



Fall 2010 Pre-Budget Submission

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by:
The Canadian Urban Transit Association

2010 Pre-Budget Submission Canadian Urban Transit Association

The Future of Mobility in Canadian Communities

For more than a century, public transit has contributed positively to the quality of life of Canadians and supported their need for access and mobility. Today, transit ridership and investment are both at all-time highs, and transit is widely recognized as an important part of the solution to national challenges including economic prosperity, climate change, public health, safety and security.

Recognizing that the future is shaped with long-term views and bold leadership, CUTA has developed Transit Vision 2040, setting a course for public transit to maximize its contribution to the quality of life in Canadian communities over the next three decades.

Transit Vision 2040 is based on an understanding of transit's role in supporting Canadian communities, an examination of the changes those communities are likely to experience, and an assessment of transit's potential to mitigate or reinforce changes and make communities more livable, economically robust and environmentally healthy. While the vision takes a long-term view, it is intended to guide concrete short-term actions by CUTA, its members and stakeholders from a wide range of sectors, including municipal, provincial and federal governments.

The public transit industry fully recognizes the significant economic challenges Canada faces as a country, and the fiscal realities facing governments in the coming years. But allocations for transit infrastructure must be seen for what they are: an investment in the economy we must build for current and future generations. Like all sound investments, this infrastructure will yield real and positive returns that will help governments address their fiscal deficits while at the same time addressing our national infrastructure deficit.

CUTA's most recent national survey has identified a need for \$53.5 billion in transit capital investment over the next 5 years. Of this, \$36 billion can be covered from existing sources; most of the money needed is already committed. The remaining \$17.5 billion would need to come from various orders of government across Canada. Assuming an equitable three-way sharing of this investment, the federal portion would represent about \$6 billion of additional investment, during a time when the federal government will allocate well in excess of \$1 trillion in overall expenditure.

The Economic Impact of Transit Investment in Canada

The evidence of the need for transit investment surrounds most urban Canadians every day. Its benefits are multiple, ranging from improving the quality of the air we

breathe to reducing traffic congestion, moving an aging population with special needs, and favouring social inclusion.

In order to adequately respond to increasing demand, transit systems are in need of infrastructure renewal, and communities where transit has not kept pace with development need a greater focus on investment. As one example, a recent economic review by the OECD concluded that traffic congestion was costing the Toronto economy \$3.3 billion per year.

Investing in transit can be part of a broader strategy to improve Canada's productivity, by addressing the wasteful and economically damaging impacts of congestion, and by creating urban environments that support the evolving economic role of our cities. At a time when employment growth is increasingly concentrated in knowledge-based sectors, creating safe, walkable, thriving urban environments will be a central part of Canada's competitive advantage.

Public transit currently employs some 45,200 persons, with a further 24,300 jobs in spin off employment. Furthermore, over the past eight years, capital investment in transit totaled over \$10 billion, which has produced nearly 140,000 jobs and produced nearly \$21 billion in total economic output. The benefits of transit investments are many, as a recent study commissioned by CUTA demonstrates. Among its findings, the following highlights are worth noting:

- The total economic benefit of the existing transit network in Canada is at least \$10 billion annually, and likely considerably more;
- Transit reduces vehicle operating costs for Canadian households by about \$5 billion annually;
- Transit reduces accident related costs by about \$2.4 billion annually;
- A recent cost benefit analysis of a large scale transit project found that an investment of \$71 billion in capital cost produced an annual rate of return of 12.5%.

Public Demand for Transit at Record Levels

Canadians are choosing transit at unprecedented levels, as more and more people understand the importance of their travel choice in improving quality of life, reducing emissions and easing traffic congestion.

In the years leading up to 2009, Canadian public transit ridership had been growing at an average of over 3% per year, consistently outpacing the rate of population growth. In 2009, in the face of the economic recession and with unemployment rising from 6.6% to 8.5%, transit ridership declined significantly in the United States and Europe. In Canada, by contrast, transit ridership was stable at 1.82 billion passenger trips. Early

indications for 2010 suggest that ridership is rebounding and returning to growth rates seen in previous years.

Polls demonstrate that 92 percent of urban Canadians think that public transit makes their community a better place to live, and 73 percent feel that transit benefits them personally. Residents of Canada's cities know that quality of life requires clean air, safe streets, access to opportunity and the freedom to move. Public transit makes a significant contribution in all these areas.

Clearly, sustained growth needs to be matched with predictable and sustained investment. The public has made the move to support and use public transit. The Federal Government must listen to the rising demand and demonstrate transit leadership.

Creating Incentives for Transit Use

Offering incentives for transit use is an important complement to building efficient and effective transit systems. The Government of Canada can take a lead role, through policy and taxation, in providing incentives that make transit a more attractive choice for Canadians.

For more than a decade, CUTA has pursued a recommendation for tax-exempt status for employer-provided transit benefits. Through such a move, employers would be encouraged to offer their employees a choice between parking and transit benefits, thereby leveling the playing field and making transit a much more attractive and affordable option for the journey to work. Additionally, it would encourage businesses to locate in areas with quality transit service.

In that context, Private Member's Bill, C-466 was introduced in October 2009, and designed to allow Canadian employers to offer tax-free commuter benefits for those who choose public transit, bicycling and carpooling.

In February 2010, the Parliamentary Budget Office (PBO) completed an independent analysis of Bill C-466. Drawing on publicly available data, peer-reviewed publications and consultations with knowledgeable parties, the PBO estimated that the proposed legislative amendments are likely to result in forgone annual revenues to the federal government of between \$10 million and \$180 million, following a five-year implementation period, and depending on the assumptions used regarding adoption rates among employees and employers and the administrative structure of the tax exemption (*i.e.* employer subsidy versus employee pay).

It is clear that such an initiative would be effective in producing a modal shift because it is targeted specifically at the work commute, and would be at a relatively low cost to the

government. Indeed, it would be an excellent complement to the existing Tax Credit for Public Transit Passes.

By implementing federal tax incentives for individuals to use public transit, more and more Canadians would choose a mode of transportation that benefits the environment, the economy, and healthy living.

The Future of Public Transit

Canada's transit industry, and more importantly the public, recognize and support the recent progress made by the Federal Government in addressing transit needs.

However, the goal of reliable, long-term transit investment remains elusive. **Canada remains alone in the OECD without a stable, predictable approach to transit funding.** 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 this context, CUTA makes the following recommendations for the 2011-12 federal budget:

1. Strategic federal investment in public transit infrastructure that is dedicated and designed to meet the current federal shortfall of \$6 billion over the next 5 years. To achieve that objective, the government should develop a five-year timetable in which investments are scaling-up in a way that takes into account the economic recovery.
2. The development of a long-term, sustainable and predictable funding mechanism embedded in a comprehensive Canadian Transit Policy Framework. Such policy must be developed in collaboration with provincial and regional governments and in consultation with the transit industry.
3. The Federal Government should give tax-exempt status to employer-provided transit benefits. This would complement the current federal tax credit for transit pass purchases and encourage employers to financially support transit commuters, thereby "leveling the playing field" with employer-provided parking benefits that are frequently not taxed.