

## Commuter Choice program uses tax policy to build ridership

The United States has made employer-provided transit benefits exempt from tax for over 25 years, promoting transit to a generation of commuters and having a tremendous impact on travel habits. In 1984, eligible employers were allowed to give workers up to USD\$15 monthly in tax-exempt transit benefits; transit ridership increased 25% at participating workplaces, and in some areas 30% of benefit recipients were new transit users. Over time, the allowable monthly benefit has grown to USD\$100 and the program is even more successful. Employers receive a tax deduction for the expense and save on payroll taxes, while employees can set aside money for transit fares from pre-tax income.

Program, which was funded by Transport Canada's Transportation Development Centre, four provinces and a dozen transit systems. A broader national fund could accomplish similar ends, while also supporting and motivating important private-sector research and development that creates jobs and builds Canada's economy. By sharing costs, provinces, territories and municipalities could efficiently support research that addresses their own challenges.

- » *Primary responsibility:* Federal government
- » *Next steps:* CUTA could invite representatives of transit systems, provincial governments, federal agencies (e.g. Transport Canada, National Research Council), private-sector suppliers (e.g. vehicle and systems manufacturers) and academic institutions to form a Steering Committee and collaborate on the design of a new national research and development program to build on Canada's legacy of transit innovation.

## American support for transit research and learning fosters innovation

In the United States, the current federal SAFETEA-LU legislation authorizes USD\$9.2 million annually for the Transit Cooperative Research Program which carries out practical research for the transit industry, USD\$6.8 million for transit-focused University Transportation Centers that concentrate on graduate-level academic research, and USD\$3.6 million for the National Transit Institute which develops and delivers training and education programs for the transit industry.

## Closing

A collaborative effort will be required to build a robust national environment in which transit can thrive over the coming decades. All orders of government will have to work closely with transit systems and suppliers to identify needs and challenges, and to craft solutions that bring the industry closer to its goals.

While many of the ideas suggested in this issue paper will require coordinated long-term action, it is important to begin working on them quickly. Delay will only lengthen the time it takes to succeed. Fortunately, some important and very tangible "quick wins" exist in the very short term.

CUTA and its members will, of course, play a central role in motivating and sustaining dialogue, bringing together key stakeholders, providing a forum for information exchange, and offering insight to the identification, evaluation and selection of alternative strategies. They are eager to build and strengthen the partnerships that will be the foundation of a strong transit policy framework for Canada.

## 6. INFLUENCING TRAVEL BEHAVIOUR

This *quick win* requires expanded provincial, territorial and municipal funding of transportation demand management (TDM) programs. TDM tools complement transit capital investments and accelerate modal shift through outreach, education, promotion, incentives and disincentives. They can be implemented quickly and aimed precisely at key target markets. They are often delivered in partnership with workplaces, schools and community groups, extending the reach of programs, adding credibility and leveraging additional resources.

- » *Primary responsibility:* Provinces and territories, municipalities
- » *Next steps:* Individual provinces and territories could work with their municipalities and transit systems to design collaborative TDM programs that better meet regional needs and objectives using available resources.

## Australian state governments sponsor local TDM efforts

Australia's states are among the world leaders in supporting regional and local programs that promote transit use and other sustainable transportation choices. Under the TravelSmart banner, several states work with municipalities to reach people at home, at work and at school to build awareness and understanding, offer incentives and monitor results. Australia continues to be a key innovator in the use of individualized marketing that targets individual households, an approach that has also been proven in several Canadian cities.

## 7. INNOVATION THROUGH RESEARCH AND DEVELOPMENT

This involves the creation of a national transit research and development fund. Over the 1990s, CUTA delivered a considerable amount of important research through its Strategic Transit Research

# MAKING HEADWAY: TOWARDS A NATIONAL TRANSIT POLICY FRAMEWORK



Across Canada, transit capital funding and transit ridership have both grown substantially over the last decade. However, these trends are challenged by the absence of a coordinated framework of policies and programs to ensure that transit investments are stable, predictable and allocated to maximize benefits for transit riders and their communities. Transit support is poorly integrated and coordinated across different orders of government (from federal to municipal), within each order of government, and across different sectors. CUTA's award-winning *Transit Vision 2040* confirms that the need to overcome this gap is a key strategic direction.

