

Expenditure Estimates 2019-20

Ministry of Transportation

2019

About this Document

Established by the *Financial Accountability Officer Act, 2013*, the Financial Accountability Office (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

The FAO produces independent analysis on the initiative of the Financial Accountability Officer. Upon request from a member or committee of the Assembly, the Officer may also direct the FAO to undertake research to estimate the financial costs or financial benefits to the Province of any bill or proposal under the jurisdiction of the legislature.

This report was prepared on the initiative of the Financial Accountability Officer. In keeping with the FAO's mandate to provide the Legislative Assembly of Ontario with independent economic and financial analysis, this report makes no policy recommendations.

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External reviewers provided comments on early drafts of the report. The assistance of external reviewers implies no responsibility for the final product, which rests solely with the FAO.



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Table of Abbreviations

Abbreviation	Long Form
BRT	Bus Rapid Transit
FAO	Financial Accountability Office
GGH	Greater Golden Horseshoe
GGRA	Greenhouse Gas Reduction Account
GTHA	Greater Toronto and Hamilton Area
LRT	Light Rail Transit
MPP	Member of Provincial Parliament
MTO	Ministry of Transportation
SCE	Standing Committee on Estimates

1 | Introduction

On May 9, 2019, the Government of Ontario (the Province) tabled in the Legislative Assembly volume 1 of the 2019-20 Expenditure Estimates.¹ The 2019-20 Expenditure Estimates (or Estimates) sets out the fiscal year's spending requirements for ministries and constitutes the government's formal request to the legislature for approval to spend the amounts as detailed in the Estimates.

After tabling in the legislature, the Estimates were referred to the Standing Committee on Estimates (SCE). The SCE is mandated to consider the Estimates of between six and 12 ministries. For 2019-20, the SCE has selected the Estimates of the following ministries for review:

- Health and Long-Term Care
- Education
- Transportation
- Infrastructure
- Children, Community and Social Services
- Environment, Conservation and Parks
- Agriculture, Food and Rural Affairs

After the SCE completes its review of a ministry, the committee votes on the ministry's Estimates. Once the review and voting process is completed for all selected ministries, the SCE must deliver a report to the legislature by the third Thursday in November.² The Supply Bill is then formally introduced in the legislature for approval by all Members of Provincial Parliament (MPPs). Passage of the Supply Bill provides the legislature's approval to spend the amounts as detailed in the Estimates.

The purpose of this report is to support the SCE's review of the Ministry of Transportation's (MTO) 2019-20 Expenditure Estimates.³ The report begins with a financial overview of the ministry. Next, the report discusses the ministry's five-year transit and highway capital plans. Lastly, the report reviews proposed 2019-20 spending by program and identifies spending trends and program changes.

Appendix C provides more information on the development of this report.

¹ Volume 1 of the 2019-20 Expenditure Estimates is available here: <https://www.ontario.ca/page/expenditure-estimates-volume-1-table-contents-2019-20>.

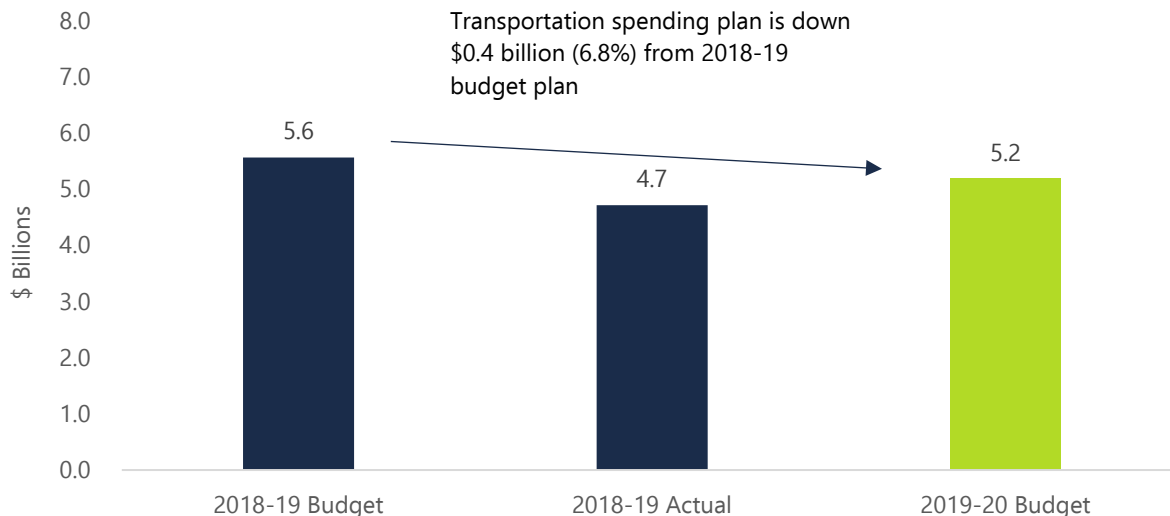
² If the SCE does not deliver a report to the legislature by the third Thursday in November, then the Estimates are deemed to be passed by the SCE. Standing Orders of the Legislative Assembly of Ontario (SO 63(b)).

³ The FAO's review of the Ministry of Health and Long-Term Care and the Ministry of Education's 2019-20 Expenditure Estimates are available here: <https://www.fao-on.org/en/Blog/Publications/estimates-health-2019> and here: <https://www.fao-on.org/en/Blog/Publications/expenditure-estimates-education-2019>.

2 | Ministry Overview

In the 2019 Ontario Budget, the Ministry of Transportation (MTO) is projected to spend \$5.2 billion in 2019-20.⁴ This is a decrease of \$0.4 billion (6.8 per cent) from the 2018 budget plan.

Projected Ministry of Transportation spending in 2018-19 and 2019-20, \$ billions



Source: FAO analysis of the 2018 and 2019 Ontario Budgets and the 2018-19 Public Accounts of Ontario.

Understanding Transportation Spending

Transportation Spending by Expenditure Estimates Categories

In the Expenditure Estimates, the government's spending plan is grouped into expense (which affects the budget balance) and investment in assets (most of which are amortized and impact the budget balance over the life of the asset). This section reviews MTO expense and investment in assets by Estimates categories.

Ministry Expense

The Ministry of Transportation's 2019-20 projected expense of \$5.2 billion is divided into three broad spending categories in the Expenditure Estimates:

- \$6.0 billion in Supply Bill spending that is authorized annually by the legislature (known as spending "to be voted");
- \$1.1 billion in spending that is authorized by standalone legislation (known as statutory spending); and

⁴ 2019 Ontario Budget, p. 300.

- a negative \$1.9 billion adjustment in other spending, which mainly consists of negative non-cash adjustments to account for spending on capital assets by the provincial agency Metrolinx.

2019-20 Ministry of Transportation expense budget by Estimates category

Vote	Program Name	2019-20 Estimates (\$ millions)	Share of Total Supply Expense (%)
2702	Policy and Planning	5,103	85
2704	Provincial Highways Management Program	670	11
2703	Road User Safety Program	117	2
2705	Labour Transportation Cluster	59	1
2701	Ministry Administration Program	53	1
Total Supply Bill (Voted) Expense		6,003	100
	Standalone legislation (statutory) expense - highway amortization	1,035	
	Standalone legislation (statutory) expense - other	23	
Total Standalone Legislation (Statutory) Expense		1,058	
	Other expense - Ontario Gas Tax Program	338	
	Other expense - Metrolinx	-2,211	
Total Other Expense		-1,873	
Total Ministry of Transportation Expense		5,187	

Source: FAO analysis of the 2019-20 Expenditure Estimates.

Supply Bill spending is divided into programs called votes, sub-programs called items, and accounts. MTO has five votes. The Policy and Planning program is the largest, accounting for \$5.1 billion (85 per cent) of Supply Bill expense spending, followed by the Provincial Highways Management Program at \$0.7 billion (11 per cent). The remaining three votes account for \$0.2 billion (four per cent).⁵

Standalone legislation spending mainly consists of non-cash expense related to the amortization of highway assets, which reflects the consumption or degradation of the asset over time. This amounts to about \$1.0 billion in 2019-20. A small portion of statutory spending is related to the amortization of other capital assets, such as software and fleet vehicles.

⁵ See chapter 4 for more program analysis by Estimates categories.

Other expense largely consists of net adjustments for spending by Metrolinx.⁶ A large negative adjustment is required because MTO provides Supply Bill funding to Metrolinx, which is recorded as an expense. However, Metrolinx will spend most of this funding on capital asset projects, which are amortized and expensed over the useful life of the asset. As a result, the other spending adjustment for Metrolinx reverses any spending on capital assets and replaces that spending with amortization expense.⁷ In addition, any spending by Metrolinx from independently raised revenue (such as GO Transit fares) is recorded as a positive expense in the other expense category. Finally, other expense also includes \$0.3 billion in spending for the Ontario Gas Tax Program, which provides payments to municipalities to fund public transit.

Ministry Investment in Capital Assets

In the 2019-20 Expenditure Estimates, MTO is requesting an additional \$2.2 billion in Supply Bill spending for investment in capital assets. This includes nearly \$2.2 billion (98 per cent of the total) for highway rehabilitation and expansion. The remainder, less than \$0.1 billion (or two per cent), is divided between the Road User Safety Program and Ministry Administration Program, mainly for investments in other assets, such as software and fleet vehicles.

2019-20 Ministry of Transportation investment in capital assets budget by Estimates category

Vote	Program Name	2019-20 Estimates (\$ millions)	Share of Total Supply Assets (%)
2704	Provincial Highways Management Program	2,153	98
2703	Road User Safety Program	34	2
2701	Ministry Administration Program	17	0
Total Supply Bill (Voted) Assets		2,203	100
Total Investment in Capital Assets (Supply Bill)		2,203	

Note: Excludes requested Supply Bill spending on operating assets of \$6,000.

Source: FAO analysis of the 2019-20 Expenditure Estimates.

In total, the ministry plans to invest \$6.1 billion in capital assets in 2019-20. However, only \$2.2 billion is explicitly identified in the Estimates as a capital asset investment. The remaining \$3.9 billion is included in the Policy and Planning program (Vote 2702) as an expense transfer payment to Metrolinx.

Transportation Spending by Program Function

An alternative way to examine transportation spending is by major program function, which aggregates different Estimates categories by spending purpose. Under this approach, it is possible to identify the

⁶ See appendix A for more information on consolidation adjustments.

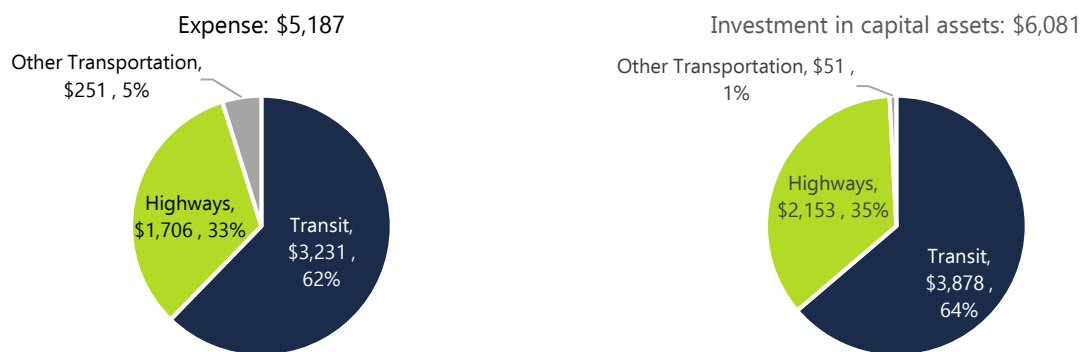
⁷ Investments in capital assets, such as building a new highway or transit, are not immediately expensed and they do not immediately impact the Province's budget balance. However, these investments are still considered spending and are typically recorded in the Province's consolidated statement of cash flow. As the capital asset ages, a non-cash amortization expense is recorded, which impacts the budget balance. Since capital assets last several years, the Province amortizes (i.e., spreads) the cost of tangible capital assets over their useful life. By amortizing the expense, costs are better aligned with the years in which capital assets are consumed. The Province estimates the life of transportation infrastructure from 10 to 75 years.

ministry's total investment in capital assets, which is not possible from a review of the Expenditure Estimates.

