Investing in our Future

Federal Pre-Budget Consultations

Budget 2013-14

Analysis and Recommendations from the

Canadian Urban Transit Association

November 1st 2012

Investing in our Future

Over the last decade, all orders of government have recognized the importance of public transit by increasing their investment in this strategic sector of our economy. From 2001 to 2010, the amount of transit infrastructure funding has more than quadrupled, reaching over $4 billion per year. The federal government alone has invested nearly $1 billion annually in public transit since 2006. This surge in government investment can be explained by factors such as higher demand for public transit, the concentration of the Canadian population in urban centres, the need to tackle traffic congestion and the importance of offering greener transportation options. A closer review of the federal contribution reveals some specific elements that made this increase possible: first, there have been two trust funds dedicated specifically to public transit ($900 million in 2006 and $500 million in 2008); second, the federal government developed its first ever long term infrastructure plan which dedicated $33 billion to Canada’s infrastructure for the period 2007-2014; third, federal investments in public transit were collaborative in nature and incremental to local, provincial and territorial funding (on average, every federal dollar invested in transit generates two additional dollars in co-funding). These three elements represent the main concepts essential to making transit an efficient solution: funding should be dedicated, long term, sustainable, and delivered through effective and meaningful partnerships.

As the federal government prepares its 2013-2014 budget, it will be essential to position public transit as a key pillar of Canada’s next long term infrastructure plan (LTIP).

Public Transit: Engine of Growth

The development of the next long term infrastructure plan was announced in budget 2011. It is expected that the direction of this plan will be part of the 2013-2014 budget so that the new measures can come into effect before the expiry of the Building Canada Plan and to ensure no construction season is missed in the process. In that context, it is essential to look at the economic value of investing in transit.

One other important factor frames the context of the issue: the federal government has developed a Deficit Reduction Action Plan with the expectation of balancing the budget by 2015-2016. This means that, for the most part, the next infrastructure plan will be implemented in a balanced/surplus budget situation. While it will be prudent for the government to manage the budget in a fiscally responsible way, the new reality will leave room for sound and strategic investments that generate long term economic impact.

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-Prime Minister Stephen Harper, 2010

As Prime Minister Stephen Harper mentioned in 2010, *"of all the solutions, public transit is the best. It is one area where smart infrastructure investments can make a big difference."* With a threefold economic return reaching nearly $12 billion annually, Prime Minister Harper is right to highlight the big difference these investments can make in our communities. In large urban centres it means reducing traffic congestion and increasing Canada's productivity. This economic benefit results in more competitive cities that attract new investors. Reducing traffic congestion also improves the movement of goods and increases the efficiency of the government's trade strategies and more particularly the effectiveness of the Gateways.

In addition to boosting our productivity, investing in public transit contributes to creating high quality jobs. The industry generates nearly 80,000 direct and indirect jobs within transit systems and the private sector. Moreover, public transit increases employment opportunities for millions of people across the country by linking them to jobs. The vitality of Canadian bus and rail manufacturers and their supply chains also positions Canada as a North American leader. Over the last few years the federal government has invested time and energy to encourage and revitalize Business Expenditures on Research and Development (BERD). On that front, Canadian transit manufacturers have lead the way by putting innovation at the forefront of their business plans. Transit manufacturers and their suppliers have invested heavily to improve their products and get ahead of the competition. Therefore, it is no coincidence that companies leading the North American bus market are Canadian, and that the world leader in the rail industry is headquartered in Canada.

Long Term Planning

One of the strengths of the current Building Canada Plan is its predictability. Over a seven-year period stakeholders and decision makers knew exactly what funding streams were available, how they were structured, and what criteria were used to determine eligibility. Like most strategic infrastructure plans, efficient public transit projects are years in the making. The best mobility solutions are tailored to the specific challenges faced by each community. In large urban centres, traffic congestion costs billions in lost productivity. In the Greater Toronto and Hamilton Area (GTHA) alone, gridlock costs nearly $6 billion in lost productivity every year. One of the most efficient solutions to reduce traffic congestion is rapid transit (subway, light rail transit, bus rapid transit). These solutions represent the best alternatives to single occupancy vehicles because they allow commuters to avoid traffic. The simple addition of

