You Can’t Get There from Here: Ontario’s Transportation Funding Gap

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Introduction to the Project

The discussion of public transportation in the City of Toronto has become a never ending debate between different levels of government arguing over which plans and extensions should be enacted. This debate has been especially combative as of late, with numerous plans scrapped, as City council approved the Mayor’s subway extension in Scarborough. This decision has brought the Scarborough Light Rail Transit (LRT) extension to a halt, with an estimated $85 million already spent that will be lost. With some funding still needed for the subway project, the City of Toronto will look to themselves and the federal government to pay the rest of the bill.

The City of Toronto and the Greater Toronto Area are growing at a fast pace both in terms of total population and density, and the city is now the fourth largest in North America. Despite this, Toronto still has a sub-par public transportation system that is lagging far behind many other cities, with proposed expansions seldom taking place. One of the reasons cited most often for the absence of transportation expansion within Toronto is the lack of funding, primarily from the federal and provincial governments. This resulted in numerous studies and recommendations by think tanks, policy makers, and the current Ontario government outlining possible alternate forms of transit funding from highway tolls to an increased gas tax. Toronto is not the only city in Ontario in which transportation expansion is needed as linking numerous regions throughout the province is necessary, but has been neglected. Public transportation is also not the only mode of transportation that is in need of investment. Due to Ontario’s geographic size, the road and highway system is quite large and demands sizeable spending. With the Gardiner crumbling, and the cancellation of the Ontario Northland Railway, examples of neglected transportation infrastructure throughout Ontario, there is a demonstrated need for change. This paper intends to add to this discussion by providing information regarding the government of Ontario’s transportation expenditures from 1989-2009 in order to see whether the province has simply been lagging behind in terms of transit spending in relation to the other provinces and is now asking the public to pay for an expensive game of “catch up”.

About the Metrics
The government spending and revenue data for this paper was provided to us from our sister institute, the Institute for Competitiveness & Prosperity. This data was originally downloaded from Statistics Canada and covers each provincial government from 1989-2009. Unfortunately, due to Statistics Canada cutbacks, the Provincial and Territorial Economic Accounts series has been discontinued and provincial budget data beyond 2009 therefore is not available. We do have Ministry of Finance data regarding transportation spending in Ontario for the fiscal years after 2009, which suggests that spending has not drastically increased
or decreased from the 2009 Stats Can data. The spending data covers 11 categories, but for this paper, the Transportation and Communication category is used. Since there is no separate spending data for transportation alone, we had to use this variable. We contacted the Ontario Ministry of Finance in regards to the variables, but did not receive a reply. Therefore we are assuming that the entire Transportation and Communication budget is not spent entirely on transportation, but due to the large degree of private investment in communications within the provinces we feel confident in our assumption that most of the Transportation and Communication expenditure is devoted to transportation spending. This is the same assumption applied within the Institute of Competitiveness and Prosperity’s Sixteenth Working Paper on the Ontario government’s revenue, spending and debt. Provincial government Gasoline and Motive Fuel Revenue is also used in this paper, and gathered from the same source. Most of the spending and revenue data used is in nominal dollars. There are a few charts used in which all of the results have been converted to 2011 CAD, but the results are very similar to the nominal data. The last data set used is the gas tax rate for each province in 2008, provided by Petro Canada. We used the end of 2008 in so that the gas tax rate could be compared with the relevant gas tax revenue data that we used from Stats Can.


Part 1: Provincial Government Transportation Spending

Exhibit 1 presents the Transportation and Communication Spending by every provincial government and the provinces without Ontario as a whole (labelled Canada excluding Ontario) from 1989–2009. Exhibit 2 provides the same results, but just for Ontario and the next three most populated provinces (BC, Quebec, and Alberta), while the results in 2011 dollars are in Exhibit 2b. On the Y-axis is dollars spent in millions, and on the X-axis are the years. The Ontario government’s transportation spending was consistently the highest of any province until the year 2000, where a significant drop in spending occurred. It took the government 6 years to return to the amount of funding it spent in 1999. While other provinces have incurred Transportation and Communication spending decreases, for the most part these have only taken place once or twice within the 1989–2009 time period and spending was subsequently increased; the Ontario government has decreased spending during this period time eight times. When looking at Exhibit 2 and 2b, the three other large provinces, along with Canada as a whole (not including Ontario) have been consistently increasing spending since 2000, while Ontario’s spending has been up and down. It is a possibility that the government of Ontario has used transit and communication spending as a good variable within the budget to decrease when need be instead of decreasing overall expenditures. For example seven out of the nine times that Transportation and Communication spending was decreased, the total expenditures increased. The most striking number found within the first three exhibits is that in nominal and 2011 dollars, the Ontario government spent less on Transportation and Communication in 2009 than it did in 1999. Granted spending was up in 2006–2008. The larger issue though is that even when other provinces have decreased their spending after a significant increase, it generally was not lower than the spending level 10 years ago.
Transportation and communication spending 1989–2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Alberta</th>
<th>British Columbia</th>
<th>Canada (excluding Ontario)</th>
<th>Manitoba</th>
<th>New Brunswick</th>
<th>Newfoundland and Labrador</th>
<th>Nova Scotia</th>
<th>Ontario</th>
<th>Prince Edward Island</th>
<th>Quebec</th>
<th>Saskatchewan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td></td>
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<td>1994</td>
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<td>1999</td>
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<tr>
<td>2004</td>
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<tr>
<td>2009</td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Transportation and communication spending 1989–2009 (Major provinces)
Transportation and communication spending 1989–2009 in 2011 CAD (Major provinces)