In Issue Paper 40, CUTA published findings of new research on the national transit policies of Canada's fellow G8 nations (United States, United Kingdom, France, Germany, Italy, Russia and Japan) as well as New Zealand, Australia and the Republic of Korea. It found that none of these nations presents a perfect example, but several offer valuable lessons for transit stakeholders in Canada.

To expand on the researchers' findings and recommendations, this issue paper identifies several priority actions (both long-term fundamentals and shorter-term quick wins) to build a more supportive transit policy framework. It suggests which stakeholders—among Canada's federal, provincial, territorial and municipal governments, as well as CUTA itself, transit

systems and the private sector—are primarily responsible for each action, and which stakeholders will play important supporting roles. Its purpose is to motivate dialogue, consensus and action in those areas where Canada's transit industry is most at risk.

## Overview

What is a national transit policy framework? *Transit Vision 2040* describes it as an integrated, mutually supportive and consistent set of policies that clarifies jurisdictional roles, responsibilities and priorities while highlighting the shared and distinct goals of stakeholders. Such a framework will likely take years to develop, with involved jurisdictions collaborating on the overall picture while getting their own houses in order. In the short term, development of a "road map" document to guide stakeholders over time could help them accelerate consensus and develop complementary objectives and intentions.

This issue paper is one of a series on the development of a Canadian transit policy framework. Previous publications include Issue Paper 37, *Canada's Transit Policy Framework: A Consensus Emerges* and Issue Paper 40, *National Transit Policy Frameworks: What Will Canada Learn from Other Countries?* Those issue papers are available at [www.cutaactu.ca](http://www.cutaactu.ca), along with the full report on CUTA's international research, *National Strategies on Public Transit Policy Framework*, as well as CUTA's *Transit Vision 2040*.

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.

Issue Paper 40 identified a number of transit policy parameters among Canada's peer nations—these include financing, fare subsidies, tax exemptions, capital funding, operating funding, allowances for local revenue generation, role of the private sector, social inclusion, administrative support, level of policy integration, regional autonomy, and requirements or conditions around community planning. Based on the international lessons learned in these areas, and on the observed gaps in the Canadian context, several key themes emerge for action by the Canadian transit industry and its government partners:

- Better information exchange and collaboration among industry stakeholders, including all orders of government
- Transit funding that is stable, predictable, dedicated and shared equitably among different levels of government
- Availability of diverse revenue sources for transit systems
- Integrated long-term planning within communities
- More competitive transit service delivery
- More supportive policies in other sectors including health and environment
- Demand management strategies to influence behaviour and complement capital investment
- More support for research & development and innovation

In response to these themes, seven priority actions are recommended to advance Canada's development of a national

transit policy framework. The following figure summarizes these actions, and the next section provides more detail on each. Several are long-term directions important enough to warrant a short-term start, while others are quick wins that can be planned and implemented within four years, with measurable benefits.

### Priority actions

The following paragraphs explain the recommended actions, identify the stakeholder(s) bearing primary responsibility, and suggest next steps. Illustrative examples from Canada's peer nations are offered in the accompanying inset boxes.

#### 1. MULTI-STAKEHOLDER DIALOGUE

There is a vital need for stimulating, informative and sustained discussion of key issues involving all transit stakeholders, from municipalities and transit suppliers to provincial and federal governments. The goal of this frank, focused dialogue is to help participants develop an awareness of industry needs, a consensus on the need for action, a commitment to act, and integrated and coordinated action plans.

- » *Primary responsibility:* CUTA (as facilitator)
- » *Next steps:* CUTA could use existing channels (such as conferences) and new channels (such as webinars or regional workshops) to bring together key transit stakeholders and identify their key needs and objectives with respect to transit policy issues.

#### 2. POLICY INTEGRATION

Senior levels of government should embed policies supportive of the public transit industry and its goals into a wide range of other policies, plans and strategies. Examples include those pertaining to transportation, public health, environmental protection, regional economic development and growth management, urban planning and design, and accessibility and mobility for disabled persons, youth and seniors. This objective reflects the fact that public transit is a means to many different ends, rather than an end in itself; it contributes to many other societal objectives, and recognition of this will help garner helpful support from within different sectors.

- » *Primary responsibility:* Federal government, provinces and territories
- » *Next steps:* CUTA could partner with federal and provincial governments to research and identify key needs and opportunities for policy integration, seeking the greatest gaps and returns with respect to addressing transit through policy in the health, environment and urban development sectors.

