

ROAD PRICING IN METRO VANCOUVER

A policy bulletin by the Burnaby Board of Trade



INTRODUCTION

Where are we now?

In 2017, Translink struck the Mobility Pricing Independent Commission to a review mobility pricing--or road pricing--to determine how it could be implemented in the region. This Commission's report is expected imminently.

Earlier this year, the Burnaby Board of Trade (BBOT) launched a Mobility Pricing Task Force to review this issue. The Task Force reviewed materials from the Translink commission, heard from guest speakers, and considered the potential impacts and opportunities of various forms of mobility pricing.

Following this review, the BBOT's Task Force drafted seven key principles which it believes should underpin any future consideration and possible implementation of mobility pricing in Metro Vancouver, and can be used by our members in assessing future road pricing proposals.



BBOT's 7 Road Pricing Pillars:

- Congestion
- Revenue Neutral
- Time of Day
- Regional
- Support Business
- Technology
- Accountability

Introduction

A future road pricing system may have potentially significant impacts on our regional transportation system, BBOT members, and our overall economy

Road pricing may have significant impacts on our region depending on how it is implemented. If road pricing is effective, it could mean the easier movement of people, goods and services through the region and more reliable and predictable travel times. However, road pricing may also have negative impacts such as increased transportation costs due to new tolls, worse congestion in some areas due to traffic diversion, and pressures from employees for increased schedule flexibility or wage increases to mitigate impacts of tolls.

Much of the current discussion of road pricing is focused on ways to create a more 'user-pay' model for the road network and to remove the image of roads as being 'free' in an effort to change driver behavior and use the road network more efficiently.

In particular, the Mobility Pricing Independent Commission has been exploring what it has called 'decongestion charging' which refers to a range of fees that can be charged for using transportation services, such as paying a toll to use a road during more congested times of the day, paying to enter a zone or cross a cordon, or paying per kilometre driven,

The BBOT did not conclude which of these options would be preferable, instead it developed the following seven principles to be applied to whatever form a future road pricing system may take.



WHAT IS MOBILITY PRICING?

MOBILITY PRICING REFERS TO THE VARIETY OF DIFFERENT WAYS WE PAY FOR USING OUR ROAD NETWORK AND TRANSIT SYSTEM, SUCH AS ROAD TOLLS, GAS TAXES, PARKING FEES AND TRANSIT FARES.

WHAT IS DECONGESTION CHARGING?

DECONGESTION CHARGING IS RANGE OF FEES FOR USING SPECIFIC TRANSPORTATION SERVICES OR USING THEM AT SPECIFIC TIMES, SUCH AS PAYING A TOLL TO USE A ROAD DURING MORE CONGESTED TIMES OF THE DAY, PAYING TO DRIVE INTO A DOWNTOWN, OR PAYING PER KILOMETRE DRIVEN IN A VEHICLE.

WHAT ABOUT TRANSIT?

REGARDLESS OF WHETHER ROAD PRICING IS IMPLEMENTED, CONTINUED SIGNIFICANT EXPANSION OF TRANSIT SERVICES ACROSS THE REGION IS A NECESSITY. ALSO, EXPANDED TRANSIT SERVICES WILL BE ESSENTIAL FOR ANY ROAD PRICING SYSTEM TO WORK AS TRANSIT WILL SERVE AS THE MAIN ALTERNATIVE TO VEHICLE TRAVEL.

#1: Congestion

The primary objective of road pricing should be reducing road congestion and maximizing efficiency of our road network, not raising additional revenue

Translink's Mobility Pricing Independent Commission was given the goals of generating revenue, reducing congestion, and promoting fairness. The BBOT disagrees that road pricing can or should simultaneously satisfy those three objectives, and instead should have the primary goal of reducing congestion and maximizing the efficiency of the road network.

The annual economic cost of congestion in our region has been estimated at between \$500 million and \$1.2 billion from slowing the movement of people, goods and services, and acting as a drag on economic activity and our community as a whole.¹

Much of the region's road network is constrained by geography and existing development so as to limit potential new road capacity. Road pricing can then be best used to maximize the efficiency of our road network where congestion snarls traffic on some roads at some times while on other roads and at other times traffic moves unimpeded. Road pricing would help create the necessary price signals to encourage the consideration of travel alternatives.

As for the other objectives, road pricing need not be a net new revenue source, and addressing economic 'fairness'---while a worthwhile goal---is best achieved through more efficient means than via the transportation system.