Exhibit 2b

Billions (2011 CAD)

$16.0

$14.0

$12.0

$10.0

$8.0

$6.0

$4.0

$2.0

0.0

Exhibit 3 shows the Transportation and Communication spending in total dollars for all provinces over the 5 most recent years that this data was available for (2005–2009). The results for Ontario along with the three other largest provinces and Canada (excluding Ontario) are displayed in Exhibit 4. What stands out in these two exhibits is the fact that the governments of Quebec and Alberta, despite their much smaller overall budgets, spent more on Transportation and Communication in 2009 than Ontario did in nominal and 2011 dollars. Quebec, for example,
spent over 1 billion dollars more (in 2011 dollars) in 2009 than Ontario. Within this 5-year period, the provincial government spending on transportation in Quebec, BC and Alberta has been trending upwards consistently, while Ontario’s spending has been inconsistent. As stated earlier, this inconsistent spending is no better illustrated than in the fact that Transportation and Communication expenditure in 2011 dollars was higher in 1999 than 2009 despite much higher revenue. Spending by the Canadian provinces as a whole, (excluding Ontario) also saw a steady increase in spending over this 5 year time period.
We also calculated per capita Transportation and Communication spending by all of the provinces in order to see how much Ontario and its peers have spent per person. The per capita spending from 1989–2009 is displayed in Exhibits 5 and 6, while spending from 2005–2009 is found in Exhibits 7 and 8. Per capita spending calculated in 2011 dollars is presented in Exhibit 6b. What stands out from Exhibits 5, 6, and 6b is the fact that Ontario consistently falls at or near the bottom of per capita Transportation and Communication spending (in nominal and 2011 dollars) within this 20-year period. When looking at Exhibit 6 and 6b, Ontario has remained much lower than its peers on per capita spending since 2000. This spending gap has increased since 2005, as the three other provinces and Canada
(excluding Ontario) have consistently increased spending in 2011 dollars during this time, while Ontario’s has been up and down. The Ontario provincial government spent less per capita (in 2011 dollars) in the year 2009 than it did in 1989. This is due to a dip in spending as the higher per capita expenditure in 2008, was almost cut in half in 2009. In 2009, when per capita Transportation and Communication spending (in 2011 dollars) in Ontario was the lowest of any province at $279.41, other large provinces spent the following in comparison: Quebec $619.89, Alberta $1133, BC $502.61, and Canada (excluding Ontario) $706.96.
Transportation and communication spending per Capita 1989–2009 in 2011 CAD (Major provinces)
Transportation and communication spending per Capita 2005–2009

Exhibit 7

- Alberta
- British Columbia
- Canada (excluding Ontario)
- Manitoba
- New Brunswick
- Newfoundland and Labrador
- Nova Scotia
- Ontario
- Prince Edward Island
- Quebec
- Saskatchewan
Part 2: Provincial Government Revenue

