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CANADIAN URBAN TRANSIT ASSOCIATION
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Transit Solutions for the Green Economic Recovery

Written submission for the pre-budget consultations in advance of Budget 2021

Canadian Urban Transit Association

August 7, 2020

Budget 2021 can help create a future with better public transit, less individual car use, and lower greenhouse gas emissions by:

1. Preventing congestion and higher emissions by providing ongoing operating support for public transit, calibrated to actual ridership until pre-pandemic levels return.

2. Accelerating the deployment of existing capital funding by regularly topping up the Gas Tax Fund with unallocated and unspent transit capital dollars that would otherwise lapse and keep these earmarked for transit. Additionally, remove the 15% cap on State of Good Repair spending within the Public Transit Stream of the ICIP to allow greater flexibility to create jobs and improve safety.

3. Creating a Zero-Emission Bus Procurement Incentive Program with a point-of-purchase subsidy for procurement and electric chargers, modeled on the iZEV program for electric cars, which would help the government achieve its target of 5,000 new zero-emission buses on the road by the end of its mandate.

Executive Summary

Canada has a choice. We can use this moment to create a future with more public transit, helping our cities move better and lowering our greenhouse gas emissions. Or we can choose a future with greater individual car use, more congestion, and increased emissions. To build better cities, create jobs, and decarbonize our economy we should invest in public transit.

We are heartened public transit's benefits and importance are well understood by the government. The inclusion of operating support in the safe restart agreement reached with provinces and territories was (and is) enormously important. It reflected the unique challenges public transit faced in the depths of the pandemic's first wave transporting essential, overwhelmingly lower-income, workers to their jobs. As ridership returns—some systems are already seeing about half pre-Covid levels—it understood the imperative to keep service levels high enough to prevent crowded vehicles. Transit systems and their riders are grateful for the federal government's decisive action.

It should continue.

Ridership levels are highly unlikely to return to pre-pandemic levels for some time. Future waves of Covid-19 are possible. Telecommuting is likely to continue at elevated levels. We can expect some people to be reluctant to use public transit until a vaccine is found. But there will be a full recovery. When, we don't know, but if operating support for transit is not extended, there is a high probability that when the full recovery arrives transit will have suffered an irreparable downward spiral. And so the question before one of the world's most urban countries is simple: do we use this period to strengthen our economy by strengthening public transit, or will we allow it to decline and in turn create a more congested, less sustainable recovery?

The logic that compelled the federal government to include public transit in the safe restart agreement remains. Revenue that used to be generated by passengers is down. Without being replenished, service cuts are inevitable. As such, federal transit funding should include ongoing operating support and accelerated capital investments to expand service and create jobs. This is the core of our budget submission.

It also includes ways to create jobs faster by allowing transit systems greater flexibility in acting on shovel-ready projects and helps the government meet its target of 5,000 zero emission buses. These are important goals. But it is vital that transit systems' ability to emerge from the pandemic without suffering irreversible service and ridership declines be protected. Indeed, CUTA is currently finalizing a recovery plan that won't only protect transit but build it back better than ever.

We shouldn't choose a future of more cars and more congestion. That will hurt our cities and the environment. It will also leave behind those who count on transit the most: lower-income people who are more likely to be women or people of colour; seniors; and people with disabilities. Those were among the million people a day who used transit even at the depths of the lockdown. They will continue to rely on public transit as it relies on the federal government to continue its support.

1. Ongoing operating support for public transit

Recommendation: Prevent congestion and higher emissions by providing ongoing operating support for public transit, calibrated to actual ridership until pre-pandemic levels return.

The pandemic has turned transit economics on its head. More than half its operating costs are covered by farebox revenue – which relies on riders. Yet transit systems need to keep service levels high, both to reduce crowding and maintain timely service for the millions of people who depend on it daily. This creates a financial hole that municipal governments cannot fill. Transit ridership is also recovering at a much slower pace than other forms of transportation. This may be partially due to pandemic fears, many Canadians continuing to work and study from home, and high levels of unemployment. Even in the most optimistic scenario, current polling data indicates that approximately one quarter of pre-pandemic riders will not return to transit until there is a vaccine.

It all adds up to create worrying scenarios. Ridership studies[1] show a strong link between transit service levels and ridership. In other words, if operational funding support ends before ridership can adequately recover, declines in revenue would lead to service cuts which then lead into a downward spiral of service levels and ridership levels. This trend would be greatly accelerated should a second wave of the virus strike.

Even before the pandemic, CUTA raised the need for operating funding with the federal government. Thanks to the great success of the Investing in Canada Infrastructure Plan, transit fleets were enjoying robust expansions and systems were getting more Canadians out of their cars and onto buses and trains. However, since the program only included capital projects, rising operating costs could not be met through municipalities' limited revenue tools. This need is now exacerbated, not by rising operating costs but by falling revenues. We were heartened and grateful the federal government recognized its essential role in helping maintain safe and timely transit service by including transit's operating needs in the safe restart agreement reached with the provinces and territories. This support, therefore, should continue from higher levels of government with federal leadership playing a coordinating role with provinces to maximize support for public transit.

