

SUBJECT: Fuel Tax Motion

PURPOSE

The purpose of this report is to provide the Victoria Regional Transit Commission (Commission) with an update of the fuel tax motion; specifically, the request to seek CRD endorsement, and to proceed with the request from the Commission to the Province to request an increase in the fuel tax. This report is provided for **APPROVAL**.

BACKGROUND

In September, the Commission was presented a draft Three-Year Service and Financial Strategy (2014/15 – 2016/17) for information. The report presented:

- Base operating expenditures required to maintain existing service levels;
- Operating expenditures associated with service hour expansion; and
- Capital expenditures that are required to maintain existing service levels and to allow for future service growth.

The requirement for significant capital investment was highlighted in this report. The most significant requirement is the need for a new transit center. Without the expansion of transit storage and maintenance facilities no more than an additional **15** buses can be accommodated within the system. As a result of this constraint, the service expansion scenario previously considered by the Commission and supported by the CRD Board was limited to this level of increase over the next three years. Beyond that level of increase, no expansion of service will be feasible without additional expense and inefficiency.

In addition to the need for an additional transit center for conventional service, there is a need for a new custom facility, exchange improvements at several locations to accommodate increasing service and technological upgrades that are required to advance transit in the region as well as on-going fleet renewal. The capital budget estimates approximately \$125M in capital investment over the next five years.

DISCUSSION

The Commission identified an increase to the local motor fuel tax may be appropriate to address the sharp increase in capital expenses and as part of the recommendation requested that that staff seek CRD Board endorsement of the following motion:

1. That staff continue to consult with the public and transit customers regarding the acceptability of a fuel tax increase to address the capital costs of facilities required to support the expansion of transit service in the region.

2. To further ensure that the Commission is working in a direction supported by the consensus of the region, it is recommended that staff seek CRD Board endorsement of the following motion:

Whereas the Victoria Regional Transit Commission faces significant capital expenses to provide for transit service expansion and

Whereas the growth in transit service is a priority of the region's growth and transportation strategy and

Whereas property tax funding cannot reasonably accommodate the increases necessary for capital and service growth and

Whereas the *BC Transit Act* enables a local motor fuel tax surcharge dedicated to Victoria Regional Transit Commission expenses

Therefore the Victoria Regional Transit Commission requests that the Government of BC amend the Motor Fuel Tax Act to increase the dedicated fuel tax applied in the region under the *BC Transit Act* by 2 cents per litre to support transit system development in the Capital Region.

Since the last Commission meeting, the topic has been raised on radio talk shows and other media outlets. In addition, a letter was sent requesting feedback on the proposed fuel tax request to the Chambers of Commerce (Esquimalt, Saanich Peninsula, Sooke, Victoria and WestShore), the Downtown Victoria Business Association and Tourism Victoria.

At the request of BC Transit, the Capital Regional District Board (CRD) received a report (see Appendix 1) at the November 13, 2013 meeting requesting that the CRD endorse the Commission request for a fuel tax increase. The CRD Board passed the following motion:

- That the Victoria Regional Transit Commission request that the Government of BC amend the *Motor Fuel Tax Act* to increase the dedicated fuel tax applied to the region under the *BC Transit Act* by two cents per litre to support transit system development in the Capital Region be approved; and
- That the increase not be applied to marked gas.

It should be noted that the existing 3.5 cent fuel tax is not applied to marked gas and that the proposed 2 cent increase would also not apply.

RECOMMENDATION

It is recommended that the Commission **APPROVE** the following motion:

- Whereas the Victoria Regional Transit Commission faces significant capital expenses to provide for transit service expansion and
- Whereas the growth in transit service is a priority of the region's growth and transportation strategy and

- Whereas property tax funding cannot reasonably accommodate the increases necessary for capital and service growth and
- Whereas the *BC Transit Act* enables a local motor fuel tax surcharge dedicated to Victoria Regional Transit Commission expenses

Therefore the Victoria Regional Transit Commission requests that the Government of BC amend the *Motor Fuel Tax Act* to increase the dedicated fuel tax applied in the region under the *BC Transit Act* by 2 cents per litre to support transit system development in the Capital Region.

Respectfully,

A handwritten signature in black ink, appearing to read 'Manuel Achadinha', written in a cursive style.

Manuel Achadinha
President and Chief Executive Officer

Attachment 1: CRD Report (November 13, 2013)