

BBOT Policy Bulletin

Metro Vancouver's Transportation & Transit Plebiscite

A mail-in plebiscite will be held between March 16 to May 29, 2015 to determine whether voters within Metro Vancouver support the creation of a 0.5% *Metro Vancouver Congestion Improvement Tax* to help fund transportation expansion across the region as proposed in the Mayors' Transportation and Transit Plan. This new tax would apply only within the Metro Vancouver region and would be added on to the existing provincial sales tax (PST) for ease of administration.

Despite some serious reservations about the proposed funding model and concerns about its impact on business, the accountability for this new revenue, and the precedent this new tax may set, the Burnaby Board of Trade believes this vote likely represents the best chance to achieve sustainable, long-term funding and accomplish meaningful improvements to regional transportation.

The Burnaby Board of Trade has created this policy bulletin to share its thoughts on the implications of this proposed transit plan and funding model.

The Transit Plan & Referendum

In 2014, the Minister of Transportation tasked the Metro Vancouver Mayors' Council on Regional Transportation to develop a regional transportation vision with clear costing and priorities.

[The Mayors' Transportation and Transit Plan](#) is a long-term vision that was created by the 'Mayors Council' which represents 23 local governments. This vision is a regional action plan to provide substantially improved transit and transportation options for residents of Metro Vancouver. The Mayors' Plan calls for investment in:

- A new tolled four-lane Pattullo Bridge
- New light rail lines in Surrey
- An extension of the SkyTrain down the Broadway corridor in Vancouver
- Expanded bus service and new B-Line routes across the region
- Increased service on SeaBus and HandyDART
- Expansion of service on SkyTrain and West Coast Express
- Continual upgrades to the Major Road Network
- New and improved cycling routes

The expansions in the Mayors' Plan would increase the frequency of existing transit services in the region, while also providing new transit service for growing and currently under-served areas. At the end of this plan, 70% of the region's residents would be within walking distance of regular, reliable transit service.

To fund this expansion, the Mayors' Council has determined an additional \$250 million will need to be raised annually from a new regional funding source. This is in addition to billions of dollars of new capital funding from the provincial and federal governments included in the Mayors' Plan---- investments which will likely be contingent on the commitment of new regional funding.

As the expansions proposed cannot be funded through finding operational efficiencies alone, new funding must be found. The Mayors' Council considered several [possible funding models](#) to pay for this vision including an increase to the Carbon Tax and a vehicle license fee (vehicle levy), and decided to propose a 0.5% Metro Vancouver Congestion Improvement Tax. According to directives from the provincial government, this 0.5% tax would be combined with the existing provincial sales tax (PST) for easier administration. The 0.5% tax increase would be regional in nature and would apply within the Metro Vancouver region only.

After approval from the provincial government, the question that will be asked of voters in the mail-in plebiscite was finalized as: "Do you support a new Metro Vancouver Congestion Improvement Tax, to be dedicated to the Mayors' Transportation and Transit Plan?" You can view the question and other details about the plebiscite by [clicking here](#).

The Case for Transit

Metro Vancouver, with a population of over 2.3 million, is BC's largest urban area and the third largest in Canada. It is an economic driver for the provincial economy, with the region accounting for nearly 60% of all jobs in BC. It is projected that by 2040 Metro Vancouver will have over 1 million new residents, 600,000 new jobs, and the potential for three million more automobile trips per day across the region. With this expected population increase, maintaining the strength and viability of the transportation systems within this region will be crucial to the economic health of our province.

It is widely recognized that gridlock and congestion has a stifling effect on economic activity. Recent studies estimate that Metro Vancouver traffic congestion currently costs the economy approximately \$1 billion annually and this is expected to increase to \$2 billion annually if there is no further investment in our transit infrastructure. By increasing service and encouraging greater transit use, the various improvements and expansions proposed by the Mayors' Council would reduce traffic congestion by 10%, saving up to 30 minutes in commuting time on some of the region's most congested routes.

Burnaby is already well served by public transit and new growth has been focused on the four "town centres" (Brentwood, Lougheed, Metrotown, Edmonds) which are situated at transit hubs. However, to accommodate this increasing densification and the expected population growth, enhancements to transportation infrastructure and transit services within Burnaby are important.