Major congestion points in the region:

- Massey Tunnel and bridges crossing the Fraser River
- Bridges on and around Richmond, Vancouver and the airport
- Major arterials in Vancouver and Burnaby
- Regional urban centres such as New Westminster, Surrey City Centre, Metrotown and Richmond City Centre
- Bridges to and east-west traffic from North Vancouver and West Vancouver
- Travel to and from Port Moody, Coquitlam and Port Coquitlam
- Highways 1, 91, and 99
- Oak and Knight Street Bridges

1. *Tackling Traffic, The Economic Cost of Congestion in Metro Vancouver*, Benjamin Dachis, C.D. Howe Institute. March 9, 2015.

2: Revenue Neutral

Road pricing should be revenue-neutral and not be a generator of additional net revenue



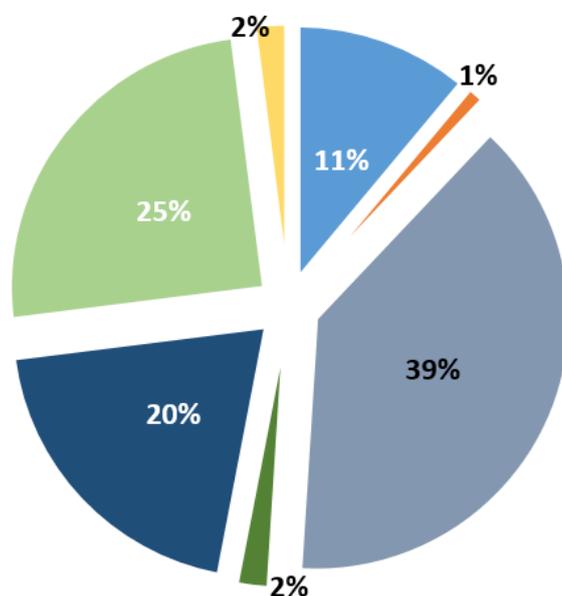
If the primary goal of road pricing is to reduce congestion and improve road efficiency as noted earlier, and not raise revenue, then road pricing can be made revenue-neutral.

Based on input from our membership, and as evidenced in the 2015 transit plebiscite, there seems to be little appetite for generating additional net revenue through road pricing.

The amount of revenue generated through any future road pricing system should be offset by reductions in taxes in other areas such as income taxes, corporate taxes, property taxes or the gas tax. This will allow any future road pricing system to focus on encouraging efficient transportation behavior as opposed to simply taxing drivers.

Making any road pricing system revenue-neutral also has the benefit of reducing its impact on lower-income individuals or drivers who have limited options to adjust their travel mode or time.

How Translink is Funded - 2016:



Taxation - 39%

- Fuel Tax (\$396 M)
- Property Tax (\$342 M)
- Parking Tax (\$67 M)
- Hydro Levy (\$20 M)
- Replacement Tax (\$18 M)

■ Gov't Transfers ■ Amortization ■ Taxation ■ Tolls
■ Sale of Assets ■ Transit Fares ■ Investments

#3: Time of Day

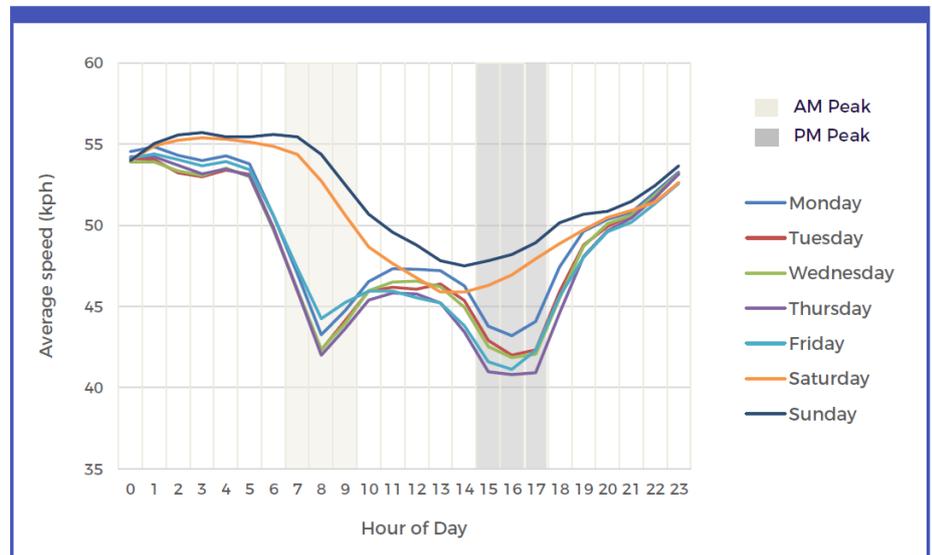
Variable time-of-day pricing is necessary to maximize the efficiency of the road network by shifting some usage away from peak travel times



To maximize the efficient use of the road network, any future road pricing system will almost certainly require variable time-of-day pricing.

