

Financing a Provincial Highway System*

Sources of Revenue—Direct Taxation—Classification of Roads by Trained Engineers—Provincial Highway Organizations—Methods of Financing Large Expenditures—Basis of Fees From Motor Owners—Expenditure to be Covered—Marketing Highway Debentures

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IT is to be inferred from the subject upon which I have been asked to address you that the objective to be attained is a provincial highway system. Now, whether fighting, building a nation's highways or giving a general talk, it is well to know what is our objective. The question then arises: "What is a provincial highway system?" The answer depends largely upon the authority and powers of the department in each province having the administration of its highways. In the provinces of Prince Edward Island, Nova Scotia, New Brunswick and British Columbia, all roads are under the jurisdiction and control of the central provincial government both as to construction and maintenance. Consequently, a provincial highway system in these provinces embraces and includes by-roads and side-roads, as well as main or trunk roads. A centralized form of administration of highways in these provinces is therefore necessary.

Sources of Revenue

Now if Nova Scotia may be taken as typical of the provinces having a provincial highway system of this type, we find that their "Provincial Highways Fund" taps six distinct sources of revenue, as authorized by their "Public Highways Act, of 1917." These are: (1) such sums as may be determined by the Governor-in-Council not exceeding the amount voted by the legislature of the province for the purpose; (2) all motor license fees; (3) all sums contributed by the federal government to encourage and assist the improvements of highways; (4) direct taxes on ratable property and income amounting in cities and towns to one mill and in other municipalities to four mills, together with a poll tax of \$1, or if not assessed, a poll tax of \$3; (5) certain income from crown lands; and (6) special contributions by municipalities, corporations, associations or persons.

At the present time, each of these sources of revenue, with the possible exception of the direct taxes, are now available and open to each of the provinces of Canada. This statement could not be made when the provincial legislation of Nova Scotia just referred to was passed, because the Canada Highways Act, which appropriated \$20,000,000 to encourage the provinces in constructing and improving their highways, became law only on July 7th, 1919. As many of you are aware this act makes available to the different provinces 40% of the cost of constructing or improving such highways as the provinces designate to come under the act and subsequently submit such information regarding the public necessity of the various highway projects and as to location, cost, description, specifications, time and method of construction, as is satisfactory to the federal government. The regulations under the act stipulate that this information shall be submitted in what we term a "Project Statement." This statement includes information as to the authority for and sources of provincial and local funds, where such funds are to be used in connection with any project.

Direct Taxation

At the present time direct property tax including the poll tax for highway purpose are exigible in Canada only in the provinces mentioned as controlling all their roads. While such tax levies for highway purposes usually go into the general fund of these provinces, this source of revenue may

be capitalized and the proceeds expended on roads of a particular class. Such highways generally embrace the main trunk roads connecting the principal centres of population and distribution, linking up a series of market roads. Generally speaking, in the central provinces, that is, from British Columbia to New Brunswick, this class of roads constitutes what is commonly known therein as a "Provincial Highway System." In these central provinces all direct property taxes, including those for road purposes, are collected and spent by the various municipal councils of each province. There is no gainsaying the fact that there has been a strong disinclination in such provinces as Ontario to institute direct taxation for highways or indeed for other purposes. In so far as the setting aside of motor fees for highway construction is a form of direct taxation, there has been a departure in such provinces as Ontario from the indirect methods of taxation. Indeed, the development and expansion of motor transport has been featured by a tendency toward this form of direct taxation in all parts of America; and in the provinces not already having control of all their roads, there has been a further marked tendency towards centralized administration of such highways as are used to the greatest extent by motor transport.

In the United States a direct annual levy, collected by the state on property and income, for general highway expenditures or for highway debenture, is very common even in such states as New York in which the counties also make large expenditures on their highways. The fixed state tax levy varies from $\frac{1}{10}$ of a mill to $2\frac{1}{2}$ mills. For highway debenture issues the direct levy, of course, varies according to the amount issued and outstanding, that is without having regard to the term of the issue or the rate of interest payable. The law of New York State regarding its last issue of debenture for highway purposes, provided that the rate of annual tax be $\frac{5}{1000}$ of a mill of valuation of real and personal property subject to taxation, for each \$1,000,000 issued or $\frac{1}{10}$ of a mill for a \$20,000,000 issue. This method of raising highway funds has the advantage that the large cities of the province or state are called upon to make a definite contribution toward the financing of the leading highways therein; it thereby lessens the burden of providing adequate highway transport for long distance travel, formerly imposed on local units.

Classification of Roads by Trained Engineers

Any provincial highway system fundamentally involves a classification of the roads in a given province, followed by the selection of those which carry the heaviest traffic and serve the most people for special treatment. In the case of provinces in which the counties or similar units control all roads it means special legislation under which these highways are designated to come under complete or partial control of the central government.

In this connection it may properly be contended that, prior to the proper classification of the highways of a province, there should be established in each province a department or branch of a department with trained experienced engineers in charge, whose judgment regarding the engineering problems affecting proper locations, designs and materials for road construction, will command the confidence and support of the public which pays the shot. The man on the street quite naturally feels that any large sum of money raised for the special purpose of building the roads

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