



November 7, 2013

To:

Dr. Anne Golden
Transit Investment Strategy Advisory Panel
Government of Ontario
E-mail: <mailto:transit@transitpanel.ca>

Dear Dr. Anne Golden and the Transit Investment Strategy Advisory Panel,

We wish to submit the following comments regarding the Metrolinx Investment Strategy, which was put forth by the transportation agency to pay for its Big Move proposal. If you have any questions, please do not hesitate to contact us at the address below.

TOLLS A MORE EFFECTIVE AND CHEAPER WAY TO STOP CONGESTION

The Transit Panel was established with a mandate to review Metrolinx's Investment Strategy, but has not considered a cost-effective and popular method that would tackle congestion, promote transit ridership and lower fares and taxes: tolls. Instead, the Panel has focused its attention on whether Metrolinx's proposals to fund its plan for \$50 billion of projects over the next 25 years are "the right ones." But in doing so, it is ignoring the more important question: Are those proposals necessary?

Consumer Policy Institute (CPI) – founded more than 20 years ago by urban visionary Jane Jacobs and a long-time advocate of greater competition in the transportation sector – would like the Panel to consider evidence for the introduction of tolls on the Greater Toronto Area's (GTA) congested roads. Experience shows that doing so would reduce or eliminate gridlock. Public transportation would also benefit, both because consumers would seek to avoid the toll and because transit would become more reliable. Tolls would also prevent the unnecessary construction of additional lanes or new highways.

Residents of the GTA, particularly low-income residents, are already skeptical of plans for higher taxes and fees to fund transit. Even those residents in favour of new revenue tools believe that tolls are more appropriate than sales and property taxes.

There is ample evidence from across North America that dramatic transit expansions – particularly in suburban areas where ridership will be light – leads to financially unsustainable services that require massive subsidies to stay afloat. And most often, ridership fails to live up to expectations, resulting in officials having to raise fares and divert financial and other resources away from more viable operations.

TYPES OF TOLLS

1. Dynamic tolling offers drivers a basic promise: congestion-free commuting. Most dynamic toll systems ensure that traffic remains at or above a pre-determined speed limit – typically 45 mph (about 72 kph) for highways – and maintains that speed by adjusting prices higher when more drivers want to use the road, while lowering them when needed to attract more drivers.

Dynamic tolls systems vary in how they are implemented.

Some municipalities have privatized certain lanes on a highway system (or particular segments of a highway) and allowed private operators to make a return on their investment. If the operator can no longer keep its promise to drivers – that the road will remain free of congestion – it will expand capacity or increase rates. If demand for its service is too low, capacity or prices will be lowered.

Other dynamic toll systems have remained publicly owned, but have used a similar system of dynamic tolls. Many dynamically tolled highways mix free and tolled lanes, offering drivers a choice. Most dynamic toll systems are also combined with public transit and car pool programs, where buses and vehicles carrying multiple passengers are able to use the highway for free.

2. Congestion pricing charges drivers a toll when entering business districts during peak periods of travel – typically during standard working hours. While some congestion charges also vary by time of day and amount of traffic, most apply a flat fee for anyone commuting to the centre of the city.

3. Many roads employ a flat toll that does not change based on the amount of traffic. Many of these tolls were first implemented as a way to pay for the initial cost – and ongoing operating costs – of building the highway. Flat fee tolls have a limited impact on congestion as their effect tends to decrease over time.

SETTING TOLLS

How quickly and dramatically prices change varies across toll systems. Some operators allow prices to change every 3 to 6 minutes, depending on demand. Others vary prices every month or multiple months and keep prices at the same level for particular hours – higher prices during morning and evening commutes, for example.

For political reasons, many operators have placed a cap on how high toll prices can go. While this makes it easy to sell a public that might fear that the introduction of tolls would lead to prohibitive charges, it undermines the reasons for introducing the toll in the first place. Recent examples have shown that the public has been willing to pay high toll rates. In situations where a cap has been put in place, toll rates have often tended to reach that cap very quickly and, as result of not being able to move higher, have been followed by an increase in congestion.

Some policymakers overseeing toll roads have been explicit in stating that the main function of dynamic tolls and congestion charges is to ease congestion, not raise revenue. While private operators profit from tolls, most of the money raised is used to maintain the highway and expand operations. Others have called for the money raised from the tolls to be used to improve public transportation or other programs.

A GROWING TREND

While a few dynamic toll systems and congestion charges have been in place for decades, a growing tide of policymakers have in recent years turned to tolls to tackle congestion.

The United States – where tax and other fee increases are typically met with strong skepticism – has been particularly open to dynamic tolls in recent years. Washington D.C., Miami, Atlanta and Houston are among the cities that have recently installed dynamic toll lanes. Other cities, such as San Diego, Minneapolis and Los Angeles have been using dynamic tolls lanes for years.

Singapore, the tiny island-state in Asia, has had dynamic tolls and a congestion charge for more than three decades. It was also an early adopter of an electronic toll system that paved the way for many other toll systems around the world. It's now planning to install dynamic tolls on all of the country's roads, not just the arterial highways that it currently tolls.

