THE GLOBE AND MAIL

Posted on Wednesday May 29, 2013.

http://www.theglobeandmail.com/commentary/better-ways-than-tax-hikes-to-fund-greater-torontos-transit/article12219357/

A GO Transit train heads west after leaving Union Station in Toronto on April 22, 2013. (Fred Lum/The Globe and Mail)

Better ways than tax hikes to fund Greater Toronto's transit

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Globe and Mail

Transit needs subsidies – capital and operating – when it does not generate enough revenue to cover the costs of providing the service. If transit provided more revenue or costs were lower, or both, subsidies could be reduced and even eliminated. There would be no need for the current head-scratching as to how $34-billion is to be raised to provide for the balance of provincial government's transit plan for 2031 for the Greater Toronto Area and Hamilton region (GTHA).

Transit was not subsidized in the region until the 1960s. Several factors created the need for subsidy. The most important was the provision of transit service to areas of lower and lower development density.

A basic rule about funding transit is that subsidy is a substitute for density. The higher the density served the higher the ridership and revenue. If density is high, as in Hong Kong, subsidy may not be required. We would not want GTHA to be anywhere near as dense as Hong Kong, but we may be prepared to accept higher densities, especially along expensive rail routes, if the trade-off between higher densities and higher taxes is made clear.

Metrolinx's Investment Strategy released this week focuses on raising $2.1-billion a year – mostly for transit – through increased taxes, chiefly by adding a percentage point to the sales tax.

The Strategy makes a gesture toward raising densities by recommending that the Ontario government issue a policy statement "to encourage greater integration of land use policies with … investments in transport and transportation infrastructure." However, the recommendation that follows speaks to additional levies on development served by these investments, which could well have the effect of discouraging increased density.

The majority of Toronto's subway stations outside the downtown do not have nearby high– or even medium-density development. Most of these date from the 1960s and 1970s. This lack of transit-related development suggests that incentives to build at or near subway stations may be required, not additional levies.

Even better could be aggressive intervention by governments or their agencies that ensures transit-related development. This is what has happened in Hong Kong and, to a lesser extent, in London. A reasonable target for the GTHA could be to steer half the growth in population and jobs anticipated for the GTHA by 2031 to close proximity to subway or light rail stations. (One of Metrolinx's documents hints at such a goal, but with no evident plan for achieving it.)

The other strategy for lowering transit's need for higher taxes is to reduce the capital and operating costs of transit.

It's instructive to compare the proposed expenditure on the Eglinton Crosstown Light Rail Transit (LRT) with, for example, the actual cost of Vancouver's Canada Line. The Eglinton LRT is to cost almost three times as much per kilometre as the Canada Line and yet have substantially lower capacity. Some of the difference in cost can be readily explained by differences in terrain, etc. Most of it cannot.

Moreover, unlike the Eglinton LRT, the Canada Line is completely automated, resulting in substantially lower operating costs and other benefits.

It's probably too late to make cost-reducing changes to ongoing projects. Nevertheless, careful examination of the reasons for the absurdly high costs of the Eglinton LRT could well provide lessons for future projects and help reduce the amounts to be raised through taxation.

The stronger emphasis, however, should be on raising densities along transit lines so as to increase ridership and pay for more of the cost of transit through higher farebox revenue. And, if the value of transit becomes more widely appreciated, the savings in tax requirements could be used to provide even more transit than is currently planned.

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