

BUREAU OF MUNICIPAL RESEARCH

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Letter

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Men and Women:

Taxation of Governmentally Owned Public Utilities

All undertakings whether publicly or privately owned have employees. Many of these are married and have families. These individuals and families require municipal and educational services. Taxes pay for these services. Experience has shown that the taxes of employees are not and cannot be sufficient to meet the costs. For example a family of five may have two children in school at a cost to the community of \$300. It has been found necessary therefore to tax also the undertaking from which they draw their wages. The taxes of the under-taking itself and the combined taxes of its employees cover the share in community costs properly chargeable against the undertaking and its employees. Or at least they should. Any undertaking that does not pay its share of the cost passes on part or all of its proper tax burden to its employees, the employees of other undertakings, and to other undertakings. Inequitable assessment may bring this about to some extent; but one of the chief offenders against equitable taxation is the partial or total exemption of publicly owned utilities. Any undertaking that does not stand on its own feet stands on the feet of someone else.

Moreover it is impossible to judge whether or not a utility is as efficiently managed as possible unless it pays all of its costs out of its revenue. Part of its costs is its community costs - which must be met by taxes from some source. Payments in lieu of taxes may, or may not, be sufficient to cover these costs in part or in full. There is no completely satisfactory arrangement except taxation of all undertakings on the same basis irrespective of ownership.

Taxation of Crown Companies

What has been said of the taxation of publicly owned utilities is equally true of Crown Companies. It may be assumed, now that the war emergency is over, that Crown Companies will decline in number and importance. It may be thought that the matter is no longer of moment: but as long as the fiction of not taxing property which is said to be owned by the Crown is maintained, the situation is potentially dangerous. Surely Crown property which is used for industrial or commercial purposes should be on the same basis of taxation as private property so used.

The extension of the custom of exempting any property or undertaking in part or in whole is fast becoming a threat to the whole system of local taxation and of the revenue structure of municipalities.

A Long Term Capital Budget

It is becoming every day more obvious that we are still in the era of piecemeal improvements. No City the size of Toronto, with rapidly growing suburbs, can afford anything but the best in City or Community Planning. No doubt many plausible excuses can be given for postponing the preparation and adoption of an official overall plan to which the City could work. But as long as the preparation of a long-term capital budget is postponed, so long will the citizens of Toronto be asked to vote on proposals without adequate information as to proposed improvements and estimated costs, and the greater will be the risk of doing something for which we will later be sorry. Possibly, unknown to the general public, great advances are being made. The public should not only know of all proposed steps, but should be given an opportunity to co-operate in the development of the official plan as each stage comes under discussion. No plan can be fully effective unless it carries the considered judgment of the majority of the citizens.

Public Business Should be Conducted in Public

There are always those who believe that the best way to make progress is to go easy on publicity. However, if it is possible to stifle a bad move or promote a good move in private, it is equally possible to authorize a bad move or suppress a good one in private. In the long run the people of Toronto may be counted on to do the right thing if told all the facts in an orderly way. Certainly the record of the last twenty years does not show that the citizens are lacking in generosity. There are of course cases when elected bodies may properly go into executive session. Such cases are proposals to purchase or obtain options on parcels of real estate needed for proposed improvements and discussions involving the reputations of individuals. But the tendency to use private meetings, particularly toward the end of a year, when not absolutely necessary, like the use of the veto, is dangerous to public control of public affairs. However a meeting where representatives of the press are present cannot be classified as a private meeting.

The Amalgamation of the Health and Public Welfare Departments

The policies - when it had a policy - which the City has followed have varied. In 1920 the City had a Relief Office, a Social Service Commission and a Health Department, quite independent of each other. In 1922 a Welfare Branch of the Health Department appeared in the annual budget estimates while the Relief Office remained independent and the Social Service Commission disappeared from the estimates. The late Dr. Hastings was then M. O. H. and was convinced of the close relationship of Health and Welfare. In 1932, the Welfare Branch of the Health Department disappeared from the estimates and the Department of Public Welfare, with which was incorporated all the City's Welfare Work, appeared. No sufficient reason was ever given why the Welfare Branch of the Health Department could not have been expanded to cover the field. At that time the wisdom of the establishment of new independent departments was not seriously questioned and, in this case, a critical unemployment emergency supplied the necessary urge. This emergency no longer exists and it seems a fitting time to unite with the Health administration a Welfare administration covering the whole local field.

The Report of an advisory committee on improvement in the civic service including the amalgamation of departments and services, Hon. W. J. Stewart, Chairman, recommended in 1944, that "the four protective departments (Health, Public Welfare, Fire, Police) be reduced to three by the merging of the Health Department and the Public Welfare Department into a Department of Public Health and Welfare which might be described as the 'Department of Health and Social Service'".

This recommendation has never been implemented, although other recommendations of the report have been adopted or put in train for adoption. Why delay action further?

For years the Bureau of Municipal Research has expressed the hope that the City would revert to its original plan of eventually co-ordinating all public health and welfare work in a single department. Its 1934 report stated that "At first this policy (that of a separate department) was sometimes said to be temporary, but during the last two years (1932-33) a huge department has been built up - - - - -".

The 1937 Bureau Report contained this passage:

"Public Health and Public Welfare Two Aspects of the Same Problem"

In the opinion of the Bureau often expressed, and confirmed by experience, an initial mistake was made in establishing an independent department instead of continuing the policy in force for many years of developing public welfare work in close connection with public health, in a combined department of public health and welfare. Public health and public welfare cannot safely be divorced as many, if not most, public welfare problems are also public health problems.

It is in the interests both of financial economy and service efficiency that they should be administered by the same board and under centralized administrative control."

J. G. Rogers
President

J. L. Bradshaw
Managing Director

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