Overall, there are three main programs provided by the Ministry of Transportation: transit, highways, and other transportation. The charts below present planned MTO expense and investment in capital assets by the three major programs. Of MTO's \$5.2 billion in projected expense, \$3.2 billion (62 per cent) is for transit, \$1.7 billion (33 per cent) is for highways, and \$0.3 billion (five per cent) is for other transportation.

Similarly, of the \$6.1 billion in projected investment in capital assets, \$3.9 billion (64 per cent) is for transit, \$2.2 billion (35 per cent) is for highways, and less than \$0.1 billion (one per cent) is for other transportation.

2019-20 Ministry of Transportation expense and investment in capital assets by function, \$ millions



Source: FAO analysis of the 2019-20 Expenditure Estimates and Metrolinx's 2019-20 business plan.

The following sections provide more information about ministry expense and investment in capital assets for each of the three major program functions in 2019-20.

Transit

MTO is projecting to incur \$3.2 billion in expense and invest \$3.9 billion in capital assets through the transit program in 2019-20.

MTO's transit program expense of \$3.2 billion consists mainly of \$2.0 billion to be spent by Metrolinx to operate and maintain (including amortization costs) transit services in the Greater Golden Horseshoe (GGH), \$0.9 billion to be transferred to municipalities to invest in projects such as Toronto streetcars and London Bus Rapid Transit,⁸ and another \$0.3 billion to be transferred to municipalities from the Ontario Gas Tax Program.

MTO, through Metrolinx, will invest \$3.9 billion in capital assets through the transit program in 2019-20. The major planned investments for 2019-20 are shown in the table below.

⁸ Since the Province does not own these assets, the Province's spending on municipal transit projects is accounted for as an expense, not an investment in capital assets. In contrast, Metrolinx's assets are owned by the Province, so provincial spending on public transit projects delivered through Metrolinx are considered capital asset investments.

Planned Metrolinx investment in capital assets, 2019-20, \$ millions

Project	Amount (\$ millions)
Eglinton Crosstown Light Rail Transit	1,317
GO Transit Expansion (e.g., electrification, new stations and higher frequency of service)	755
Rehabilitation of GO Transit and UP Express assets	701
PRESTO implementation and state of good repair	100
Planning for GTHA subway projects	65
Kitchener GO Transit Expansion	27
Niagara GO Transit Expansion	22
Bowmanville GO Transit Expansion	7
Other (e.g., Finch West, Hamilton, and Hurontario LRTs, vivaNext BRT)	884
Total Investment in Capital Assets	3,878

Source: FAO analysis of Metrolinx's 2019-20 business plan, pp. 67-68.

MTO transit capital asset inventory

MTO's transit assets are owned by Metrolinx, which includes GO Transit, UP Express, PRESTO and rapid transit projects. The total net book value of these assets was \$22.3 billion as of March 31, 2019 and is projected to grow to \$25.4 billion by March 31, 2020. Metrolinx's transit assets are operated and maintained by the GO Transit, UP Express and PRESTO areas of Metrolinx.

The GO Transit assets include:

- Over 500 busses
- 68 stations
- About 750 passenger rail cars
- 80 locomotives
- 366 route kilometres of owned corridor
- About 80,000 parking spaces

The UP Express assets include four stations and 18 diesel rail cars.

The PRESTO assets consist mainly of the 17,000 devices in use by 11 of Metrolinx's clients across the GGH and in Ottawa.

The rapid transit assets include the vivaNext bus rapid transit (BRT) project and the following light rail transit (LRT) projects:⁹

- Eglinton Crosstown LRT
- Finch West LRT
- Hurontario LRT
- Hamilton LRT

⁹ These projects are in various stages of planning, construction and completion. As spending is incurred during each of these stages, the value of the asset accumulates as "work-in-progress." As of 2018-19, Metrolinx reported a total net book value of \$10.1 billion related to work-in-progress.

Metrolinx does not own other major municipal rapid transit assets, such as LRT in Ottawa or Waterloo, BRT in London, or the subway network in Toronto. However, amendments to the *Metrolinx Act, 2006* allow Metrolinx (at the Province's discretion) to own any new Toronto subway extensions or lines. In the 2019 budget, the Province reported that it was in negotiations to upload and own the existing Toronto subway network.¹⁰ However, on October 16, 2019, the Province announced that the existing Toronto subway network would remain the responsibility of the City of Toronto, while subway expansion projects would be the responsibility of the Province.¹¹

Source: FAO analysis of Metrolinx's 2019-20 business plan and information provided by the Ministry of Transportation.

Transit Program Spending Compared to Estimates Spending Categories

In the following table, the FAO describes how spending for the transit program function is allocated by Estimates spending categories.

2019-20 MTO transit program spending by Estimates spending categories

Spending Type	Total Program Spending	Spending by Estimates Category	Additional Details
Expense	\$3,231 million	\$5,103 million Supply Bill (Vote 2702) -\$1,873 million Other spending	Supply Bill transit expense is contained within three sub-programs (items) in Vote 2702: - Less than \$0.1 billion is provided through the Policy and Planning sub-program (item 1). \$0.3 billion is provided through the Urban and Regional Transportation (operating) sub-program (item 2). \$4.7 billion is provided through the Urban and Regional Transportation (capital) sub-program (item 3). This includes \$3.9 billion in capital transfers to Metrolinx and \$0.8 billion in capital transfers to municipalities for transit projects. The remaining transit expense totals a net negative adjustment of \$1.9 billion in other spending. This includes a net negative \$2.2 billion adjustment to account for the consolidation of Metrolinx spending (operating expense adjustment, less capital investments, plus amortization expense) and \$0.3 billion in positive spending for the Ontario Gas Tax Program.
Investment in capital assets	\$3,878 million	\$3,878 million Supply Bill (Vote 2702)	MTO plans to provide \$3,878 million in funding to Metrolinx through the Urban and Regional Transportation (capital) sub-program (item 3) in Vote 2702. This funding is projected to be invested in transit capital assets by Metrolinx.

Source: FAO analysis of the 2019-20 Expenditure Estimates.

¹⁰ 2019 Ontario Budget, p. 64.

¹¹ Government of Ontario, "Minister Caroline Mulroney's Speech at the Toronto Region Board of Trade," [online] available at: <https://news.ontario.ca/mto/en/2019/10/minister-caroline-mulroneys-speech-at-the-toronto-region-board-of-trade.html> [accessed 4 Nov. 2019].

Highways

MTO is projecting to incur \$1.7 billion in expense and invest \$2.2 billion in capital assets through its highways program in 2019-20. Highways program expense represents the annual depreciation (amortization) of the Province's southern Ontario highways and the maintenance costs for all provincial highways. Investment in capital assets captures the net book value gained by rehabilitating existing southern Ontario highway assets and creating new assets through the expansion of the southern Ontario highways network.¹²

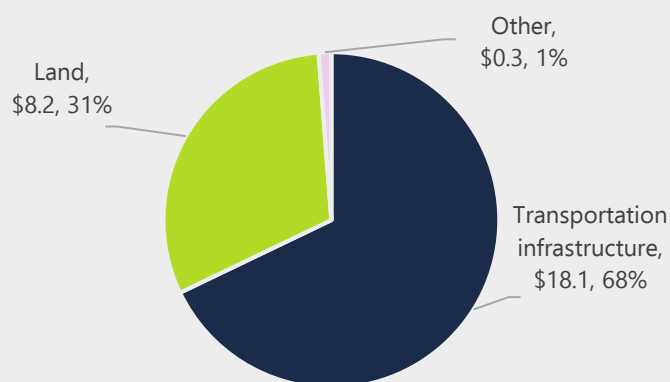
The ministry's \$1.7 billion highways program expense includes \$1.0 billion in amortization expense, which is related mainly to southern highway assets. MTO will also spend about \$0.6 billion on contracted services to operate and maintain the Province's highways and \$0.1 billion on transportation infrastructure in First Nations communities, roadways and bridges connecting provincial highways in various municipalities, and municipal ferries.

MTO will invest \$2.2 billion in capital assets through its highways program in 2019-20. The majority of this spending is for the rehabilitation and expansion of existing southern Ontario highway assets. The remainder is used mainly to support ferries and provide remote air services across Ontario.

Provincial highways capital asset inventory

The total net book value of the Province's highway assets (in southern and northern Ontario) was \$26.7 billion as of March 31, 2019 and is projected to grow to \$28.0 billion by March 31, 2020. The Province's highway assets consist of transportation infrastructure (about 40,000 lane kilometres of highways, 3,100 bridges, and 2,100 structural culverts)¹³ worth \$18.1 billion (68 per cent of the total net book value), followed by \$8.2 billion (31 per cent of the total net book value) worth of land and \$0.3 billion (about one per cent of the total net book value) of other assets, which includes buildings, ferries, machinery and equipment.

Net book value of the Province's highways assets, 2018-19, \$ billions



Source: FAO analysis based on information provided by the Ministry of Transportation.

¹² The annual amortization expense and investment in capital assets for the Province's northern highways is recorded with the Ministry of Energy, Northern Development and Mines.

¹³ This includes Local Road Board (LRB) Bridge and Structural Culvert inventory. MTO is responsible for asset management on both bridges and structural culverts but does not have title (ownership) of those assets. The Province matches collected levies for LRBs based on a 2:1 ratio and funding is treated as a capital expense.

Highways Program Spending Compared to Estimates Spending Categories

In the following table, the FAO describes how spending for the highways program function is allocated by Estimates spending categories.

2019-20 MTO highways program spending by Estimates spending categories

Spending Type	Total Program Spending	Spending by Estimates Category	Additional Details
Expense	\$1,706 million	\$670 million Supply Bill (Vote 2704) \$1,035 million Standalone legislation	Supply Bill highways expense is through two sub-programs (items) in Vote 2704: \$563 million is provided through the Operations and Maintenance sub-program (item 1). Most of this spending is related to services expense, which includes highway maintenance costs. \$107 million is provided through the Engineering and Construction sub-program (item 2). This spending mostly includes transfer payments to municipalities to support highway and road projects. The remaining highways expense includes over \$1.0 billion in spending that is authorized by standalone legislation. Most of this spending is related to southern Ontario highways amortization expense.
Investment in capital assets	\$2,153 million	\$2,153 million Supply Bill (Vote 2704)	All investments in southern Ontario highway capital assets are authorized through one sub-program in Vote 2704: \$2.2 billion is provided through the Transportation Infrastructure Assets sub-program (item 3). This spending mostly includes investments for highway rehabilitation and expansion.

Source: FAO analysis of the 2019-20 Expenditure Estimates.

Other Transportation

MTO is projecting to incur \$0.3 billion in expense and invest less than \$0.1 billion in capital assets through the other transportation program.

