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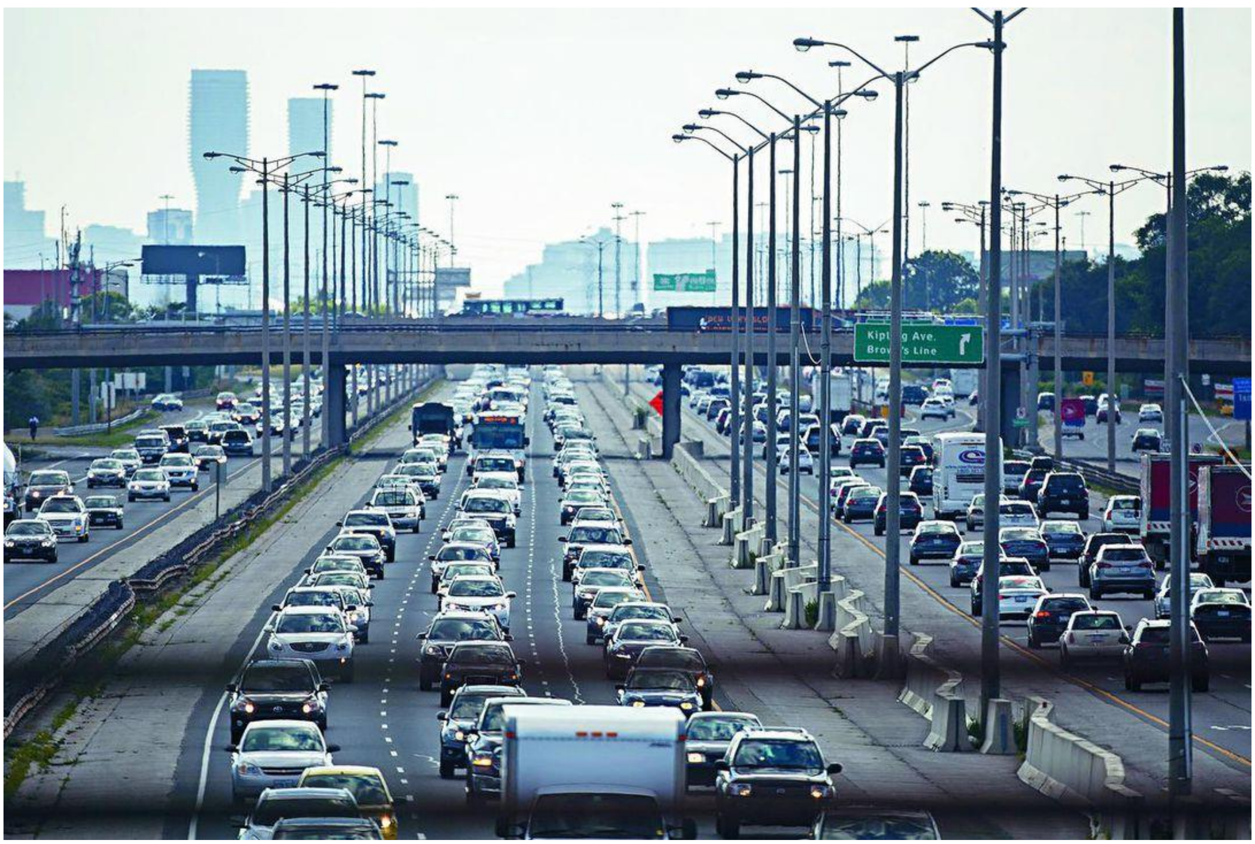
Is Ford on the right track with 10-cent gas tax cut?

By **Andy Manahan** Opinion
Sun., July 15, 2018

Premier Doug Ford has committed to cutting gasoline taxes by 10 cents a litre. This populist measure has been portrayed as offering “real savings that will leave money in your pocket.” The cut is comprised of the elimination of the 4.3-cent-a-litre carbon tax introduced in 2016 by the previous government in its cap-and-trade program.

Proceeds from this program were to be directed to programs ranging from electric vehicle (EV) rebates to Toronto Mayor John Tory’s proposed flat fare of $3 on GO trains within the City of Toronto.



Traffic congestion on the Gardiner Expressway in 2016. “Road pricing through high occupancy toll (HOT) lanes is an option worthy of consideration as it gives drivers a choice to (1) pay a toll by time of day or distance travelled, or (2) not pay a toll by staying in a general-purpose lane,” writes Andy Manahan. (Randy Risling / Toronto Star)

The remainder of the cut represents a 5.7-cent reduction to the existing 14.7-cents-per-litre gas tax in Ontario. This tax has remained unchanged since 1992 but if it were indexed to inflation over the last 26 years, it would be 23.4 cents today. Thus, prices at the pump have more to do with market forces than with any tax grabbing by the government.

Ford might be on the right track by reducing our reliance on gas taxes, but only if another alternative can be found. Former U.S. secretary of transportation Mary Peters recognized a decade ago that “relying on the gas tax is like relying on cardboard to keep the rain out — the longer you use it, the less it works.” So, are we at the saturation point yet?

In 2014, Trent University professor Harry Kitchen assessed gas and diesel fuel revenue trends. His conclusions:

- Fuel taxes to pay for transportation infrastructure is a “second-best” option when compared to road pricing.

- Dedicated fuel taxes will result in additional revenue, but these monies will not shift driving behaviour during peak travel times.

Kitchen found that there is risk in continuing to rely on gas tax revenues to fund future road and transit expansions and that it is a blunt instrument to address congestion. In addition to fuel-efficiency trends, including hybrid and EV sales, there are demographic factors: younger adults drive less or use Uber- and Lyft-type services; and retirees also drive less.

He estimated that gas tax revenue would decline in Ontario from $157 per capita to $124 by 2030. Even recognizing that with a rising population there are more drivers on the road to offset the downward pressure on revenues, there are also elasticities — if pump prices decrease, fuel demand tends to rise — but this is not the long-term trend.

Municipalities depend on provincial gas tax transfers for local transit projects; since 2004, more than $4 billion has been delivered across Ontario. While Ford has promised no reductions to municipal infrastructure funding, a dedicated revenue stream is more reliable than trying to address infrastructure requirements from general revenue.

So, will consideration be given by the PC government to road pricing?

In 2012, then-Councillor Doug Ford expressed support for a toll to rebuild the Gardiner Expressway: “I’d pay the $5 to get downtown every day.” He added that drivers would still need the option to drive in lanes without tolls. This is an expression of market economy thinking where a scarce resource — road space — has a price attached to it.

Road pricing through high occupancy toll (HOT) lanes is an option worthy of consideration as it gives drivers a choice to (1) pay a toll by time of day or distance travelled, or (2) not pay a toll by staying in a general-purpose lane. There are HOT lanes currently available on a 16.5-km stretch of the QEW in the western GTA. Transponder-type technologies could improve the overall vehicle throughput of our 400-series highways.

The NDP claims HOT lanes will be used by the wealthy, but the evidence suggests that the "Lexus lanes" moniker is misplaced. Studies of HOT lanes in the states of Minnesota, California, and Washington have found that HOT lane users come from all income groups, with the typical user paying for the service just a few times a month.

With prices dropping by a dime per litre, there will be a loss of $1.2 billion to provincial coffers. If the gas tax is reduced early in the government's mandate from 14.7 to 9 cents a litre, Ford must accelerate a discussion on alternate solutions. Road pricing offers a promising way to meet the dual objectives of maintaining transportation investments and mitigating traffic congestion.

Andy Manahan is the executive director of the Residential and Civil Construction Alliance of Ontario. He will be speaking at the Transport Futures Gas Tax Forum on July 25.