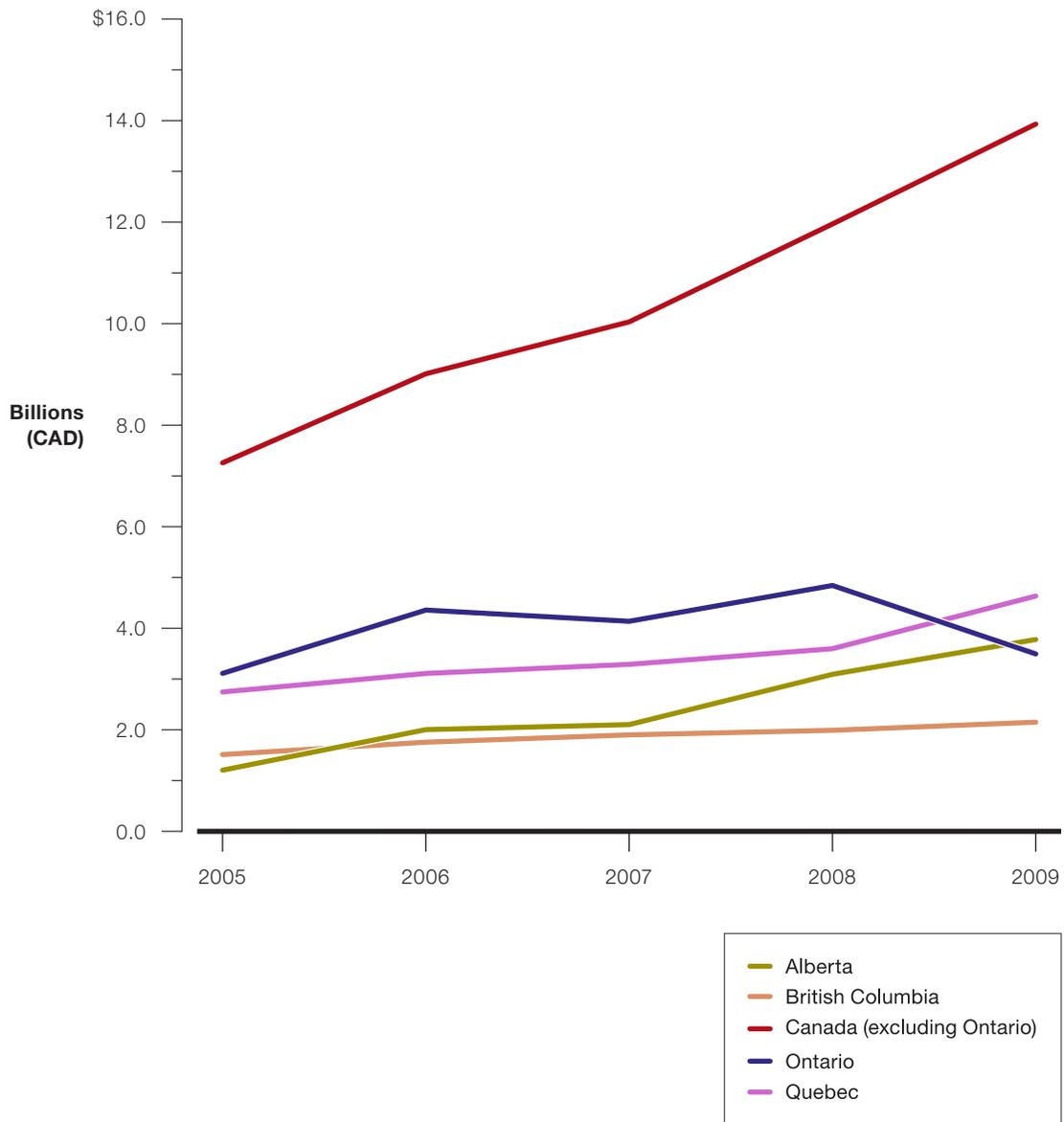


## You Can't Get There from Here: Ontario's Transportation Funding Gap

The City of Toronto has been experiencing large scale population growth for many years now; recently surpassing Chicago to become the fourth largest in North America, this surge occurred while also leading the continent in high rise construction. Along with the city of Toronto, the province of Ontario is also experiencing high population growth, while being home to the largest total population and GDP in Canada. Despite this large scale growth, residents and businesses across the province have constantly been frustrated by a lack of adequate transportation expansion. The highly publicised, never-ending debate over how to fund any transit expansion has often been blamed for stalling this expansion. While cities such as London England recently received funding to build the new [\\$24 billion dollar 42 km Crossrail](#) subway to its already extensive public transit system, cities in Ontario have never received the funding they need to expand the system to meet current demand. Therefore, we here at the Martin Prosperity Institute decided to examine provincial transportation funding in Ontario over a 20-year period; in order to evaluate whether transportation funding for cities within the existing budgets has been lacking. This Insight, along with the [accompanying paper](#) presents the transportation expenditures for Ontario and every other province from 1989–2009, along with the revenue from the gas tax for the same period.

