

External Affairs Supplementary Paper

No. 62/4 Highway Financing in Canada

Summary, as of December 1961, of Methods in Use in the Provinces and in Federal-Provincial Highway Projects.

The Federal Department of Public Works:

Highway financing in Canada is a rather complex subject, but, generally, it may be said that, as highways within a province come under the jurisdiction of the province, financing is a provincial responsibility.

The Trans-Canada Highway, which is a joint federal-provincial project, was originally authorized under the Trans-Canada Highway Act of December 1949. Under the provisions of this Act, Canada entered into agreements with each of the provinces. These agreements set out methods of determining the costs of construction, the amount of Canada's contribution and other relevant terms and conditions. Under the original legislation, Canada could make contributions to the provinces of 50 per cent of the cost of construction of the highway. A 1956 amendment to the Act provided that, in addition to the 50 per cent contribution, Canada could pay an additional 40 per cent of the cost of construction on 10 per cent of the mileage of highway within each province. The total fund set up under the Trans-Canada Highway Act and subsequent amendments as Canada's share of the cost of construction is \$400 million.

Another joint federal-provincial road project is the Roads-to-Resources Programme, under which Canada makes contributions to the provinces of 50 per cent of the cost of construction. The Federal Government also carries out road construction on crown-owned property, including highways in the national parks and development roads in the Yukon and Northwest Territories. Funds for these purposes are provided for in the annual federal appropriations.

Newfoundland:

Funds for all capital expenditures by the province are derived from surplus on current account and the issue of government bonds. There are no specific taxes for highway construction, as the proceeds from the gasoline tax, automobile registrations and the licensing of drivers all go into the consolidated revenue fund. Annually, the government decides what proportion of its funds available for capital expenditures are to be spent on the various capital works, such as new highways, hospitals, schools, public buildings, etc.

Nova Scotia:

Nova Scotia finances the construction of highways through two major sources of funds: 1) Debenture borrowing on the capital market and 2) shared-cost projects with other governments. Any