The other transportation program expense includes:

- \$117 million for the Road User Safety Program, which oversees the delivery of vehicle licensing in Ontario and sets and promotes safety standards for vehicles;
- \$59 million for information and information technology services to both the Ministry of Transportation and the Ministry of Labour; and
- \$53 million for ministry administration, which supports the delivery of all programs and services offered by the Ministry of Transportation.

The other transportation program investment in capital assets includes:

- \$34 million for business application software; and
- \$17 million for land and marine fleet.

In the following table, the FAO describes how spending for the other transportation program function is allocated by Estimates spending categories.

2019-20 MTO other transportation program spending by Estimates spending categories

Spending Type	Total Program Spending	Spending by Estimates Category	Additional Details
Expense	\$251 million	\$229 million Supply Bill (multiple votes)	Supply Bill expense for MTO other transportation is authorized through three votes: • \$117 million is provided through the Road User Safety Program (Vote 2703). • \$59 million is provided through the Labour Transportation Cluster (Vote 2705). • \$53 million is provided through the Ministry Administration Program (Vote 2701). The remaining expense for other transportation includes \$22 million in spending that is authorized by standalone legislation. Most of this spending is related to amortization expense on software and vehicles.
Investment in capital assets	\$51 million	\$51 million Supply Bill (multiple votes)	All investments in capital assets for the other transportation program is authorized through two votes in the Supply Bill: • \$34 million is provided through the Road User Safety Program (Vote 2703). • \$17 million is provided through the Ministry Administration Program (Vote 2701).

Source: FAO analysis of the 2019-20 Expenditure Estimates.

3 | Key Issues for 2019-20

For this year's report, the FAO reviewed the Province's five-year transit and highways capital plans as reflected in the 2019 Ontario Budget¹⁴ and the 2019-20 Expenditure Estimates. The two capital plans represent total planned spending on transit and highways infrastructure in Ontario over the next five years.¹⁵

Spending for the transit and highways capital plans flow through the Ministry of Transportation, except for:

- the capitalization of interest expense connected to capital projects that are owned by the Province, which is largely recorded as a spending adjustment with the Ministry of Finance; and
- spending on northern Ontario highways, which is recorded with the Ministry of Energy, Northern Development and Mines.

Transit Capital Plan

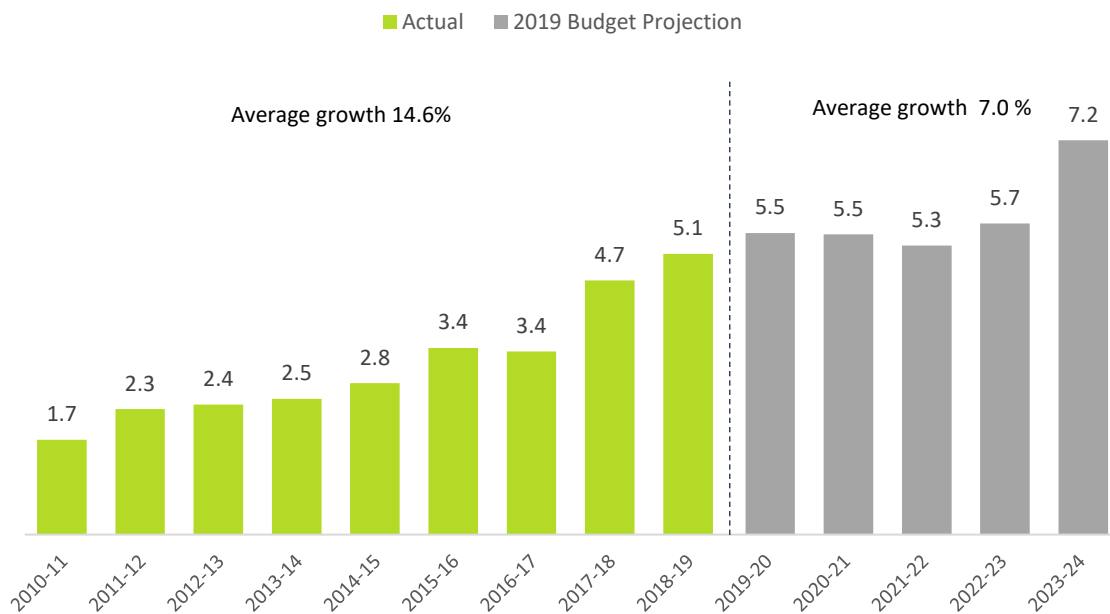
2019 Budget Five-Year Transit Capital Spending Plan

Transit capital spending is projected to be \$5.5 billion in 2019-20, rising to \$7.2 billion in 2023-24. Over this period, transit capital spending is projected to grow at seven per cent per year on average, largely due to a significant planned year-over-year increase in spending in 2023-24 of \$1.5 billion. Although the projected annual growth rate in transit capital spending, at seven per cent, is about half the rate experienced from 2010-11 to 2018-19, annual transit capital spending is projected to be higher in every year from 2019-20 to 2023-24 compared to the prior nine-year period.

¹⁴ The transit and highways capital plans are also referred to as "infrastructure expenditures" in the budget. 2019 Ontario Budget, p. 14.

¹⁵ Includes spending on infrastructure assets owned by the Province and also spending by the Province for infrastructure assets owned by municipalities.

Transit capital spending, \$ billions

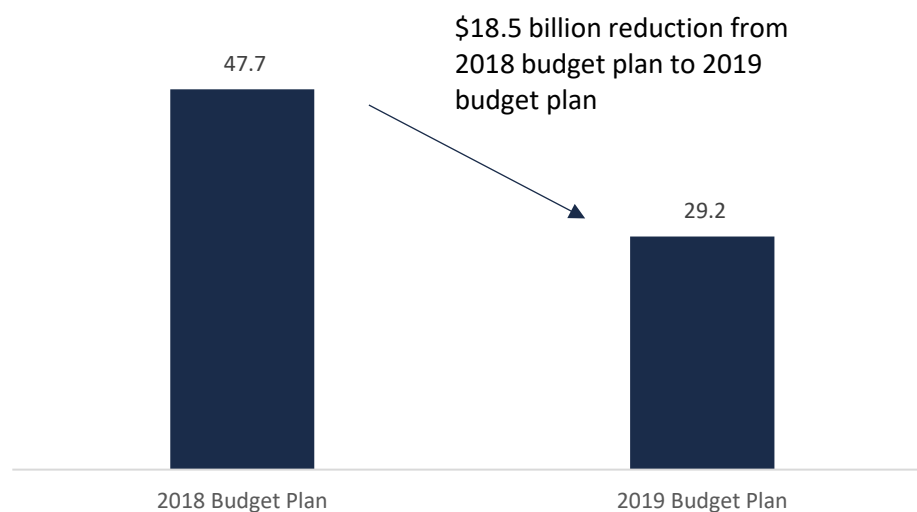


Source: FAO analysis of the Public Accounts of Ontario and the 2019 Ontario Budget.

Spending in 2019 Budget Plan Significantly Below 2018 Budget Plan

Based on the 2019 budget's transit capital plan, the Province plans to spend \$29.2 billion on transit infrastructure over the next five years. This is approximately \$18.5 billion or nearly 40 per cent lower than the 2018 budget's planned spending of \$47.7 billion over the same time period.

Transit capital spending in 2019 budget compared to 2018 budget, 2019-20 to 2023-24, \$ billions



Source: FAO analysis of the 2019 Ontario Budget and information provided by the Province.

The FAO estimates that the \$18.5 billion reduction in transit capital spending consists of:

- The cancellation of the project to build high-speed rail along the Toronto-Windsor corridor, which the FAO estimates was allocated approximately \$7.7 billion in funding over the next five years.¹⁶
- The cancellation of the transfer of an additional two cents per litre in gas tax funding to municipalities under the Ontario Gas Tax Program, which is estimated to save the Province \$1.1 billion over five years.
- A reduction of about \$9.4 billion to reflect the Province's observation that historically infrastructure project spending is approximately 17 per cent below the amounts planned.¹⁷ In other words, the Province has budgeted for projects totalling approximately \$38.7 billion over the next five years but has only included \$29.2 billion in spending in the budget plan due to the assumption that about \$9.4 billion in spending will not occur.¹⁸
- The deferral of about \$3.6 billion beyond the first five years in the 2019 budget plan.
- Offset by a planned net spending increase of \$3.3 billion over the next five years due to the revised Toronto subway expansion plan.

Key Components of the Transit Capital Plan

The five-year transit capital plan in the 2019 budget consists of five main components: the expansion of GO Transit, light rail and bus rapid transit projects, the Province's new Toronto subway expansion plan, the Ontario Gas Tax Program, and other transit infrastructure spending. Overall, the projects in the transit capital plan call for spending of approximately \$38.7 billion over the next five years. However, as noted above, the 2019 budget plan includes an assumption that about \$9.4 billion in spending will not occur due to delays in construction timelines.¹⁹ Importantly, the \$9.4 billion in assumed underspending has not been allocated by the ministry against specific projects and is not reflected in the discussion below. Members of the Standing Committee on Estimates may wish to ask the ministry for further information on which transit capital projects are expected to be delayed.

GO Transit Expansion

The transit capital plan includes \$14.0 billion over the next five years to expand the GO Transit network and increase the speed and frequency of service. This includes improving rail signalling and control systems, the electrification of parts of the rail network, the extension of the Niagara, Bowmanville and Kitchener lines, and the construction of new GO stations and facilities.

Light Rail Transit and Bus Rapid Transit Expansion

The Province plans to spend \$8.3 billion over the next five years on light rail transit (LRT) and bus rapid transit (BRT) projects. This includes provincially owned rapid transit projects (Eglinton Crosstown,

¹⁶ Total savings from the cancellation of the high-speed rail project is \$11 billion through to 2025-26. For more details on the initiative, see [Ontario Commits Over \\$11 Billion to Build First Phase of High Speed Rail](#), Government of Ontario, 2018.

¹⁷ 2019 Ontario Budget, p. 14.

¹⁸ Approximately \$0.4 billion of this amount is expected to be spent from 2024-25 to 2028-29.

¹⁹ 2019 Ontario Budget, p. 14.

Hurontario LRT, Finch West LRT and Hamilton LRT), as well as municipal-owned projects (London BRT and Phase II of the Ottawa LRT).

The New Subway Expansion Plan

The 2019 budget's transit capital plan reflects the Province's new plan to expand subway transit in Toronto, Mississauga and York Region. The plan includes one new subway line and three extensions.²⁰ These four projects are expected to cost a total of \$28.5 billion and be completed by 2030-31. Based on estimated completion dates, the FAO projects that the Province will spend \$6.1 billion over the next five years.²¹

Proposed new subway builds and extensions, \$ billions

Project	Location	Estimated Completion	Total Cost (\$ billions)
Ontario Line	Ontario Science Centre to Ontario Place	2027	10.9
Yonge North Subway Extension	Finch Station to Richmond Hill Centre	2029-30	5.6
Scarborough Subway Extension	Kennedy Station to Scarborough Town Centre	2029-30	5.5
Eglinton Crosstown West Extension	Mount Dennis to Pearson Airport	2030-31	4.7

Note: Project costs are in nominal dollars. Table excludes \$1.7 billion in other costs, including planning, design and engineering.
Source: FAO analysis of the 2019 Ontario Budget and 2019 Fall Economic Statement.