In Burnaby specifically, the Mayors' Plan would provide:

- Improved SkyTrain service with new trains, more passenger room, and greater service reliability. By 2041 the Expo Line's capacity will be double what it is today

- Improved bus routes throughout Burnaby with greater frequency and reliability
- More B-Line bus service with proposed routes including *Downtown Vancouver to SFU Burnaby*, *Richmond Brighthouse Station to Metrotown* and *Metrotown to Capilano University*
- Completion of the Central Valley Greenway cycling route
- A new, four-lane, tolled Pattullo Bridge

Our Position and Concerns

For several years, the Burnaby Board of Trade has examined the transit and transportation system with the Lower Mainland and called for improvements to these systems. The BBOT has advocated for Metro Vancouver transit to receive sustainable, predictable funding that would allow for long-term regional transportation planning. The BBOT believes the Mayors' Plan would accomplish this.

The Mayors' Plan is a regional plan with proposed improvements throughout Metro Vancouver. In addition, the funding model proposed would be a long-term solution and provide consistent and predictable funding. The BBOT is heartened by the scope of the plan and sees local interests have been set aside to create a regional vision. The BBOT is also encouraged that the provincial government supports the Mayors' Plan as this represents important "buy-in" necessary for any regional plan to be successful.

While the BBOT is supportive of the Mayors' Plan, it has reservations about some aspects of the plan and concerns have been raised by some BBOT members over this issue. The BBOT is particularly concerned with the impact of the proposed tax increase on business, the auditing and accounting procedures put in place to oversee the new revenue, and the potential for future regional tax increases to fund other government spending priorities.

The BBOT is concerned with the potential impacts of a regional sales tax on local businesses. Any level of tax increase has the potential to negatively influence consumer spending behavior. While the tax increase proposed is minor, the perception of increased prices can encourage consumers to disproportionately reduce their spending which would have a negative impact on local businesses. In addition, the regional nature of this tax increase may also encourage consumers to seek lower-tax jurisdictions in which to make major purchases. While the impact on Burnaby businesses may arguably be mild due to our geographic location, there is still potential for consumers to move purchases south to Washington State or east to Abbotsford or Mission.

The BBOT's is also concerned with the impact of an increased sales tax on purchases made by businesses themselves. Business investment is crucial to both innovation and economic growth. When companies invest in improvements to the tools, equipment and infrastructure which their workers use, it increases their productivity, spurs innovation and drives economic output. Currently, companies must pay 7% PST on most business inputs and the Mayors' Plan would add a further 0.5% tax to these costs. In light of these concerns, the BBOT urges the provincial government to consider the implications of the proposed tax and, should it be approved by the voters, ensure it is implemented in the least disruptive

manner possible.

In addition, while the plebiscite does state that revenues and expenditures related to this tax would be subject to annual independent audits and public reporting, the BBOT feels strongly that there be significant public oversight of the revenue raised from this new tax. As the time frame for the implementation of the Mayors' Plan lasts a decade, the BBOT believes it important to establish clear performance measures and accounting procedures to ensure that the public receives all of the improvements promised by the Mayors' Plan.

Finally, the BBOT has approached this tax increase with caution as it would be the first regional sales tax to be applied in Canada. The BBOT believes the Mayors' Plan and the proposed tax is an exceptional case. In the future, the BBOT would be skeptical of any plan to copy this model and implement another regional tax to fund future public projects, whether for infrastructure or other spending initiatives. The 0.5% Metro Vancouver Congestion Improvement Tax must not be seen as a precedent for future taxation. In addition, the BBOT is concerned that this tax will be a permanent, and increasing, responsibility for taxpayers. Therefore, the BBOT also seeks a commitment from government that the proposed regional tax undergo regular, mandatory reviews and that the tax rate of 0.5% not be subject to future increases.

In addition, the BBOT will continue to closely monitor the Mayors' Council's stated plans of implementing "mobility pricing" to further fund the transportation system and will not support any such funding model that would unduly burden business or negatively impact the regional economy.

In conclusion, the BBOT maintains that long-term, regional transportation planning and transit expansion is vital for the economic health of our communities. With the above concerns considered, the BBOT still feels that the Metro Vancouver Transportation & Transit Referendum represents the best chance for our region to accommodate our growing population and facilitate the efficient movement of goods, services and people and supports a 'Yes' vote in the upcoming referendum.