Brief to the House of Commons Standing Committee on Finance
2012 Public Pre-Budget Consultation

Transmitted to
Guyanne Desforges, Clerk of the Committee

by
William Hamilton
Co-Chair, Calgary TransitCamp

1110 11 Street SW Suite 1505
Calgary T2R 1S5
+1 403 462 6333
William.Hamilton@shaw.ca

on behalf of
Jeremy Barretto, General Secretary
William Hamilton, Co-Chair
Chris Larsen
Peter Schreyvers
David Winkler

Date of Transmittal:
12 August 2011

by electronic mail to FINA@parl.gc.ca

Executive Summary

Calgary TransitCamp represents a body of transit advocates and researchers whose ultimate aim is to make the use of public transit second nature for Calgarians. Our organisation investigates public transit issues and presents solutions to these issues.

Calgary TransitCamp's recommendation to the House of Commons Standing Committee on Finance is to have the federal government vacate three cents per litre of fuel tax revenues to underwrite capital construction costs for public transit infrastructure in Calgary and across Canada. Federal fuel tax revenues based on national sales figures in 2010 would have totalled \$5.7-billion in Canada, of which the figure in Alberta would have been \$904-million. The resulting vacated federal revenue of \$271-million in Alberta, of which Calgary's share would be \$79-million, would be used to finance the construction of a series of public transit works in Calgary that will be essential to effective and sustainable public transit operations in that city. Calgary TransitCamp makes this recommendation on the grounds that the need in Calgary and in cities across Canada for a steady and reliable source of transit infrastructure capital funding is profound, and the benefits to urban residents, municipal treasuries, and the Government of Canada will amply compensate Parliament's investment in its municipalities.

Calgary TransitCamp would like to thank the members and staff of the House of Commons Standing Committee on Finance for the opportunity to file this brief as part of the public consultation process in advance of the 2012 federal budget. As a unit of Calgary's CivicCamp volunteer municipal engagement organisation, Calgary TransitCamp represents a body of transit advocates and researchers whose ultimate aim is to make the use of public transit second nature for Calgarians. To meet this objective, the members of Calgary TransitCamp take it upon ourselves to engage municipal managers, transit passengers, and elected officials as part of a larger overall process of investigating public transit issues and presenting solutions that will make transit in Calgary more sustainable, efficient, effective, and useful for all of our citizens. It is with this mission in mind that we have chosen to alert the members of this committee to the need and the utility of the federal government vacating three cents per litre of fuel tax revenues to underwrite capital construction costs for public transit infrastructure in Calgary and across Canada.

To illustrate the nature of the problem that Calgary and other Canadian cities face in funding public transit capital expenditures, and to demonstrate why Calgary TransitCamp has chosen to recommend vacating a portion of the federal treasury's gas tax revenues to allow municipalities to address these shortfalls, it is helpful to look more closely at the money that national governments collect at the pumps each year. The data from Statistics Canada show that in the year 2010, Canadians purchased 40.56 billion litres of automotive gasoline and 16.70 billion litres of automotive diesel, representing a total of 57.26 billion litres of taxable fuels.[1] In 2006, by comparison, Canadians purchased 38.65 billion litres of automotive gasoline and 16.61 billion litres of automotive diesel, representing a total of 55.26 billion litres of taxable fuels that year. At a federal tax rate of ten cents assessed on every litre of fuel sold, Canadians would have contributed a countrywide total of $5.726-billion to the nation's coffers in gasoline and diesel taxes, which is 3.26 percent more than our total contribution in 2006. What is interesting to note in this context is that Canada's rate of population growth of 5.81 percent from 2006 to 2011[2] substantially exceeded the rate at which fuel tax revenues increased over the same span of time. The numbers would certainly suggest that Canadians are finding some alternatives to getting behind the wheel.

The same set of figures from the province of Alberta proves to be even more interesting. Fuel sales data from Statistics Canada demonstrate that in 2010, Albertans purchased 5.41 billion litres of automotive gasoline and 3.63 billion litres of automotive diesel, representing a total 9.04 billion litres of taxable fuels that year.[3] In contrast, Alberta motorists in 2006 purchased 5.14 billion litres of automotive gasoline and 3.37 billion litres of automotive diesel, representing a total of 8.51 billion litres of taxable fuels that year. On the basis of a ten-cent-per-litre tax rate assessed on every litre of fuel sold, Albertans would have contributed a province-wide total of $904-million to the nation's coffers in gasoline and diesel taxes, which is 6.23 percent more than our total contribution in 2006. The striking point about these results is that Alberta's population growth rate of 11.00 percent from 2006 to 2011 was also profoundly

