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Fuel taxes for transit expansion faces law of diminishing return

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The rise of electric cars (of the hybrid or plug-in variety) and their more efficient gasoline cousins may be good for the environment, but there is a downside: Anyone planning to fund major programs in part on the collection of gasoline and diesel taxes should probably have a plan B.

According to [a report prepared for the Residential and Civil Construction Alliance of Ontario](#), the province needs to look seriously at a wider use of road tolls and parking pricing to fund its transit ambitions.

Harry Kitchen, professor emeritus of Trent University's economics department, says most of the tools explored in the past five years to underwrite transit expansion in the GTA fail at the basic goal of controlling congestion by affecting the people who use the roads - primarily motorists.

"Fuel taxes aren't going to raise enough revenue in the future," Kitchen says. "It's not going to generate enough revenue to fund what it's expected to fund."

The reason is simple: the increasing prevalence of higher-efficiency cars as well as the growing market share of hybrids and electric vehicles, combined with slowing growth in the total number of annual kilometres driven by motorists all means that Canadians will be buying less gasoline in the future than they are today.

When Kitchen incorporates data from Transport Canada projecting declining fuel demand, he finds that Ontario will collect nearly \$100 million less in 2018 than it did in 2012.

Kitchen says tolls are the only way to directly target the users of roads such as himself. "It doesn't make a lot of sense for people in the GTA to bear all the cost of funding transit when the system will benefit people like me who don't live there, but still use the 401."

The Liberals ran for re-election based in part on their promise to spend \$29 billion on transit and road infrastructure over 10 years throughout the province. However, the Liberals pledged to make only a limited use of tolls and not to increase the gas tax. The 2014 budget allows for the introduction of high-occupancy toll lanes, where vehicles with multiple passengers can travel for free while single-passenger cars would pay a toll.

Vancouver recently endorsed a form of road pricing both to control congestion in the West Coast city and raise revenue for transit investment.

Municipalities also need to look at how they price parking, Kitchen says. "I liked the quote from **Bernie Grush** so much I used it in my report: 'underpriced parking does more to promote automobile use than good transit does to discourage it.' "

Because municipalities tend to charge too little for parking spaces (as a means of drawing automobile traffic to local businesses, or simply under pressure from their constituents) it artificially lowers the cost of relying on an automobile.

Kitchen's report points to the work of California academic **Donald Shoup**, who argues for pricing municipal on-street parking to match demand. In San Francisco, a pilot project inspired by Shoup's ideas called SFPark was recently declared a success, showing a 43-per-cent decline in time spent looking for parking.