Ontario Gas Tax Program

Under the Ontario Gas Tax Program, the Province transfers a portion of the revenue raised from the provincial Gasoline Tax to municipalities. The objective of the program is to provide municipalities with "stable and predictable transit funding."²² Currently, the Province transfers the equivalent of two cents per litre of Gasoline Tax revenue to municipalities, which the FAO estimates will cost the Province \$1.7 billion over the next five years.

²⁰ There is also a fifth project, the Sheppard Subway Extension. However, the timing and cost of this project will be determined after the completion of the Scarborough Subway Extension.

²¹ As the Province will own the four subway projects, the full projected cost of \$28.5 billion will be spent by the Province. Any funding contributions by the federal government will be recorded by the Province as revenue from the Government of Canada. As announced on October 16, 2019, the City of Toronto will not contribute funding to the four projects. <https://news.ontario.ca/mto/en/2019/10/remarks-for-caroline-mulroney-minister-of-transportation.html>.

²² <http://www.mto.gov.on.ca/english/service-commitment/gas-tax-program.shtml>.

Other Transit Infrastructure

The transit capital plan includes \$8.6 billion over the next five years for rehabilitation of the GO Transit network, PRESTO, the capitalization of interest expense connected to capital projects, transfer payments to municipalities connected to the Public Transit Infrastructure Fund,²³ and other projects.

Objectives, Performance Measures and Outcomes

The Province plans to spend \$29.2 billion in transit infrastructure over the next five years with the objectives to reduce congestion on roads and highways, contribute to a cleaner environment, improve “opportunities for families that live in underserved communities,” and to “allow people to get to and from work quickly and efficiently.”²⁴

Ontarians have the longest average commute times²⁵ to work in Canada, spending an average of 28.8 minutes travelling to work, which is 18 per cent longer than the rest of Canada average.²⁶ In the GTHA, commuting to work by public transit takes an average of 50 minutes.

Long commute times result from traffic congestion and lead to lost productivity. A study by the C.D. Howe Institute estimates that traffic congestion in the GTHA costs \$11 billion each year in lost productivity.²⁷ This was cited by the Province as a concern in the 2019 budget.²⁸

The FAO requested information from the Ministry of Transportation on the performance measures and targets used by the ministry to evaluate the performance of the transit system. In response, the ministry identified three performance measures and targets. The three transit system performance targets for 2019 are:

- increasing the total number of public transit trips taken (i.e., total transit ridership) in Ontario from 931 million in 2017 to 973 million by 2019;
- increasing the total number of public transit trips taken per person from 80.5 in 2017 to 82.4 in 2019; and
- maintaining the average speed of commercial vehicles on the Province’s highways at 90 per cent of the speed limit or above.

²³ The Public Transit Infrastructure Fund is a federal program that is intended to provide \$25.3 billion nationally over 10 years to support various public transit projects: <https://www.infrastructure.gc.ca/plan/pti-itc-eng.html>.

²⁴ 2019 Ontario Budget, p. 60.

²⁵ Includes cars and public transit. See appendix B for more information.

²⁶ See appendix B for more information.

²⁷ C.D. Howe Institute, “Cars, Congestion and Costs: A New Approach to Evaluating Government Infrastructure Investment,” 2019.

²⁸ 2019 Ontario Budget, p. 60.

Performance measures and targets from 2014 to 2019

Performance Measure	2014	2015	2016	2017	2019
	Results				Target
Total Ontario transit ridership (millions)	922	922	928	931	973
Number of transit trips taken per person per year	84.0	83.0	81.9	80.5	82.4
Average travel speed of commercial vehicles (% of speed limit)	94.3	94.3	94.1	93.2	90.0

Source: FAO analysis of information provided by the Ministry of Transportation.

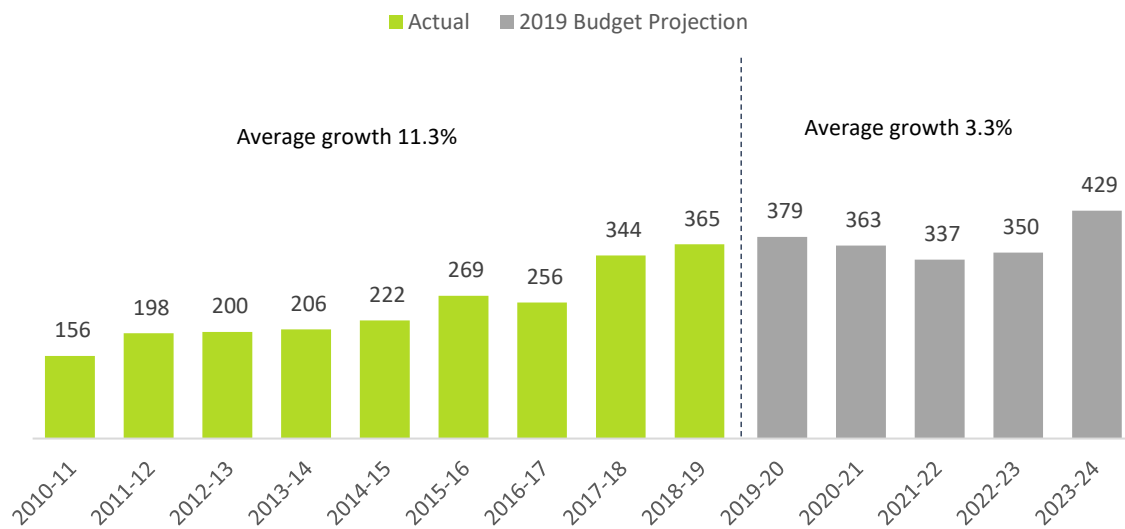
Analysis

In the 2019 budget, the Province's stated objectives for transit infrastructure spending were to reduce congestion on roads and highways, contribute to a cleaner environment, improve "opportunities for families that live in underserved communities," and to "allow people to get to and from work quickly and efficiently."²⁹ Despite these objectives, there are only three performance metrics used by the ministry to measure the effectiveness of the Province's transit system.

Since 2010-11, transit capital spending by the Province has increased significantly. Real per capita transit infrastructure spending (which adjusts for inflation and population growth) increased from \$156 per person in 2010-11 to \$365 per person in 2018-19, an average growth rate of 11.3 per cent per year. Going forward, over the next five years, annual real per capita transit infrastructure spending is expected to average about \$370, which is higher than any year from 2010-11 to 2018-19. This five-year transit spending plan represents a material increase in transit infrastructure investment compared to the 2010-11 to 2018-19 period.

²⁹ 2019 Ontario Budget, p. 60.

Transit capital spending per person, adjusted for inflation (\$)



Source: FAO analysis of the Public Accounts of Ontario and the 2019 Ontario Budget.

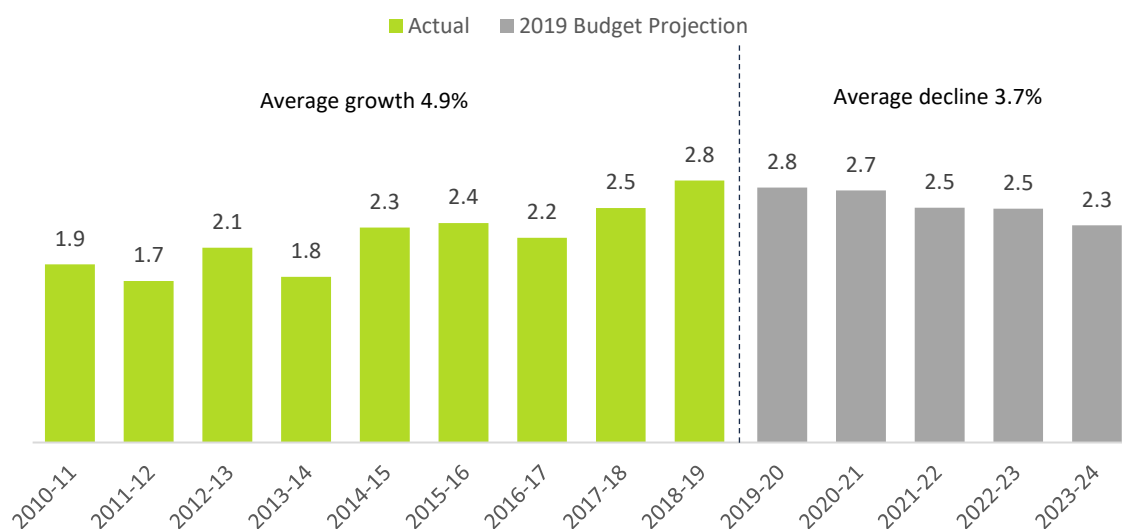
Overall, members of the Standing Committee on Estimates may wish to ask how the ministry plans to evaluate the effectiveness of its transit infrastructure spending over the next five years, given the Province's objectives as stated in the 2019 budget.

Highways Capital Plan

2019 Budget Five-Year Highways Capital Plan

Over the next five years, the Province plans to reduce annual spending on highways infrastructure from \$2.8 billion in 2019-20 to \$2.3 billion in 2023-24, which is an annual average reduction of 3.7 per cent. In comparison, over the period from 2010-11 to 2018-19, highway infrastructure spending grew by an annual average of 4.9 per cent.

Highways capital spending, \$ billions

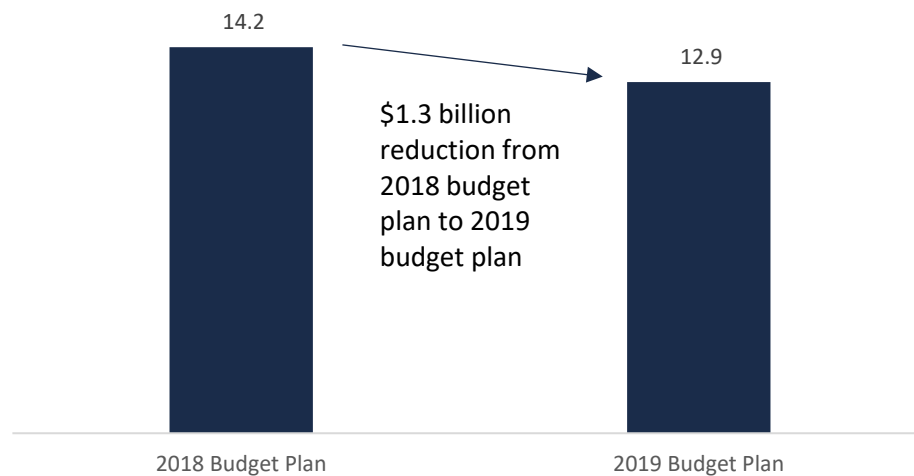


Source: FAO analysis of the Public Accounts of Ontario and the 2019 Ontario Budget.

Spending in 2019 Budget Plan Lower than in 2018 Budget Plan

In the 2019 Ontario Budget, the Province projects \$12.9 billion in highways capital spending from 2019-20 to 2023-24. This is approximately \$1.3 billion, or nine per cent, lower than the 2018 budget's planned spending of \$14.2 billion over the same time period. The FAO estimates that the \$1.3 billion reduction in planned highways infrastructure spending will not be reprofiled beyond the five-year period and will result in a permanent reduction in funding for highway rehabilitation and expansion projects.

Highways capital spending in 2019 budget compared to 2018 budget, 2019-20 to 2023-24, \$ billions



Source: FAO analysis of the 2019 Ontario Budget and information provided by the Province.