#### Australia integrates planning and policy to guide transit

Australia is developing a national transit strategy that looks 50 years ahead to identify needs and examine issues related to technology, service levels, funding and land development. Australia also takes a national approach to supporting transit through various instruments such as the in-progress national urban policy which includes transit as a key component. In 2009, the Coalition of Australian Governments also agreed to reform the urban planning process across all jurisdictions, so that major cities will follow strategic plans that are integrated across sectors (transport, land use, economic development, environment) and across government agencies.

#### 3. FEDERAL INVESTMENT IN TRANSIT

Canada needs a federal public transit fund that can offer long-term, predictable and dedicated capital investment that does not require transit to compete with other community sustainability sectors. Supporting this fund with revenue mechanisms such as the federal excise fuel tax would make it more stable, and would diversify the sources of investment to improve dependability. It is expected that a public transit fund would require cost sharing by municipalities. Provinces and territories should be required to match or exceed municipal contributions. To be eligible for funding, municipalities and local or regional transit systems could be required to meet several conditions such as: approval of integrated multimodal transportation and land use plans that demonstrate the expected return on investment over five to ten years; monitoring of service performance with the requirement to return some portion of federal funding if plans are not implemented or performance objectives are not met; and success in meeting specified environmental and health objectives.

- » *Primary responsibility:* Federal government
- » *Next steps:* Canada's provincial and territorial governments could develop a consensus statement on the need for sustainable, predictable federal transit funding, and communicate this statement to the federal government.

#### Germany invests in public transit

Germany is a federation similar to Canada, and its state governments (like our provinces) are responsible for public transit. Nevertheless, the federal government has legislated a program of transportation capital funding assistance for states that is used principally for public transit. Four-fifths of the available funding envelope is distributed by region, and the remaining 20% is accessed through competitive proposals submitted by states. The federal government also provides operating funding to states, with revenues raised through a fuel tax.

#### 4. PROVINCIAL INVESTMENT IN TRANSIT

A national transit policy framework would offer three important roles to provinces and territories in ensuring that transit systems have access to the financial resources they need to meet public expectations. First is the provision of capital funding through various means including a transfer of sales or gas taxes, or cost-sharing contributions in respect of a federal public transit fund (see the preceding action). Second is the provision of operating funding, which is currently almost non-existent; new operating support could apply conditions to promote secondary objectives, such as encouraging competitive bidding by offering bonus funds for contracted services that meet specified performance standards. Third is the empowerment of local authorities to independently raise revenues for transit via taxes and other charges. Only a few local agencies across Canada enjoy such powers, which are granted through legislation governing municipalities and regional transportation authorities.

- » *Primary responsibility:* Provinces and territories
- » *Next steps:* CUTA could work with municipal governments and transit systems to raise awareness among provincial and territorial decision-makers of key needs and best practices for transit funding.

#### 5. RIDERSHIP INCENTIVES

This *quick win* involves the use of tax incentives to encourage transit ridership growth. These can include, but are not limited to, income tax exemption for employer-provided transit benefits. This simple legislative change would stimulate subsidization of transit commuting by employers, and lead directly to greater transit use. CUTA's comprehensive 2005 analysis of this strategy (summarized in Issue Paper 15, available at [www.cutaactu.ca](http://www.cutaactu.ca)) projected net economic benefits and an increase of up to 31% in transit commuter ridership within ten years.

- » *Primary responsibility:* Federal government, provinces and territories
- » *Next steps:* CUTA could work to build awareness of the success of Quebec's transit tax incentive program, and work to re-engage federal and provincial decision-makers on this issue.

Priority actions toward a national transit policy framework	Responsibilities (✓ = Primary, ✓ = Secondary)					
	Federal government	Provincial and territorial governments	Municipal governments	CUTA	Transit systems	Transit suppliers
1. Multi-stakeholder dialogue	✓	✓	✓	✓	✓	✓
2. Policy integration	✓	✓	✓	✓	✓	✓
3. Federal investment in transit	✓	✓	✓	✓	✓	✓
4. Provincial investment in transit	✓	✓	✓	✓	✓	✓
5. Ridership incentives (QUICK WIN)	✓	✓	✓	✓	✓	✓
6. Influencing travel behaviour (QUICK WIN)	✓	✓	✓	✓	✓	✓
7. Innovation through research and development	✓	✓	✓	✓	✓	✓



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Official launch of Transit Vision 2040