

Poorer Canadians rely heavily on cars, says analysis as Ottawa considers more road tolls

The finding comes as Ottawa considers more toll booths on Canada's roads.

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OTTAWA—An internal federal analysis says lower income Canadians remain highly dependent on cars to get to work — a finding that surfaces as Ottawa considers infrastructure investment models that could put more toll booths on the country's roads.

The February briefing note was prepared weeks before the Trudeau government signalled its intention to engage institutional investors, such as pension funds, to help raise money for public infrastructure projects.

Senior pension plan officials have said they are looking to invest in infrastructure projects with reliable, predictable returns that could include user fees — like road tolls.

The Finance Department memo said that user fees ensure those who benefit most from infrastructure are the ones who pay for it.

But a case study contained in the “secret” briefing package warned that when it comes to road tolls, a significant proportion of lower-income Canadians could be forced to dig into their wallets.

The document said about 85 per cent of people whose after-tax earnings were in the top two fifths of the income spectrum commuted in private vehicles.

By comparison, 77 per cent of taxpayers in the bottom fifth of income earners also took private vehicles to work, the briefing said.

“Higher income people do tend to use road infrastructure more than lower income people,” said the study, which aimed to evaluate the potential implications of charging user fees on roads and highways.

“However, lower income people still rely heavily on road infrastructure.”

The document, prepared for deputy finance minister Paul Rochon, was obtained recently by The Canadian Press under the Access to Information Act.

The analysis also noted that about 17 per cent of taxpayers in the bottom fifth of earners pay for road infrastructure through their taxes, even though they don't directly use it to commute to work — such as those who walk to and from their jobs.

But in general, the document said imposing user fees on public infrastructure is typically considered “regressive” because people of all income levels are usually required to pay the same amount.

“The regressivity of user fees on roads, for example, would be especially acute in regions where there are fewer substitute methods of transportation,” said the partially redacted memo.

“In contrast, it can be argued that in cases where higher-income individuals use relatively more of the infrastructure, general taxation is implicitly more regressive than charging user fees since charging user fees would remove the kind of subsidization implicit in the general tax system.”

The note also laid out two perspectives on equity.

One view argues that individuals should pay for public infrastructure based on their incomes to ease the burden on lower earners. The other states that people should pay for the benefits they receive from the infrastructure rather than asking non-users to subsidize it via general taxation.

The subject of user fees on public infrastructure in Canada has gained attention in recent months.

Since their March budget, the federal Liberals have said they would welcome some private investment cash to help enhance Ottawa’s commitment to spend \$120 billion on infrastructure over the next decade.

“I think just to meet the needs of the communities, government investments are not going to be sufficient on their own, so we need to engage (the) private sector,” Infrastructure Minister Amarjeet Sohi told The Canadian Press in a recent interview. “All government resources are not going to meet that need, so we need to unlock the pension funds.”

Pension funds have said they’re looking to invest in projects that would generate steady returns — everything from snack bar sales to road tolls.

Andrew Claerhout, who leads the Ontario Teachers’ Pension Plan infrastructure group, recently said major federal assets like airports and ports would offer some of the most intriguing opportunities for private investment — should they ever go up for sale. Claerhout also said certain types of provincial and municipal infrastructure, such as waste water, utilities and highways, can also be attractive to big investors.

Any implementation of road tolls, for example, would fall under municipal and provincial jurisdictions.

When asked about the possibility that inviting institutional investors to the table could eventually lead to the installation of new road tolls, Sohi insisted Ottawa would respect the choices of other governments.

“We don’t tell municipalities and provinces how they run their infrastructure, how they build their infrastructure,” said Sohi, a former Edmonton city councillor.
“But if they want to price, or not price, that’s their decision.”