



## Driving Communities:

*Transit investment that goes the extra mile*

*By: the Canadian Urban Transit Association*

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**CUTA's 2018/2019 Federal Pre-Budget Recommendations:**

1. Streamline the deployment of transit investments to ensure federal funds reach Canadian communities in a more timely and predictable manner.
2. Show leadership on Canadian economic competitiveness by partnering with provincial and municipal governments to draft a national Congestion Action Plan.
3. Provide financial incentives to upgrade to low-carbon vehicles by covering a portion of the incremental cost for procuring greener fleets in the transit sector.
4. Transport Canada should consult with stakeholders in the urban transit industry as they create regulations and infrastructure for autonomous vehicles (AVs).



## Executive Summary

The Government of Canada has put in place a long-term program of strategic transit infrastructure investment that is poised to bring about a sea change in the urban mobility landscape of Canadian communities. These necessary investments will not only repair and maintain our existing infrastructure, but also build new transit infrastructure with a focus on environmental sustainability, economic growth and social inclusion.

The Public Transit Stream of the Investing in Canada Plan is a 10-year federal program that will invest \$20.1 billion in transit infrastructure. These funds will be put towards projects that will be cost-shared with provinces, territories and local governments through bilateral agreements further amplifying their impact. The Public Transit Stream represents the type of dedicated, long-term and predictable funding the transit sector has long been calling for in Canada.

With funding now secured from all levels of government, the real work begins. It is vitally important that this funding is leveraged properly so Canadians receive the maximum return on their transit investments.

This means increasing the speed by which transit infrastructure dollars get out of Ottawa and into Canadian communities. It also means tackling congestion that has turned our cities into urban bottlenecks within Canada's transportation system. It means encouraging the deployment of cutting edge technologies that will make transit greener and our air cleaner. Finally, it means creating a regulatory environment that gives Canadian cities the tools they need to adapt and grow with the introduction of disruptive technologies, like autonomous vehicles.

The federal government is an invaluable partner in transit investment. The government should leverage this leadership position to work with the provinces, territories and municipalities, as well as the transit industry, to build more sustainable, safe and economically vibrant urban communities.



# 1. Streamline Existing Transit Funding

**Recommendation: As the federal government continues its long-term infrastructure investments across Canada, CUTA recommends streamlining the deployment of transit investments to ensure federal funds reach Canadian communities in a more timely and predictable manner.**

Currently, when the federal government invests in a transit project, expense claims are reimbursed by the government based on the federal cost-share ratio. For example, if a federal cost share for a project is set at 40%, that means 40% of each eligible invoice submitted to Infrastructure Canada is covered by the federal government, up to the maximum federal contribution approved for the project.

Given the long-term and complex planning and construction process for transit projects, this practice often results in federal funds being carried over and repurposed year after year. This situation has created challenges for the government as the repurposed funds will come to represent billions of dollars. These funds will continue to stack up as long-term, transformative new transit projects take years to plan and implement.

A recent report from the Parliamentary Budget Officer found that infrastructure funding from the Investing in Canada Plan was leaving federal coffers at a pace slower than expected. After looking into the issue, the Standing Committee on Transport, Infrastructure and Communities issued a report recommending “that the federal government optimize funding delivery, taking into consideration both the time that infrastructure funding is made available to municipalities and the means by which it is made available.”

The vast majority of up-front costs incurred by municipalities for a major transit project are ineligible for cost sharing with the federal government; including land acquisition, pre-approval project planning and legal fees. CUTA understands that this upfront burden often forces municipalities to borrow funds early in a project, the interest on which is also ineligible for federal cost sharing.

One way to address this challenge would be for the federal government to reimburse a larger portion of eligible claims submitted, up to the maximum amount approved by the federal cost-share (usually 40% of the project’s total cost). This change would keep the total amount of federal investment in new transit projects the same, while allowing the funds to reach communities faster and reduce the need for the federal government to carry-over infrastructure funding from one fiscal year to the next.

This administrative change would also provide provinces and municipalities more flexibility with their contributions to a project and potentially reduce the amount cities and/or provinces will pay in interest on borrowed funds.

Finally, it would make it easier for Canadians and economists to track the impact of federal investments during the construction phase of projects, as the bulk of federal investment would more directly correlate with the economic activity taking place in communities across the country.



## 2. Keep Canada Moving and Competitive

**Recommendation: The federal government should continue to show leadership on Canadian economic competitiveness by partnering with provincial and municipal governments to draft a national Congestion Action Plan that addresses how best to reduce the negative impacts of congestion on the Canadian economy.**

Modern and reliable transit systems connect communities, help create well-paying jobs for the middle class, and get Canadians to and from work on time – freeing them to spend more time with family. According to [Statistics Canada](#), the average Canadian household spends \$11,900 annually on transportation costs—second only to shelter in terms of household expenses.

But the cost of transportation hurts more than just the household budget of Canadians. Thanks to congestion, many Canadian cities form urban bottlenecks within the country’s transportation system. When commuters and goods travel through Canadian cities simultaneously, traffic gridlock builds and impedes access for Canadian businesses to broader North American markets.