Key Components of the Highways Capital Plan

The highways capital spending plan over the next five years includes:

- \$2.7 billion for highway expansion projects in southern Ontario, including:
 - an 18 km Highway 401 expansion from Credit River in Mississauga to Milton;
 - a 4.0 km expansion of Highway 427 between Finch Avenue and Highway 7, and a 6.6 km expansion from Finch Avenue to Major Mackenzie Drive;
 - the Highway 407 East project, which includes a 22 km expansion and 10 km extension; and
 - the Rt. Hon. Herb Gray Parkway in Windsor, connecting Highway 401 to the Interstate Highway System in Michigan.
- \$4.8 billion for highway rehabilitation projects in southern Ontario. Rehabilitation can include resurfacing; intersection improvements; bridge, tunnel and culvert rehabilitation or replacement; the addition of carpool lots; and interchange improvements.
- \$2.6 billion for highway rehabilitation and expansion projects in northern Ontario.
- \$2.2 billion for remote air transportation and ferries, and highway project design and management.
- \$0.5 billion in other transfers to municipalities and First Nations.

Objectives, Performance Measures and Outcomes

The Province plans to spend \$12.9 billion on highway infrastructure over the next five years. Program objectives include making the province's highways and roads "among the safest in the world," ensuring

that highways are reliable for users, and creating a highways network to “support the social and economic well-being of residents” and to “contribute to a higher quality of life.”³⁰

As noted above, Ontarians have the longest average commute times³¹ to work in Canada, spending an average of 28.8 minutes travelling to work, which is 18 per cent longer than the rest of Canada average.³² In the GTHA, 71 per cent of residents commute to work by car, with an average commute time of 30 minutes.

The FAO requested information from the Ministry of Transportation on the performance measures and targets used by the ministry to evaluate the performance of the highways system. In response, the ministry identified five performance measures and targets. The five highways system performance targets for 2019 are:

- maintaining the rate of fatalities on the Province’s highways below 8.0 per 100,000 drivers;³³
- after snow or ice storms, clearing pavements within the maximum time limit³⁴ at least 90 per cent of the time;
- keeping at least 67 per cent of highway pavements and 85 per cent of bridges in good condition; and
- maintaining the average speed of commercial vehicles on highways to at least 90 per cent of the speed limit.

³⁰ Ministry of Transportation, “Estimates Briefing Book 2019-20,” p. 1.

³¹ Includes cars and public transit. See appendix B for more information.

³² See appendix B for more information.

³³ For context, the current target of 8.0 fatalities per 100,000 licensed drivers in 2019 is higher than the number of fatalities in 2017, at 5.8 per 100,000 licensed drivers, and higher than the Canadian average of 7.1 (Department of Transportation, Canadian Motor Vehicle Traffic Collision Statistics: 2017). The number of fatalities per 100,000 licensed drivers has been significantly below the government’s target every year since 2002.

³⁴ The ministry sets different maximum time limits for regaining bare pavements for its five classes of highways after the end of a winter storm: 8 hours for class 1 highways, 16 hours for class 2 highways, and 24 hours for classes 3 to 5 highways.

Performance measures and targets from 2014 to 2019

Performance Measures	2014	2015	2016	2017	2019
	Results				Target
Highway Safety:					
Fatalities per 100,000 licensed drivers	5.3	5.4	5.8	5.8	8.0
Pavements cleared after storms within a maximum time limit* (% cleared within time)	92	97	97	97	90
Highway Quality:					
Share of highway pavements in good condition (% of total)	81	81	69**	83	67
Share of bridges in good condition (% of total)	86	87	86	85	85
Highway Mobility & Congestion:					
Average travel speed of commercial vehicles (% of speed limit)	94.3	94.3	94.1	93.2	90.0

* The ministry sets different maximum time limits for regaining bare pavements for its five classes of highways after the end of a winter storm: 8 hours for class 1 highways, 16 hours for class 2 highways, and 24 hours for classes 3 to 5 highways.

** The ministry reports that the method for collecting data on the share of highway pavements in good condition was in transition for 2016, so the results on this performance measure for 2016 is not comparable to other years.

Source: Ministry of Transportation.

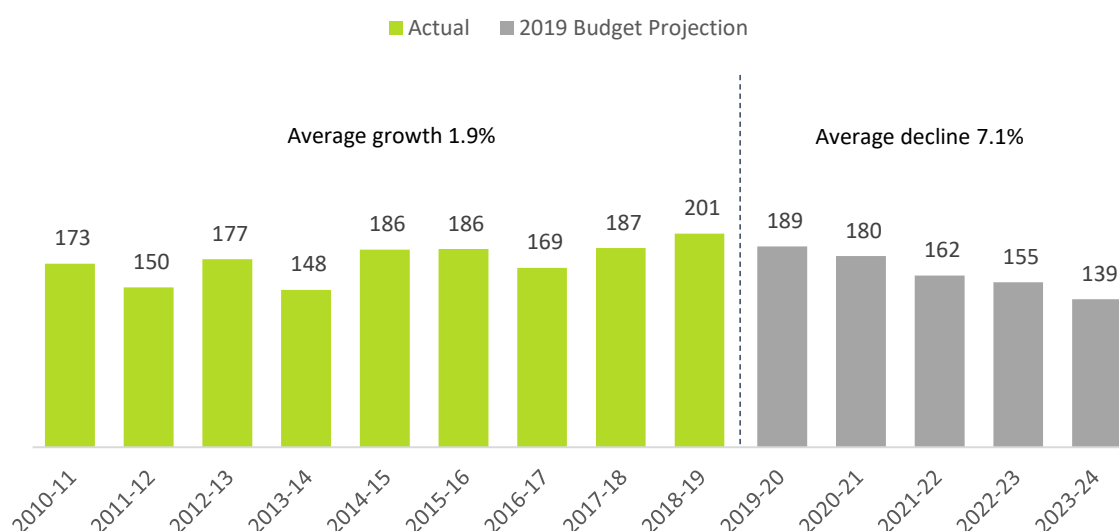
Analysis

The performance of Ontario's highways system currently exceeds the Province's targets, in some cases by a wide margin. For example, the ministry's performance target of eight fatalities per 100,000 licensed drivers in 2019 is higher than the number of fatalities per 100,000 licensed drivers in every year since 2002.

On the other hand, as noted above, Ontario drivers face the longest commute times to work in Canada, which is not a metric used by the ministry to assess highway program performance.

On a real per capita basis, which adjusts for inflation and population growth, highways capital spending increased from \$173 per person in 2010-11 to \$201 per person in 2018-19, representing average annual growth of 1.9 per cent. Going forward, over the five-year budget plan, real per capita spending on highways infrastructure is projected to decline every year. By 2023-24, the Province plans to spend \$139 per person (adjusted for inflation) on highways infrastructure, the lowest level in over 13 years. Overall, the five-year highways spending plan represents a material decrease in highways infrastructure investment compared to the previous five-year period.

Highways capital spending per person, adjusted for inflation (\$)



Source: FAO analysis of the Public Accounts of Ontario and the 2019 Ontario Budget.

Another way to review the Province's highways infrastructure plan is by comparing spending to cost drivers. The FAO considers the core cost drivers of highways infrastructure spending to be the driving-age population and price inflation.³⁵ As Ontario's driving-age population grows, the number of vehicles on the road rises, increasing the demand for highway capacity. Similarly, the cost of expanding and rehabilitating highways increases with price inflation.

From 2019-20 to 2023-24, the FAO projects the number of vehicles in Ontario to grow by an average of 1.9 per cent a year,³⁶ mainly reflecting growth in the driving age population from about 11.9 million in 2018 to 13.0 million in 2023 (1.7 per cent average annual growth). In addition, over this time period, price inflation is projected to average 1.9 per cent per year.

Based on the core cost drivers of the driving-age population and price inflation, the FAO developed a model to estimate the annual investment in highways infrastructure (both rehabilitation and expansion) required to maintain the current service level of the Province's highways system. In other words, the annual infrastructure investment projected by the FAO's core cost drivers model is an approximation of the investment required to maintain the status quo.³⁷

Based on the FAO's core cost driver model, the ministry's planned spending on highways infrastructure over the first four years of the 2019 budget plan exceeds the spending required to maintain the highways system status quo by a total of about \$2.2 billion. In 2023-24, planned spending by the ministry falls short of the spending required to meet the core cost drivers by about \$0.1 billion. Overall, this implies that the

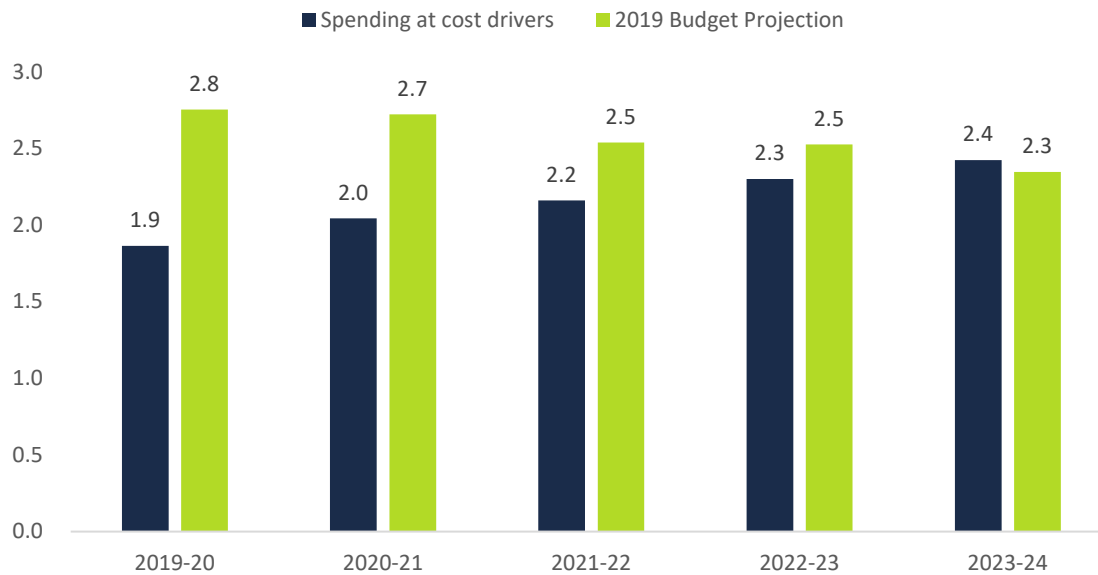
³⁵ Other cost drivers include disposable income, as people with more income tend to drive more, and the level of economic activity in the province that is related to the number of commercial vehicles on highways.

³⁶ The FAO forecasts the number of vehicles based on a methodology used by the [US Department of Transportation](#) (more information is available upon request). Based on this methodology, the FAO projects that the number of personal and commercial vehicles in Ontario, which stood at 12.5 million in 2018 (Statistics Canada Table 23-10-0067-01), will increase by approximately 1.3 million by 2023.

³⁷ In the FAO's analysis, cost drivers are used to provide a broad estimate of the level of spending required to maintain the current quality of a public service or program, given changes to the population and economy. However, this estimate does not consider changes in the quality of the public service or program due to improvements in technology or other efficiencies. Cost drivers also do not provide insight on the amount of spending required to obtain an optimal quality level for the public service or program.

investment in highways infrastructure over the next five years should be enough to maintain current service levels.

Highways capital spending compared to core cost drivers, \$ billions



Source: FAO analysis based on information from Statistics Canada, the Ministry of Finance and the Ministry of Transportation.