---

[1] Statistics Canada (2011). "Sales of fuel use for road motor vehicles, by province and territory". URL http://www40.statcan.ca/l01/cst01/trade37c-eng.htm

[2] Statistics Canada (2011). "Tables for population growth: Canada, provinces and territories, 2010: Table A1-1". URL http://www.statcan.gc.ca/pub/91-209-x/2011001/article/11508/tbl/pop-tbl-eng.htm#a1

[3] Statistics Canada (2011). "Sales of fuel use for road motor vehicles, by province and territory". URL http://www40.statcan.ca/l01/cst01/trade37c-eng.htm

in excess of the rate at which fuel tax revenues increased over the same span of time.[4] It is also quite telling that the city of Calgary's rise in population from 991,579 in 2006[5] to 1,090,936 in 2011[6] represents a five-year rate of increase of 10.02 percent.

The task of transporting just over 17 percent of Calgary's ever-rising population to work[7] — and about 45 percent of Calgary's downtown working population to their office towers[8] — falls to Calgary Transit, a business unit of that municipality's transportation department. Calgary Transit's 2010 operating budget totalled $277.5-million, of which 47 percent was funded through cash fares, tickets, monthly passes, and other fare media; advertising and other ancillary revenues contributed six percent of the agency's operating budget, while the remaining 47 percent was funded through municipal tax appropriations.[9] The agency operates 965 diesel-fuelled busses of varied dimensions and 160 electric light rail vehicles[10] to provide 2.34 annual hours of service per capita to a 2010 annual ridership of 94.4-million passengers.[11] Of particular importance to Calgary Transit's operations is the 46-kilometre, 36-station C-Train light rail system, which currently on average transports 276,000 passengers per day between downtown Calgary and destinations to the south, northwest, and northeast.[12] In addition to platform renovations and extensions in the downtown core — part of a $154-million funding tranche to which the Building Canada Fund contributed $51.3-million in 2009[13] — three extension projects consisting of 13.4 kilometres of track and nine C-Train stations are being executed in stages to increase hourly passenger volumes by 33 percent and add 40,000 passengers per day between 2012 and 2014.[14]

Yet the demand for effective transit service in Calgary is increasing in lockstep with the city's population, and a number of critical capital investments that are necessary to the efficiency and productivity of public transit in Calgary remain unfunded, at sticker prices that at first glance[15]

---

4 Statistics Canada (2011). "Tables for population growth: Canada, provinces and territories, 2010: Table A1-10". URL http://www.statcan.gc.ca/pub/91-209-x/2011001/article/11508/tbl/pop-tbl-eng.htm#a10

5 City of Calgary (2006). "2006 Civic Census Overview". URL http://www.scribd.com/doc/34737548/2006-Calgary-Census

6 City of Calgary (2011). "2011 Civic Census Results". URL http://www.calgary.ca/docgallery/bu/cityclerks/2011_census_result_book.pdf

7 City of Calgary (2011). "2011 Civic Census Results". URL http://www.calgary.ca/docgallery/bu/cityclerks/2011_census_result_book.pdf

8 City of Calgary (2010). "Mobility Monitor, April 2010: Issue 36". URL http://www.calgary.ca/docgallery/bu/trans_planning/data/2010/mobility_monitor_april_web.pdf

9 City of Calgary (2011). "Item LPT2011-77 Attachment 1: Calgary Transit Funding and Fare Startegy". URL http://agendaminutes.calgary.ca/sirepub/mtgviewer.aspx?meetid=237&doctype=MINUTES

10 Calgary Transit (2011). "Fleet Information". URL http://www.calgarytransit.com/html/fleet_information.html

11 Calgary Transit (2011). "Statistics". URL http://www.calgarytransit.com/html/statistics.html

12 Calgary Transit (2011). "Technical Information". URL http://www.calgarytransit.com/html/technical_information.html

13 Transport Canada (2010). "Calgary Transit". URL http://www.tc.gc.ca/eng/programs/surface-transit-projects-union-station-revitalization-Calgary-Transit-1780.htm

14 City of Calgary (2011). "Transit Projects". URL http://www.calgary.ca/portal/server.pt/gateway/PTARGS_0_0_780_237_0_43/http%3B/content.calgary.ca/CCA/City+Hall/Business+Units/Transportation+Infrastructure/Transit+projects/Transit+projects.htm