Toronto drivers spend about 40 days each year behind the wheel, and it is estimated that gridlock costs the Greater Toronto Area region \$6 billion annually in lost productivity—a figure projected to grow to \$15 billion by 2031, according to the [Toronto Region Board of Trade](#).

According to Census data, over 38% of daily commutes in Canada take more than half an hour, these long commutes affect the quality of life of millions of Canadians. Longer commutes are also linked to increased stress as well as reduced productivity and social well-being.

Through its public transit investments, as well as the Trade and Transportation Corridors Initiative, the Government of Canada has clearly expressed its understanding that the flow of passengers and goods are crucial to Canada’s economic competitiveness. The time is right for a coordinated strategy across all levels of government to maximize the impact of these investments for Canadian businesses and commuters.

Given the unprecedented amount of shared transit investment from all levels of government, the federal government should initiate a conversation with the provinces and territories, as well as municipalities, to create a Congestion Action Plan that will best utilize these funds to reduce the negative impacts of congestion on the Canadian economy. This should be addressed at the next meeting of First Ministers, where the Prime Minister and Premiers can directly discuss their shared investments and priorities regarding transit, transportation and trade corridors.

Defining the role of each level of government has in addressing congestion will be critical not only when looking at infrastructure investment, but also the growth of transportation networking companies, autonomous vehicle regulation, mobility pricing and mobility demand management.



### 3. A Cleaner Canada Through Green Transit

**Recommendation: A new green infrastructure program should be created that provides financial incentives to cover a portion of the incremental cost for fleets in the transit sector to upgrade to low-carbon vehicles. This will help commercialize cutting-edge green technologies while also renewing Canada’s aging transit infrastructure.**

By incentivizing a shift to green technologies within the transit sector, the federal government can provide immediate reductions of greenhouse gas emissions that will work toward addressing Canada’s climate change mitigation targets. This shift to green technologies will also stimulate the development and deployment of the next generation of zero-emission and hybrid vehicles.

In 2015, the transportation sector was the second largest source of GHG emissions, accounting for 24% of total Canadian emissions. Hybrid, electric, and natural gas propulsion technologies are all viable, low-carbon technologies that can be deployed in transit systems today to reduce transportation GHG emissions.

Unfortunately, the cost of upgrading to these new technologies is often too steep for transit systems to integrate into their fleets. This prevents the proper commercialization of these technologies, and prevents transit systems across Canada from making meaningful reductions in their GHG emissions.

A shift to alternative propulsion technologies could be achieved via federal government financial incentives that cover a portion of the incremental costs for municipal transit fleets (buses, rail, and other rolling stock) to upgrade to low-carbon vehicles, and their associated fixed infrastructure.

While demand for the program would vary year to year depending on the needs of the transit industry, the government could budget an initial cap of \$75 million worth of annual incentives through this program—a limit that could increase as adoption of low-carbon transit technology grows. Similar incentive programs exist in Canada that encourage the purchase of hybrid cars. However, there is currently no such incentive for heavy-duty, carbon-burning vehicles such as buses and trains.

Similar programs in the United States, such as the FTA’s Low or No Emission Vehicle Program and California’s Hybrid and Zero-Emission Truck and Bus Incentive Project have been key factors in the deployment of these technologies south of the border. In the U.S., 45% of transit fleets are run on alternate propulsion, 30% of fleets run on Compressed Natural Gas (CNG) and 15% are electric. In Canada only 1.8% of transit fleets are run on alternate propulsion.



## 4. An Autonomous and Shared Future for Urban Mobility

**Recommendation: Transport Canada should consult with stakeholders in the urban transit industry as they create regulations and infrastructure for autonomous vehicles (AVs). The promotion of shared mobility and integrated urban mobility should be central pillars within any national policy framework for AVs.**

The public transit industry are the leading experts in Canada when it comes to moving large amounts of people through urban spaces. As Transport Canada undertakes the development of a national policy framework to ensure the safe deployment of autonomous vehicles (AVs) on public roads, the expertise and concerns of the transit industry should be included in the policy-making process.

Senators have recently recommended that Transport Canada monitor the impact of AV and Connected Vehicle technologies on public transit. “The advent of AV and CV technologies is expected to have a significant impact on public transport... beyond simply automating existing modes of public transit, witnesses suggested that new modes of transport would be incorporated into the public transit network,” read the Senate report.

The public transit industry can provide valuable collaboration and insights on commuter flows, road safety, innovation, traffic laws and other policy issues to Transport Canada as the department undertakes the development of a national policy framework to ensure the safe deployment of AVs on public roads.

CUTA believes that, if deployed correctly, AVs will contribute to improving mobility across the country. However, if we allow the development and deployment of AVs to focus mainly on private use, AVs will not be able to address one of the major issues we are facing in cities; a scarcity of space and increasing congestion. In fact, it is reasonable to assume that AVs could exacerbate Canada’s congestion issues, as they could have an average occupancy rate of less than one passenger per vehicle. For this reason, shared mobility will always be the best and most cost-efficient solution for reducing congestion.

