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Ottawa has no business taxing gasoline

On October 7 the House of Commons passed an Alliance Party motion that Parliament should assign a portion of the federal gasoline tax to municipal governments.

Even many Liberals supported it, which is why it passed.

Consider it a sign of things to come. Paul Martin, our imminent prime minister, has been courting big-city support.

At a conference in Winnipeg on May 29, Martin spoke vaguely about a "new deal for municipalities, both large and small" from the federal government. He said, for example, that a portion of the federal gasoline tax should go directly to municipal infrastructure projects, as long as provinces match it.

Which, when you think about it, is exactly how Ottawa suckered the provinces on medicare and pensions in the 1960s. It promised them money in exchange for control, then withdrew the money and kept the control.

Before Alberta's mayors, reeves and alderpersons get too excited about the prospect of new federal cash, they should ask themselves a simple question.

Why is Ottawa allowed to tax gasoline at all?

The whole point is to pay for roads. But according to the Canadian Taxpayers Federation, Ottawa rebates less than 3% of the \$5 billion a year it collects in gasoline

taxes--and virtually all of that 3% goes to the Atlantic provinces and Quebec.

(No wonder almost all the country roads on Prince Edward Island are paved, and most of Alberta's are not.)

As for provincial governments "matching" it, they already do.

Would it not make more sense for each province to tax its own people and build its own roads, and for Ottawa to vacate the field entirely? That would leave \$5 billion more per year in provincial economies for streets and highways.

Here, alas, we come to the real rub in federal politics.

Only three provinces are net-payers into the federal system--Alberta massively, Ontario moderately, and B.C. very slightly. The others are all net takers--they get more back from Ottawa overall than they put in.

So, when the premiers sit around a table discussing the federal gasoline tax, all ten know that Ottawa isn't spending it on roads, but seven actually don't care. They'll be thinking of all the other federal transfers, grants and programs they get that the federal gas tax helps pay for. So why reduce it?

This has been going on for half a century. Ottawa now intrudes into all kinds of areas in which it has no constitutional mandate--

medicare, education, local roads and sewers, culture, job creation, pensions, environment and housing. In every case, it bribes/bullies the provinces to let it in.

And the provinces (including Alberta) play along, sometimes uttering ritual protests but always taking whatever federal money is on offer, and complaining that it isn't enough.

As a result, Albertans pay some \$10 billion more into federal coffers each year than they get back in federal spending. That's 7% of GDP. In simpler terms, it's \$9,000 per Alberta household. Annually.

So the next time you hit a pothole, don't think about Paul Martin and his "new partnership." It will amount to peanuts.

Think instead about the \$10 billion that Ottawa siphons out of our province each year.

The solution is not to increase what Ottawa sends us. We can't win at that game. The only answer is to reduce what Ottawa takes.

- Link Byfield

Link Byfield is chairman of the Edmonton-based Citizens Centre for Freedom and Democracy.

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