15 Hoback (2008). "Sensitivity Analysis of Light Rail Transit Unit Capital Costs". URL http://eng-sci.udmercy.edu/programs/eng/civil-environmental/research/transit-research/08-0024.pdf

look daunting. One of these projects, the Eighth Avenue Subway, is intended to relieve congestion from the merging of two current C-Train lines onto a common set of downtown tracks and platforms[16], and at a minimum of three underground light rail stations and 1600 metres of tunnels, tracks, and associated facilities would require capital funding in the amount of $550-million.[17] The North Central light rail line, now in the advanced planning stages for longer-term construction and commissioning, would integrate a catchment area growing in population from 145,800 residents in 2005 to 314,000 in 2040[18] with rapid transit lines leading downtown and to other regions of Calgary, in addition to relieving the need for 1,700 daily bus trips along Centre Street[19]; with multiple stages incorporating a potential two underground light rail stations, 2200 metres of tunnels, tracks, and associated facilities, nine surface light rail stations, and 13,100 metres of surface rail and signals, the consolidated capital funding requirements for completion of the North Central light rail line would be on the order of $1061-million.[20] Perhaps the most pressing project, however, would be the completion of the Southeast light rail line, the importance of which was sufficient for the City of Calgary and the Province of Alberta to commit $244.8-million in municipal funding and $489.6-million of provincial funding over the next ten years under the province's Green Transit Incentives Program toward the construction of an 11,300-metre, eight-station initial stage[21]; in conjunction with a downtown stage consisting of three underground light rail stations and 1100 metres of tunnels, tracks, and associated facilities[22], and with a further southeast-bound stage comprised of six surface light rail stations and 13,000 metres of surface rail and signals, the gross consolidated capital funding requirements for completing all three stages of the Southeast light rail line would be on the order of $1911-million[23], with a net funding requirement of $1177-million.

Addressing these pressing transit infrastructure exigencies is an urgent priority for Calgarians and for transit passengers across Canada. By vacating three cents per litre of the federal tax at the pump on gasoline and diesel fuel, as Calgary TransitCamp endorses, the Government of Canada would free up an important revenue source for Calgary and for other Canadian municipalities that would directly contribute $1.72-billion a year to transit infrastructure construction across Canada — $271-million a year in Alberta, out of which $79-million a year would give Calgarians the tools to catch up to incipient transit demand. Fuel taxation is already an important instrument for financing transit capital improvements in jurisdictions across

[16] Calgary Transit (2010). "Calgary LRT Network Plan". URL http://www.calgarytransit.com/pdf/ct_lrt_network_plan.pdf

[17] CTV News (2009). "Mayor asks for over $3-billion for infrastructure projects". URL http://calgary.ctv.ca/servlet/an/local/CTVNews/20090115/CGY_Mayor_Infrastructure_090115/20090116/?hub=CalgaryHome

[18] Calgary Transit (2006). "North Central Calgary Transit Corridor Review". URL http://www.calgarytransit.com/pdf/north_central_calgary_transit_corridor_review.pdf

[19] Calgary Transit (2011). "North Central LRT". URL http://www.calgarytransit.com/html/north_central_lrt.html

[20] Hoback (2008).

[21] City of Calgary (2011). "Item LPT2011-05 Attachment 1: Province of Alberta GreenTRIP Cash Flow and Proposal Options". URL http://agendaminutes.calgary.ca/sirepub/mtgviewer.aspx?meetid=109&doctype=MINUTES

[22] Calgary Transit (2010). "Southeast LRT Compendium of Functional Planning Studies". URL http://www.calgarytransit.com/pdf/Southeast%20LRT%20Compendium.pdf

[23] Hoback (2008).

Canada — notably in Quebec, where a provincial surcharge of three cents per litre of gasoline applies to fuel sold in the Montreal environs served by the Agence Métropolitaine de Transport[24], and in British Columbia, which levies a dedicated provincial motor fuel tax ranging from 3.5 cents per litre in Victoria and the Saanich Peninsula to 15 cents per litre in Greater Vancouver and the South Coast British Columbia Transportation Service Region.[25] This latter levy actually represents an example of a superior order of government vacating fuel tax room to the benefit of a junior jurisdiction: British Columbia's motor fuel general revenue tax is set at 7.75 cents per litre everywhere in the province except in the South Coast British Columbia Transportation Service Region, where the rate is 1.75 cents per litre, effectively vacating six cents of the provincial general revenue rate throughout Greater Vancouver in favour of capital transit investment.[26] Another recent example where the federal government effectively vacated fuel tax revenue to a provincial jurisdiction for public transit funding is visible in the five-year gas tax agreement that it reached with the Province of Quebec and the Société de Financement des Infrastructures Locales du Québec (SOFIL) in 2005[27]; of the five cents per litre of federal fuel taxes transferred to SOFIL to finance a broad spectrum of public works in Quebec, 25 percent of the total amount, for a net direct allocation of 1.25 cents per litre, was earmarked specifically for the construction of public transit infrastructure in that province's municipalities.