For the metrics, we decided to use provincial level data, as within the Canadian federal system, cities rely heavily on funding from provincial governments to fund transit. The data was originally downloaded from Statistics Canada, but unfortunately, due to Stats Can cutbacks, the *Provincial and Territorial Economic Accounts* series has been discontinued and provincial budget data beyond 2009 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 data downloaded for each province was Transportation and Communication expenditure, Total revenue, Gasoline and Motive Fuel revenue, and Gas Tax rates (gas tax rates from Petro Canada). Stats Can does not have a single designation for transit spending, therefore Transportation and Communication is used, but it is assumed due to the private funding of communication that a large amount of this budget goes towards transportation. The first two Insight charts are presented in nominal dollars, while the paper also provides the results in real 2011 CAD. The results for both nominal and real dollars are almost identical, therefore we have chosen to only use nominal in the Insight. For the full description of the metrics and data used click the following [link](#).

In analysing the Ontario government's Transportation and Communication spending from 1989–2009, we found that Ontario spent the most on transportation of any province until the year 2000 in which a large Transportation and Communication cut took place. Since then, Ontario's transportation spending has fluctuated, while the other three largest provinces (Quebec, Alberta, BC), and along with the Canadian provinces as a whole (excluding Ontario) have been consistently increasing their transit expenditures. **Exhibit 1** presents the Transportation and Communication spending for Ontario along with the three other largest provinces and Canada (excluding Ontario) over the 5 most recent years that this data was available for (2005–2009).



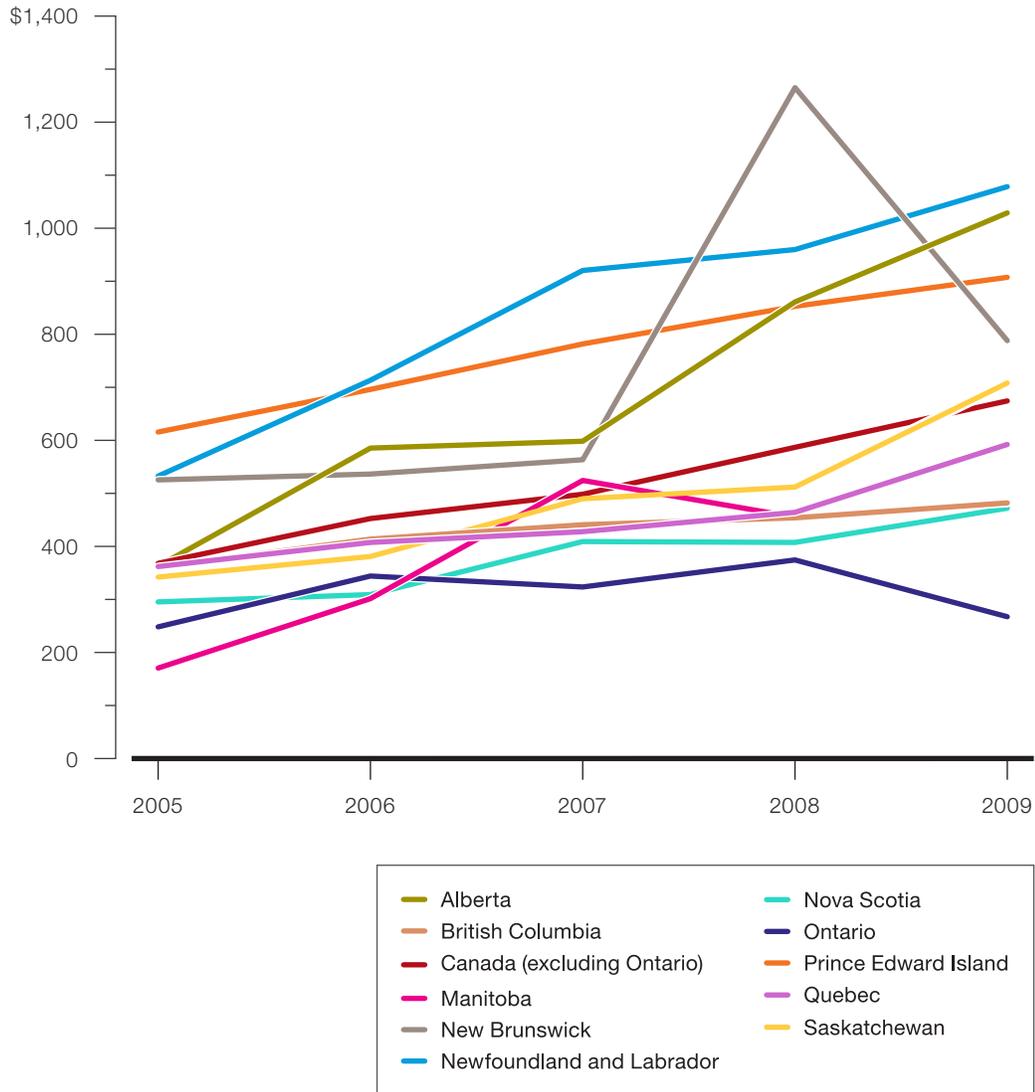
As shown in **Exhibit 1**, despite their smaller overall budgets, Quebec and Alberta outspent Ontario in regards to Transportation and Communication in 2009, with Quebec spending over \$1 billion more than Ontario (also true in 2011 dollars). Possibly the most striking number within this graph is that the Ontario government spent more money on Transportation and Communication in 1999, than in 2009 (also true in 2011 dollars).

