

# BRIDGING THE GAP: THE FEDERAL ROLE IN TRANSIT INVESTMENT



Guy Payment, Société de transport de Montréal

Over the last decade, Canada's federal government has made tremendous advances in its willingness to invest in public transit. The transit industry recognizes and supports this progress, but also knows that more investment is needed to preserve and maintain today's infrastructure while expanding fleets and facilities to serve an ever-growing number of passengers. The goal of a reliable, long-term approach to national transit investment remains vital.

Transit capital requirements are growing faster than investments, critical infrastructure needs remain unfunded and municipalities face operating cost pressures due to rapid growth in ridership. In addition to these factors, several federal investment programs that have supported recent progress will be ending imminently or in the foreseeable future—with no adequate replacement programs on the horizon.

The consequences of a degradation in transit investment by upper orders of government would be traumatic for communities from coast to coast: deteriorating efficiency of

urban transportation systems, inhibited mobility for citizens, greater congestion and delay, a growing burden on the property tax base, a continued rise in greenhouse gas emissions, mounting air pollution and threats to public health.

## Current sources of federal investment

The following paragraphs describe the channels through which Canadian transit systems can seek federal investment.

**Building Canada Plan.** The majority of recent federal investment in public transit has been directed to infrastructure improvements through a collection of initiatives that comprise the Building Canada Plan. The plan, which started in 2007 and will end in 2014, is providing \$33.2 billion in infrastructure funding to municipalities, provinces and territories. The key elements of interest to transit systems, some of which may be fully committed in some jurisdictions, are described below (*see [www.buildingcanada.gc.ca](http://www.buildingcanada.gc.ca) for more information*).

**Gas Tax Fund.** This provides Canada's cities and towns with predictable, long-term infrastructure money to support projects that contribute to cleaner air, cleaner water and reduced greenhouse gas emissions. Public transit is among the many eligible investment categories. The Gas Tax Fund was originally programmed to include \$11.8 billion from 2007 through 2014, and has been extended beyond 2014 as a permanent, \$2-billion-per-year measure to help municipalities better plan and finance their long-term infrastructure needs. Public transit infrastructure is the single largest area of investment under this fund, accounting for \$714 million or over 34% of all spending from 2005 to 2009. Several large municipalities including Vancouver, Edmonton and Toronto have dedicated their entire Gas Tax Fund allocation to transit investments.

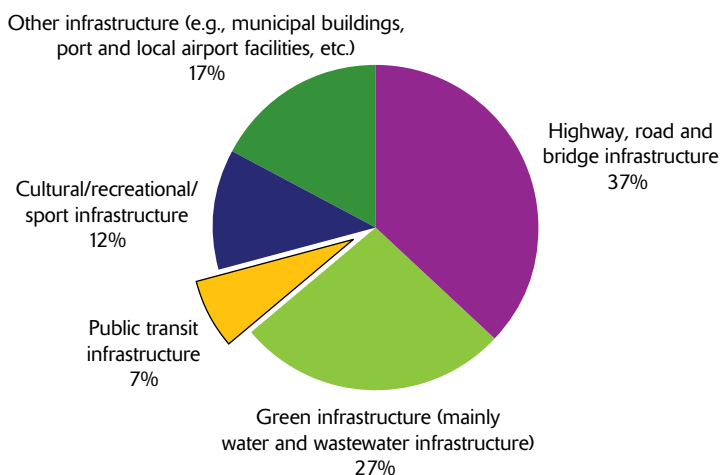
**Building Canada Fund.** This flagship infrastructure program, which will end in 2014, is providing \$8.8 billion for public transit and several other priority project categories, spread among provinces and territories by population. Its Major Infrastructure Component targets larger, strategic projects of national and regional significance that are selected through federal-provincial/territorial negotiations, while its Communities Component supports projects in communities with populations of less than 100,000.

**Provincial/Territorial Base Fund.** This program, which extends to 2014, includes \$175 million for each province and territory for cost-shared construction or rehabilitation projects in the same eligible categories as the Building Canada Fund.