It is useful when looking at government expenditures to also look at government revenue, which is why this paper is providing the provincial revenues from the same time period. Total revenue from 1989–2009 for each province is presented in , using the same format as the previous charts. Ontario, not surprisingly, has the greatest revenue of any province, almost 2 billion dollars more in nominal and 2011 dollars than Quebec, which has the second highest revenue. Ontario’s budget has been steadily increasing since 1989, which is not surprising partially due to its fast growing population and large amounts of immigration to the province. What is unexpected is that in 2009 for example; the Ontario government spent less on Transportation and Communication than Quebec and Alberta, despite having a budget more than twice as large as Alberta’s and substantially greater than Quebec’s (nominal and 2011 CAD). Granted, Ontario does have a larger population and therefore has to spend more each year on providing services such as health care. Within Ontario’s budget alone though, the province has only allocated about 4.3% of its budget to Transportation and Communication over this 20-year period, which is lower than other provinces that we have looked at along with the Canadian provinces (excluding Ontario) as a whole, which spent 5.2% of their total budget during this time on Transportation and Communication. The other three provinces on average have spent around the following percentages of their budgets on Transportation and Communication over this time: Quebec: 4.2%, Alberta: 5.7%, and BC: 6%. While Ontario has never been able to extend this type of spending to more than 6% of the budget during this time, Alberta and BC have been able to exceed 7% and 8% numerous times during this period. In 2009, this percentage was down to 3.3% of the budget. Ontario is the second largest province in terms of land area and although the main focus on transit in the province of late has been on public transit, a sizeable amount of the budget must be spent on roads. Given Ontario’s size and its road network, low spending on all forms of transportation becomes a greater issue.
One of the funding tools proposed to support transit expansion in Toronto is an increase to the provincial gasoline tax rate, which has been set at $0.147 per litre since December 1991 (Source: Gasoline Tax Act, RSO 1990, G 5, s 2(i)(b)). Metrolinx had proposed a $0.5 per litre raise to the gas tax for example. Since the Ontario government does not release details on where the gas and motive fuel revenue is spent because this revenue goes into the combined general revenue fund we can only provide the actual money raised. Exhibit 10 displays the total gas and motive fuel tax revenues across the provinces from 1989–2009 and Exhibit 10b presents the results in 2011 dollars for the four largest provinces. Ontario is again far ahead of the other provinces in regards to gas tax revenue, with an increasing rate over the 20-year period. In fact the total gas revenue in Ontario has doubled since 1989 in nominal terms and increased by $1 billion in 2011 dollars during this 20-year period. In 2009, Ontario raised about 1.5 billion dollars (2011 dollars) more than Quebec and more than two billion dollars (2011 dollars) more than Alberta, while
still spending less on transportation. Interestingly, while the gas tax revenue in 2011 dollars from Quebec and Alberta has remained almost stagnant, Ontario’s revenue has increased greatly over the 20-year period. The gap in gas tax revenue between Ontario and the other provinces is already stark as Ontario’s gas tax revenue has doubled, yet transit spending has effectively remained level (with some fluctuations). This makes it difficult for the public and certain policy makers to accept a further increase in the gas tax, such as Metrolinx’s proposed $0.5 per litre increase. Exhibit 11 shows the gas tax rate in each province. Ontario’s rate at 14.7 cents is higher than most of the provinces, and higher than the Canadian provincial and territorial average of 12.4 cents per litre.

Gasoline and motive fuel revenue 1989–2009

Exhibit 10
Gasoline and motive fuel revenue 1989–2009 in 2011 CAD (Major provinces)
Gasoline taxes across Canada 2008

<table>
<thead>
<tr>
<th>Province</th>
<th>Base Price</th>
<th>Federal Excise Tax</th>
<th>Provincial Sales Tax</th>
<th>Provincial Tax</th>
<th>Carbon Tax</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newfoundland and Labrador</td>
<td>$0.65</td>
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<td>$0.00</td>
<td>$0.13</td>
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<td>Prince Edward Island</td>
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<td>$0.15</td>
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<td>New Brunswick</td>
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<td>Quebec</td>
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<td>Ontario</td>
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<tr>
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<td>$0.00</td>
<td>$0.14</td>
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</tbody>
</table>

Transportation is essential to regional prosperity for many reasons as outlined in previous Martin Prosperity Institute Insights. While public transportation has dominated transit discussion of late in Ontario, all forms of transit, throughout all of Ontario is essential for regional success. As certain cities fight over transit expansion and funding, the problem is bigger than that as there is no regional strategy for providing modes of transit that support current and future capacities. Transportation infrastructure in numerous instances throughout the province is crumbling, while there is still no public transportation link between numerous cities in Ontario. A partial reason for this has been the lack of transportation infrastructure funding over the past 20 years from the province. This paper has aimed to provide policy makers and the general public with information on the provincial transportation funding environment within Canada. While transportation spending has not been made a priority in many provinces, since the year 2005 it seems as if some of the larger provinces have started to make transit expenditures a priority. This has not taken place in Ontario to the same degree as total and per capita transit spending is behind other provinces and therefore a dedicated fund is needed. While it may seem as if there is room within the existing budget to increase spending, this might not be possible and therefore alternate forms of funding might need to be raised. Nonetheless, a dedicated fund must be created for transportation to
ensure that spending is increased as despite the steadily increasing revenue and gas tax revenue in Ontario, transportation spending has not increased enough to allow for suitable transit expansion to take place. Whether Ontario chooses to fund transit though existing or alternate revenue, there is clearly a gap in spending, which will hurt the province’s future prosperity. It is time that the government steps up and makes all forms of transit throughout all of Ontario a priority, and it starts with prioritizing transit spending.