Other cities such as London, Stockholm and Milan have also implemented a congestion charge.

PUBLIC RECEPTION

The public has been supportive of road tolls when presented with the full benefits of such policies. Public opinion polls and other surveys show that residents appreciate that tolls offer them a choice – particularly dynamic tolls – on whether they want to pay to use a road or not, as opposed to an across-the-board tax on goods or fuel.

A comprehensive study of public opinion polls in 2008, undertaken by the U.S. Transportation Research Board of the National Academies, showed that there is a “clear majority” of support for tolling and road pricing.¹ The study found that when people are provided with a clear benefit – such as free-flowing traffic – support for road tolls increases. The report also found that people largely favoured tolls over higher taxes because, at least with tolls, “the public is more assured of getting their fair share” and “tolling represents freedom of choice.”

A recent poll in Washington D.C. showed that more than 60% of those surveyed were in favour of dynamic tolls.² That figure had increased from an initial figure of 51% after the

¹ Compilation of Public Opinion Data on Tolls and Road Pricing
http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_syn_377.pdf

² What Do People Think About Congestion Pricing?
<http://www.mwcog.org/transportation/activities/congestionpricing/materials/Key>

respondents were placed in discussion groups led by transit officials fully explaining how the road tolls would work. Many of the respondents appreciated the predictability of paying to avoid sitting in traffic and were willing to pay a little extra to get to work on time when they are running late. Others said it would make it easier to determine the true cost of commuting.

Other surveys show that low-income groups are particularly favourable to dynamic tolls rather than higher taxes.³ Even though priced lanes are used more heavily by high-income users, low-income commuters continue to express high approval for road tolls.

One reason is that studies have shown that low-income groups suffer the greatest financial harm from unreliable travel times, as it often results in lost wages or higher daycare fees.⁴

In the GTA, a recent poll found middle- to lower-income individuals – or those earning below \$40,000 annually – were particularly opposed to higher sales and property taxes to pay for new transit.⁵ Just 6% of those respondents earning between \$20,000 and \$40,000 annually felt an increase in property taxes was the fairest way to pay for new transit. In that income group, only 8% supported an increase in sales taxes.

A downtown congestion charge was the most popular option, with 26% of respondents selecting it as the “fairest” way to pay for new transportation infrastructure. Road tolls ranked as the second most popular option, garnering 23% support.

EQUITY CONCERNS

The U.S. Department of Transportation states dynamic tolls are better for low-income users than “regressive” sales taxes, car registration fees and gas taxes.⁶ It found that many low-income drivers typically drive older, less fuel-efficient cars or cannot afford the high cost of hybrid vehicles, leading them to pay a higher gas tax for every mile driven. General sales taxes have been shown to be regressive, as low-income residents use a greater portion of their income on everyday goods and so a greater share of their income goes to taxes.

Another U.S. study showed that a high-occupancy toll network on highways would largely be financed by high-income drivers.⁷ According to its data, drivers from the lower income quartile would pay 5.2% of all tolls, compared to 50.3% by the highest income quartile.

[%20Documents/CongestionPricingReport_FINAL091213_ForWeb.pdf](#)

³ Tolling in Washington state

<http://www.nga.org/files/live/sites/NGA/files/pdf/0806TRANSPORTATIONIGUCHI.PDF>

⁴ Income-Based Equity Impacts of Congestion Pricing

<http://ops.fhwa.dot.gov/publications/fhwahop08040/fhwahop08040.pdf>

⁵ Public wary of fees and tax increases for transit

<http://cpi.probeinternational.org/2013/10/07/public-wary-of-fees-and-tax-increases-for-transit/>

⁶ See footnote 4.

⁷ Welfare and Distributional Effects of Road Pricing Schemes for Metropolitan Washington, DC

<http://www.rff.org/documents/RFF-DP-03-57.pdf>

Two researchers in California found that a highway in Orange Country that used dynamic tolls, rather than one financed through higher sales taxes, saved low-income residents money while also shifting the cost of the highway onto its heaviest users.⁸ The researchers found that if the \$34 million in revenue that was raised from dynamic tolls had been instead raised through sales taxes, those in the lowest income group – who had paid very little in tolls – would be paying a much larger amount – \$3 million – for a highway system they used far less than their middle- and high-income counterparts.

Most studies also show that a majority of drivers use priced lanes selectively and not based on their income levels.

As for congestion charges, only 36% of the residents of Stockholm were initially favourable to a congestion charge when officials first introduced a trial of the program.⁹ Once the trial started, that support grew to 52%. In a referendum held after trial, 53% of voters opted to make the program permanent.

By 2011, a poll covering most of Stockholm county showed that support for the congestion charge had increased to 70%.

Research also suggests that rush-hour travelers are the most affluent group of commuters and are most likely and willing to pay – and absorb the impact of – congestion charges.

PUBLIC TRANSPORTATION TO BENEFIT

Transit agencies would benefit from increased ridership – and revenues – because of tolls. This would allow both the TTC and GO Transit to lower fares – or at least prevent them from continuing to rise faster than inflation – and provide more of an incentive for commuters to switch from driving to public transit. While Metrolinx is calling for \$2 billion a year to fund its expansion plans, tolls will help raise some of that money through increased ridership without having to tax residents who don't use public transportation.