**Goods and Services Tax (GST) Rebate.** The federal government offers a rebate of the GST paid by municipalities. From its beginning in 2007 through its current planned conclusion in 2014, this rebate is expected to provide communities more than \$5.8 billion to address priorities from new infrastructure to the maintenance and operation of existing facilities.

**Infrastructure Stimulus Fund.** As a recession-fighting measure, the federal government established this \$4-billion infrastructure fund for construction-ready projects to be built between 2009 and the fund's end on March 31, 2011. In terms of the dollar value of projects supported by this fund, public transit infrastructure is expected to receive only 7% of the fund's total investment—greatly outweighed by highway, road and bridge infrastructure (37%) and cultural, recreational and sport infrastructure (12%) (see [www.buildingcanada.gc.ca](http://www.buildingcanada.gc.ca) for more information).

**Value of projects supported by Infrastructure Stimulus Fund, by sector**



**P3 Fund.** Public transit infrastructure is an eligible investment category under this fund, which supports innovative projects as an alternative to traditional government infrastructure procurement. It will provide \$1.2 billion for approved projects by 2014. About \$75 million has been committed to date, with an additional \$200 million expected to be committed through the second round of funding that closed earlier in 2010 (see [www.p3canada.ca](http://www.p3canada.ca) for more information).

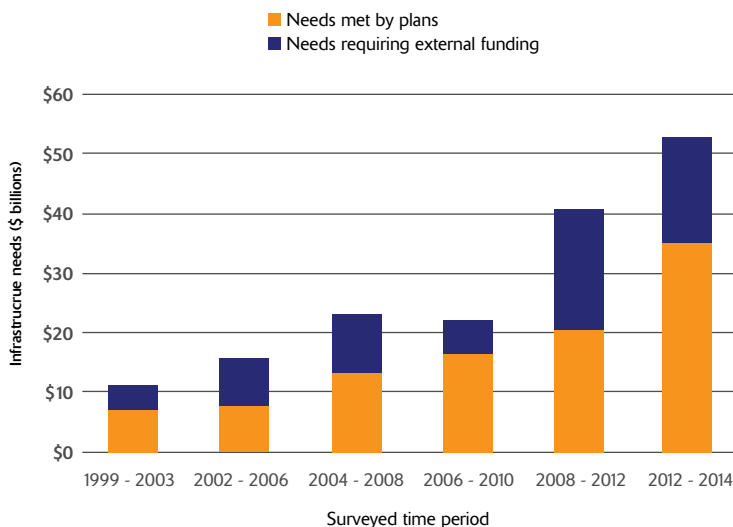
**Green Municipal Fund (GMF).** The federal government endowed the Federation of Canadian Municipalities (FCM) with \$550 million to establish this fund. The GMF provides below-market loans and grants, as well as education and training services to support municipal sustainability in several sectors including transportation. Eligible capital projects in the transportation sector can target overall modal shift, or reductions in fuel consumption and GHG emissions within fleets. Transit-related projects might address real-time travel information, transit signal priority, active transportation links to transit hubs, hybrid vehicle acquisition or fuel switching (see [www.fcm.ca/gmf](http://www.fcm.ca/gmf) for more information).

