

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

specific taxes such as gasoline taxes are used to finance current expenditures, for example, maintenance (but not construction).

As to debenture borrowing, the procedure is as follows:

An estimate of the total dollar value of construction (province's share) is passed by the House of Assembly at each yearly session. This legislative approval sets a top limit of expenditures as well as the total amount which may be borrowed against highway construction. As the year proceeds and expenditures are made, borrowing for these and other capital expenditures are made at such times as it is possible to take advantage of suitable rates on the bond market. Borrowings are usually limited to the amount of actual expenditures; however, in the early part of the fiscal year it is possible to anticipate future expenditures. This is balanced up toward the end of the year.

The second form of financing is through shared-cost projects. The province may make expenditures on such projects as the Trans-Canada Highway, where certain portions of the expenditure under certain conditions are assumed by the Federal Government. The province then will finance by way of debenture issue only its own share. Other highway projects may involve the building of highways through cities or towns, in which case part of the cost of negotiation may be paid by such cities or towns.

New Brunswick:

Expenditure of public monies on highways, bridges, etc., is authorized by the Legislature and all monies provided under a separate vote for each service. Funds are obtained from the consolidated revenue fund of the province or by the issue of debentures which are likewise authorized by law. There are no specific taxes earmarked for the construction of roads and bridges, although several years ago the gasoline tax, vehicle registration and licenses were earmarked for highway-construction purposes only. This was later changed by an Act of the Legislature, and all revenue derived from this source was incorporated into the consolidated revenue fund.

Quebec:

The monies for highway construction are deposited directly from the consolidated provincial fund, a method which eliminates special taxation, bonds, loans, etc., as sources of revenue. The Minister of Finance appropriates the necessary sums to the various departments, according to the programmes they themselves draw up.

Since October 27, 1960, the Province of Quebec has been receiving approximately 50 per cent of the subsidies granted by the Federal Government for the 400-mile Quebec section of the Trans-Canada Highway. This agreement will last until the completion of the highway (that is, five or six years).

Ontario:

Ontario does not allocate any of its ordinary revenues, tax or otherwise, for specific expenditures either on ordinary or capital account. The province does not issue debentures specifically for highway construction. Each debenture issue put out by the province is for general purposes and would be used, in part, to finance highway construction.

All taxes and the issuance of bonds, and loans, etc., are handled by the Treasury Department, the money goes into a consolidated revenue fund, and the Department of Highways prepares a construction and maintenance programme. If this is approved by the Legislature, money is allotted from the consolidated revenue fund to permit the Department of Highways to do this work.

Manitoba:

Highway construction may be financed from current revenues or by borrowing for that purpose. Manitoba has used both methods in the past.

All current revenues of the Province of Manitoba, i.e., taxes, fees, etc., are deemed to be for the general purposes of the province and are not set aside or designated for specific expenditure. Current expenditures, which may include monies for highway construction, are authorized by the Legislature. Unless specifically so designated by the Legislature, the authorization provided for current expenditure lapses at the close of the fiscal year for which the funds are voted.

In addition to the foregoing current account authorizations, the Legislature provides non-lapsing authority for capital expenditures including highways. Under this legislative authority, the province borrows upon its credit to finance the expenditures. Temporary financing is usually arranged through the banks and from time to time the province offers for sale its debentures, using the proceeds from the sale to pay off its temporary borrowings, or, depending on the prevailing circumstances, uses the proceeds for the purposes designated in the terms of sale. These offerings may be sold by tender to the highest bidder, or may be upon a negotiated basis. Manitoba has used both methods.

Saskatchewan:

Provincial highways in Saskatchewan are financed from the consolidated revenues of the province. Road grants to the local governments are provided from the same source.

Revenues deriving from road-fuel taxes and vehicle-license fees are deposited to the consolidated fund. There is no dedication or direct allocation of these revenues to road improvements.

Bond issues, loans, or specific taxes have not been used in Saskatchewan for provincial road financing for many years.

Local government financing of roads is mainly from general revenues and provincial grants. Debenture issues have been used rather infrequently.

Alberta:

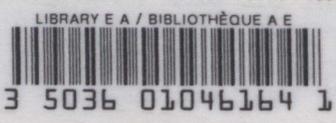
Alberta has embarked on an extensive highway-construction programme, the payment for which has been made chiefly from revenue from the development of natural resources. During this period there have been no borrowings and no special tax levied for the construction of highways.

However, there are certain charges against motor vehicles common to all provinces and, in so far as Alberta is concerned, the revenue from these charges is deposited in the general fund, and are not earmarked for any specific purpose. These revenues are:

1. A license on commercial vehicles, which varies and is dependent on the maximum weight that may be transported by any vehicle.
2. A license on passenger cars of from \$10.00 to \$20.00 a vehicle.
3. An operator's license of \$5.00, which lasts for five years.
4. A bus mileage tax dependent on the mileage that commercial buses travel.
5. A fuel oil of .12¢ a gallon for gasoline and .14¢ a gallon for diesel fuel.

British Columbia:

There are no specific taxes or development loans now in effect in the province for highway construction, and all capital expenditure is paid out of current income. Vote appropriations are made by the Legislature annually for the fiscal period April 1 to March 31. Treasury appropriations, of course, expire at the completion of each fiscal year.



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