

# ***Breaking Up: It's Not So Hard To Do***

The Canadian Taxpayers Federation submission to  
the TransLink Governance Review Panel

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## **About the Canadian Taxpayers Federation**

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has over 61,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a Centre for Aboriginal Policy Change in Calgary dedicated to monitor, research and provide alternatives to current aboriginal policy and court decisions. Provincial offices and the Centre conduct research and advocacy activities specific to their provinces or issues in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published six times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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## ***Introduction***

The Canadian Taxpayers Federation (CTF) has a three-fold mission: lower taxes, less waste and accountable government. In recent years, CTF supporters have identified “accountable government” in surveys as the most pressing issue. All levels of government have accountability challenges and are increasingly criticized as un-responsive. Nonetheless, municipal, provincial and federal governments must all face the electorate. If nothing else, election day functions an incentive for politicians to be responsive. It is *this* test at the ballot box that provides a check on government performance and without it, transparency and accountability are sidelined. The Greater Vancouver Transportation Authority or TransLink is a revenue raising governing body free from the ‘inconvenient’ and often messy affair of democratic accountability.

The CTF commends the provincial government and Minister Falcon for initiating the TransLink Governance Review Panel. The Panel’s mandate is broad and has the potential to fundamentally change Lower Mainland transportation policy decision making and revenue raising mechanisms. During its deliberations, the CTF urges the Panel to be cognizant of the fact that there is only taxpayer.

## ***Problems with the Existing Structure: Back to the Future***

In 1997, before the creation of TransLink, the standing committee on traffic and transportation at the City of Vancouver produced a policy report. The committee identified several problems with the existing transportation framework: the provincial government was directing BC Transit, service allocations between high and low density population zones were problematic and the cost-sharing arrangement with the province was inadequate. The committee report recommended that any new transportation governance structure should: be accessible and accountable to the public, secure long-term funding and derive its revenues from transportation sources to the greatest extent possible.

Although TransLink was intended to ameliorate these problems, most remain. The responsibilities, authority and revenue raising powers were intended to ensure a regionally defined and approved transportation model for the Lower Mainland. The legislation charged TransLink with an unprecedented basket of responsibilities: to manage and operate the regional transportation system; develop and implement transportation demand management strategies; generate and manage necessary funds; acquire, construct and maintain assets, review and advise on the development of regional growth strategies, official community plans on transportation issues and prepare and implement strategic, service, capital and operational plans for the regional transportation system.

TransLink was also handed the authority to raise revenue through taxes, levies, project tolls, user fees, motor vehicle charges and designated tolls. The attendant financial disclosure requirements were less than what would have been expected.

TransLink embodies the worst of all worlds: a delegated authority with taxing powers, little accountability and minimal reporting requirements. And TransLink's performance record shows it: un-funded capital plans, a transit-centric approach to transportation demand strategies, lack of adequate stakeholder consultation on major initiatives and worst of all, the body is unelected.

### ***Accountability Crunch***

Patrick Smith of the Institute of Governance Studies at Simon Fraser University has aptly noted the democratic disconnect from fragmented governing structures, like TransLink has left "citizens in the GVRD (Greater Vancouver Regional District) increasingly wondering who is responsible for making more and more important and expensive decisions – on transportation, infrastructure, maybe policing and beyond, and almost certainly on taxation."

The Lower Mainland certainly has its own regional transportation issues. Vancouver has one the busiest ports in North America, ferry traffic, highway congestion, commuter pressures and increasing transit demands. These are the same transportation issues that have confronted the area for years and continue under TransLink.

When TransLink was established in 1998 there were a number of regional governance innovations unfolding across the country. From amalgamations to elected special districts, provincial governments were experimenting with models thought to be more efficient and responsive to regional needs. At a theoretical level, the assumptions may be persuasive but practical experiences from Toronto to Montreal tell another story.

In British Columbia, the provincial government tried to balance the need for a regionally responsive board with assumed efficiency gains of a specialization. However, devolving responsibility to an unelected body with taxing authority has resulted in a growing bureaucracy, inadequately funded capital plans, lack of consultation with stakeholders and no direct lines of accountability. The board of TransLink is made up of elected municipal politicians that are appointed by the Greater Vancouver Regional District. Smith notes that, "in terms of accountability TransLink has created a new problem; it has more fully empowered indirectly elected officials who are now two steps removed from their constituents."

### ***Taxation without Representation***

If the provincial sales tax increases, as it did in 2002, taxpayers and voters know who is responsible, the government in Victoria. The equation is not hard to follow but when it comes to municipal government and special districts that are appointed, the lines of accountability are blurred at best and non-existent at worst.