### Substantial infrastructure needs remain

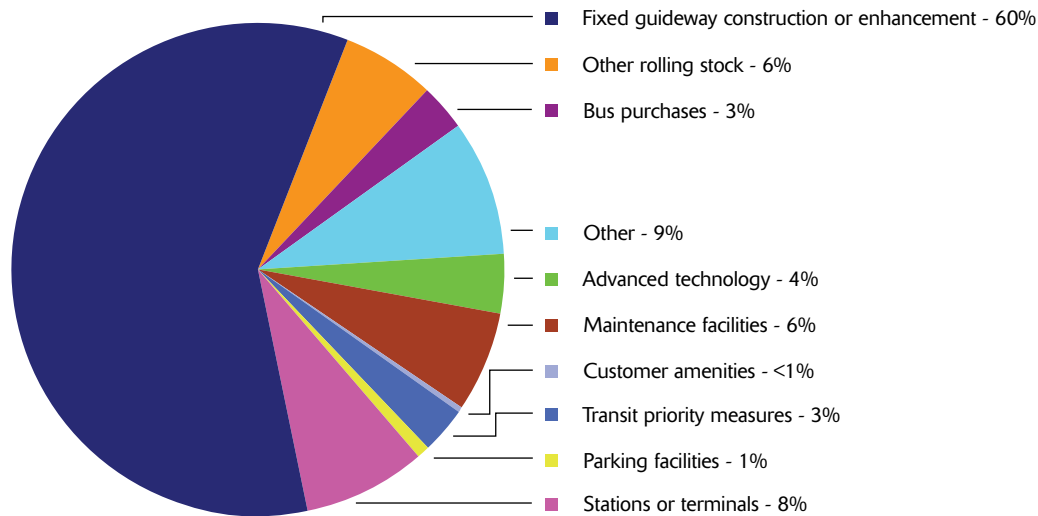
Every two years, CUTA documents the infrastructure requirements of transit systems across Canada for the next five-year period. The sixth such survey addresses the 2010 to 2014 timeframe (see [www.cutaactu.ca](http://www.cutaactu.ca) for the full report).

The survey results show that the infrastructure needs of Canadian transit systems have grown by a factor of five over the last decade, as communities increasingly rely on transit to reduce their dependence on automobile travel. As needs have grown, so has overall investment in transit infrastructure—but substantial gaps remain. Total transit infrastructure needs for the next five years are valued at \$53.5 billion, including \$12.8 billion (24%) to rehabilitate or renew infrastructure and \$40.7 billion (76%) to expand service to meet the growing mobility needs of the Canadian population. Of total infrastructure needs, only \$35.9 billion (72%) can be met by existing funding programs—leaving a funding gap of almost \$18 billion (28%).

**Growth in transit infrastructure needs**



## Transit infrastructure needs requiring external funding, by type (2010-2014)



Over the next five years, the biggest need identified by the infrastructure survey is \$26.6 billion for rapid transit lines and stations to serve growing ridership. Of this amount, about \$9.4 billion (35%) is unmet by current funding sources. Several other important areas also face significant gaps in investment:

- **Rolling stock rehabilitation and replacement needs are 30% unmet by current funding.** Meeting these needs will address capacity deficiencies where systems simply do not have enough vehicles to carry waiting passengers, and will boost the proportion of low-floor buses in service to maximize accessibility for persons with disabilities.
- **Transit priority needs are 44% unmet by current funding.** Meeting these needs will improve the speed and reliability of service for customers, and make more efficient use of available vehicles by helping them avoid congestion.

- **Maintenance facility needs to serve expansion and growth are 46% unmet by current funding.** Meeting these needs is essential to minimize breakdown time and keep rapidly growing fleets of buses and rail cars in service.
- **Advanced technology needs to serve expansion and growth are 58% unmet by current funding.** Meeting these needs will enable better fleet management to maximize efficiency and service quality, improve convenience by making customer information more accessible, and boost security on vehicles and in stations.

Clearly, transit systems need increased investment to renew and expand their infrastructure so that they can better serve the mobility needs of Canadians.

### Recommendations for future action

On behalf of Canada's transit industry, CUTA has asked the federal government to consider a program of dedicated investment in public transit, in concert with other orders of government, that would overcome the \$18-billion gap in transit infrastructure needs from 2010 to 2014. In recognition of competing needs during Canada's economic recovery, a phased program that increases investment over time could be appropriate.

Once transit's short-term capital investment needs have been addressed, the federal government should work with provincial, territorial and municipal governments and other transit industry stakeholders to develop a sustainable and predictable long-term funding mechanism as part of a comprehensive Canadian transit policy framework.

