

# Connecting Sustainable Transport and Municipal Tax Fairness through the Employment Requisite Fee

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## **Background Note**

In the summer of 2007 my research included investigating the relationship between sustainable transport and municipal tax fairness. A summary was published in the August issue of *The News EMC* (Ottawa West).

Then, in February, 2009 I re-visited this topic and wrote *Connecting Sustainable Transport and Municipal Tax Fairness through the Employment Requisite Fee*. The brief was circulated as the basis of a “statement of research problem” to a number of municipal, provincial, and federal government officials, and to community association and research colleagues. Shortly after, circumstances changed and my research activities took a different turn, as did my work at Transport Action Canada. The brief on connecting sustainable transport and municipal tax fairness was put on the back burner.

However, as a result of a recent column in the *Ottawa Citizen* (June 28, 2014) by David Reevely which prompted requests for access to the brief, it is now made more widely available by posting it on the Transport Action Canada website.

The Reevely column, “Plotting a new course – Sick of outsider traffic, city calls on province for an eastern Ontario plan”, contains a number of wishes, issues, options, initiatives, etc., which have actually been around for many years, and no doubt led to me receiving an email from a community activist with the observation, ‘What’s old is new again, dust off The News article on tax fairness.’

The situation, well-appreciated by those with experience in government matters at any level, is that when talk overwhelms action, year after year after year, it is inevitable that sooner or later someone will unknowingly opine about an idea that has been around for 10, 15, or 20 years or more.

Truth be told, I would not usually expect much to happen as a result of the column, or as a result of posting this paper, but municipal elections are on the horizon in Ontario, and they could be a catalyst of sorts for one reason in particular.

To put the matter succinctly, the Province of Ontario is in dire financial straits, and for all intents and purposes there is no excess money lying around which can be sent to municipalities to help defray infrastructure costs. Moreover, during the recent provincial election many promises were made by the elected Liberal government about not raising taxes, not imposing road tolls, not cutting services, not downloading services, etc., and not making “political decisions” but instead, if I understand correctly, making decisions based on evidence.

I therefore take at least faint hope that, given serious infrastructure problems compounded by hard financial constraints, the idea of *Connecting Sustainable Transport and Municipal Tax Fairness through the Employment Requisite Fee* might promote some thoughtful exchanges among candidates in Ottawa, Toronto, Hamilton, London, Waterloo, Sudbury, North York, Mississauga, and other municipalities.

## **Connecting Sustainable Transport and Municipal Tax Fairness through the Employment Requisite Fee<sup>1</sup>**

Over the past several years, two City of Ottawa issues have received much media attention: the numerous light rail and/or bus transit proposals, and the hundreds of articles on the city's financial situation.

However, very little has been written that explores the connection between the light rail and/or bus transit proposals and municipal finances. I discuss two aspects of the connection in this brief.

First, the lack of explicit regard for sustainable transport best practices in reports and discussions about light rail transit, and/or bus transit, casts serious doubt on the amount of deep thinking that has gone into these proposals.

To briefly describe sustainable transport best practices, these are activities by governments, businesses and individuals that do the most to:

1. Increase the number of walking, cycling and transit (bus, rail) trips while decreasing the number of trips by private motor vehicle; and
2. Increase freight movement by rail while decreasing the amount moved by truck.

Although many best practices are pertinent to the light rail and/or bus transit plan, and should have been used to direct the proposals, the near-total absence of a commitment and schedule for achieving integrated land use and transportation systems is disturbing.

Indeed, the fact that virtually no mention of sustainable transport best practices is made in any documentation that I have seen suggests that the light rail and/or bus transit plan is no improvement on the road-building programs that got Ottawa into the current mess.

Which brings me to the mayor and councillors, who do not appear to have established a rationale for critically evaluating these proposals, and seem quick to jump onto any light rail and/or bus transit bandwagon that rolls into city hall.

May I suggest that instead of making decisions off the tops of their heads, or according to their gut feelings, that they do some serious reading on the subject of sustainable transport best practices?

It would be reassuring to know that mayor and councillors have the background knowledge needed to intelligently evaluate complex transportation proposals.

Second, it is already the case that thousands of people who work in Ottawa live elsewhere, and it is highly likely that a regional light rail plan or bus plan, or one that reaches further into Ottawa's hinterland, could increase that number.

It occurs to me that this is an issue that bears directly on this city's light rail and/or bus transit future, and its ability to cover the capital and operating expenses needed to build the system and keep it running.

The following comments might assist mayor and councillors to effectively and efficiently connect and reconcile the light rail and/or bus transit plan and the financial challenge.

To make a long and complex story short and simple, and to underline the fairness issue, I begin with a fact that connects transit and taxes:

**People who live elsewhere, and  
pay property taxes elsewhere,  
are not likely to also pay property taxes  
to the City of Ottawa.**

Consequently, City of Ottawa taxpayers pay the capital and operating costs for the infrastructures (roads, sidewalks, traffic lights, water and sewer, garbage disposal, transit, police, fire, utilities, etc.) that are used on a daily basis throughout much of the year by many people who pay no municipal taxes to the City of Ottawa to build and maintain those infrastructures.

One way to bring the City of Ottawa's financial shortfall down a peg, and address sprawl and other municipal issues at the same time, lies in applying a 'charge' to those who work here and partake of infrastructure services paid for by others, but do not pay City of Ottawa property taxes.

Adopting this initiative will not totally balance the books, or sort out light rail and/or bus transit thinking, but it is a step in the right direction.

In terms of how to proceed, Google searches using terms such as levy, head tax, and fee yield many thousands of references that are pertinent to this topic.

Among the more directly useful documents are those of local governments in the U. S that have imposed 'occupational' taxes to generate revenues to help cover the costs of capital and operating expenses.

To illustrate this idea, what might be termed an "Employment Requisite Fee" would be collected by employers for all employees who earn more than (let us say) \$2000 per month, and do not pay property taxes to the City of Ottawa.

The fee rate would be set by Council, and employers would remit the collected fees on a monthly basis.

I examined a similar approach in the early 1970s while conducting research for the Kansas City, Kansas, Planning Department, so this is by no means a new notion..

From a fairness perspective, such a fee is both reasonable, and highly appropriate, and I suggest the time is overdue for the City of Ottawa to:

1. Adopt the Employment Requisite Fee idea as a tax fairness initiative; and
2. Weave the tax fairness initiative into a forward-looking light rail and/or bus transit program that actually achieves sustainable transport best practices.

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*Endnote 1.* The original brief on an “Employment Requisite Fee” was written in the Summer of 2007, and published in the August issue of *The News EMC* (Ottawa West); this expanded commentary was dated February 24, 2009.