Making our cities better: Growing the economy and protecting the environment through public transit infrastructure investment

Federal pre-budget submission January 2016

Submission by the
Canadian Urban Transit Association

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About the Canadian Urban Transit Association

CUTA is the collective and influential voice of public transportation in Canada, dedicated to being at the center 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 improving their quality of life, minimizing their traffic congestion and fulfilling the local infrastructure needs of their communities. There will be long-term benefits, as well, such as an improved economy, a more mobile workforce and reduced national GHG emissions.

This large suite of transit funding programs provided by the federal government, including the newly proposed public transit infrastructure fund, should all be coordinated in a way that will allow each program to emphasize important yet different priorities in transit projects, including funding for different sized projects and communities, transfer and merit based funding as well as funding for capital projects, state of good repair, climate resilient transit infrastructure, and active transportation networks. The coordination of these programs would amount to a comprehensive transit investment framework that would provide adequate funding for expanding and maintaining Canada's transit network.

Going forward, transit systems and municipalities should be able to clearly understand how to access federal funding, the purpose of each program, and the criteria by which their transit project will be evaluated to receive funding.

The Canadian Urban Transit Association has focused its recommendations on three priorities for its Pre-Budget submission. These priorities are: (1) The coordination of existing federal transit infrastructure programs; (2) Proposals for a new dedicated public transit infrastructure program and; (3) Recommendations concerning Canada's approach to the environment and climate change.

Recommendations:

1. **Coordinate and streamline existing urban transit funding programs and policies to create a comprehensive transit investment framework in Canada. These programs should complement one another through revised program requirements with regards to cost-sharing, stacking and eligible costs.**

2. **The newly proposed transit infrastructure fund should address the expansion, replacement and rehabilitation needs of Canada's transit systems. In order to optimize the development of program parameters, CUTA recommends the creation of an expert panel to determine best practices and to define what constitutes a solid business case for transit projects.**

3. **As the government moves to battle climate change and its impact, the transit sector should be viewed as a key tool and stakeholder in reducing Canada's GHG emissions. Furthermore, the government should incent both the commercialization of emerging low carbon transit technologies as well as the development of climate resilient infrastructure and active transportation networks throughout Canada's transit systems.**

1. <u>The coordination and optimization of current transit funding programs</u>

A comprehensive transit investment framework should be created through the coordination of multiple pro-transit programs and policies from the federal government. Concepts such as inter-modality, accessibility, safety, the environment and quality of life should be the driving force behind such a framework.

Pre-existing federal programs like the New Building Canada Fund, P3 Canada Fund, the new Public Transit Fund and the Gas Tax Fund, as well as any new or replacement programs, should complement one another through clearly-stated and complementary roles. Program requirements of these programs should be revised to allow for the cost-sharing and stacking of multiple federal sources under a single project.

Transit projects of regional and national significance should remain eligible to apply to the proposed re-focused New Building Canada Fund or its successor.

The one-third funding model, where municipalities, the province, and the federal government split the costs of a transit project evenly, should be established as the norm for federal government transit investment, with the ability for the federal government to contribute a larger portion of the total project cost, as needed.

The allocation of funds for transit projects should be established in a clear and fair fashion. Taken as a group, these programs should offer both transfer-based and merit-based funding for not only capital projects, but state of good repair and maintenance expenditures, as well.

The plan should include dedicated funding for large, medium and small communities. According to CUTA's 2015 Canadian Transit Infrastructure Needs Report, between 2014 and 2018, 56% of transit's infrastructure needs will be in cities of more than 2 million people, 40% of the needs will be in cities of between 400,000 and 2 million people, and 4% of the needs will be in communities of less than 400,00 people.

Funding from this new program should be flexible, especially when it comes to project size and procurement model. This will ensure the business cases being presented are as efficient as possible, and not designed to meet a minimum cost threshold. While alternative financing models, such as public-private partnerships, should remain a financing tool for transit projects, P3 screens on applications for federal funding should be removed.

In order to provide clarity to transit systems who are currently planning major capital projects, the government should provide preliminary contribution letters to new and previously-announced funding recipients. This will also allow the preliminary costs of the design and procurement of these projects to be eligible for federal cost-sharing. All previously announced transit projects should continue to be administered through the funds and programs under which they were announced.

Furthermore, the federal government should support Canada's middle class by providing tax-exempt status for employer-provided transit benefits such as monthly or yearly commuter passes. This benefit pass would provide hard working Canadians with a reduction of income tax (due to tax free benefit) and ultimately reduce their travel costs for commuting back and forth to work. Since this measure specifically targets the journey to and from work, when traffic congestion is at its highest, this increased transit ridership would also have a tangible effect on easing traffic congestion as well as help Canada attain its climate change commitments.

Coordinate and streamline existing urban transit funding programs and policies to create a comprehensive transit investment framework in Canada. These programs should complement one another through revised program requirements with regards to cost-sharing, stacking and eligible costs.

2. <u>The creation of a new public transit infrastructure fund</u>

Consultation with industry stakeholders, such as CUTA, will be a key factor in the success of any proposed public transit infrastructure fund.

As part of a comprehensive transit investment framework, this fund should complement existing public transit funds offered by the Canadian government and include dedicated funding for communities of all sizes. The fund should also be eligible to be stacked with other federal programs, allowing a single project to stack funding from multiple federal programs.