Currently, as shown in the below graph, the road network is most congested during peak hours in the morning and afternoon rush hours when average travel speeds can grind to a crawl. The overall efficiency of the road network and the flow of traffic would be improved if the demand on our roads could be flattened by encouraging some trips currently occurring during peak times to occur in non-peak times.

Variable time-of-day pricing would allow the creation of a price signal that would encourage the consideration of travelling at different times of day or on different modes during rush hour, as the price of a toll would change (increase) during peak times. This could create the necessary incentive to get those drivers who can or are willing to adjust their trips to non-peak times to do so.



Source: TransLink analysis of Google Maps API data (Fall, 2017)

That said, the price signal required to change behavior does not need to be large. We have seen evidence from previous tolls in our region that drivers are willing to adjust travel to avoid a toll of a few dollars.

If the goal is not to generate new revenue, then the toll to travel in peak times need only be enough to encourage consideration and adoption of alternatives. This would allow for the creation of incentives for travel in off-peak times for those who can change, but also would be low enough to not present a financial burden for those unable to change their travel time or mode.

#4: Support Business

The movement of goods and services and the success of business should be as unimpeded by road pricing as possible



While much of the impetus for improving our transportation system is to support the overall economy and our business community, the value of doing so will be greatly mitigated if it comes at the price of impeding our economic performance or competitiveness.

The BBOT is concerned about the potential costs that may be borne by businesses which depend on the road system to operate by delivering goods or providing services. Commercial vehicles often have the least ability to use alternative forms of travel or travel at different times. Vehicles are required for the final delivery of almost all goods, and travelling by vehicle is necessary for many service providers, such as plumbers, tradespeople, and home care services, as transit is not a reasonable option for most of these businesses.

Ensuring that road pricing is revenue-neutral through reductions in other taxes which businesses pay will help alleviate much of any additional burden on commercial vehicles which must use the road network. But further mitigations may still need to be considered in light of the overall tax burden on businesses if a future road pricing system is put in place.

And while providing road pricing exemptions would likely undermine the efficacy of the system, exemptions for business and commercial vehicles may need to be considered at some point should a future road pricing system prove too administratively onerous or financially costly for the business community.

By slowing down the movement of people, goods and services, congestion costs the region up to \$1.2 billion each year



#5: Regional

Any road pricing system should be implemented equally and on a regional basis



Road pricing should be geographically-equal and should not advantage or disadvantage one part of the region or another. Unequal application of tolls in the past has led to traffic diversion, the inefficient use of the road network, and the disadvantaging of residents and businesses in some parts of the region.

A major impediment to this principle is the existing provincial tolling guidelines which allow tolls only on major projects where there is an un-tolled alternative, a piece-meal approach that is counter-productive. These guidelines should be revisited with the goal of supporting a regional and holistic approach to any future road pricing system.

If a completely un-tolled option is still desired, using variable time-of-day pricing would allow the creation of time periods of 'free' travel. This would provide an un-tolled option for travel without undermining the equal application of road pricing throughout the region.

#6: Technology

The road pricing system should adapt to and adopt new transportation technologies, services and providers



Any future road pricing system should consider how emerging technologies may impact the transportation system and further maximize efficiencies. Technologies may emerge which make elements of road pricing considered today to be more or less practical and effective in the future.

Our transportation system, its managers, and government should be able to adapt to and adopt these new technologies or transportation modes if they have the potential to improve the overall movement of people, goods and services in the region.

#7: Accountability

Any road pricing system should be implemented and operated in a transparent manner with clear accountability



Some road pricing systems have the potential to generate significant data about usage of the overall transportation as well as, depending on the technology used, individual vehicle information.

Protecting individual privacy should be paramount and the public must know who owns any data generated, where any revenue generated is allocated, and who is accountable for the overall system.

About the Burnaby Board of Trade

The Burnaby Board of Trade (BBOT) is the city's most active business networking, advocacy and economic development organization.

Established in December 1910, the mission of the BBOT is to improve business by providing its membership with insightful leadership, advocacy, education and a platform for collaboration.

Representing over 1,000 businesses, organizations and entrepreneurs from Burnaby and across the Lower Mainland, the BBOT works to ensure the priorities and concerns of our members are heard and understood by governments, elected officials, and agencies at all levels.

For updates on our recent policy and advocacy activities, visit BBOT.ca/Advocacy