Increased ridership will eventually lead to a sustainable expansion of the transit system.

In Houston, for example, officials recently hiked the peak toll on a stretch of highway by \$2 to \$7 in order to ease gridlock.¹⁰ Public transit use immediately increased, with one bus route along the toll road posting a 15% jump in ridership. Demand was so strong that officials had to dedicate additional buses to handle the surge in new riders.

In London, bus ridership has increased by 37% – or 70,000 additional passengers –

⁸ Dynamic Tolls on Highways the Fairest of Them All

<http://cpi.probeinternational.org/2013/09/04/dynamic-tolls-on-highways-the-fairest-of-them-all/>

⁹ The Stockholm Congestion Charges – Five Years on. Effects, Acceptability and Lessons Learnt

<http://www.transguide.org/SWoPEc/CTS2012-3.pdf>

¹⁰ Houston Turns to Prices to Solve Congestion Woes

<http://cpi.probeinternational.org/2013/10/17/houston-turns-to-prices-to-solve-congestion-woes/>

during the day when the congestion charge is in place.¹¹ In Stockholm, public transportation ridership increased by 6%, though 75% of that increase took place during peak travel periods. As a result there were significant decreases in congestion and travel time delays.

BUILD IT AND THEY WON'T COME

Plans to expand public transit into all corners of the GTA and hoping that ridership follows is a recipe for failure – as has been shown in countless other cities across North America. The most likely result will be lower-than-expected ridership, a greater financial burden for the transit system, higher fares and a higher percentage of riders choosing their cars over other forms of commuting.

Los Angeles, for example, which built the 17.4-mile red line subway system for \$4.5 billion over a 15-year period – a time plagued by cost overruns and construction delays – eventually opened to ridership levels that were nearly a third below original forecasts.¹² Even after more than a decade of operation, ridership levels are still about half of what planners originally expected.¹³ Since construction began in 1986, bus ridership – the highest in the United States – fell to 400 million a year from 500 million annually, as officials were forced to raise fares substantially and dedicate more resources to the subway line.¹⁴

In the Texas city of Dallas, the number of passengers at a majority of the city's light rail stations declined after they first opened – even after billions of dollars in subsidies and extensive promotion.¹⁵ According to one analysis, 34 light-rail stations that opened between 1996 and 2002 now mostly serve fewer riders today than they did in January 2003. Ridership has fallen both in the aggregate and at 19 of the 34 individual stations.

The only way that the city's transit system was able to increase ridership was by adding service where none existed, not by attracting new riders to existing routes.

Even in Portland, Oregon – long considered the model for many transit systems – the percentage of commuters that now commute by transit has actually declined to 7.6 percent from 9.8 percent in the 1980s, when transit officials went on a light-rail building spree.¹⁶ At the same time, the transit system was forced to cut service on some bus lines

¹¹ Transit and Congestion Pricing

http://ops.fhwa.dot.gov/publications/fhwahop09015/cp_prim7_04.htm

¹² Government Failure in Urban Transportation

http://www.brookings.edu/~media/research/files/articles/2000/12/transportation%20winston/2000_fiscalstudies.pdf

¹³ <http://www.metro.net/news/ridership-statistics/>

¹⁴ Los Angeles Subway Reaches End of the Line

<http://www.nytimes.com/2000/06/23/us/los-angeles-subway-reaches-end-of-the-line.html>

¹⁵ Most DART Rail Stations Serve Fewer People Now Than When They Opened

<http://www.dallasnews.com/news/transportation/20110625-most-dart-rail-stations-serve-fewer-people-now-than-when-they-opened.ece>

¹⁶ Debunking Portland: The Public Transit Myth

<http://www.cato.org/publications/commentary/debunking-portland-public-transit-myth>

and failed to improve services on others.

And in Sacramento, California, the city's transit budget has increased by about 15 times while ridership has grown by less than three times.¹⁷ A massive, publicly subsidized light rail system has been a financial drain on the transit system since its inception in 1987. In order to cut costs, officials cut bus lines – the only part of the system used to capacity – while leaving the light rail lines untouched.

NOW IS THE TIME TO ACT

The Panel can use this opportunity to consider tolls for the GTA. The benefits are clear: faster, more reliable travel times, more choice for commuters and an increase in transit ridership. The costs of doing so would be far less than the \$50 billion plan on offer from Metrolinx, which is likely to saddle residents with higher taxes, more debt and a transit system more reliant on subsidies.

The Panel should reconsider plans to pursue regressive tax schemes and other fee increases that will have a significant impact on low-income residents but will do little to solve congestion in the GTA.

Sincerely,

Brady Yauch
Executive Director and Economist
Consumer Policy Institute
225 Brunswick Avenue
Toronto ON M5S 2M6
(416) 964 9223 Ext 236
bradyauch@consumerpolicyinstitute.org

¹⁷ Is Public Transit Bankrupt?
<http://calwatchdog.com/2010/03/31/new-is-public-transit-bankrupt/>