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Infrastructure needs alternative financing

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A new report identifies various funding strategies for transportation infrastructure, from road tolls to parking levies, as new sources of income which could help maintain and expand transportation networks in the Greater Toronto and Hamilton Area (GTHA).

"My sense is that there's a little bit more buy-in [now]. People are just getting, I think, weighed down by the congestion nightmare that's out there," said Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO), which released the report.

"There's a growing number of people that are coming to the realization that subways don't come for free and you've got to pay a little bit more."

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The report, "Financing Roads and Public Transit in the Greater Toronto and Hamilton Area" recommends changes to transit fares, parking policies and road pricing and says just one recommendation may not garner enough revenue to fund the $50 Billion The Big Move GTHA transportation plan by Metrolinx.

When complete, the new transit systems will require about $1.5 billion annually to operate and maintain.

The report concluded that about $2 billion extra will be needed annually to finance and fund beyond what has been secured so far.

RCCAO feels bolstered by Premier Kathleen Wynne who already stated that new funding tools will have to be adopted to support expanding transportation infrastructure.

"Saying things like 'it's not whether we go down this route, it's which tools we choose.' That sent a very strong signal," said Manahan.

"Her leadership on this bolsters Metrolinx to do the right job and come forward with a report that lays out a suite of recommendations in terms of what could be implemented."

Funding mechanisms are interdependent because the choice of mechanism will affect the amount of revenue required and because the revenue collected from one instrument generally depends on what other instruments are also used and at what levels.

"Introducing road pricing on a large scale will probably reduce optimal road capacity, and consequently the money required for road investment and long-term maintenance. It will almost certainly increase the optimal amount to spend on public transit. The same is true for increases in other road user charges," reads the report.

The report objectively laid out possible revenue streams, such as High Occupancy Toll (HOT) lanes to provide drivers with a choice whether to pay. The report says that HOT lane infrastructure is relatively cheap. Though, it says HOT lanes are limited in their potential to reduce congestion and pollution regionally.

The report indicates revenue from HOT lanes could bring in between $330 and $600 million annually and would be a provincial responsibility.

Some view changing High Occupancy Vehicle (HOV) lanes into HOT lanes as a way to change the population’s mindset about road pricing or tolls.

“Even though it wouldn’t bring in very much money, I think there is a growing group of people that see that as a good solution or a staged approach to bringing in road pricing,” said Manahan.

The report says highway tolls have large potential gains from congestion relief and the technology is already widely used. The weaknesses are traffic diversion to untolled substitutes and driver opposition.

The report estimates annual potential revenue from tolling all 400 series highways at seven cents a kilometre would garner $700 million. Tolling at 10 cents a kilometre would result in $1.5 billion a year.

Studies of London, Stockholm and Milan said that some travelers switched to public transit, others changes routes, and others rescheduled trips are cancelled them.

The report says businesses in London and Stockholm did not appear to suffer any revenue loss.

A commercial parking sales tax of 15 per cent has a possibility of $50 to $60 million annually. The report noted that this method is easy to implement and a fairly predictable revenue. The weaknesses are that it applies only to off-street commercial parking, it discriminates against commercial parking and it may divert business away from dense areas.

Depending on the coverage, a parking levy could generate over $1 billion a year from a $1/day charge in the whole region. There have been failed experiences with similar measures in Toronto and Vancouver.

A regional fuel tax could bring in $50 million for a tax of $0.02/litre.

Other report recommendations include: a cordon or zonal road pricing scheme, comprehensive distance-based road pricing, a vehicle levy, regional sales tax, reforming parking fees and public private partnerships.

Transit fares in the GTHA cover 70 to 80 per cent of operating costs and a small fraction of total costs when infrastructure costs are included. The report says fares in the GTHA are inefficient in several respects, such as fares do not vary based on distance travelled, except for GO Transit. The report also says fares do not depend on the time of day, such as rush hour.

Metrolinx recently launched a round of consultations about The Big Move and Toronto recently launched its Feeling Congested campaign to gain feedback from residents. Manahan hopes the report will help inform some of these decisions.