



RESIDENTIAL AND
CIVIL
CONSTRUCTION
ALLIANCE OF
ONTARIO

Constructing Ontario's Future

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March 27, 2015

Hon. Glen Murray, Minister of the Environment and Climate Change
11th Floor, Ferguson Block
77 Wellesley Street West
Toronto, ON M7A 2T5

Dear Minister:

Re: Climate Change Discussion Paper

The Residential and Civil Construction Alliance of Ontario (RCCAO) appreciates that you have taken a leadership role in highlighting the detrimental consequences of climate change. Adaptation and building more resilient infrastructure will be important steps in maintaining Ontario as a productive and livable place to live, work and play.

The Province has already taken a big picture approach with respect to the Places to Grow plan as a way to address land use and infrastructure in a coordinated way – this will result in positive environmental and economic outcomes. Metrolinx has taken significant strides in developing a Regional Transportation Plan but more needs to be done to improve transit infrastructure investment, including long-term funding solutions. RCCAO has previously stated that it supports this holistic approach to land use and transportation planning as it will help to facilitate transit ridership objectives, as well as encourage more effective infrastructure investment decisions.

As the discussion paper highlights, the transportation sector accounts for 34 per cent of all greenhouse gas (GHG) emissions. In addition to ongoing efforts to produce more fuel efficient or non-fuel vehicles, a vital area of focus will be on how to shift more people onto public transit as a way to reduce the proportionate share. More efficient use of road/highway space are key elements to reduce GHGs. In addition, measures such as complete streets, transit-supportive communities and mobility hubs need to be encouraged to promote walking, cycling and transit options as well as driving less.

As Ontario's carbon pricing strategy has been touted as being revenue neutral, other revenue streams will have to be identified in order to help fund transit expansion and operations. A range of options have been identified in both Metrolinx's Investment Strategy (May 2013) and the Transit Investment Strategy Advisory Panel's report (December 2013). Both reports recommended that gasoline and fuel taxes be given high consideration amongst a suite of options.

For the transportation component, RCCAO proposes that:

- **The Province implement a dedicated gas / fuel tax** which will be allocated on a basis consistent with the previously announced two funds for the GTHA and the rest of Ontario (\$15B/\$14B, respectively). A paper commissioned by RCCAO in 2014¹ estimated that across the GTHA, the revenue yields (taking into account that higher pump prices would reduce overall consumption) would be:

¹ Kitchen, Harry (2014) "Taxing Motor Gas and Diesel Fuel in the GTHA: Will This Generate Sufficient Revenue?" (RCCAO).

- one-cent fuel tax will net: \$75 m to \$82 m per year
- three-cent tax will net: \$220 m to \$240 m per year
- five-cent tax will net: \$355 m to \$400 m per year
- ten-cent tax will net: \$660 m to \$770 m per year

While the dedicated fuel tax could be applied by the municipal sector, it would be administratively easier for the Province to implement this measure. In a mid-January letter to Metrolinx which was copied to the Premier and the Minister of Transportation, RCCAO advocated that it was an opportune time to increase these taxes by perhaps five cents per litre as there had been a drop in pump prices of about 44 cents per litre between July 31, 2014 and mid-January 2015.

It should be pointed out that Ontario's gas tax of 14.7 cents per litre remains unchanged since 1992 even though inflation over the 1992 to 2015 period has been over 50.5 per cent according to the Bank of Canada. On a proportional basis, gas tax revenues are far less than they were 23 years ago when average Toronto area pump prices were 50.4 cents per litre. Thus, if inflation is factored in, an increase in the Ontario tax to 22 cents per litre would not represent a tax increase at all (excluding the HST added in 2010). Perhaps consideration should be given to indexation of the gas tax for the upcoming Budget.

In any case, a proper communications plan outlining the value proposition of a new, dedicated fuel tax would have to be launched to gain support for this plan. *The alternative of a return to lackluster transit investment and rising GHG emissions are real concerns if serious consideration is not given to this proposal.*

- **HOT lanes be rolled out using the existing HOV network in the GTHA, following the Pan Am/Parapan Games:** As an interim step to road pricing in the GTHA, the Province has an opportunity to transform the Games Route Network into an expanded permanent HOV network which can also be used as a High Occupancy Toll (HOT) lane network in the future. Revenue generated from single occupant drivers wishing to pay for a faster commute can be directed to the dedicated fund. We understand that MTO has commissioned a study which will take place during the Games on the use of telematics devices for vehicle tracking. Following this study, pilot testing of HOT lanes could be done with a limited pool of drivers.
- As gas tax revenues are projected to decline over the next decade due to more fuel-efficient vehicles², the Province will need to supplement these lost revenues with other sources. **Road and parking pricing³ have been identified by a number of researchers as the best options in terms of meeting a number of policy objectives simultaneously:** in this case, generating revenue to funnel back into transportation infrastructure, mitigating traffic congestion through dynamically-oriented price signals, and reducing GHG emissions. In fact, Professor Harry Kitchen

² Ibid, p.5: Other trends such as higher EV and hybrid vehicle sales are identified in RCCAO's 2014 commissioned research by Professor Kitchen.

