CUTA
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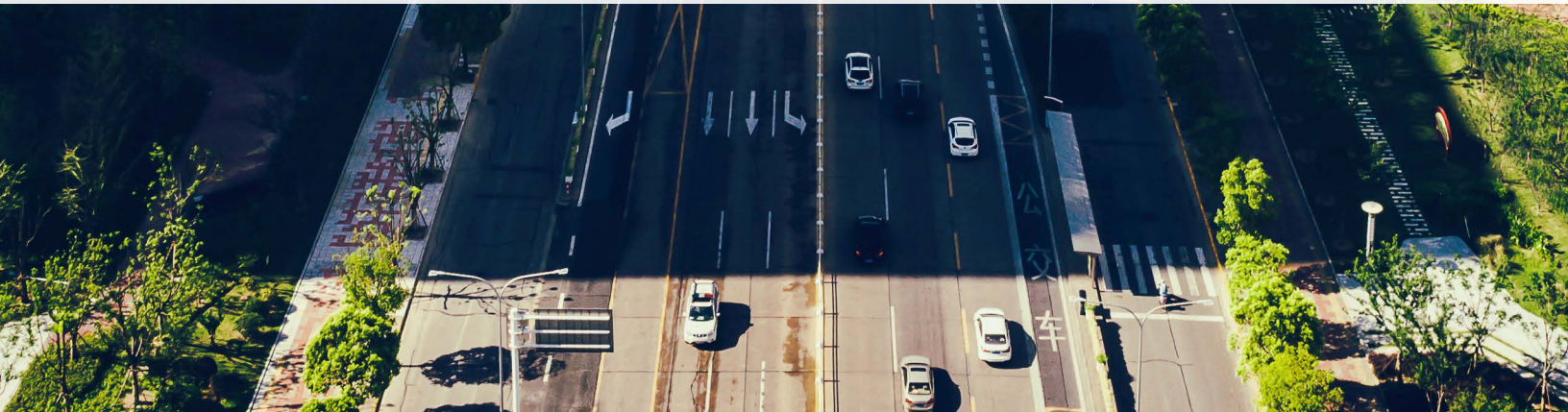
CANADIAN URBAN TRANSIT ASSOCIATION
ASSOCIATION CANADIENNE DU TRANSPORT URBAIN

ESSENTIAL PUBLIC TRANSIT

SUBMISSION TO THE NATIONAL INFRASTRUCTURE ASSESSMENT



EXECUTIVE SUMMARY

Public transit links social, economic, and environmental goals like no other infrastructure class. It provides mobility options to people of all financial means while decongesting our cities to improve productivity and quality of life. It has enormous potential to reduce emissions, by encouraging people to leave their cars at home and through fleet electrification. And it is a proven economic stimulator, with more jobs created per dollar than building any other infrastructure class.

The Canadian Urban Transit Association (CUTA) welcomes the National Infrastructure Assessment. It represents an important opportunity to examine where we are today as a country, and chart a path to where we want to go. We look forward to contributing to this process.

There has been much progress in transit investments recently. The advent of a Permanent Transit Fund in 2026 is potentially transformative. Funding for zero-emission buses and electrification can, we hope, help transit systems maximize their ability to reduce emissions. CUTA hopes this assessment will help these important steps forward be as effective as they can be. Yet, they rest on a crucial assumption: that public transit will emerge from the pandemic in a financial situation to take advantage of them.

This is far from certain.

A little more than a year ago, Covid turned transit economics on their head. Canadian transit systems were proud to have more than half their operating costs covered by fares—a much higher level than in the United States. During a pandemic, however, this led to steep revenue shortfalls that will be a multi-year event. Left unaddressed, it creates the possibility of service reductions even as new transit lines are built; and help to buy electric buses that systems can't afford to run.

If this happens, transportation patterns will change and if they do, they will take many years to revert back. Our Covid recovery will be more car-dependent and carbon-intensive. Our cities will be more congested and unequal. Over both the short term, as we recover from Covid and emerge from the pandemic, and over the long, public transit should not be assessed in a silo. All of its parts—capital, vehicle procurement, and operations—should be assessed as one.