4 | Program Review

This chapter reviews requested and projected spending for the Ministry of Transportation's 2019-20 Expenditure Estimates by program vote (Supply Bill spending), standalone legislation (statutory) spending, and other spending (consolidation and other adjustments).

Vote 2701 - Ministry Administration Program

The Ministry Administration Program supports the delivery of all programs and services offered by the Ministry of Transportation. The total spending request for Vote 2701 (expense and asset) is down \$1 million, or 2.1 per cent versus last year's request. Salaries and wages expense is estimated to increase by \$2 million. However, this spending increase is more than offset by fewer asset investments in the land and marine fleet, which is down \$4 million versus last year's request.

Vote 2701 - Ministry Administration Program, expense

Vote Item	Ministry Administration Program (vote 2701)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Business Support					
	Salaries and wages	18	20	2	11.4	3.3
	Services	38	38	0	0.5	12.8
	Recoveries	-24	-24	-0	-1.5	NA
	Other net spending	19	19	0	1.3	34.2
	Total Supply Expense Vote	51	53	2	4.2	4.6

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Vote 2701 - Ministry Administration Program, asset

Vote Item	Ministry Administration Program (vote 2701)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
3	Ministry Administration					
	Land and marine fleet	20	17	-4	-18.0	4.0
	Total Supply Asset Vote	20	17	-4	-18.0	4.0

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Vote 2702 - Policy and Planning

The Policy and Planning program mainly provides funding to Metrolinx and municipalities for investments in transit capital projects. At \$5.1 billion, Vote 2702 accounts for 85 per cent of Supply Bill expense for the Ministry of Transportation in 2019-20. The overall spending request for Vote 2702 is down by \$1.3 billion, or 20.1 per cent versus last year. There are three main sub-programs (items) in Vote 2702:

- Policy and Planning (<\$0.1 billion)
- Urban and Regional Transportation – operating (\$0.3 billion)
- Urban and Regional Transportation – capital (\$4.7 billion)

Policy and Planning

Requested spending for the Policy and Planning sub-program (item 1) is \$37 million, which is down \$2 million, or 6.0 per cent versus last year. This sub-program largely includes spending for salaries and wages and services. The lower requested spending for 2019-20 is mostly due to lower services expense,³⁸ which is down \$2 million, or almost 14 per cent versus last year.

Urban and Regional Transportation - operating

Requested spending for the Urban and Regional Transportation – operating sub-program (item 2) is \$326 million, which is down \$181 million, or almost 36 per cent versus last year. The lower requested spending for 2019-20 results from a number of changes, including:

- A \$184 million (or 36 per cent) decrease in Metrolinx Operating Subsidies.
- Savings of \$142 million from the cancellation of five programs that were funded through the Greenhouse Gas Reduction Account (GGRA).³⁹

Savings from cancelled programs in Vote-Item 2702-2

Cancelled Programs	2018-19 Requested Spending (\$ millions)
Electric Vehicle Education and Awareness	5
Transportation Demand Management Funding Program	1
Green Commercial Vehicle Program	25
GGRA – Other	8
Electric Vehicle Incentive and Infrastructure Program	103
Total Savings	142

Source: FAO analysis of the 2018-19 and 2019-20 Expenditure Estimates.

³⁸ "Services" include advertising, communication, machine repairs and other items.

³⁹ Under the cancelled cap and trade program, revenue raised through the sale of greenhouse gas emission allowances was used to fund programs intended to reduce greenhouse gas emissions through what was called the Greenhouse Gas Reduction Account (GGRA). For more information, see the "Other Spending" section below and FAO, "Cap and Trade: A Financial Review of the Decision to Cancel the Cap and Trade Program," 2018.

- Requested spending for salaries and wages and services is down about \$19 million in 2019-20 compared to 2018-19.
- Requested spending for the Ontario Seniors Public Transit Tax Credit is down about \$6 million compared to 2018-19. This lower spending request is due to a revised estimate for the cost of the program and does not reflect a change to the program.
- Lower requested spending is partly offset by \$174 million in cost increases due to lower recoveries. The lower recoveries in 2019-20 largely reflect the cancellation of the cap and trade program. Under the cap and trade program, revenue raised through the sale of greenhouse gas emission allowances was used to offset the cost of programs intended to reduce greenhouse gas emissions through the GGRA.⁴⁰

Urban and Regional Transportation – capital

Requested spending for the Urban and Regional Transportation – capital sub-program (item 3) is \$4.7 billion, which is down \$1.1 billion, or 18.8 per cent versus last year.

For 2019-20, this sub-program consists of only one \$4.7 billion transfer payment program called Public Transit. It is expected that of the \$4.7 billion, \$3.9 billion will be allocated to Metrolinx to fund provincial transit projects and \$0.9 billion will be allocated to municipalities for municipal transit projects.⁴¹

Requested funding for the Public Transit transfer payment program is down a net \$1.6 billion compared to 2018-19. This change consists of \$1.7 billion in lower funding to Metrolinx for capital projects,⁴² partially offset by an estimated increase of \$0.1 billion for payments to municipalities, which is mostly due to the Public Transit Infrastructure Fund.⁴³

There was also savings of \$524 million in 2019-20 from the cancellation of four programs that were funded through the GGRA.⁴⁴

Savings from cancelled programs in Vote-Item 2702-3

Cancelled Programs	2018-19 Requested Spending (\$ millions)
Cycling Infrastructure	41
Regional Express Rail	435
Electric Vehicle and Public Charging Infrastructure	45
GGRA – Other	2
Total	524

Source: FAO analysis of the 2018-19 and 2019-20 Expenditure Estimates.

⁴⁰ For more information, see the “Other Spending” section below and FAO, “Cap and Trade: A Financial Review of the Decision to Cancel the Cap and Trade Program,” 2018.

⁴¹ See chapter 2 for more information.

⁴² See chapters 2 and 3 for more details on the capital projects included in Metrolinx’s spending plan for 2019-20 and changes from the 2018 budget plan to the 2019 budget plan.

⁴³ The Public Transit Infrastructure Fund is a federal program that is intended to provide \$25.3 billion nationally over ten years to support various public transit projects: <https://www.infrastructure.gc.ca/plan/pti-itc-eng.html>.

⁴⁴ For more information on the GGRA, see above and the “Other Spending” section below.

Finally, the savings achieved from the lower spending in the Public Transit transfer payment program and the four cancelled programs is partially offset by a \$1.0 billion cost increase due to lower recoveries. The lower recoveries in 2019-20 reflect the cancellation of the cap and trade program⁴⁵ and the repeal of the *Trillium Trust Act, 2014*.⁴⁶ For more information, see the “Other Spending” section below.

⁴⁵ Under the cap and trade program, revenue raised through the sale of greenhouse gas emission allowances was used to offset the cost of programs intended to reduce greenhouse gas emissions (through the GGRA). For more information, see the “Other Spending” section below and FAO, “Cap and Trade: A Financial Review of the Decision to Cancel the Cap and Trade Program,” 2018.

⁴⁶ Under the Trillium Trust, revenue raised from the sale of designated assets, such as the partial sale of Hydro One and the Province’s equity investment in General Motors, was to be used to fund infrastructure investments. For more information on the Trillium Trust and the partial sale of Hydro One, see the “Other Spending” section below and FAO, “Hydro One: Updated Financial Analysis of the Partial Sale of Hydro One,” 2018.

Vote 2702 – Policy and Planning, expense

Vote Item	Policy and Planning (vote 2702)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Policy and Planning					
	Salaries and wages	20	20	-0	-0.6	2.9
	Services	16	14	-2	-13.9	0.5
	Other spending	3	3	0	1.2	-1.3
	Total Item	39	37	-2	-6.0	1.6
2	Urban and Regional Transportation - operating					
	Electric Vehicle Education and Awareness	5	0	-5	-100.0	NA
	Transportation Demand Management Funding Program	1	0	-1	-100.0	NA
	Green Commercial Vehicle Program	25	0	-25	-100.0	NA
	GGRA – Other	8	0	-8	-100.0	NA
	Community Transportation Grant Program	3	0	-3	-100.0	NA
	Electric Vehicle Incentive and Infrastructure Program	103	0	-103	-100.0	-100.0
	Metrolinx Operating Subsidies	505	321	-184	-36.4	11.0
	Ontario Seniors Public Transit Tax Credit	10	4	-6	-63.1	NA
	Participation and Awareness Grants	0	0	0	0.0	-0.4
	Salaries and wages	7	1	-6	-88.4	NA
	Services	14	0	-13	-98.6	NA
	Recoveries	-174	0	174	100.0	NA
	Other spending	1	0	-1	-91.5	NA
	Total Item	507	326	-181	-35.7	9.7
3	Urban and Regional Transportation - capital					
	Public Transit	6,335	4,740	-1,594	-25.2	15.1
	Cycling Infrastructure	41	0	-41	-100.0	NA
	Regional Express Rail	435	0	-435	-100.0	NA

Electric Vehicle and Public Charging Infrastructure	45	0	-45	-100.0	NA
GGRA – Other	2	0	-2	-100.0	NA
Recoveries	-1,021	0	1,021	100.0	NA
Total Item	5,837	4,740	-1,097	-18.8	15.1
Total Supply Expense Vote	6,384	5,103	-1,281	-20.1	14.6

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Vote 2703 - Road User Safety Program

The Road User Safety Program is responsible for road safety and oversees the delivery of vehicle licensing in Ontario. Overall, the \$151 million spending request for Vote 2703 (expense and asset) is down \$13 million, or 8.1 per cent versus last year. The spending decrease is mostly due to lower services expense, which is down \$10 million, or nearly 20 per cent versus last year. Also, investment in business application software is expected to be down \$5 million, or nearly 14 per cent. These spending decreases are partially offset by increased salaries and wages expense, which is up \$3 million, or 4.3 per cent.

Vote 2703 – Road User Safety Program, expense

Vote Item	Road User Safety Program (vote 2703)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Road User Safety					
	Community Safety Grants	0	0	0	0.0	-28.5
	Research Grants	0	0	0	0.0	NA
	Salaries and wages	65	67	3	4.3	1.7
	Services	52	41	-10	-19.9	4.6
	Recoveries	-7	-8	-1	-18.6	NA
	Other spending	15	16	1	6.4	0.5
	Total Supply Expense Vote	125	117	-8	-6.3	0.9

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Vote 2703 – Road User Safety Program, asset

Vote Item	Road User Safety Program (vote 2703)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
3	Road User Safety					
	Business application software	40	34	-5	-13.8	-3.3
	Total Supply Asset Vote	40	34	-5	-13.8	-3.3

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Vote 2704 - Provincial Highways Management Program

The Provincial Highways Management Program oversees the provincial highway network, which includes maintenance, rehabilitation and expansion.⁴⁷ The program is also responsible for remote airports in northern Ontario, ferry services, First Nations roads funding and other transportation initiatives. Total program spending (expense and assets) for Vote 2704 is up \$88 million, or 3.2 per cent versus last year.

There are three main sub-programs (items) in Vote 2704:

- Operations and Maintenance (\$0.6 billion)
- Engineering and Construction (\$0.1 billion)
- Transportation Infrastructure Assets (\$2.2 billion)

Operations and Maintenance

Requested spending for the Operations and Maintenance sub-program (item 1) is \$563 million, which is up \$60 million or nearly 12 per cent versus last year.

Most of this requested spending increase is due to services expense, which is up \$74 million, or 18 per cent versus last year. Services expense includes maintenance costs on the provincial highway network, such as for snow removal and filling potholes. The spending increase due to higher services costs is partially offset by lower expenses for supplies and equipment (included in other spending), which is down \$19 million, or nearly 60 per cent versus last year.

