

July 25, 2007

EXECUTIVE COMMITTEE:

City Council on July 16, 17, 18 and 19, 2007, referred the following Motion to the Executive Committee:

M82 Request for GST and PST Exemption on Bicycle Purchases
Moved by Councillor Walker, seconded by Councillor Cho

SUMMARY:

Promoting bicycle use is essential to the City of Toronto's environmental, transportation, public health and recreation objectives. In July 2001, City Council affirmed this position by adopting the Toronto Bike Plan, a comprehensive strategy to increase bicycle use in the City.

Each time an individual chooses to cycle rather than drive a car, the quality of life of all Torontonians is enhanced. The Toronto Bike Plan describes the following benefits that accrue from bicycle use:

- air quality is improved and green house gasses are reduced;
- regular physical activity causes health care costs to decline; and
- traffic congestion is eased, with fewer cars using the roads.

Each of these benefits is a public good for all Torontonians and also for other Ontarians who share our environment, transportation infrastructure and the cost of our provincial health care system.

To realize the public good that bicycle use generates, the City has worked consistently to encourage cycling. The Toronto Bike Plan sets, as a primary goal, doubling the number of bicycle trips made in the City, as a percentage of total trips, by 2011.

To reach this objective, the City undertakes numerous programs, services and improvements. Foremost, the City continues to expand its bicycle network by building trails, bike lanes and bike parking facilities. Additionally, the City celebrates Bike Week annually, presents the Bicycle Friendly Business Awards and supports Bicycle User Groups.

These measures do much to promote cycling in Toronto, but there is substantial room for growth in bicycle use. In 1999, the City's Cycling Survey (prepared by Decima Research Inc.) revealed that 38 percent of Toronto households do not own a bicycle and that 52 percent of adults in Toronto do not use a bicycle at all.

The survey also revealed that those with lower incomes are significantly less likely to be cyclists than those with higher incomes, suggesting that cost continues to present a barrier to bicycle use for many Torontonians.

Reducing the cost of purchasing a bike would increase bicycle ownership and use in Toronto. Such a cost reduction could be achieved if the Provincial and Federal governments exempted bicycle purchases from the Provincial Sales Tax (PST) and the Federal Goods and Services Tax (GST), respectively.

With a sales tax exemption, those who do not own a bicycle would be given an incentive to purchase one. For households which already own a bicycle, a tax exemption would create an incentive to purchase higher performance models, making cycling a more attractive alternative to driving.

Additionally, electric bicycles are an emerging environmentally-friendly and comfortable mode of transportation. They are capable of traveling at speeds of up to 30 kilometers per hour, are silent and produce no emissions. Electric bicycles range in cost from the \$600.00 to \$1500.00, price levels which are prohibitive for many consumers. A sales tax exemption for electric bicycles would stimulate demand for these environmentally-desirable vehicles.

All levels of government have a clear responsibility to promote the public good that results from bicycle use: clean air, good health and efficient transportation infrastructure. The City of Toronto is striving to increase bicycle use and needs the strong partnership of the Provincial and Federal governments to achieve this objective.

The PST and GST are significant barriers to bicycle use. It is in the best interests of Torontonians, Ontarians and Canadians that bicycle purchases be exempted from these taxes.

RECOMMENDATIONS:

1. That the City of Toronto request the Provincial government to create a Provincial Sales Tax (PST) exemption for bicycle purchases, including electric bicycles, thus eliminating the PST on these items.

2. That the City of Toronto request the Federal government to create a Goods and Services Tax (GST) exemption for bicycle purchases, including electric bicycles, thus eliminating the GST on these items.

for City Clerk

M. Toft/cd