TransLink has suffered significant public backlash each time it has tried to impose a new tax. The vehicle levy in 2000 and the recent parking tax on business have both resulted in sustained opposition campaigns by taxpayers and stakeholders. Smith recaps the issue

surrounding the proposed vehicle levy, “The proposed levy generated widespread public opposition from many different sectors and was ultimately abandoned.....this underscored the fact that while the GVRD/TransLink now has the jurisdictional capacity to impose such charges, they often lack the administrative capacity to collect such taxes. More importantly, the public outcry against the vehicle levy highlighted the ongoing regional accountability gap.” Because TransLink is indirectly elected it lacks the legitimacy to raise revenues and the democratic basis to make policy and programming decisions.

### ***Burgeoning Behemoth***

In 2000, provincial contributions to capital and operating transportation programs for the Lower Mainland figured about \$545 million. TransLink’s 2006 budget estimates expenditures of \$779 million, an increase of 43 per cent. Looking forward, TransLink’s capital plan has a funding shortfall of \$225 million by 2013. Taxpayers and business owners in the Lower Mainland could be taxed out of the jurisdiction if TransLink’s plan is not readjusted.

Administrative costs, bureaucracy and unfunded liabilities are increasingly eating up more and more of TransLink’s annual budget. Last year TransLink administration cost \$22 million. The public pension plan for TransLink and its subsidiaries has an estimated unfunded liability of \$36.6 million\* and annual pension plan “top ups” are costing close to \$25 million. Financial reporting by TransLink fails to disclose crucial details like the total number of employees and value of contracts. Budgets are not audited by the provincial auditor general.

TransLink does not provide value for money reports, performance measurements or cost saving analysis. A one page “report card” is attached to this year’s annual report but doesn’t include year-over-year goals, benchmarks or financial details.

TransLink’s failure rests upon its weak financial reporting, burgeoning bureaucracy, lack of financial controls, growing accountability gap and failure to achieve any efficiency gains or to adopt a long term, sustainable transportation plan.

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\* \* The CTF original submission stated an estimated total unfunded liability of \$740 million which was taken from TransLink’s 2005 Annual Report financial explanatory note 10 on page 41. It reads: “10. *Pension plans and employee future benefits (continued): Contributions to the Plan are expensed in the year when payments are made. The total expense recorded in the financial statements in respect of pension contributions amounts to \$15,681,000 (2004 - \$15,048,000). Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest full actuarial valuation, which was carried out as at March 31, 2005 resulted in an unfunded liability of \$767,000,000.*” TransLink contacted the CTF to state that its total unfunded pension plan liability is \$36.6 million, not \$740 million which includes the provincial government’s portion as well as TransLink’s.

## **CTF Recommendations:**

### ***Transportation is a Provincial Responsibility***

Transportation is the provincial government's responsibility. Delegated boards, special districts or municipal agreements do not absolve Victoria's responsibility for any and all transportation issues. The recent parking tax debacle with TransLink is a prime example of the provincial government trying to duck its obligations over transportation policy leaving stakeholders and property taxpayers without a direct line of accountability. The end result: a bad tax moved forward and public outrage was dismissed.

The provincial government must once again come to the table and assume its rightful responsibility over transportation planning and financing for the Lower Mainland and with all regions of the province.

**The CTF recommends the provincial government assume control of existing TransLink responsibilities, powers and financial administration.**

**The CTF recommends the Greater Vancouver Regional District (GVRD) assume responsibility for the major roads network on a voluntary basis with its members and financing be tied to the gas tax revenues from the agreement with federal government.**

**The CTF recommends the provincial government conduct an analysis of all of TransLink operations and determine whether cost savings can be made through contracting out or privatization.**

**The CTF recommends the provincial government conduct consultations with the GVRD on transportation planning and programming in addition to public meetings with stakeholder groups including business groups, property owners and residents of the Lower Mainland on an ongoing basis to determine a realistic and sustainable transportation plan for the region.**

**The CTF recommends the auditor-general conduct value for money audits of new capital spending, regional multi-year financial plans and annual reports of transportation spending in the Lower Mainland.**

## **References**

Patrick J. Smith, "Greater Vancouver: l'exception canadienne metropolitaine," paper presented at *The International Conference: Metropolitan Governance: Seeking Consistency in Complexity*. Montreal, Quebec: October 7-8, 2204.  
[http://www.vrm.ca/documents/EJC2004\\_Smith.pdf](http://www.vrm.ca/documents/EJC2004_Smith.pdf)

City of Vancouver. Standing Committee on Traffic and Transportation Policy Report, 1997.