Looking only at capital or electrification policies without helping public transit emerge from the pandemic with service that's frequent enough to retain and attract riders jeopardizes the environmental and social benefits of the government's significant investments.

As the assessment takes shape, CUTA believes both public transit's unique role in linking environmental with social goals, as well as being an infrastructure class that relied heavily on revenue warrants special consideration. Transit is at the nexus of many government priorities, in the near- and long-term. These priorities pre-dated the pandemic, and Covid's ruinous impacts on transit budgets—for every 10% drop in ridership, transit systems lose $470 million a year—must be factored into the assessment. Thank you for considering this submission and we look forward to engaging further in this important endeavour.

INFRASTRUCTURE PRIORITIES AND STRUCTURE OF THE ASSESSMENT

CUTA believes infrastructure has three priorities:

- **Improve quality of life.** Canada is one of the world's most urban countries. More than 80% of Canadians live in cities and transport infrastructure is a key determinant of quality of life for urban Canadians. Congested cities keep families apart for longer, cities planned for cars have less public and green space, and travel by car is expensive—often out of reach for lower-income Canadians, students, seniors, and people living with disabilities. Few infrastructure classes affect quality of life more than public transit, which helps our communities move better and fosters social inclusion by allowing more people access to employment and education irrespective of income.

  An important factor in examining quality of life is whether there is equal access to it. During the pandemic, despite drops in ridership, more than two million Canadians took transit every day. Many of these were lower-income workers who could not walk or cycle to work, but whose income was too low to travel by car. Most of them were women, and they were more likely to be people of colour. In assessing infrastructure's ability to enhance quality of life, the ability of public transit to run service conveniently enough to prevent long waits—and consequently, less time with family—should be an important consideration. Unlike roads, bridges, or broadband, the presence of public transit is not constant. A bus route or light rail line can only serve their needs, and their communities, if transit systems can run vehicles on them—and while the farebox covers much of this cost, it does not cover it all and covers even less with Covid-related ridership reductions.

- **Support economic recovery and growth.** We will, we hope, not be in a Covid world forever but in the near-term the economic recovery from the pandemic is a major consideration in which public transit is an essential component. It supports people returning to their office and campus, prevents parking spaces being exhausted and hindering economic growth, and does so in a cost-effective way that saves Canadians money and allows for more economic activity. Building public transit is also a proven job creator[1]. But its benefits extend beyond direct employment building it—and transit creates more jobs per capita than any other infrastructure class. By decongesting cities, it helps businesses and people be more productive without the high costs associated with gridlock[2].

  Beyond transit's environmental benefits, it delivers unseen economic benefits. In Toronto, for example, if only 9% of workers in downtown office buildings drove to work they would exhaust all the parking spaces. Transit is essential to supporting an economic recovery, and a return to campus. And while ridership is likely to increase as society reopens, it will not return to pre-pandemic levels for some time. Even in places without Covid, and its related restrictions, such as Auckland, New Zealand, public transit ridership is only at 75% of pre-pandemic levels. If Canada sees similar numbers, transit systems would suffer an annual revenue shortfall of $1.175 billion.

- **Decarbonize the economy.** Around the world, governments at all levels are taking climate action. In Canada, we have a goal of a net-zero economy by 2050 in which public transit has a large role to play. It has the potential to reduce carbon emissions by 14.3 million tons a year—with the potential for more if its modal share grows[3]. Realizing this potential requires being a convenient alternative to travel by car, and in so doing helping foster the behavioural change that carbon pricing is intended to produce. We know the single-biggest determinant in whether someone will take public transit is service levels. Simply put, public transit will be unable to play the significant role the government envisions in decarbonization if its service offer is unattractive to people who can afford to drive instead. As the assessment examines how to use infrastructure to reduce emissions, public transit's ability to maintain attractive service levels is crucial in driving a modal shift away from cars and towards more sustainable alternatives.

