Agenda - Executive Policy Committee - June 4, 2003

REPORTS

Item No. 6 **Vehicle Scrappage Program Proposal**
File E-7 (Vol. 1)

ADMINISTRATIVE RECOMMENDATION:

That the report be received as information.

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE DECISION:

The Executive Policy Committee referred the request for a review of the program proposal to the Chief Administrative Officer for review, to include budget implications and a study of SUV gas emissions and report back.

CIVIC ENVIRONMENTAL COMMITTEE RECOMMENDATION:

On February 3, 2003, the Civic Environmental Committee passed the following motion, namely:

1. That the presentation made by the delegation be received as information.

2. That the proposal of The Manitoba Lung Association be referred to Executive Policy Committee for consideration. CEC requests a review of the program proposal to examine potential benefits of the program with respect to increased transit ridership and reduction in greenhouse gasses.

REPORT

RE:	Manitoba Lung Association "Vehicle Scrappage Program"
FOR SUBMISSION TO:	Executive Policy Committee
ORIGINAL REPORT SIGNED BY:	R.L. Borland, Director of Transit
REPORT DATE:	**March 21st, 2003**

RECOMMENDATION:

That the following report be received as information.

REPORT SUMMARY:

Key Issues:

1. On November 20th, 2002, The Manitoba Lung Association (MLA) presented a "Vehicle Scrappage Program" proposal to the Transit Department requesting a total of 2,400 monthly passes (Value: $157,000) as incentives in the MLA's clean air initiative. The program intends to de-register and scrap up to four hundred 1975-1987 vehicles in an effort to remove high emission older model vehicles from the streets. The MLA also requested $20,000.00 in donated transit media inventory to promote the program.

2. On February 3, 2003, the MLA met with the Civic Environmental Committee. The Committee recommended that the MLA's proposal be referred to the Executive Policy Committee for further consideration.

3. On February 17th, 2003, the Executive Policy Committee referred the request for a review of the program proposal to the Chief Administrative Officer to include budget implications and a study of SUV gas emissions, and report back.

4. The Transit Department evaluated the benefits and cost of the program. The Department concluded the program has merit, but expressed the view that the proportion of program costs that Winnipeg Transit had been requested to cover outweighed any long-term benefit to the City and to Transit. As such, the MLA was informed the Department was not prepared to recommend to Council the donation amount, as requested in the MLA proposal.

5. The Transit Department has two fundamental concerns regarding the viability of the program. They are as follows:

    - The MLA does not have any data that indicates whether or not the Vehicle Scrappage program actually advances the timing of the scrappage of older vehicles, and
    - The MLA does not have any data as to whether or not the Vehicle Scrappage program actually will cause people to make a different mode choice for travel than they would have done otherwise.

6. On January 21st, 2003, the Department offered the MLA an alternative proposal, which would consider the MLA as an employer under the Eco Pass Program providing a 10% discount on the passes for a period of two years to participants in the program ($15,708.00 per year). In addition, the Department would contribute $15,000 to the Vehicle Scrappage Program plus $40,000 in donated transit media inventory to jointly promote the program. The total value of the alternative proposal would be approximately $86,416. The Transit Department suggests that the Manitoba Lung Association consider this alternative transit incentive further.

Implications of the Recommendation:

General Implications:

X	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment: The recommendation is for information only.

Policy implications:

X	No
	Yes

Comment:

Environmental Implications:

X	No
	Yes

Comment: The recommendation is for information only.

Human Resources Implications:

X	No
	Yes

Comment:

Financial Implications:

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment: The recommendation is for information only. If Council were to agree to the request from the Manitoba Lung Association, there is no provision in the Transit Department budget for a cash or monthly pass donation of $157,000.

REASON FOR THE REPORT:

On February 17th, 2003 the Executive Policy Committee referred the request from the Civic Environment Committee for a review of the Vehicle Scrappage Program proposal to the Chief Administrative Officer to include budget implications and a study of SUV gas emissions, and report back.