To prevent a downward spiral of service cuts and depressed ridership, we recommend the federal government continue to support operating funding. The level of funding should be revisited periodically, perhaps every six months, to allow for calibration with actual ridership levels until such time as pre-pandemic ridership returns. One possible delivery mechanism is through a blended transfer within the Gas Tax Fund. Other options include block grants. A provincial matching component could also play a role, if deemed appropriate. Any model will need to reflect that not all systems are municipally owned and contain safeguards to protect against municipalities reducing support for public transit as a result of increased funding.

[1] UTTRI (2018) Ridership Trends Study
https://cutaactu.ca/sites/default/files/cuta_ridership_report_final_october_2018_en.pdf

2. Accelerate capital funding to stimulate the economy

Recommendation: Accelerate the deployment of existing capital funding by regularly topping up the Gas Tax Fund with unallocated and unspent transit capital dollars that would otherwise lapse and keep these earmarked for transit. Additionally, remove the 15% cap on State of Good Repair spending within the Public Transit Stream of the ICIP to allow greater flexibility to create jobs and improve safety.

The Investing in Canada Infrastructure Plan was a monumental leap forward in federal infrastructure funding. We support its extension through a permanent transit fund given its proven success. By choosing a long-term funding model for transit, rather than short-term allocations, transit systems have been able to expand service, create and deliver on long-term growth plans and build-out transformative projects such as light rail. However, funding has often been slow to flow due to various factors such as some provinces not matching dollars on the table and layers of bureaucratic processes creating delays. This leads to higher borrowing costs at the municipal level, regular funding lapses, and delayed infrastructure buildout. It also limits the economic stimulus that infrastructure investments deliver.

The federal government recognizes this problem and has pledged to top up the GTF with these unspent infrastructure dollars by the end of 2021 to get the dollars out the door. But this is only a partial fix as it will take dollars that are budgeted for transit, and specific regions, and reallocate them to any infrastructure class, and all regions. This will exacerbate regional transit inequalities as systems that are starved for investment from their provincial government will also lose their federal share. To maintain funding stability and regional equity, we propose to instead keep these funds allocated to transit and allocated to their region within the GTF and not require provincial matching funds.

With the right support, transit systems can move promptly on state of good repair (SOGR) projects which will instill public confidence in public transit and immediately create jobs. These projects are the most easily identifiable as shovel-ready, are a sure-fire way to help the economy, and can ensure that transit is clean, safe, and reliable. This could include things such as installing driver barriers to ensure operators are kept safe as systems return to front-door boarding, to advancing maintenance on light rail and subway systems to get Canadians back to work on time. For this reason, the 15% cap on SOGR spending within ICIP's public transit stream should be eliminated.

3. Putting 5,000 new zero-emission buses on the road

Recommendation: Create a Zero-Emission Bus Procurement Incentive Program with a point-of-purchase subsidy for procurement and electric chargers, modeled on the iZEV program for electric cars, which would help the government achieve its target of 5,000 new zero-emission buses on the road by the end of its mandate.

Public transit's role in reducing Canadian carbon emissions is immense with net GHG reductions of between 6.1 and 14.3 megatonnes a year[2]. At the high-end estimate, this is equivalent to taking over three million cars off the road. But transit can make an even bigger impact on a green economic recovery with the right procurement incentives.

The more convenient public transit is, the more likely people are to take it and expanding service levels is a proven way to reduce individual car use. Transit's ability to lower GHG emissions is further enhanced if it uses zero-emission buses. But these can be up to twice as expensive as regular diesel buses. Transit systems thus face an unfortunate trade-off. They can maximize service expansion but use more diesel buses. Or they can use more zero-emission buses and expand service by less. We propose that the federal government help transit systems do both by incentivizing the purchase of zero-emission buses.

As part of the 2020 pre-budget consultation process, CUTA conducted a market survey[3] that informed a Zero-Emission Bus Procurement Incentive Program recommendation[4] to the Ministry of Finance. Specifically, we recommended a procurement and electric charger subsidy program modeled on the iZEV program for electric cars but deployed for transit systems. This would be stackable[5] with funding provided under ICIP's Public Transit Stream, which would also help cover the costs of new depots and facility refits. This program would help the government meet its target of 5,000 zero-emission buses by the end of its mandate.

An additional benefit is that we are one of a very small number of countries with multiple heavy-duty electric vehicle manufacturing companies with significant presence. By delivering a zero-emission bus procurement incentive program, Canada can become a global leader in this growing industry and create the well-paying green jobs needed for our economic recovery.

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[2] See https://cutaactu.ca/sites/default/files/issue_paper_52_-_the_ghg_reduction_impact_of_public_transit_.pdf
[3] See https://cutaactu.ca/sites/default/files/cuta_zeb_survey_results_-_feb_2020_0.pdf
[4] See https://cutaactu.ca/sites/default/files/zeb_funding_recommendation_-_program_outline_-_march_2020.pdf
[5] Using more than one federal government funding source for the same project.