Finally, the federal government has an important role to play in transit research and development—an area where Canada's transit industry already boasts a strong track record. The development, adoption and export of innovative products and tools creates jobs for Canadians and new revenues for government—not to mention increased efficiency and productivity for transit systems. Additional investment in innovation is needed to continue and build on Canada's success. Federal leadership can focus attention on areas where research and development needs are a priority, and can bring other partners to the table by leveraging private-sector investment.



Halifax Regional Municipality

## Smaller communities face critical gaps

Transit investment gaps in large cities may grab national headlines, but smaller communities face funding shortfalls that are no less vital to the success of transit. In fact, these communities are often much less able to afford major one-time capital expenditures such as replacing older, inefficient buses or acquiring new technologies for customer information or fleet management.

CUTA's recent survey included 48 transit systems that serve communities with fewer than 150,000 people. Among these systems, infrastructure rehabilitation and replacement needs totaling \$237 million were found to be 84% met by current programs. However, infrastructure expansion needs totaling \$181 million are only 65% met. In total, these communities require just over \$100 million in additional funding to cover their infrastructure needs from 2010 to 2014. The following examples profile the gaps faced by some smaller communities.

**Strathcona County, Alberta** is seeking funding for the \$23.6-million Strathcona Park and Ride Terminal, a local transit terminal and 1,200-vehicle park-and-ride lot that will also anchor intermunicipal transit service between Sherwood Park and Edmonton. The project, which could be completed in two years and is the site of a future station on Edmonton's light rail system, would improve transfers for intermunicipal transit customers, attract 400 new commuters and provide access for kiss-and-ride users, taxis, cyclists and pedestrians.

Strathcona is also conducting a double-deck bus demonstration project that, if successful, could lead to the purchase of 15 double-deckers to serve high-volume intermunicipal transit routes between Strathcona County and Edmonton. These buses, for which funding has not been identified, would replace smaller, older and less efficient buses. They would also provide a unique and comfortable travel experience for long-distance commuters, and act as a powerful symbol of innovation that could increase transit's profile and attract new riders.

**Welland, Ontario** is experiencing an economic downturn that has impacted the local tax base, leading to frozen transit budgets despite continuous increases in fuel and wage costs. Welland Transit's basic operating needs, including a reduced vehicle replacement program, have taken precedence over improvements and innovations such as hybrid buses, greater accessibility, garage and terminal improvements, and expanded service levels.

**Cornwall, Ontario** faces real financial impediments to its goal of providing expanded and fully accessible services. Its specialized Handi-Transit service is overloaded and dominated by 14-year-old buses, and only 43% of its regular transit fleet has been upgraded to accessible low-floor buses—meaning that many customers with disabilities lack attractive service options. Without new buses to expand its fleet, Cornwall Transit is unable to serve the extra demand among post-secondary students that would arise from a U-Pass agreement with the local college.

**Nova Scotia** is home to a number of transit services in rural and smaller communities that rely on provincial funding programs. Many provide door-to-door transportation for persons with limited mobility, helping them access employment, education, shopping, recreational and social activities that are essential to their quality of life. These community transit services need sustainable, predictable funding sources to invest in new vehicles, expand service areas and improve service levels.

**St. John's, Newfoundland** has more than \$5 million in unfunded capital needs over the next five years. The requirements of the Metrobus system include \$2 million toward new buses to serve growing ridership, \$1 million to equip its fleet with hardware that enables delay-reducing transit priority measures at traffic signals, and \$2 million to retrofit its buses with mini-hybrid systems that lower emissions and fuel consumption.



Strathcona County Transit

The Canadian Urban Transit Association (CUTA) is the voice of Canada's public transit industry. For additional information including research reports, industry updates, news bulletins and more, please contact us or visit our website.



Suite 1401 • 55 York Street • Toronto ON • M5J 1R7 • Canada

Telephone: 416-365-9800 • Fax: 416-365-12951 • [transit@cutaactu.ca](mailto:transit@cutaactu.ca) • [www.cutaactu.ca](http://www.cutaactu.ca)