HISTORY:

On November 20, 2002 the Manitoba Lung Association submitted a Vehicle Scrappage Program proposal to the Transit Department requesting the donation of 2,400 monthly transit passes to be used as incentives for 200 vehicle owners to de-register and scrap their 1975 - 1987 vehicles. The price of a Full Fare monthly pass is $65.45 (the total value of passes is $157,000). In addition, a request was made for the donation of $20,000 of transit media space in order to promote the program.

After reviewing the program, a letter was sent to the MLA on January 21, 2003 advising them that the Department does not have the authority to provide the requested donation of monthly bus passes. The Department also expressed the view that the proportion of program costs that Winnipeg Transit had been requested to cover outweighed any long-term benefit to the City and to Transit. As such, the Department was not prepared to recommend the donation requested in the proposal.

On January 21st, 2003, the Department offered the MLA an alternative proposal, which would consider the MLA as an employer under the Eco Pass Program providing a 10% discount on the passes for a period of two years to Scrappage Program participants ($15,708 per year). This discount would be combined with a further 20% discount funded by the program in order to

provide the normal 30% discount for the ECO Pass program. In addition, the Department would contribute $15,000 to the Scrappage Program plus $40,000 in donated transit media inventory to jointly promote the program. The total value of the alternative proposal would be approximately $86,416.

The benefits to the Department of this option include:

- Expansion of the EcoPass Program
- Ensures a longer commitment to transit by the participant
- Transit already committed to promoting the EcoPass Program
- More equitable cost sharing arrangement
- EcoPass goals include reduction of emissions

On February 3rd, 2003, the MLA met with the Civic Environmental Committee. The CEC recommended the MLA proposal be referred to the EPC for consideration.

On February 17th, 2003, the Executive Policy Committee referred the request for a review of the program proposal to the CAO for review to include budget implications and a study of SUV gas emissions.

DISCUSSION:

Goals of Vehicle Scrappage Program

The goal of the program is to encourage up to 400 owners of 1975 –1987 vehicles in the Winnipeg area to de-register and scrap their vehicles by offering incentives. These incentives include free transit for 12 months (Value: $785.40) or $500 credit towards purchase of 1994 or newer vehicle.

- The Transit department is generally supportive of the goals of Vehicle Scrappage Programs which include the removal of older, higher polluting vehicles in an effort to improve air quality and, public education toward less polluting modes of transportation. However, after reviewing the Manitoba Lung Association proposal, the Transit Department has concluded the proportion of the program costs that Transit has been requested to cover is excessive relative to any long-term benefit to the City and to Transit.

- From the Department's perspective, most of our initiatives relate to the environment – the basic objective being to reduce the amount of auto use and increase the use of public transit.

- The Vehicle Scrappage Program is a voluntary pilot program aiming to help reduce levels of polluting emissions and levels of mercury in the environment, promote increased use of more environmentally friendly forms of transportation with potential to expand the project provincially and expand the scope of scrapped items.

The Manitoba Lung Association indicates that the following partners are committed to the Vehicle Scrappage Program:

Environment Canada
General Scrap
Mandak
Manitoba Hydro
Manitoba Motor Dealers Association
Red River College
Trade Tourism Logistics E-Commerce

Program Incentives

The proposal suggests approximately 200 participants will select the free transit incentive option, requiring a total donation by Transit of 2,400 passes during the 12 month program (Value: $157,000).

Cities participating in similar Scrappage Programs include Vancouver, Calgary and Fredericton, with Ottawa, Edmonton and Montreal expected to launch soon. The incentives in the MLA proposal are identical to incentives offered in Calgary. The MLA has provided survey results indicating that approximately 60% of Calgary participants chose the free12 month transit pass. At the time of the survey, the value of a 12 month transit pass in Calgary was $680.00 compared to a vehicle purchase credit of $500.00.

