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RCCAO STUDY URGES A RANGE OF NEW MUNICIPAL TAXES TO PAY FOR ROAD AND TRANSIT SYSTEMS AND TO ENCOURAGE 'SMART GROWTH'

TORONTO (January 21, 2008) – Local governments in the Greater Toronto Area including Hamilton (GTAH) should be allowed to adopt a range of new taxes – including road tolls, fuel taxes, levies on non-residential parking spaces and motor vehicle registration fees – in order to fund their road and public transit systems, reduce traffic congestion and cut greenhouse gas emissions.

That's the conclusion of a new study released today. *Financing Public Transit and Transportation in the Greater Toronto Area and Hamilton: Future Initiatives* was commissioned by the Residential and Civil Construction Alliance of Ontario (RCCAO) and authored by Trent University economics professor Harry Kitchen.

Currently, municipalities have access to only two revenue sources of any note – property taxes and user fees – which are no longer sufficient to fund the massive operating and capital requirements of public transit and roads.

"Much of this infrastructure was built years ago and is nearing the end of its life span. Billions of dollars, perhaps tens of billions, will be required to ensure that the GTAH has the public transit and transportation systems critical to remaining competitive," Kitchen said at a news conference at Queen's Park.

Not only would it be politically difficult to raise property taxes to levels that would generate the needed revenue, but property taxes also do nothing to change people's behaviour when it comes to road and transit use. Specific transportation charges, on the other hand, can be designed to provide an incentive for people to make efficient decisions about how they use the services, where they should live, and where they should work.

Transit Fares

The study recommends zone charges since operating and capital cost of public transit systems vary with distance traveled. Currently, fixed transit fares mean that short distance travelers overpay while long distance travelers underpay – this has inherent inequities and is contrary to smart growth principles.

Road Tolls

According to the study, the best instrument for reducing gridlock in the GTAH would be the implementation of area-wide road tolls. It has been estimated that a toll of 7 cents per kilometre on the 400 series highways in the GTAH would produce $700 million in revenue annually.

Road tolls have been successful in a number of cities (Singapore, Stockholm, London, U.K.) in reducing congestion and travel times, lowering emissions, and increasing transit use. Although the study cautions that there will be resistance to road tolls, public support will be higher if these revenues are earmarked for transportation and public transit purposes.

Tolls can be designed so that they are higher for vehicles that cause relatively more road damage, travel longer distances, travel in peak-demand hours, and/or produce higher emissions. In short, they can be tailored to influence specific behaviour.

The study recommends that road tolls be applied on a region-wide basis on the major 400 series highways, the Queen Elizabeth Way, the Don Valley Parkway, the Gardiner Expressway, the Red Hill Creek and Lincoln Alexander Parkways. Other major arterial highways could also be included if they were deemed appropriate.

Fuel Taxes

A GTAH-wide fuel tax, set by a governing body and piggybacked onto the provincial fuel tax, would be relatively inexpensive and simple to administer. It has been estimated that a charge of 6 cents per litre would generate new revenue of between $300 million and $420 million per year.

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

Currently in a few jurisdictions in Canada, fuel tax revenues are shared between the province and the city or region. The Greater Vancouver Transit Authority (TransLink) receives 12 cents per litre from B.C., and 2.5 cents per litre is remitted to the transit system in the Victoria region. Calgary and Edmonton receive provincial grants for transportation infrastructure that are estimated at 5 cents per litre. Agence Métropolitaine de Transport, which provides transit services to Montreal and surrounding municipalities, receives 1.5 cents per litre.

Non-Residential Parking Space Taxes

Municipalities in the GTAH should also be granted permission to levy a tax on non-residential parking spaces. Revenues, which one estimate has pegged at $80 million annually in the GTAH if the tax is set at $25 per parking space, could be used to subsidize local transit and streets.

Vehicle Registration Fees

In Ontario, Toronto is the only municipality that can impose vehicle registration fees. Kitchen's study argues that this taxing authority should be available to all municipalities.

One estimate for the City of Toronto, using a range of charges from $10 to $80 per vehicle, suggests that the net revenue from this tax could range from about $11 million to $80 million annually.

Other Recommendations

The study also said consideration should be given to the use of **value capture levies** to help pay for subway and rapid transit expansion in the GTAH. These are taxes derived from private developers whose properties increase in value as a result of nearby municipal investment in this public infrastructure.

Where it makes sense to co-ordinate across the GTAH, a governing body such as Metrolinx should be given responsibility to implement taxes and make spending decisions. Kitchen states that "because Metrolinx already has an administrative structure, the province should amend the legislation to give them the power to implement these taxes and make spending decisions." A significant change, however, would be that the Board members should be directly elected rather than politically-appointed.

Conclusion

Andy Manahan, Executive Director of the RCCAO, said his organization recognizes that the recommendations in the report are controversial and will meet opposition in some quarters.

"But the concept of user pay – raising revenue from those who derive the benefits rather than relying on general property taxes to fund roads and public transit is a preferable direction. It is fairer, more transparent, and leads to greater accountability," he said.

"We hope this report contributes to the important debate on how we, as a society, will pay for the massive transportation investment needed to maintain our competitiveness and our quality of life."

The RCCAO is an alliance composed of management and labour groups in the construction industry. Its goal is to work in cooperation with governments and related stakeholders to offer realistic solutions to a variety of challenges facing the sector.

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