

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE 12 December 1996

TO/DEST. Co-ordinator
Transportation Committee

FROM/EXP. Environment and Transportation Commissioner

SUBJECT/OBJET **USE OF FUEL TAX**

DEPARTMENTAL RECOMMENDATION

That the Transportation Committee recommend Council support the Regional Municipality of Durham's resolution (Annex A) on potential solutions for generating revenue to offset operating and maintenance costs of transit services.

BACKGROUND

The Regional Municipality of Durham recently passed a resolution requesting the Province of Ontario to dedicate a portion of fuel taxes to offset the costs of operating municipal and other transit services across the Province.

This follows the last round of reductions in Provincial funding for roads and transit services.

A news release dated 21 November 1996 was submitted by the Better Roads Coalition (Annex B) entitled "Road User Forgotten in Ontario Government's Desire to Rid Itself of Responsibility for Roads".

DISCUSSION

At its meeting on 11 December 1996, Regional Council approved a resolution urging the Province of Ontario to dedicate part of the existing fuel taxes and licensing fees towards the maintenance of the Provincial Highway system as well as municipal road networks.

Committee members will remember that the transfer of some 200 lane kilometres of Provincial highways to the Region with a grossly insufficient compensation allocation had prompted the need for such a resolution. Further, the Region has been on record for some time with respect to its support for a dedicated fuel tax or licensing fee to invest in the Regional Transportation network.

Although the recent resolution approved by Council on this matter does not specifically mention the dedication of the fuel tax or licensing fee towards transit services, our interpretation has always included these services. The Region of Durham's resolution is more explicit in this regard.

In any event, the message to the Province is clear. Resources at the local level, through the property tax alone, can no longer fund our transportation infrastructure, including transit services. New revenue streams must be made available.

*Approved by
M.J.E. Sheflin, P.Eng.*

Attach (2)

RC:km



October 30, 1996

The Regional
Municipality
of Durham
Clerk's Department

605 Rossland Rd. East
P.O. Box 623
Whitby, Ontario
Canada L1N 6A3
(905) 668-7711
Fax: (905) 668-9963

C. W. Lundy A.M.C.T.
Regional Clerk

Ms. Mary Jo Woollam
Regional Clerk
Regional Municipality of Ottawa-Carleton
Cartier Square
111 Lisgar Street
Ottawa, Ontario K2P 2L7

OTTAWA CARLETON REGIONAL CLERK'S DEPT	
NOV 13 1996	
RECEIVED	
FILE #	00-96-0010
DOC I.D. #	96-3795
ACTION	
TAKEN	
TO	R.N. RA

Potential Solutions for Generating Revenue to Offset Operating and
Maintenance Costs of Transit Services - Our File: T03-G

Ms. Woollam, I advise that at their meeting held on October 23, 1996 the Council of the Regional Municipality of Durham passed the following resolution:

"WHEREAS municipal and other transit systems are integral components of the overall transportation networks of many municipalities in Ontario; and

WHEREAS efficient and effective transit services can assist in achieving environmental, congestion management and urban development goals; and

WHEREAS measures to ensure the continued viability and operation of municipal and other transit systems are encouraged; and

WHEREAS recent reductions in Provincial funding are making it more difficult for municipalities to maintain existing levels of transit services; and

WHEREAS the Province of Ontario collects fuel taxes for the purposes of offsetting costs associated with the operation of the transportation system;

THEREFORE, be it resolved that the Regional Municipality of Durham request the Province of Ontario to dedicate a portion of fuel taxes to offset the costs of operating municipal and other transit services across the Province;

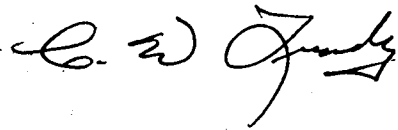
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AND FURTHER THAT a copy of this resolution be forwarded to Municipalities in Ontario operating municipal transit services, Association of Municipalities of Ontario, Area Municipalities in Durham Region, and the Ontario Urban Transportation Association for their endorsement and support;

AND FURTHER THAT the Minister of Transportation, The Honourable Al Palladini, and the Durham Members of Provincial Parliament be advised of this resolution."

I would ask that you place this resolution before your Council for their consideration and further, if endorsed, please advise the Honourable Al Palladini, Minister of Transportation, the Association of Municipalities of Ontario and the Ontario Urban Transit Association.

A handwritten signature in cursive script, appearing to read "C.W. Lundy".

C.W. Lundy, A.M.C.T.
Regional Clerk

CWL/cb

cc: Mr. A.L. Georgieff, Commissioner of Planning

**BETTER
ROADS
COALITION**

REGIONAL CLERKS DEPT

DEC 06 1996

FILE # 07-96-0095

DOC I.D. #96-3998

ACTION

TAKEN

MJW/RN.

