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RCCAO Constructing Ontario's Future

As fuel tax revenues plummet, steer Ontario toward road pricing: Report

VAUGHAN (Nov. 26, 2019) – As gas and diesel tax revenues plummet, it's time for the Ontario government to take a hard look at new revenue tools including road pricing, recommends a report released today.

The report by Trent University Professor Emeritus Harry Kitchen is called "Ontario's Downward Trend for Fuel Tax Revenue: Will Road Pricing Fill the Gap?" Kitchen writes that technological improvements have resulted in greater fuel efficiency and the emergence of hybrid and non-fuel vehicles, have also impacted fuel-tax revenues. In addition, trends such as millennials and retiring baby boomers driving less will result in a dramatic per-capita drop in motor fuel demand from 1,054 litres (2018) to 599 litres (2040).

"The time has come to introduce new vehicle-related charges to compensate for the expected decline in future fuel tax revenue," Kitchen says. "To make up for this shortfall, it's time for Ontario to recognize that both dynamic road pricing and innovative parking charges are critical to alleviating congestion in our urbanized areas such as the Toronto region. These funds could help pay for road and transit infrastructure, which we need for commuting and for more efficient goods movement."

Data from Canada's National Energy Board, a federally funded arm's-length agency, show that the estimated provincial gas tax revenue per capita (at the current fuel tax rate) peaked in 2005 at $177; by 2040, that revenue tool will be cut in half to $88. Similarly, diesel fuel tax revenues peaked in 2005 and 2011 at $67 per capita and are projected to drop to $35 by 2040.

Kitchen's report is his third on fuel tax revenues commissioned by the Residential and Civil Construction Alliance of Ontario (RCCAO) since 2014, but this one shows that the drop in revenues is more pronounced than previously estimated.

Andy Manahan, executive director of RCCAO, adds: "The decline of fuel tax revenues will present challenges in light of Ontario's massive infrastructure requirements. Last year, RCCAO felt that Premier Ford might be on the right track by reducing our reliance on gas taxes, but only if another alternative can be found.

"Ontario has an opportunity to bring in more resilient and effective revenue streams. High Occupancy Toll or HOT lanes are a more effective way for users to pay for travelling on our highways. Drivers can either pay a toll by time of day or distance travelled, or opt not to pay the charge by staying in the general-purpose lanes."

On the report's release, Manahan says: "It's an important and timely report that we hope will be considered by provincial and municipal governments to address our infrastructure and congestion management priorities in Ontario."

[Click here for the report.]

WHAT IS RCCAO?

This labour-management construction alliance has advocated for infrastructure investment for 14 years. This research marks RCCAO's 52nd independent, solutions-based report to help inform decision-makers.

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