Engineering and Construction

Requested spending for the Engineering and Construction sub-program (item 2) is \$107 million, which is up \$6 million, or 6.0 per cent versus last year.

This sub-program includes multiple programs that fund various transportation infrastructure projects. Combined, these programs are expected to total \$73 million in 2019-20, which is down \$23 million, or 24 per cent versus last year. Most of this funding decrease is due to lower funding for Highway 407 Municipal, which is down \$22 million, or 47 per cent. Also, there was \$10 million in funding for Prescott Russell Road 17 last year, but no funding requested for this year.

The \$23 million in reduced funding for the programs noted above is expected to be more than offset by \$25 million in additional expense due to fewer recoveries and \$4 million in additional services expense.

Transportation Infrastructure Assets

Requested spending for the Transportation Infrastructure Assets sub-program (item 3) is \$2.2 billion, which is up \$22 million, or 1.0 per cent versus last year.

This sub-program includes capital asset investments related to the rehabilitation and expansion of the Province's southern highway network and other transportation infrastructure assets. Spending on transportation infrastructure in this sub-program is expected to be down \$60 million, or 2.4 per cent versus last year, while spending on land is expected to be down \$58 million, or 31 per cent.

⁴⁷ The investment in rehabilitation and expansion infrastructure, and the amortization expense, for the Province's northern Ontario highways is recorded with the Ministry of Energy, Northern Development and Mines.

While total spending on capital assets is projected to be down by \$137 million in this sub-program, overall spending is expected to increase by \$22 million. The difference is due to lower recoveries, which are projected to increase spending by \$160 million. The lower recoveries in 2019-20 reflect lower transfers from other ministries, the cancellation of the cap and trade program, and the repeal of the *Trillium Trust Act, 2014*. (For more information, see the "Other Spending" section below.)

Vote 2704 – Provincial Highways Management Program, expense

Vote Item	Provincial Highways Management Program (vote 2704)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Operations and Maintenance					
	Municipal Ferries	4	6	2	63.0	12.4
	Payments in lieu of municipal taxation	6	6	0	0.0	-4.1
	Salaries and wages	72	75	3	4.0	3.9
	Services	413	487	74	18.0	11.8
	Recoveries	-44	-44	-0	-0.2	NA
	Other spending	52	33	-19	-37.1	-3.8
	Total Item	503	563	60	11.9	7.6
2	Engineering and Construction					
	Municipal Ferries	0	11	11	NA	NA
	Highway 407 Municipal	47	25	-22	-47.2	67.9
	Connecting Links	30	30	0	0.0	NA
	Prescott Russell Road 17	10	0	-10	-100.0	-100.0
	First Nations	6	6	0	0.0	12.9
	Community and Environmental Improvements	2	1	-1	-72.2	17.1
	Highway 401 Municipal	1	0	-1	-100.0	NA
	Town of Essex	1	1	0	0.0	NA
	Services	9	12	4	40.5	3.5
	Recoveries	-25	0	25	100.0	NA
	Other spending	22	22	1	3.5	92.4
	Total Item	101	107	6	6.0	19.9
	Total Supply Expense Vote	604	670	66	10.9	9.1

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Vote 2704 – Provincial Highways Management Program, asset

Vote Item	Provincial Highways Management Program (vote 2704)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
3	Transportation Infrastructure Assets					
	Land	187	129	-58	-31.0	-22.4
	Buildings	27	18	-9	-32.4	-2.7
	Transportation infrastructure	2,510	2,450	-60	-2.4	-0.3
	Machinery and equipment	3	2	-1	-40.6	4.6
	Business application software	15	10	-5	-33.3	8.6
	Land and marine fleet	67	62	-5	-7.2	121.9
	Recoveries	-678	-518	160	23.5	-1.0
	Total Supply Asset Vote	2,130	2,153	22	1.0	-2.8

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Vote 2705 - Labour and Transportation Cluster

The Labour and Transportation Cluster program is responsible for information and technology (IT) services for the Ministries of Labour and Transportation. Overall, the \$59 million spending request for Vote 2705 is up \$2 million, or 4.2 per cent versus last year. Most of this spending increase is due to higher salaries and wages expense, which is up \$2 million, or 6.7 per cent versus last year.

Vote 2705 – Labour and Transportation Cluster, expense

Vote Item	Labour and Transportation Cluster (vote 2705)	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
1	Information and Information Technology Services					
	Salaries and wages	29	31	2	6.7	2.6
	Services	62	62	-1	-1.2	19.6
	Recoveries	-39	-39	1	1.8	NA
	Other spending	5	5	0	10.1	4.1
	Total Supply Expense Vote	57	59	2	4.2	0.9

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Standalone Legislation

Ministry of Transportation spending authorized by standalone legislation is projected to increase by \$71 million, or 7.2 per cent versus last year. The spending increase is due to higher amortization expense on the provincial highway network and other transportation infrastructure assets.

Standalone legislation (statutory) spending

Standalone Legislation (Statutory) Spending	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
Amortization	1,002	1,074	72	7.2	7.6
Recoveries	-16	-16	-0	-2.5	-6.4
Total standalone legislation spending	986	1,058	71	7.2	7.6

Note: Standalone legislation spending includes \$338 million related to the Ontario Gas Tax Program, but is offset by \$338 million in recoveries, so the net zero amount is excluded from this table.

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

Other Spending

Overall, other spending is projected to increase by \$768 million in 2019-20 compared to 2018-19, an increase of nearly 30 per cent.

In 2019-20, other spending includes a net negative \$2.2 billion adjustment for Metrolinx, the net result of a positive operating adjustment of \$0.8 billion and negative capital adjustment of \$3.0 billion.⁴⁸

The operating adjustment of \$0.8 billion reflects Metrolinx funding a portion of its operating expenses from its own revenues, such as GO Transit fares. This adjustment is expected to increase by \$0.1 billion, or 21 per cent versus last year, which implies that Metrolinx will have to self-fund more of its operating spending.

The negative capital adjustment of \$3.0 billion is to account for investments in capital assets made by Metrolinx, offset by amortization expense. This adjustment is expected to increase other spending by \$1.8 billion, or nearly 38 per cent versus last year, mostly because the ministry estimates that it will provide \$1.7 billion less in funding to Metrolinx in 2019-20 for its investments in capital assets.

Other spending also includes \$338 million for the Ontario Gas Tax Program, which is projected to increase by \$17 million, or 5.3 per cent versus last year.

Finally, other spending is down a combined \$1.2 billion as a result of the cancellation of the cap and trade program and the repeal of the *Trillium Trust Act, 2014*.

Under the cap and trade program, revenue raised through the sale of greenhouse gas emission allowances was used to fund programs intended to reduce greenhouse gas emissions through what was called the Greenhouse Gas Reduction Account (GGRA).⁴⁹ In 2018-19, funding of \$697 million was allocated to over nine programs in three sub-programs (vote-items): Urban and Regional Transportation - Operating (2702-2), Urban and Regional Transportation - Capital (2702-3), and Transportation Infrastructure Assets (2704-3). With the cancellation of the cap and trade program, most of the programs funded by cap and trade revenues through the GGRA have been cancelled, resulting in savings in 2019-20 for the Ministry of Transportation of approximately \$697 million.⁵⁰

Under the Trillium Trust program, revenue raised from the sale of provincial assets was to be used to fund infrastructure investments.⁵¹ In total, the Province allocated a net \$6.5 billion from asset sales to the Trillium Trust, as a result of the following transactions:

- the sale of General Motors shares;
- the partial sale of Hydro One;
- the sale of LCBO property;
- the sale of Hydro One Brampton; and
- the sale of OPG head office properties.

⁴⁸ See appendix A for more information on Metrolinx consolidation adjustments.

⁴⁹ For more information, see FAO, "Cap and Trade: A Financial Review of the Decision to Cancel the Cap and Trade Program," 2018. Note also that the GGRA was renamed the Cap and Trade Wind Down Account.

⁵⁰ As of March 31, 2019, \$12.1 million remained in the Greenhouse Gas Reduction Account, which represents the difference between the total amount of revenue raised through the sale of greenhouse gas emission allowances and total spending on authorized programs. 2018-19 Public Accounts of Ontario, volume 1, p. 2-483.

⁵¹ For more information on the Trillium Trust and the partial sale of Hydro One, see FAO, "Hydro One: Updated Financial Analysis of the Partial Sale of Hydro One," 2018.

As of the end of 2018-19 (March 31, 2019), the Province had spent \$0.8 billion of the \$6.5 billion allocated to the Trillium Trust on infrastructure investments, leaving \$5.7 billion remaining to be spent on infrastructure projects. However, on April 1, 2019, the *Trillium Trust Act, 2014* was repealed and the Trillium Trust account was closed. Therefore, of the \$6.5 billion in funding raised by the Province, \$0.8 billion was invested in infrastructure projects and the remaining \$5.7 billion was applied to improve the Province's budget balance in the years 2014-15 through 2018-19. For MTO, the cancellation of the Trillium Trust program results in \$522 million in lower spending in 2019-20, compared to 2018-19. This lower spending is mostly reflected in the \$1.6 billion reduction in 2019-20 to the Public Transit transfer payment program in the Urban and Regional Transportation - Capital sub-program (vote-item 2702-3).

Other spending

Other Spending	2018-19 Estimates \$ millions	2019-20 Estimates \$ millions	1 YR Change \$ millions	1 YR Growth (%)	5 YR Average Historical Growth (%)
Metrolinx – operating	659	800	141	21.3	9.8
Metrolinx – capital	-4,841	-3,011	1,830	37.8	-10.4
Ontario Gas Tax Program	321	338	17	5.3	1.2
Greenhouse Gas Reduction Account Spending (also called the Cap and Trade Wind Down Account)	697	0	-697	-100.0	NA
Trillium Trust Spending	522	0	-522	-100.0	NA
Total other spending	-2,641	-1,873	768	29.1	-13.0

Note: Excludes spending on assets of \$70 million in 2018-19 related to the GGRA and Trillium Trust.

Source: FAO analysis of the Public Accounts of Ontario and the Expenditure Estimates.

5 | Appendices

Appendix A: Understanding Consolidation Adjustments

What are consolidation adjustments?

Accounting consolidation is the process of combining financial data from several subsidiaries or business entities within an organization and rolling it up to a parent organization for reporting purposes. The Province has a number of subsidiaries, agencies or entities, such as school boards, hospitals and Metrolinx, which are consolidated into the Province's financial statements.

These consolidated entities are at arms-length from the Province. In other words, they can raise their own funds and spend money without legislative approval, and they report their own set of financial statements. However, they still receive provincial funding and are under provincial control, so the financial results of these entities are consolidated and reported in the Ontario Budget and the Public Accounts.⁵²

Why have consolidation adjustments?

The Expenditure Estimates present financial information on both a consolidated and non-consolidated basis. This is because a constitutional and legal distinction is required between spending "public money" raised through taxation and other sources, and spending money raised by a consolidated entity.⁵³ For example, any transfer of funds from a ministry to a consolidated entity is a use of public money, so this expense needs to be separately reported in the Estimates and approved through the *Supply Act*.

However, the Estimates are prepared to reconcile with total spending as reported in the Ontario Budget and the Public Accounts, which reports expenses from the final use perspective (i.e., from the perspective of the consolidated entity). Therefore, if the consolidated entity (such as Metrolinx or school boards) reports total spending that is different than the amount of funds received from the Province through transfer payments, then a "consolidation adjustment" is required.⁵⁴

How are financial results consolidated?