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> **-Finance Minister Jim Flaherty, 2006**

buses on congested roads is not sufficient to solve the problem. Minister of Finance Jim Flaherty clearly identified the problem in a speech delivered in 2006 where he said that *"tremendous growth has restricted our mobility and we are falling further and further behind. Our current infrastructure was not designed to handle the huge influx of people and the resulting traffic in many parts of our country."*

While traffic congestion is not an issue in smaller communities, the aging population will have a huge impact on the ability of cities to respond to the specific needs of their citizens. Today, seniors account for 15% of the population and it is expected that they will represent nearly 25% of the population by 2040. To ensure our cities can adapt to this new reality, it is critical that long term funding be available to communities of all sizes.

Long term planning is also critical to attracting skilled workers through immigration that our economy needs. Over the last ten years, two-third of Canada's population growth came from immigration. Economic immigration and qualified workers will be essential in addressing challenges presented by skill shortages. In order to attract these new Canadians, communities must provide access to jobs and a good mix of integrated mobility options. As demonstrated in a study conducted by the Federation of Canadian Municipalities, immigrants are twice as likely to commute by public transit. In the current reality of an increasing economic focus defining our immigration policy, this means that investments in transit represent direct investments in the economic integration of Canada's new skilled workers.

The opportunities and challenges listed above require long term planning and the appropriate level of investment in order to be addressed properly.

Funding Mechanisms

In the Building Canada Plan public transit is an eligible category under broader funding streams. This is an important component of the plan that should be replicated in the next one as it provides flexibility to local governments to set their own priorities. Public transit benefited from this model and most federal investments over the last five years have been channeled through the Gas Tax Fund and the Building Canada Fund.

Another important funding source that was not part of the Building Canada Plan, but that proved highly successful in supporting public transit growth, was the $1.4 billion dedicated to public transit through two Transit Capital Trusts. With these funding streams the Conservative Government showed leadership by investing directly in one of the most strategic sectors of our economy while respecting local priorities and different jurisdictions. It is important to recognize the contribution these funds brought to public transit growth across the country. As Minister of Finance Jim Flaherty said in 2006 in a speech in which he referred to the first ever $900 million Public Transit Capital Trust: "*Public transit is not just about moving people and strengthening the economy. It's about creating sustainable, functional and livable communities. Public transit is the backbone that in many ways connects society*." For these reasons transit should be given specific consideration in the next long term infrastructure plan and it should benefit from dedicated funding. As the government demonstrated already, this can be achieved in total respect of jurisdiction.

In order to close the gap between public transit infrastructure needs and the ability of current funding programs to cover them over the next five years, additional funding from all orders of government combined should reach about $13.5 billion (which represents about $900 million per year for the federal government alone). Through existing programs, the federal government already invests nearly $1 billion in transit every year, although some of those funds will expire in 2014. In the next long term infrastructure plan, the total amount invested by the Government of Canada in public transit should reach nearly $2 billion annually – that includes all types of funding mechanisms combined (dedicated and omnibus funds, P3s, Gas Tax Fund, others). The dedicated portion of the overall plan going to public transit should represent $1 billion per year. An allocation formula should be developed in collaboration with the industry and other like-minded stakeholders. This approach would leave enough flexibility for local and provincial governments to set their own priorities while ensuring strategic investments in public transit remain stable.

Therefore, The Canadian Urban Transit Association (CUTA) makes the following recommendations for the federal budget 2013-2014:

Recommendation 1: The next long term infrastructure plan should include dedicated transit funding of $1 billion annually. Public transit should also remain an eligible category under omnibus investment funds.

Recommendation 2: Notwithstanding the desire for a longer term planning horizon, CUTA recommends an LTIP funding commitment of a minimum of 7-10 years.

Recommendation 3: The Government of Canada should initiate a collaborative process with provinces and territories, municipalities and CUTA to develop an overarching Urban Mobility Action Plan that would address the main mobility challenges faced by our cities in different parts of the country.