



March 3, 2011

The Honourable James Flaherty  
Minister of Finance  
Finance Canada  
140 O'Connor Street  
Ottawa, ON K1A 0G5

Dear Minister Flaherty,

I am writing to you further to a meeting you had with members of the Executive Committee of the Canadian Urban Transit Association (CUTA) on 15 February, Mr. John King, CUTA First Vice Chair, and Ms. Bev Dubois, CUTA Vice Chair Municipal Councils.

During the meeting, you showed keen interest in the idea of including tax-exempt status for employer-provided transit benefits in the next federal budget as a way to enhance the current Transit Tax Credit implemented by your government in 2006. We are pleased to provide you with the information you requested during the meeting regarding the potential cost and impact of this measure.

According to some studies, it is estimated that this new fiscal measure could cost the federal government nearly \$100 million per year in forgone revenues following a five-year implementation period. To reach that level, the tax measure would need to prove very efficient in increasing ridership. Indeed, in a memorandum prepared by the Tax Policy Branch of the Department of Finance in 2004, the government assessed the measure would cost somewhere between \$40 million and \$115 million annually. According to the memorandum, \$115 million in forgone revenues would represent an increase in ridership of 18%. Since this measure specifically targets the journey to work and the peak hours when traffic congestion is at its highest, that level of increase in ridership would have a tangible effect on easing traffic congestion. Considering the 2006 census data on the means of transportation used for the daily commute to work, we estimate this fiscal measure could reach somewhere between 1.7 to 2 million Canadians.

An important factor to bear in mind in terms of accountability and efficiency is that the cost is directly proportionate to the success of the measure. If only a handful of employers decide to offer the program, then its cost will be marginal. Its success will largely depend on the efforts made by the transit industry to promote the program towards employers.

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The government of Québec implemented a similar measure in its 2006-07 budget and the success is impressive. Annually, the Ministère des Transports du Québec (MTQ) estimates that nearly 1.6 million trips are employer-paid benefits. The MTQ assesses that between 30% and 75% of these trips are attributable to the fiscal policy. In 2009, the program cost less than \$9 million in lost revenues. Not only would a federal initiative further support the Québec program but it would also lead the way for other provinces to do the same. Already, several cities and transit systems in Canada offer employer-provided transit benefit programs. In these cases, transit systems and employers voluntarily contribute financially to the program but employees receiving the benefit pay taxes on it.

We remain available to discuss this initiative further with you or someone in your office.

Best regards,

A handwritten signature in black ink, appearing to read "M. Roschlau". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Roschlau  
President &CEO

c.c. The Hon. Chuck Strahl, Minister of Transport, Infrastructure and Communities