In the case of Metrolinx, the Ministry of Transportation transferred \$3.7 billion to the agency in transfer payments in 2017-18. However, Metrolinx only incurred \$1.6 billion in expenses. Therefore, a negative consolidation adjustment of \$2.1 billion was required to report total consolidated Metrolinx expenses of \$1.6 billion. This consolidation adjustment consists of both capital and operating components.

⁵² Financial results of entities are only consolidated if they pass a series of Public Sector Accounting Board (PSAB) tests. Metrolinx is consolidated into the Province's statements on a line by line basis, in that Metrolinx expenses are reported as expenses in the Province's consolidated financial statements, and Metrolinx revenues are reported as revenues.

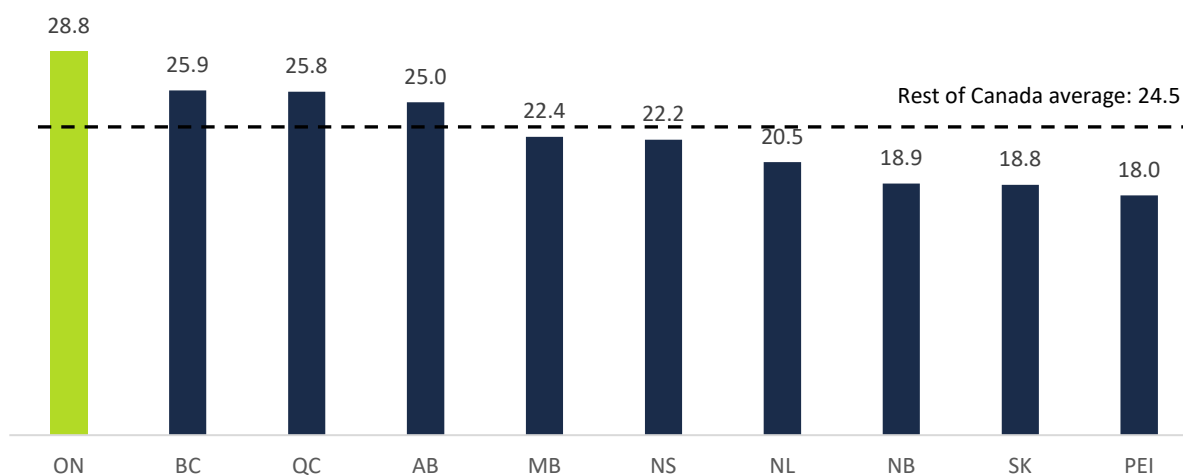
⁵³ As per the *Financial Administration Act, 1990*, s. 11.1(1), all spending of public money by the Province must be authorized by an Act of the Legislature.

⁵⁴ There are a number of reasons why a consolidated entity could spend more or less than the amount of funds transferred by the Province. For example, some of the funding received from the Province could be spent by the consolidated entity on assets, which is not recorded as an expense. Alternatively, the consolidated entity could spend additional funds from independently generated revenues or debt financing.

Appendix B: Ontarians' Commute to Work

Based on data from Statistics Canada,⁵⁵ Ontarians have the longest average commute time to work out of all Canadian provinces, with an average commute time of 28.8 minutes.⁵⁶ This is 4.3 minutes or 18 per cent higher than the rest of Canada average of 24.5 minutes. British Columbia has the second longest average commute time in the country at 25.9 minutes. By contrast, Prince Edward Island has the shortest average commute time of 18 minutes.

Average commute time to work by province in 2016, minutes



Source: Statistics Canada, 2016 Census, Catalogue no. 98-400-X2016322.

Long commute times in the Greater Toronto and Hamilton Area (GTHA) contribute to the long overall average commute for the province. GTHA cities such as Toronto, Hamilton and Oshawa have average commute times to work of 34.0, 28.4 and 33.5 minutes, respectively. These commute times are among the longest in Canada.

On average, the commute time for GTHA cities is 33.4 minutes.⁵⁷ By comparison, after GTHA cities, Montreal has the second longest average commute time to work of 30.0 minutes, which is 3.4 minutes below the GTHA average. Conversely, the GTHA average is 1.3 minutes below the average commute time to work in New York City of 34.7 minutes.⁵⁸

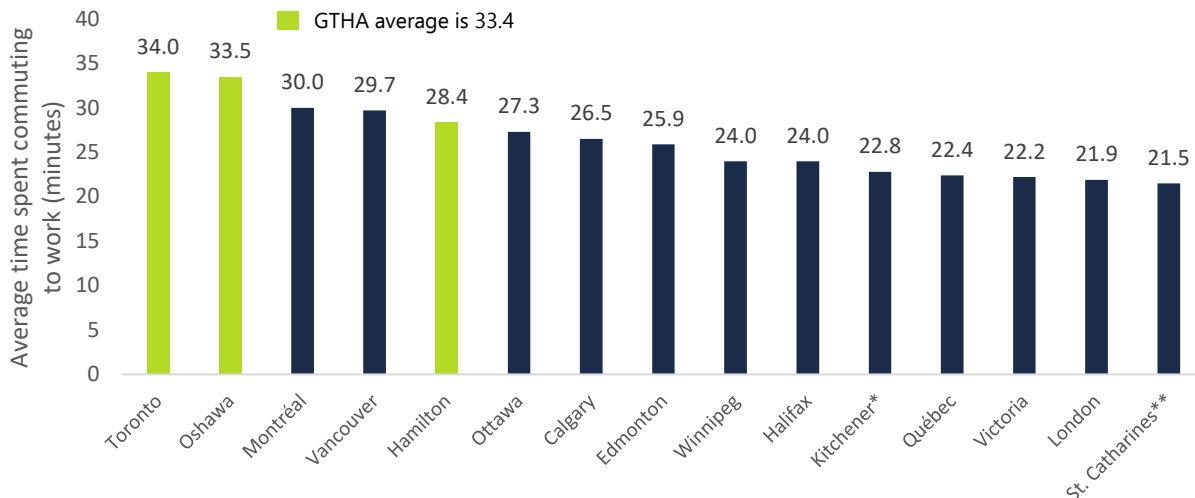
⁵⁵ Statistics Canada, 2016 Census, Catalogue no. 98-400-X2016322.

⁵⁶ Includes all types of transportation.

⁵⁷ Statistics Canada, 2016 Census, Catalogue no. 98-400-X2016322. The catalogue only includes commutes times for three cities in the GTHA: Toronto, Oshawa and Hamilton. The FAO uses a weighted average for these three cities to approximate an average commute time for all GTHA cities.

⁵⁸ Ministry of Finance, 2016 Census Highlights, Fact Sheet 14: Commuting to Work.

Average commute time to work by selected cities in 2016, minutes



Note: The FAO uses a weighted average for the cities of Toronto, Oshawa and Hamilton to approximate an average commute time for all GTHA cities.

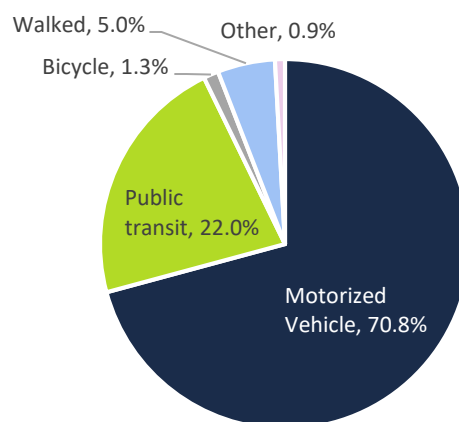
* Includes Kitchener, Cambridge and Waterloo.

** Includes St. Catharines and Niagara.

Source: Statistics Canada, 2016 Census, Catalogue no. 98-400-X2016322.

In the GTHA, motorized vehicles are the most common mode of transportation to work, used by approximately 70.8 per cent of GTHA residents. Public transit is used by about 22.0 per cent of GTHA residents to commute to work, followed by 5.0 per cent who walk, 1.3 per cent who ride bicycles, and 0.9 per cent who use other modes of transportation.

Mode of transportation used by GTHA residents to commute to work in 2016

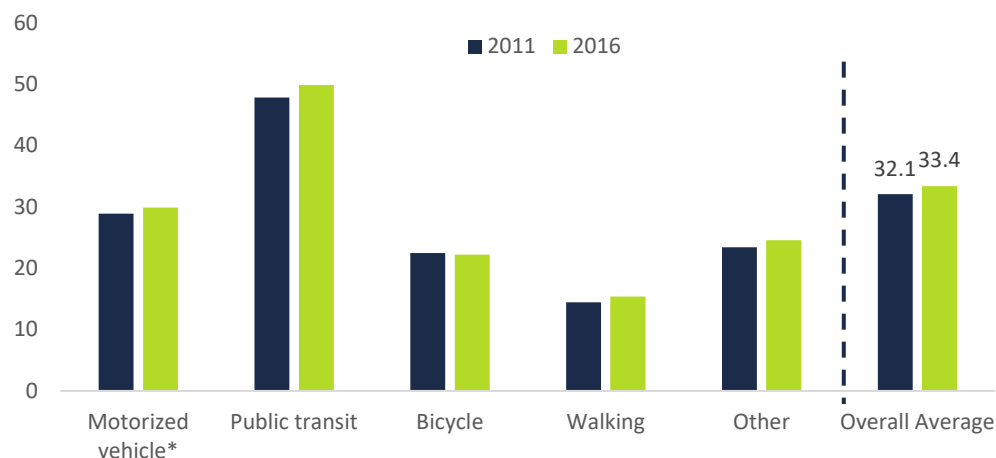


Note: Motorized vehicle includes cars, trucks, vans, motorcycles, scooters and mopeds.

Source: Statistics Canada, 2016 Census, Catalogue no. 98-400-X2016322.

For residents of the GTHA, the average overall time spent commuting to work increased from 32.1 minutes in 2011 to 33.4 minutes in 2016. The average time spent commuting to work via motorized vehicles increased from 28.9 minutes in 2011 to 29.9 minutes in 2016, while the average time spent commuting via public transit increased from 47.8 minutes in 2011 to 49.9 minutes in 2016. The average commute time via bicycle remained relatively flat from 2011 to 2016, decreasing by 0.2 minutes on average. The average time GTHA residents spent walking to work or using alternative types of transportation increased by 0.9 minutes and 1.1 minutes, respectively, from 2011 to 2016.

Average commute times by mode of transportation in the GTHA in 2011 and 2016, minutes



* Motorized vehicle includes cars, trucks, vans, motorcycles, scooters and mopeds.

Source: Statistics Canada, 2016 Census, Catalogue no. 98-400-X2016322.

Lastly, the average time spent by drivers of cars, trucks and vans to commute to work in Ontario was 26.3 minutes in 2016, which was 3.4 minutes or 15 per cent above the rest of Canada average of 22.9 minutes.

Average commute times for drivers by province (minutes)



Source: Statistics Canada, 2016 Census, Catalogue no. 98-400-X2016322.

Appendix C: Development of this Report

Authority

The Financial Accountability Officer decided to undertake the analysis presented in this report under paragraph 10(1)(a) of the *Financial Accountability Officer Act, 2013*.

Methodology

This report has been prepared with the benefit of publicly available information and information provided by the Ministries of Transportation and Finance.

All dollar amounts are in Canadian, current dollars (i.e., not adjusted for inflation) unless otherwise noted.