



Chambre de commerce  
du Montréal métropolitain  
Board of Trade  
of Metropolitan Montreal

# Preliminary analysis of the Bernard report on funding public transit

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Given the stiff competition among North America's urban centers, there is no doubt that public transit play an important role in sharpening their competitive edge. This includes Montreal, which already benefits from a reasonably efficient and well-used system. Because the Board of Trade considers this issue important to the economic development of Montreal, it has prepared for its members a preliminary analysis of the Bernard report on the funding of public transit, made public on January 24. You will recall that on July 8, 2002, Quebec Transport Minister Serge Ménard mandated Louis Bernard to carry out a vast consultation of key stakeholders and to formulate proposals for revising the financial framework of Greater Montreal's public transit system.

## **METROPOLITAN ORGANIZATION**

### ***The Bernard report recommends:***

Giving the Montreal Metropolitan Community (MMC) primary responsibility for the planning and funding of the regional transit system;  
Granting the Montreal Metropolitan Community (MMC) the taxing powers necessary to implement an integrated and ecologically sustainable public transit policy:

- setting the gas tax and vehicle registration fees; setting municipal shares payable to the Fonds régional de transport en commun and the Fonds d'immobilisation;
- if necessary, imposing tolls and a parking tax;
- keeping the Metropolitan Transport Agency (MTA) as a government agency and make it responsible for operating the regional public transit network (trains, terminals, reserved bus lanes, park and rides).



### ***The Board of Trade believes:***

In general, the Board of Trade agrees with the idea that the MMC should have primary responsibility for the planning and funding of public transit. For the Board of Trade, it would be logical and consistent for public transit to be managed at the metropolitan level and from a metropolitan perspective. Nevertheless, for the acquisition of new taxing powers to be acceptable, it would be important for the MMC to be fully accountable to the area's residents for the exercise of those powers.

## **FUNDING REGIONAL SERVICES**

### ***The Bernard report recommends:***

Increasing resources available for public transit by increasing the contribution of drivers:

- increasing the gasoline tax from 1.5 cents to 2.5 cents / liter (+\$30 million)
- increasing vehicle registration fees from \$30 to \$35, indexing them annually, and extending them to include commercial vehicles under 3,000 kilograms (+\$15 million)
- replacing current municipal contributions to the regional network with shares based on standardized real estate wealth and ensuring that all MMC municipalities contribute based on the same rate (3 cents /\$100 of real estate wealth) after a six-year transition period.
- making up the deficit of the regional network, including that of the metro, exclusively from regional financial resources.



### ***The Board of Trade believes:***

Any new tax is unacceptable! Currently, Greater Montreal residents contribute directly to 81% of the financing of public transit, with 40% of revenues coming from users, 35% from municipalities, and 6% from locally collected gas taxes and registration fees. In our view, this contribution is already high enough and additional efforts should come first from other government levels. In its pre-budget submissions, the Board of Trade spoke out clearly against any increase in the tax burden of Montrealers. The proposed tax increases clearly contravene the Board of Trade's position in this matter.

The Board of Trade is nevertheless open to the idea of replacing the contribution of municipalities with shares based on real estate wealth, but believes that more details will be necessary to determine the impact of such a measure.

## **INTEGRATION OF NEIGHBOURING CITIES (Joliette, Saint-Jérôme, Saint-Jean)**

### ***The Bernard report recommends:***

Extending the regional network to neighbouring cities under the same conditions as those applying to municipalities belonging to the MMC: gas tax, registration fees, municipal shares to the Fonds régional de transport en commun, metropolitan assistance to the local bus network, integration of fares.



### ***The Board of Trade believes:***

Insofar as such integration promotes both the efficiency of the network and the equity of its funding, the Board of Trade agrees with this recommendation.

## **GUIDED COMPETITION**

### ***The Bernard report recommends:***

Implementing a system of guided competition, supervised by an independent arbitrator, comparing the productivity of public transit companies and private operators.



### ***The Board of Trade believes:***

The Board of Trade is particularly in favour of seeking ways to increase the productivity of various service providers through the creation of competing transit networks. This search for increased efficiency should, moreover, precede any increase in the tax burden of regional tax payers through the application of measures aiming to improve the funding of public transit.

## **GOVERNMENT ASSISTANCE PROGRAM FOR PUBLIC TRANSIT**

### ***The Bernard report recommends:***

Increasing the budget of the ministère des Transports (MTQ) devoted to funding public transit:

- Improving the assistance program for public transit in the following ways:
- shortening the useful life of buses from 16 years to 14 years;
- allowing the purchase of buses other than those with low floors (under certain conditions) and expanding the list of allowable optional equipment;
- increasing the subsidy rate from 50 to 60% for the purchase of new buses;
- extending eligibility for the assistance program to equipment related to new technologies such as equipment for collection, communication, and support for productivity and service delivery;
  - in return, reducing by 25% (from 100% to 75%) the subsidy rate for new investments in heavy transportation methods (metro, commuter trains, and other guided transportation systems).



### ***The Board of Trade believes:***

The Board of Trade is in overall agreement with the above recommendations. It is, in fact, important for the Quebec government to play a larger role in the funding of public transit, especially since Greater Montreal taxpayers currently shoulder 81% of the costs. However, the MTQ must not give with one hand only to take back with the other.

## RESEARCH FUND

### *The Bernard report recommends:*

Establishing an Innovation-Public Transit research fund together with the ministère des Finances, de l'Économie et de la Recherche, with a \$15 M contribution from the Quebec government.



### ***The Board of Trade believes:***

The Board of Trade is in overall agreement with this recommendation.

## TAX MEASURES

### *The Bernard report recommends:*

Authorizing the following income tax reductions:

- allowing employees using public transit to deduct the cost of regular monthly passes;
- allowing employers covering all or part of the cost of regular monthly passes for their employees to deduct 125% of this expense.

Ensuring that benefits related to parking provided by employers are taxable. For this purpose, establishing the taxable deemed value for a parking space throughout the cities of Montreal, Laval, Longueuil, Québec, Lévis, and Gatineau. For example: \$500 / year for Greater Montreal and \$200 / year elsewhere.



### ***The Board of Trade believes:***

Montreal already benefits from public transit infrastructures used by many passengers and has every reason to encourage greater use of these infrastructures. From this point of view, the Board of Trade is completely in favour of establishing tax incentives encouraging greater use of public transit systems. On the other hand, the Board of Trade believes that any change to the tax system must take into account the employment realities of certain employees requiring the use of a vehicle so as not to unduly punish users (employers or employees) for whom the use of public transit is not a viable option.



### ***In short...***

*The Board of Trade is firmly opposed to any increase in the already heavy tax burden of Greater Montreal taxpayers. In this regard, Quebec's transport minister, Serge Ménard, responded to the Bernard report by saying that taxes would not be increased to fund the public transit system. That said, the Board of Trade also recognizes the importance of a modern, efficient transportation network, which will necessarily require additional funding. In the coming months, the Board of Trade will continue to monitor this question, which will be the subject of in-depth studies by its strategic analysis committees.*