Ontario has not only been lagging behind recently in terms of total expenditure on transportation, but also in expenditure per person, when compared to the other provinces. The per capita spending on Transportation and Communication over the five year period of 2005–2009 is shown in **Exhibit 2**. Since 1989, Ontario has been at or near the bottom in Transportation and Communication spending per capita amongst all of the provinces, not just the large ones. While per capita spending on transportation has increased in many of the provinces and in Ontario in 2008, the provincial government spent less per capita in 2009 than in 1991 in nominal dollars and less than

in 1989 when converted into 2011 dollars. Comparatively, in 2009, 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 2005–2009

Exhibit 2

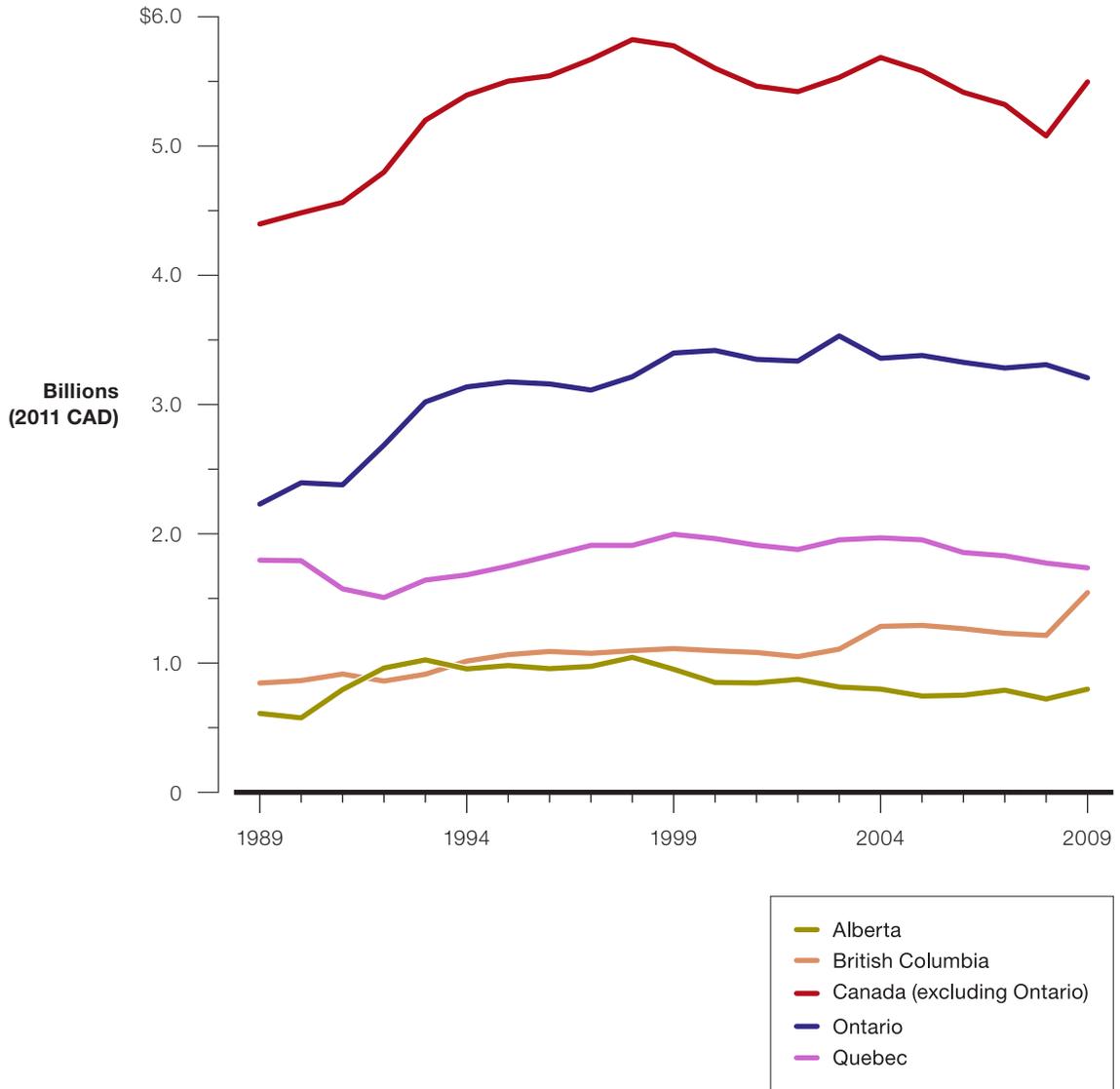


We recognize that Ontario is Canada’s largest province and its population has increased greatly over the 20 year period being analysed and therefore costs such as health care have become much larger than any other province, ultimately demanding a large portion of the budget. While this may make it challenging to allocate money to other avenues such as transportation, Ontario has the largest total budget of any province by far, which has consistently grown from year to year (almost 2 billion dollars (2011 CAD) more than the province with the second highest budget in 2009). What is interesting in these numbers is that in 2009 for example; the Ontario government spent less on Transportation and Communication than Quebec and Alberta, despite having a budget almost twice as large as Alberta’s and substantially greater than Quebec’s. In fact, from 1989–2009 Ontario spent only 4.3% of its total budget on Transportation and Communication, less than BC

and Alberta and the Canadian provinces (excluding Ontario) as a whole. Ontario also has the second largest land area of any province and therefore would need to spend more on roads and highways, along with public transit, which in turn should lead to greater spending.

Gasoline and motive fuel revenue 1989–2009 in 2011 CAD (Major provinces)

Exhibit 3



