



*Harnessing the Power of Transit Infrastructure  
Investment*

Federal Pre-Budget Submission

Submission by the  
Canadian Urban Transit Association

August, 2016

## About the Canadian Urban Transit Association

CUTA is the collective and influential voice of public transportation in Canada, dedicated to being at the centre of urban mobility issues with all orders of government, and delivering the highest value to its members and the communities they serve. CUTA is the national association representing public transit systems, manufacturers and suppliers to the industry, government agencies, individuals and related organizations in Canada.

### Executive Summary

The level of public transit investment by Canada's federal government is poised to significantly expand in the coming years. This will bring many benefits to Canadians, such as improved quality of life, reduced traffic congestion, and having more local infrastructure needs in their communities addressed. There will be long-term benefits as well, such as an improved economy, a more mobile workforce and reduced national GHG emissions.

With multiple new and dedicated federal public transit funds currently being considered and administered by the federal government, the need for expert industry advice, clear and fair program parameters and a long-term vision for transit in Canada has never been more important.

The Canadian Urban Transit Association focused its recommendations on three key questions for its pre-budget submission. These questions were: 1) What federal measures would help **Canadians** generally maximize, in the manner of their choosing, their contributions to the country's economic growth? 2) What federal actions would assist **Canada's businesses** meet their expansion, innovation and prosperity goals, and thereby contribute to economic growth in the country? And 3) What federal measures would ensure that urban, rural and remote **communities throughout Canada** enable residents to make their desired contribution to the country's economic growth?

### CUTA's 2016/2017 Federal Pre-Budget Recommendations

- 1. The federal government should provide tax-exempt status for employer-provided transit benefits, this will mobilize the workforce, provide Canadians with reduced transportation costs and reduce congestion during peak times.**
- 2. Support the Canadian transit industry through targeted investment in three areas; (1) Partner with CUTA and CUTRIC members to support research, development, demonstration & integration projects in the transit industry; (2) Provide incentives that will lower the incremental costs of transit systems that are looking to procure green fleets; (3) Allow transit systems to access green infrastructure funding to build more climate resilient infrastructure.**
- 3. Federal urban transit investments should be on-going in nature, incremental to previous spending, flexible enough to meet the local needs of different communities and dedicated to not only large cities, but medium and small communities, as well.**

## **Mobilizing individual Canadians to contribute to the economy and reduce their carbon footprint**

Transit systems already provide vital transportation services to low-income, young, senior and disabled Canadians by offering affordable and accessible transit. Transit provides these groups, and Canadians generally, with the mobility necessary to access different areas of employment and educational institutions. The potential of these and other groups can be maximized through increased labour mobility.

According to Statistics Canada, households spent an average of \$11,216 on transportation in 2012. This is second largest share of spending per household, totaling up to 20% of a family's budget per year.

The federal government should support Canada's working class by offering a new tax-exemption for employer benefits that will reduce the cost of commuting through sustainable modes of transportation—like transit. This change would provide hard-working Canadians with reduced transportation costs, reduced congestion in their cities and a reduced carbon footprint.

This proposal involves an amendment to the Tax Act that would exempt a set amount of money provided by the employer to an employee from the calculation of taxable income. This would be a mutually exclusive benefit to the Federal Transit Tax Credit.

Applicable expenditures could include monthly or yearly commuter passes, parking expenses related to the use of commuter transit or to use carpooling, and the purchase/maintenance of a bicycle used to commute to and from work.

A 2010 Parliamentary Budget Office study found that the benefit would result in forgone revenues of between \$10-180 million/year after five years, depending on the rate of subscription to the program. The study also noted that, on account of statutory payroll tax provisions, and reduced claims for the Federal Transit Tax Credit that in "the long-term, the net impact of these changes should be nil."

This new benefit would also serve as a ridership incentive for Canadians, which encourages a modal shift away from single occupancy vehicles and provides new revenues for transit systems through increased fare collection.

### **Recommendation #1**

**The federal government should provide tax-exempt status for employer-provided transit benefits, this will mobilize the workforce, provide Canadians with reduced transportation costs and reduce congestion during peak times.**

By creating a transit ridership incentive for commuters, the federal government will help hardworking Canadians reduce their daily travel costs which is the second highest household cost faced by Canadians.

## **Encouraging Canadian transit manufacturing, research and development industries with targeted GHG reducing investments**

Canada's transit manufacturers not only produce cutting-edge green transit technology, but they produce good Canadian jobs, as well. Combined with employees of Canada's transit systems, there are about 75,000 people working in the Canadian transit industry.

A key opportunity in Canada's transit manufacturing, research and development is the shift to a greener economy.

The Government of Canada should partner as a co-investor/co-funder with the Canadian Urban Transit Research and Innovation Consortium (CUTRIC) and CUTA to bring cutting-edge Canadian transit innovation to market through research, development, demonstration & integration projects, at the level of \$185 million over four years starting in 2017.

Alternative propulsion technologies for buses, such as Liquefied or Compressed Natural Gas (LNG/CNG), electric, clean diesel and hybrid technologies are proven to reduce emissions and provide significant fuel savings for operators.