ANNEX B

NEWS RELEASE

(Issued: Immediately November 21, 1996)

Road User Forgotten in Ontario Government's Desire to Rid Itself of Responsibility for Roads

TEL: (416) 249-1338

FAX: (416) 245-6152

555 Dixon Road
Etobicoke
Ontario
M9W 1H8

"With no participation from the many Ontarians who pay the gas taxes, diesel taxes and licence fees, the Ontario Government is systematically proceeding to dismantle the overall road system that has served Ontario for decades", says Harold Gilbert, Chairman of the Better Roads Coalition, a coalition of road users.

The province, which expects to collect \$3.295 billion in 1996-97 in road user taxes, has proceeded to provide unconditional grants to the municipalities with no requirement that some of these funds be spent on the roads. At the same time, the province is transferring many kilometres of highways of "provincial significance" to the municipalities with no guarantee they will be maintained to any adequate standard.

By abdicating its responsibility for municipal roads, the Ontario government is threatening the overall road system in Ontario.

The Better Roads Coalition points out the consequences of these actions:

- The uniform road system Ontarians have known in the province is being threatened;
- Lack of uniform road standards will lead to an increase in road accidents;
- The province has lost a major economic lever -- the road system -- which has been instrumental in building Ontario;
- Any further reduction in road quality will decrease tourism to Ontario;
- Likewise, further reduction in road quality will result in increased congestion and user costs, which ultimately results in increased cost to the consumer;
- The municipalities will be tempted to levy municipal gas, diesel taxes, tolls and other road related licence fees to offset any perceived loss in revenue from the province which will result in road taxes being paid to three levels of government (federal, provincial and municipal);

continued on page 2...

OTTAWA-CARLETON
TRANSPORTATION DEPARTMENT

TO: MSES

REC'D DEC 15 1996

FILE NO. 03-96-0002

REC. NO. 96 DEC 158

FILE: X COPIES SENT TO:

The Better Roads Coalition, in a Position Paper "*Roads and Unconditional Grants to Municipalities*" outlines some alternate solutions to try and prevent the breakdown of the road system including:

- Dedicate road user taxes to building and maintaining Ontario's roads;
- Ensure the province defines and maintains total responsibility for all roads of "provincial significance" that contribute to the overall road system in Ontario. The municipalities would assume 100 percent responsibility for all roads which have the primary responsibility of providing purely local service to the community being served;
- Standards be set for all roads that would be enforced by the province.

All of these alternatives are based on the principle that the province has the overall responsibility for the effectiveness of Ontario's road system.

For further information, contact Robin Stroud at the Better Roads Coalition, tel: (416) 249-1338, fax: (416) 245-6152.

POSITION PAPER

ON

**ROADS AND UNCONDITIONAL GRANTS
TO MUNICIPALITIES**



November, 1996

GENERAL STATEMENT

The difference between Ontario and many other provinces and, in fact U.S. states, is that the infrastructure was put in place over many years. This allowed for the orderly development of our economic base. This economic base then became the means to develop our social programs that became the envy of the world. If we now take a short sighted view of this infrastructure, we are destroying the very mechanism that made this all possible.

Let us look at one major part of our infrastructure -- the Ontario road system, particularly the many kilometres constructed and maintained by the municipalities.

Often forgotten is the fact that out of the 100,000 kilometres of roads in the province, only 23,000 kilometres are designated as provincial roads. Much of the remaining kilometres are roads of "provincial significance" as they service the provincial traffic throughout Ontario.

BACKGROUND

The Ontario road system was founded on the principle that a partnership existed between the province and the municipality.

This partnership was glued together by the fact that the province would collect the road user tax from the road user and the municipality would collect the land tax from the land owner, and both would then contribute to the road system.

Highways that were clearly provincial in nature would be financed, built and operated by the province. Roads that were clearly local in nature would be built and operated by the municipality (whether at a regional or municipal level), but financing would come partly from the municipality and partly from the province (the province to reflect the road user tax being collected).

In addition to these provincial and local roads, there were a number of arrangements to look after roads that carried traffic, whether it be provincial or local. These roads were financed by both the province and the municipality, but often at a different level than the so-called purely local road. The provincial amount would reflect the increase in provincial traffic. These roads included connecting highway links through cities and towns. Separate agreements were made for both construction and maintenance with the construction agreement often covering a cost much larger than the maintenance agreement.

Because of the joint participation (particularly with respect to the financial involvement of both parties), standards were set for all roads resulting in a uniform road system throughout the province. Also, because of provincial

involvement, funding requirements were determined based on the road needs and the capability of the municipality to pay.