Calgary TransitCamp would like to highlight some of the ways in which having the federal government vacate three cents per litre of the federal tax at the pump on gasoline and diesel fuel responds effectively to the four key questions the House of Commons Standing Committee on Finance has asked respondents to consider in this consultation process. Investment in transit capital infrastructure is a powerful tool toward meeting the committee's objective of achieving sustained economic recovery in Canada: An analysis by Cambridge Systematics[28] points to a nominal $10-million dollar capital investment generating 314 jobs, a $30-million gain in business sales, $15-million in transportation cost savings, provincial and municipal revenue gains ranging from four to 16 percent, and a twenty-year net gain of $31-million in business output and $18-million in personal income. Transit infrastructure investment has also been demonstrated in Britain to be essential to meeting the committee's objective of creating quality sustainable jobs[29], given study results showing how public transportation investment generates twice the jobs per dollar that road investment does, and how rail industry jobs support nearly three times the induced and indirect positions supported by jobs in the motor industry. Ensuring relatively low taxation levels is an important pocketbook issue for Canadians, and investment in transit capital infrastructure in a timely and effective way meets this committee criterion by circumventing the need to spend more public money later in response to transportation failure; the EDR Group notes in its examination of investment alternatives for transit infrastructure in

---

[24] Revenue Quebec (2011). "Table of Fuel Tax Rates in Quebec, by Region". URL http://www.revenuquebec.ca/documents/en/formulaires/ca/ca-1-v(2011-04).pdf

[25] British Columbia Ministry of Finance (2011). "Bulletin MFT-CT 005: Tax Rates on Fuels". URL http://www.rev.gov.bc.ca/documents_library/bulletins/mft-ct_005.pdf

[26] British Columbia Ministry of Finance (2011).

[27] Infrastructure Canada: "Gas Tax Agreement: Canada–Quebec". URL http://www.infc.gc.ca/ip-pi/gtf-fte/agree-entente/agree-entente-qc-eng.html

[28] Cambridge Systematics, Inc. (1999). "Public Transportation and the Nation's Economy: A Quantitative Analysis of Public Transportation's Economic Impact". URL http://www.napta.net/files/pdf/pubs_vary.pdf

[29] Ekosgen (2010). "Employment in Sustainable Transport". URL http://www.pteg.net/NR/rdonlyres/D1ED3884-8845-472A-AF2A-FCA892CD03A6/0/EmploymentintheSustainableTransportSector.DOC

the Chicago region that while the incremental return on investment for spending just to maintain existing public transit systems is 21 percent, the incremental return on investing in expanded transit infrastructure over and above the basic maintenance level is 64 percent.[30] Finally, transit infrastructure capital investment addresses the committee's objective of achieving a balanced budget through the economic effects of this investment on the federal government's ability to realise gains in income and sales tax revenues; Metrolinx evaluated the effects of six potential electrification options for the GO Transit Lakeshore commuter rail service, and found that the federal government could gain as much as $12.25-million in additional sales and personal income tax revenues per year by 2021, and as much as $15.14-million by 2031.[31]

For all of these reasons, Calgary TransitCamp recommends to the House of Commons Standing Committee on Finance that the 2012 federal budget include provisions for the federal government to vacate three cents per litre of the federal tax at the pump on gasoline and diesel fuel on a permanent basis. The need in Calgary and in cities across Canada for a steady and reliable source of transit infrastructure capital funding is profound, and the benefits to urban residents, municipal treasuries, and the Government of Canada will amply compensate Parliament's investment in its municipalities.

[30] EDR Group (2007). "Time Is Money: The Economic Benefits of Transit Investment". URL http://www.edrgroup.com/pdf/timeismoney.pdf

[31] Metrolinx (2010). "GO Electrification Study Final Report – Appendix 8H". URL http://www.gotransit.com/estudy/en/current_study/Appendix%20Files/Appendix%208H.pdf