Unfortunately, the high incremental cost of purchasing alternative propulsion buses, instead of standard diesel buses, creates a procurement barrier for transit systems unless an incentive is created by government. The additional costs to build the appropriate supporting infrastructure, such as charging stations, for these new vehicles can also create a barrier to adaptiveness.

Similarly to California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), the federal government could provide financial incentives that cover a portion of the incremental cost for fleets (buses, rail cars, trucks) in the transit sector to upgrade to low-carbon vehicles and their supporting- infrastructure.

The government should also incent the creation of climate resilient infrastructure in the transit industry by allowing transit projects that incorporate these priorities to access and stack funds from the proposed green infrastructure fund. These transit climate resiliency funds would be used for the retrofitting, construction, replacement, expansion, purchase and installation of fixed assets or infrastructure that will help transit systems withstand the effects of climate change.

### **Recommendation #2**

**Support the Canadian transit industry through targeted investment in three areas; (1) Partner with CUTA and CUTRIC members to support research, development, demonstration & integration projects in the transit industry; (2) Provide incentives that will lower the incremental costs of transit systems that are looking to procure green fleets; (3) Allow transit systems to access green infrastructure funding to build more climate resilient infrastructure.**

The Canadian transit manufacturing, research and development industries create good paying, local jobs across Canada. This industry can also play a key role in reducing Canada's transportation GHG emissions through the creation and commercialization of alternate propulsion technologies.

## **Ensuring Canadian communities receive the maximum economic, environmental and quality of life benefits from the government's unprecedented investment in public transit**

In addition to 'legacy' infrastructure funds like the New Building Canada Fund, there are three distinct federal public transit funds that are currently under the administration/consideration of the federal government.

The first fund, the Public Transit Fund (PTF) was laid out in the 2015/2016 Federal Budget and is slated to be worth \$250 million in 2017/2018. This fund will ramp up to be worth \$1 billion annually on an on-going basis starting in 2019/2020.

Phase 1 of the Public Transit Infrastructure Fund (PTIF), which was laid out in the 2016/2017 Budget is already underway. Phase 1 is a transfer-based program worth \$3.4 billion over four years that will be targeted towards renewing and upgrading existing infrastructure, as well as building the capacity for future expansion.

Phase 2 of PTIF is expected to be worth \$16.5 billion and is anticipated to be active until 2025/2026. Budget 2016/2017 said the goals for Phase 2 would be "broader and more ambitious: a more modern, cleaner economy; a more inclusive society; and an economy better positioned to capitalize on the potential of global trade."

In order for Canadian communities to receive the maximum return on their investment in public transit, all of these funds should reflect the following principles in their program parameters:

- *Incremental*: All federal transit funding should be in addition to the government's previous commitments. Furthermore, matching funds from municipal and provincial partners should also be incremental to previous spending.
- *Flexible*: Regulations around receiving funding for transit projects should not be overly restrictive and allow for a variety of sizes of transit projects and the use of alternative financing and funding mechanisms.
- *Accessible*: Communities of all sizes should have adequate access to federal funding. The distribution of funds should be done in a way that meets the infrastructure needs of Canadian communities.
- *Transparent*: The funding process should be understandable and transparent to all eligible recipients.
- *On-going funding*: Transit systems need on-going funding commitments in place from governments that will allow them to move past building transit on a project-by-project basis and towards fulfilling their long-term transit vision for their communities.

### **Recommendation #3**

**Federal urban transit investments should be on-going in nature, incremental to previous spending, flexible enough to meet the local needs of different communities and dedicated to not only large cities, but medium and small communities, as well.**

Urban communities are more vibrant and economically competitive when they are planned efficiently and with a long-term vision. The federal government should build a long-term, dedicated transit funding framework that will ensure Canadian communities receive the maximum return on their transit investment.

## **Conclusion**

Urban transit can serve as an excellent vehicle to get individual Canadians, businesses and communities to collaborate and participate further in Canada's economy. By addressing the unanimous need for increased transit infrastructure investment, Canada stands to reap substantial economic and environmental benefits.

But the Canadian government needs to ensure that they are receiving the highest return possible out of their investment. This can be achieved through consultation, flexibility and the implementation of best practices.

Moving forward with this budget, the federal government should incentivize ridership through the creation of a tax-free employer provided benefit. This will mobilize individual Canadians to contribute to the economy and reduce their carbon footprint.

Transit manufacturers are looking to play a key role in Canada's new green economy, but they would greatly benefit from targeted investment in green transit research and development. Additionally, by incentivizing the purchase of alternative propulsion technologies and greening the fleets of transit systems, the government can help create and maintain green tech jobs here in Canada while also reduce GHG emissions.

Finally, given the size and scope of its three new transit infrastructure funds, the Canadian government should ensure Canadian communities receive the maximum economic, environmental and quality of life benefits from their investment in public transit. This can be done by ensuring that transit funding is incremental, flexible, accessible, transparent and on-going.

Through this comprehensive approach to Canadian public transit, Canada will modernize its urban centres into innovative and environmentally friendly economic hubs. Through an economic and community-oriented policy focus that incorporates the actual needs and opportunities facing this sector, we can work together to build more livable cities, expand the economy, create greater mobility and help the environment. We look forward to working with the government on this important file in the future.