DID THE ARRANGEMENT WORK?

From a provincial point of view, there were issues that required ongoing negotiations with the municipality. However, there was one major advantage -- that being there was a uniform road system in Ontario that could be used in its entirety to provide an effective transportation network. Ontario then became a strong economic province with a social conscience.

The municipality had to agree to standards to satisfy its other partner, the province, but by and large, much of their road needs were met.

The road users gained because:

- there was a fairly uniform road system throughout the province, regardless of who constructed it or maintained it;
- they paid one road user tax with the assurance that it would be directed to maintaining/improving the road infrastructure;
- it was clearly understood who had overall responsibility for roads within the province.

In the eyes of some, however, this situation was not satisfactory. Municipalities, particularly financial administrators, wanted control over all funds being provided by the province, i.e. unconditional grants.

PROVINCIAL OBJECTIVES

The province, while dealing with additional requests for funding for welfare, education, in addition to roads, was looking for ways to off-load some of the costs onto the municipalities. Roads were always seen as a good candidate since they were seen to be local in nature. Also, the province was looking for ways to reduce costs and this seemed to be a good candidate. However, this in most cases, was only in the eyes of the uninformed, since even during the active days of construction of connecting link development roads, provincial municipal advisory staff were at a minimum, with most of the work being done by municipal staff or consultants working for the municipality.

Again to cut costs, the province was looking for a "pure" (i.e. well defined) provincial road system. This was now an opportunity to divest a number of highways that were considered to have no provincial interest onto the municipalities. These highways, and in some cases freeways (QEW), will no longer be maintained as part of the provincial road system.

ROAD USER FORGOTTEN

The road user has emerged as the forgotten participant. Why do we say this?

1. The road user will no longer be assured of a uniform road system in Ontario;
2. Provincial highways are being transferred with no long term guarantee that they will be maintained as such;
3. Standards are being set arbitrarily by each municipality with no uniform control over entrances, pavement width, shoulder width, etc;
4. Road user taxes are still going to the Consolidated Revenue of the Province. In other words, there is no designation of these funds to the infrastructure;
5. Municipalities will consider and pressure the provincial government to allow them to levy road user taxes as funds become constrained. This will result in road user taxes being paid to three levels of government (federal, provincial and municipal). In fact, this is already happening in the trucking and cartage industries.

We realize disentanglement of various government responsibilities is a desirable objective of the provincial government. While we support the principle, we do not support provincial government abdication of its responsibilities to the taxpayer, who in this case is the road user.

BETTER ROADS COALITION SOLUTIONS

We believe there are solutions:

1. The first alternative takes into consideration the fact that some type of block grant municipal transfer will remain. If it does remain, regardless of the form, the province could state that those funds that come from the road user taxes would have to be spent on roads. The province would withdraw from all special funding arrangements with, as we state, the simple requirement that the municipalities be required to spend road user tax funds on roads.
2. Another solution we would offer is based on the fact that the province maintain total responsibility for all roads of "provincial significance" that contribute to the overall road system in Ontario. The municipalities would then be totally responsible for roads which have the primary function of providing local service to the community being served. This would require an overall review of all the roads within the province to determine what service the roads are providing. This is not an onerous task as much of the information is now available within the Ministry of Transportation and the municipalities.

3. The third alternative is based on the principle of placing the emphasis on standards:

- municipalities should abide by certain standards for the streets and roads they are responsible for;
- these standards can provide municipalities with the incentive to maintain, repair and upgrade their roads;
- the province is now proposing to make changes in the areas of nuisance liability for roads as well as for accidents caused by snow or ice to roads in cases of negligence as well as liability arising from the obligation of municipalities to repair roads;
- the province has suggested that there be a prescribed statutory duty to keep roads and bridges in "reasonable repair" having regard for a number of facts; where it is determined that the municipality has met the standard, the municipality would not be liable;
- it is reasonable to see the province establishing a number of codes which will establish standards of outcome and accountability for municipalities and regions;
- the province could establish a Code of Outcomes that establishes the annual state of municipal roads measured through various indices including: repair, upgrade the quality of roads, etc;
- with respect to local accountability, a Code of Processes could set the required audit and inspection standards; it could require reporting to the province and further release to local councils and to the public;
- failure to comply with the codified liability standards or the provincial codes could lead to a reduction in any continuing transfer amount;
- in addition, failure to achieve the standard would preclude an elimination of municipal liability.

All of these alternatives are based on the principle that the province has the responsibility for the overall road system in Ontario.

Piecemeal responsibility for provincial routes spells disaster to the economic life of the province, as well as a complete abdication of responsibility by the province to the road user.