role of the federal government to encourage resource managers to manage their resources wisely, not to fund infrastructure. Let us look in more detail at the economic issues involved and how local government can handle this problem.

It is estimated that the backlog of work required for water system renovation is in the neighbourhood of \$10 billion. This money is required to put Canada's water infrastructure into adequate shape to meet the requirements of the future. Major areas requiring work are the Great Lakes basin and St. Lawrence River basin, the lower Fraser basin and much of the Atlantic provinces.

We know that municipalities have annual water rate revenues totalling about \$3 billion nation-wide. For Ontario alone this total is \$1.3 billion. We also know that water bills, on average, are below \$20 per month, less than the cost of a case of beer.

If municipalities were to double their water prices, imposing no onerous burden on users, the additional revenue raised would fall somewhere between \$2 billion and \$2.5 billion annually. Even if one subtracts a small loss of revenue due to the resulting conservation efforts

and rationalization of water demand, the revenue raising capability of such a move would still be enormous.

A connection to the infrastructure financing problem is clear: A doubling of water rates would, in the aggregate, raise sufficient funds to self-finance within five years the requirements of water infrastructure renovation.

These are average figures. There would be variations from community to community. Since the job is so big, it would take a decade or more to carry out.

Some municipalities could start quickly, others would take years to get going, others have already done this. In any event, governments would want to phase in this renovation over the long term rather than generate a cost-exploding boom.

Many benefits would accrue from user-pay pricing for water services. Decreased demands would occur automatically and would lower over the long run the capital needs for expanding systems. Increased local expenditures on properly financed infrastructure renewal would put the country back to work. A user-pay approach would also target specific local needs and increase efficiency significantly.

The problem with general funding programs is that they may cross-subsidize richer communities at the expense of poorer ones, and large users at the expense of small and often lower income ones.

On a more general level, there is little doubt that where resource prices reflect the true costs of developing or obtaining resource supplies, societies become more efficient. For example, nations which passed along the full cost of energy price hikes in the 1970s are now the most well-off in terms of the GNP and other aggregate measures. Countries which protect the consumers from the full impact have deteriorated with respect to their international economic position. Thus, resource evaluation policies have a direct effect on economic advancement.

Exactly the same factors work with respect to water supplies. The full-cost, user-pay pricing forms one element of enhancing Canada's competitiveness.

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It is undeniable that user-pay pricing holds the key to a renewed municipal water industry. General funding programs in effect perpetuate the economic inadequa-