Current Vehicle Scrappage Levels

According to statistics provided in the Manitoba Lung Association Proposal, as of January 2002 there were 51,808 vehicles that met the program's model year criteria (1975-1987) in Winnipeg and surrounding areas. There were 61,703 vehicles registered in 2001 and 73,134 vehicles registered in 2000. This decline represents an attrition of approximately 10,000 targeted-era vehicles in the Winnipeg area annually.

At present, there are no incentives to the approximately 10,000 vehicle owners who scrap their vehicles annually in the Winnipeg area. It is the opinion of the Department that the Scrappage Program will appeal the most to vehicle owners who would have normally considered scrapping their vehicles due to the prohibitive costs of maintaining or repairing their older model vehicles. **The MLA does not have any data that indicates whether or not the Vehicle Scrappage program actually advances the timing of the scrappage of older vehicles.**

The Department also maintains that many vehicle owners who presently scrap their vehicles already migrate to transit as an affordable alternative to purchasing a newer vehicle. **The MLA does not have any data as to whether or not the Vehicle Scrappage program actually will cause people to make a different mode choice for travel than they would have done otherwise.**

Surveys with current participants in the Vancouver program indicate approximately 70% of participants would intend to continue purchasing a bus pass after the free incentive is discontinued. There are no follow up surveys conducted with participants to compare actual modal choice following the free transit incentive therefore this percentage is not conclusive when determining projected revenues to the Department.

Passenger Vehicles vs. Light Duty Truck/SUV Emissions

- There is currently no one standard method to measure the expected reduction in vehicle emissions. Emissions must be quantified for the scrapped vehicle, as well as new means of transportation.

- The Scrappage Program does not provide incentives to vehicles owners based on engine displacement size. As an example, a smaller, economy vehicle owner would get the same incentive value as the owner of a large 8 cylinder vehicle owner. As emissions are directly related to the amount of fuel consumed, the incentive plan does not address higher emitting, large engine displacement passenger cars and light-duty trucks/SUVs.

- According to Federal Government statistics, light-duty trucks and SUVs are not required to conform to the same emissions standards as passenger vehicles. A light-duty truck/SUV consumes approximately 40% - 60% more fuel than passenger vehicles, on average, and may produce up to 20 times more emissions than passenger vehicles.

Cost Implications of the MLA Proposal

The request from the Manitoba Lung Association is for the donation of monthly passes valued at $157,000 and the use of transit media space valued at $20,000.The real net cost of these monthly passes would be the foregone revenue from monthly passes that would have been purchased by the ultimate recipients. Because the value of the transit incentive is much larger than the auto incentive ($780 versus $500), there is a potential for this revenue loss to be quite high. It is impossible for the Transit Department to estimate the real cost with any certainty, but it could be a very significant proportion of the $157,000.

The Transit department would like the Manitoba Lung Association to consider the alternative proposal put forward by the Transit Department on January 21st, 2003. The Department offered the MLA an alternative proposal, which would consider the MLA as an employer under the Eco Pass Program providing a 10% discount on the passes for a period of two years to participants in the program ($15,708 per year). In addition, the Department would contribute $15,000 to the Vehicle Scrappage Program plus $40,000 in donated transit media inventory to jointly promote the program. The total value of the alternative proposal would be approximately $86,416.

Financial Impact Statement **Date:** March 21, 2003

COMMENTS: The recommendation of this report is for information only. However, if Council should approve the request of the Manitoba Lung Association, the Transit Department does not have anything budgeted for its participation. Participation in the program would require an expenditure of $157,000 to expense the passes to be donated. The real net cost of these monthly passes would be the foregone revenue from monthly passes that would have been purchased by the ultimate recipients. Because the value of the transit incentive is much larger than the auto incentive ($780 versus $500), there is a potential for this revenue loss to be quite high. It is impossible for the Transit Department to estimate the real cost with any certainty, but it could be a very significant proportion of the $157,000.



Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH:
The Manitoba Lung Association

THIS REPORT SUBMITTED BY:

Department: Transit
Division: Marketing and Customer Services
Prepared by: Morley Calahan, Promotions and Contracts Supervisor