Typically the federal government funds only a portion of the total project cost of a transit project; while provinces, municipalities and transit systems combine to fund the majority of the project cost. There is a concern that large-scale federal investment in transit expansion alone may over-extend transit budgets and exceed the capacity of transit systems to maintain their existing service networks. The government should bridge this capacity gap by expanding the federal funding share for this new fund, to allow it to cover a larger portion of transit infrastructure projects.

CUTA estimates that between 2014 and 2018, 28% of transit systems' infrastructure needs will be for rehabilitation and replacement. It is important that the new transit infrastructure fund address the rehabilitation needs of Canadian transit systems.

The program should also fund expansion projects, which constitute 72% of transit infrastructure needs, through a merit-based process, with the ultimate goal of creating long-term, nation building infrastructure that emphasises integrated mobility.

Whatever the program's parameters, the government should ensure all projects that receive federal funding are able to demonstrate a good business case. This business case should revolve around a project's economic, environmental and social benefits, as well as its optimal use of intermodal transportation systems, land use planning, transit oriented development and asset management plans.

In keeping with the government's goal of evidence-based decision making, CUTA recommends the government strikes a temporary expert industry panel to make recommendations to the government on program design and eligibility criteria before the end of 2016. This panel could ensure that the program parameters create a fund that will build efficient and cost-effective transit systems that will have a direct impact on the lives of Canadians for generations. It will also provide clarity to transit systems and municipalities as to what objective criteria are used to assess their project's business case. Any relevant best practices by the expert panel could also be applied to other transit funding programs, where applicable.

The newly proposed transit infrastructure fund should address the expansion, replacement and rehabilitation needs of Canada's transit systems. In order to optimize the development of program parameters, CUTA recommends the creation of an expert panel to determine best practices and to define what constitutes a solid business case for transit projects.

3. Addressing climate change through consultation, infrastructure and low-carbon technologies

The Canadian transit sector is looking to play a key role in Canada's efforts to battle climate change. Transit helps reduce GHG emissions by breaking up congestion and providing an alternative for Canadians looking to live less carbon intensive lifestyles. The transit industry is looking to support the government's efforts even further through three important initiatives: consultations with regards to pricing carbon, encouraging the commercialization of low carbon transit technologies and building climate resilient transit infrastructure that encourage the use of active transportation.

As the government moves to create a national framework to battle climate change, including but not limited to putting a price on carbon, the transit industry should be closely involved in the government's consultations. This will ensure that Canada's transit industry adequately understands and can adapt to changes as a result of the government's efforts.

Additional efficiencies within the transit and transportation sector exist to reduce carbon emissions. According to Environment Canada's Emissions Trends report, in 2011, emissions from transportation (including passenger, freight, and off-road emissions) were the largest single contributor to Canada's GHG emissions, representing 24% of overall GHGs.

One way to achieve GHG reductions within the transit industry would be to encourage the commercialization of cutting-edge green technologies in the transit sector, many of which are manufactured here in Canada. Similar to California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), the government could provide vouchers to cover a portion of the incremental cost for fleets (buses, trucks, charging stations) in the transit sector to upgrade to low-carbon vehicles. This will give a competitive edge to Canadian manufacturers already producing low-carbon transit vehicles in Canada.

According to CUTA's Canadian Transit Fact Book, Canadian transit systems are still much more likely to purchase diesel buses than ones that utilizes bio-diesel, natural gas, electric, or hybrid technology. In fact, taken as a group the use of these alternative technologies in Canadian transit systems has actually decreased from 2010 to 2014.

A green fleet incentive program, which could be run out of the proposed green infrastructure fund to encourage green manufacturing, would provide further incentives for demonstrator projects, allowing transit systems to test the feasibility of low-carbon integration into their fleets. While demand for the program will vary year to year depending on the needs of the transit industry, the government could budget a cap of $75 million in vouchers or other incentives through this program.

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 climate resilient transit infrastructure funds would be used for the retrofitting, construction, replacement, expansion, or purchase and installation of fixed assets or infrastructure that will help transit systems withstand the effects of climate change.

The Government should ensure the eligibility of active transportation infrastructure and networks in federal infrastructure programs. These investments build fixed assets that facilitate walking and cycling as part of a complete streets approach to Canadian transit and would have positive environmental and health impacts for Canadians.

As the government moves to battle climate change and its impact, the transit sector should be viewed as a key tool and stakeholder in reducing Canada's GHG emissions. Furthermore, the government should incent both the commercialization of emerging low carbon transit technologies as well as the development of climate resilient infrastructure and active transportation networks throughout Canada's transit systems.

Conclusion

The federal government's unprecedented commitment to urban transit infrastructure will help integrate mobility in Canadian cities for generations to come. 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.

The suite of transit funding programs on offer from the federal government should be inclusive of funding for different sized projects and communities, transfer and merit based funding as well as funding for capital projects, state of good repair, climate resilient transit infrastructure and active transportation networks.

Furthermore, when developing the financing for these projects, the stacking of federal funds will be vital in encouraging the fast and efficient development of transit infrastructure in Canada. The proposed public transit infrastructure program should meet the rehabilitation, replacement and expansion needs of the Canadian transit industry.

Through this comprehensive approach to Canadian public transit, Canada will modernize its urban centers into innovative and environmentally friendly economic hubs. Through a data-based 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.