One of the possible funding tools recommended for funding transit in the GTHA would be an increase in the gas tax, which currently at \$0.147 a litre, is one of the highest in Canada. **Exhibit 3** presents the Gas and Motive Fuel revenue for Ontario and the other four largest provinces from 1989–2009. Due to the longer time period, for this chart we are presenting the results in 2011 dollars. During this time period, the revenue from the current gas tax in Ontario has increased by \$1 billion, to the point that Ontario’s revenue is about 1.5 billion dollars more than Quebec and more than 2 billion dollars more than Alberta (all in 2011 dollars). **Exhibit 3** also displays that Ontario in comparison to the other largest provinces has experienced a substantial increase in the gas tax revenue, while the other provinces have experienced stagnant growth (except for BC which instituted a carbon tax). The gap in gas tax revenue between Ontario and the other provinces is large,

yet transit spending is not reflecting this transportation tax growth, which makes it difficult for the public and certain policy makers to accept a further increase in the gas tax.

With politicians and citizens alike continuously arguing over the types of transit and funding methods that should be used towards transit expansion in Ontario, the cities that remain without adequate transit are held in limbo. This will hurt Ontario's future prosperity, as the MPI has outlined numerous times in previous publications that there is a direct link between transportation and regional prosperity. Before any of these decisions are made, it is important to recognize how the region arrived at this situation. Since 1989, all Canadian provincial governments have not made transportation spending a priority, yet some have recently started to consistently increase transportation spending. Despite the growing total revenue and gas revenue, Ontario is being outspent on transit per capita by every province. There is now a spending gap between Ontario and some of its peer provinces, which threatens Ontario's future prosperity, and therefore creates a need for dedicated transit funding in the province. 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 whether the dedicated fund is through existing or [alternate revenue sources](#), it is time that transit is made a priority in Ontario and it starts with providing the resources to do so.

To read the full paper, click this [link](#).

*The [Martin Prosperity Institute](#) at the [University of Toronto's Rotman School of Management](#) is the world's leading think-tank on the role of sub-national factors—location, place and city-regions—in global economic prosperity. We take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.*