³ Parking fees influence how individuals evaluate the utility of their trip relative to its actual costs, including those that are externalized (e.g. emissions).

states that “it is time for politicians to stand up, lead, and defend parking levies and road pricing as fair and efficient ways of funding road expenditures and public transit.”⁴

- **More communication and support be provided for transportation demand management measures:** The Pan Am/Parapan Games will also be a useful testing ground for transportation demand management measures and could encourage greater adoption by the public of telecommuting, carpooling or vanpooling, for example. Many public and private sector employers belong to the Smart Commute network which has been administered by Metrolinx for a number of years. Let’s use the upcoming Games as a learning experience on how to better manage traffic congestion around the GTHA.

Building More Resilient Infrastructure: RCCAO also supports the discussion paper recognition that infrastructure be well-built and “climate-smart.” While it is gratifying that the paper has enunciated that “Ontario will integrate climate change adaptation and resilience considerations in key infrastructure and asset planning decisions”, there are challenges to this objective from both financial and process perspectives.

RCCAO has just released a report on “Comparing Ontario’s Municipal Class EA System to Other Jurisdictions: Public Intervention in Local Infrastructure Projects” by Frank Zechner. One of the recommendations has to do with addressing emergency construction work as a result of severe storms/floods. This is an important issue for municipal officials who are grappling with rising process-oriented challenges to deliver local infrastructure.

Certain communities within Ontario have experienced more severe weather events such as flooding and ice storms. Increasingly, it is evident that aging infrastructure is inadequate to withstand the additional strains of these events or more simply that the infrastructure is obsolete. A municipality does not have to go through the Class EA process for a replacement project in the same location or route, but if these structures have to be replaced elsewhere then an expedited process is impossible. It would be a shame if a lengthy Class EA process prolonged efforts to build more resilient infrastructure such as roads or bridges as this would put Ontario at a competitive disadvantage (e.g., goods movement). A paper commissioned by RCCAO in 2014 found that the MCEA process is actually getting worse: the average time to go through the Class EA process has increased from 19 months to 27 months.

Other: RCCAO supports the theme enunciated on p. 24 of the discussion paper that “we must begin with practical actions and build on what we have started.” In this regard, RCCAO has worked collaboratively with MOECC to develop and implement Best Management Practices (BMPs) for Soil, and on our own initiative launched a soil matching service. Beneficial reuse will reduce overall truck traffic and thus GHG emissions.

While MOECC is already well aware of the actions that are necessary, a multi-Ministry approach is essential for these initiatives to work effectively, as we have outlined in recent correspondence to you and to Minister McMeekin. Part of a proper community and infrastructure planning approach will be to ensure that municipalities address soil management early on in the process by incorporating excess construction soil BMPs into tender documents and local by-laws.

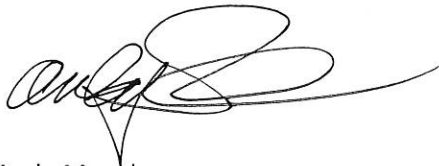
⁴ Kitchen, Harry (2014) “Taxing Motor Gas and Diesel Fuel in the GTHA: Will This Generate Sufficient Revenue?” (RCCAO), p. 34.

In conclusion, implementation by the Province of a dedicated gas tax will send an immediate signal and further drive efficiencies/conservation efforts, as well as generate desperately needed funds for transportation infrastructure. In fact, the discussion paper acknowledges (on p. 26) that a tax on fuels can be classified as a carbon tax.

In reality, it is unlikely that the Province will move that aggressively to a carbon pricing platform based on comments by key provincial Ministers that carbon pricing will be put forward with a view to protecting certain sectors such as automotive. By contrast, an increase in pump prices can be implemented very quickly and, furthermore, does not require the establishment of a separate bureaucracy (see QP Briefing, January 19, 2015).

If you would like any elaboration on the ideas presented, please do not hesitate to contact us.

Sincerely,



Andy Manahan
Executive Director

Encl.: Letter to Messrs. Prichard and McCuaig, January 13, 2015
Bank of Canada Inflation Calculator

Copy to:

Premier Kathleen Wynne
Hon. Charles Sousa, Minister of Finance
Hon. Steven Del Duca, Minister of Transportation
Hon. Brad Duguid, Minister of Economic Development, Employment and Infrastructure
Hon. Ted McMeekin, Minister of Municipal Affairs and Housing
Hon. Michael Coteau, Minister Responsible for Pan Am Games
Messrs. Prichard and McCuaig, Metrolinx

RCCAO member organizations:

Carpenters' Union
Greater Toronto Sewer and Watermain Contractors Association
Heavy Construction Association of Toronto
International Union of Operating Engineers, Local 793
International Union of Painters and Allied Trades, District Council 46
Joint Residential Construction Association
L.I.U.N.A. Local 183
Ontario Formwork Association
Residential Carpentry Contractors Association
Toronto and Area Road Builders Association