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Road and parking pricing can fund infrastructure: report

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Road and parking pricing is the better option to pay for transportation infrastructure compared to fuel taxes, which are predicted to decline, concludes a new report commissioned by the **Residential and Civil Construction Association of Ontario (RCCAO)**.

“These instruments target those who use the roads and they are effective and efficient in tackling congestion and many of the problems that congestion creates. Along this line, it is interesting how road pricing makes so much sense fiscally and economically yet gets dismissed so often by politicians of all stripes,” states the report, “Taxing Motor Gas and Diesel Fuel in the GTHA: Will This Generate Sufficient Revenue?” by Professor Harry Kitchen of the Department of Economics at Trent University.

While Kitchen acknowledges that current federal and provincial fuel tax revenues have helped municipalities fund some of their infrastructure needs, the report points out that over the next decade or two, many factors, such as more fuel efficient vehicles, electric and hybrid vehicles and people driving less, are likely to contribute to declining revenues from fuel tax.

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“You have to start looking now from the policy perspective of how do you supplement these declining revenues with other forms of revenue. Even fuel taxes don’t have any direct impact on congestion management. That’s the message that we’re going to try to deliver,” said RCCAO executive director Andy Manahan.

From 2000 to 2006, demand for motor gas was the highest at more than 1,000 litres per capita. Demand has since fallen and is expected to keep falling until it reaches around 600 litres per capita by 2035.

The report indicates:

- A one-cent fuel tax is estimated to generate around \$90 million per year;
- A three-cent tax, around \$260 million per year;
- A five-cent tax, around \$430 to \$440 million per year depending on the year and the price elasticity; and

— A 10-cent tax, around \$800 to \$850 million per year depending on the year and the price elasticity.

As far as Manahan knows, this report is the only one that estimates GTHA-wide fuel tax at different levels well into the future.

The report suggests that high occupancy toll (HOT) lanes and a larger scale toll on 400-series highways and possibly some major arterial roads and highways that run into or through cities are two road pricing options that would work in the GTHA.

One scheme by researcher Ben Dachis, estimates construction HOT lanes on the eastern and western parts of the Gardiner Expressway and the inside express lanes on Highway 401 yielded annual gross toll revenues of \$632 million.

The second scheme, converting existing high occupancy vehicle (HOV) lanes on 400 series highways in the GTHA to HOT lanes and building out the remainder of Ontario's 450-kilometre HOV plan as HOT lanes instead, was estimated to yield gross toll revenues of \$294 million.

Manahan would like to see a pilot project after the Pan Am Games where HOT lanes are tested with the HOV network.

"It would be a great opportunity to research and find out with a real world example how it might be done. But not with gantry like 407, with more of a satellite-based system and maybe a limited number of people in a trial," he said.

More than parking fees, road pricing can determine all aspects of travel choice, such as trip frequency, destination, travel mode, time of day and route.

In addition to managing traffic demand, Kitchen says cost pressure on municipalities is also lowered because traffic-related costs will be reduced. Public acceptance is more likely if the revenues are dedicated to public transit and roads.

The report noted that parking inefficiently priced as on-street parking in high-demand areas tends to be priced below its value. This promotes drivers to spend a lot of time searching for a vacant spot.

The report pointed out that it has been estimated that at certain times of the day in some U.S. cities, cruising for parking adds about 30 per cent of traffic. If privately owned garage parking is overpriced, this can also lead to more cars cruising for parking.

"If you have these silos where Toronto parking is separate from transportation services, separate from TTC [Toronto Transit Commission] you can perhaps miss solutions," said Manahan.

To overcome parking price inefficiency, Kitchen looks at efficiently implemented parking pricing, such as a commercial parking sales tax. This tax increases with parking duration.

"People who park for a longer time (such as commuters) have a greater incentive to change behaviour than people who park for a shorter time (such as shoppers)," says the report.

Parking rates can also differ based on the type of user. Lower rates can be applied on infrequently used spaces or on spaces used by carpoolers, car-sharing vehicles, or disabled persons.

The current pricing for on-street and off-street parking also needs reform, argues Kitchen. Instead of parking lots and garages issuing monthly passes, they could be replaced by bulk purchases of a number of parking hours that do not expire as a way to change driving behaviour.

<http://www.rccao.com/research/transitTransportation.asp> for a copy of the report.