

# DAILY COMMERCIAL NEWS

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## AND CONSTRUCTION RECORD

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Infrastructure

Road tolls, fuel taxes offer brighter future for Ontario infrastructure, study says

RCCAO-commissioned study recommends municipalities raise revenue with user-pay system

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The future of Ontario's public transit and infrastructure would look brighter if municipalities could use road tolls and fuel taxes to create needed revenue, according to a new industry report.

"The concept of "user pay" is controversial, but raising revenue from those who benefit from our roads would be better than relying on general property taxes to fund roads and public transit," said Andy Manahan, Residential and Civil Construction Alliance of Ontario executive director. "User-pay concepts can also lead to changing the behaviour of the users."

"Financing Public Transit and Transportation in the Greater Toronto Area and Hamilton: Future Initiatives" was commissioned by the RCCAO and authored by Trent University economics professor Harry Kitchen, a well-known consultant to Ontario municipalities on economic matters.

The report recommends that municipal governments be allowed to implement road tolls, fuel taxes, non-residential parking space taxes and vehicle registration fees to help fund and maintain aging road and public transit systems.

"Much of this infrastructure was built years ago and is nearing the end of its life span," said Kitchen. "Billions of dollars, perhaps tens of billions, will be required to ensure that the Greater Toronto and Hamilton areas have the public transit and transportation systems critical to remaining competitive."

Municipalities can currently only generate revenue via property taxes and some user fees but these methods cannot fund "the massive operating and capital requirements" of public transit

and roads, added Kitchen.

The Federation of Canadian Municipalities estimates that the nationwide municipal infrastructure deficit sits at \$123 billion. Ontario bridges alone need \$2 billion over the next five years just for rehabilitation, a previous RCCAO-commissioned report found.

Manahan said it would be “politically difficult” to raise property taxes to levels needed to immediately address infrastructure needs. Also, charges such as road tolls and fuel taxes could provide an incentive for people to make more efficient decisions on where they live and work and the services they use.

“A municipal fuel tax is a blunter instrument than road tolls for controlling individual behaviour, but it is almost certain to have an impact because commuters are more likely to drive less if gas prices rise,” explained Kitchen.

The report estimates that a six-cent-per-litre municipal fuel tax “piggybacked onto the provincial tax” would generate between \$300 and \$420 million annually in revenue for municipalities.

A road toll of seven cents per kilometer on Ontario’s 400 series highways in the GTA and Hamilton areas would produce \$700 million in annual revenue. Kitchen points to road toll systems in the U.K., Singapore and Stockholm that have reduced congestion and travel times, lowered emissions, and increased transit use.

“The administrative capabilities for fuel tax are already in place,” said Manahan. “Changes are needed if, as a region, we are going to compete. We need to improve our mobility; gridlock is creating lost revenue and lost opportunities.”