CUTA believes the unique role public transit plays in taking climate action, fostering social cohesion, and decongesting our cities to improve quality of life and support economic activity warrants a unique role in the assessment. In other jurisdictions that recently assessed infrastructure—notably Australia and the United Kingdom—the use of public transport was a major consideration. In assessing Canadian infrastructure, CUTA believes there is a national role for both capital and operating, at least until ridership recovers from Covid. Though its operation has traditionally not been a federal concern, it cannot be de-linked from capital investment or fleet electrification. Transit should be looked at holistically, using the following principles:

- **Feasibility.** How can public transit maximize its emission-reducing potential if systems have depressed revenue over multiple years as a result of Covid? And how can transit avoid entering a long-term decline that would put 2050 goals in serious jeopardy?

- **Capacity.** The level of government with the least fiscal capacity is primarily responsible for keeping transit running conveniently to be a travel option of choice. Many provinces do not see transit investments as a priority. What role should the level of government with the most capacity play given the national interest in reducing emissions, as the Supreme Court ruled in its decision on carbon pricing?

- **Equity.** On an individual level, public transit enables equity by allowing access to employment, education, and daily life irrespective of income. On a regional level, there are large differences in communities' access to sustainable, more affordable transport options. How can we ensure as equal access as possible to an essential public service?

PREVENTING A DOWNWARD SPIRAL WITH EXTENDED OPERATING SUPPORT

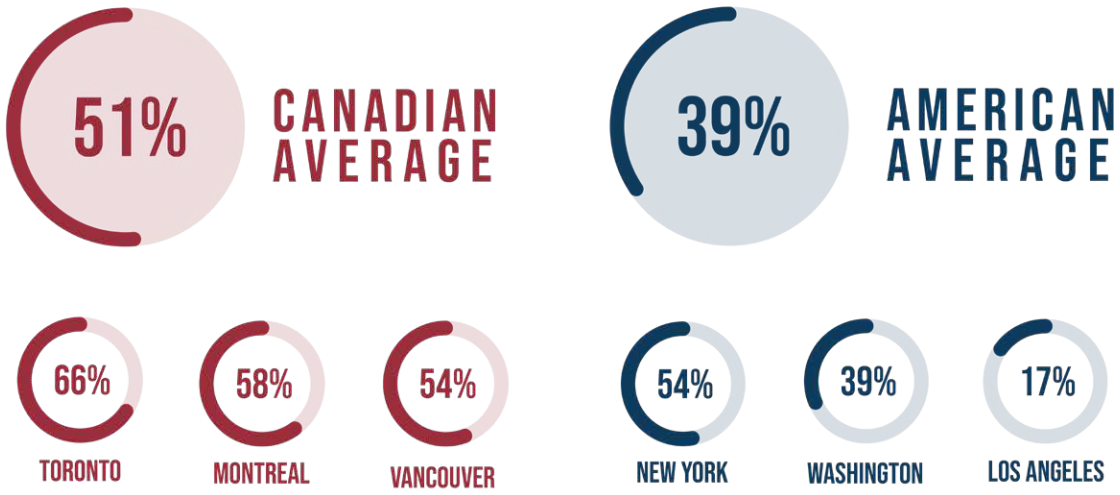
Covid-19 has created the largest, most sustained decline in transit ridership ever. While the Safe Restart Agreement among the federal and provincial governments in 2020 helped keep service levels high for the two million Canadians who rely on public transit daily, unless support continues transit risks entering a downward spiral that will imperil climate goals and make cities more congested and unequal.

The federal government has traditionally resisted funding transit's operating costs, but there are compelling reasons to make a Covid exception. Ridership has declined around the world, but the impact is exacerbated in Canada because fares cover a larger portion of operating costs than elsewhere. Before Covid, its farebox recovery rate was 51% compared to 39% in the United States. And the higher the recovery rate, the more a system suffers financially when ridership declines. The Safe Restart Agreement was essential in addressing these revenue shortfalls, but funds have, or soon will, expire. But ridership declines will be a multi-year event. In one example, Quebec's transportation agency covering the Montreal area is forecasting steep financial losses through 2024[4]. In the United States, the federal government has delivered two rounds of operating support to public transit, the latest extending through 2024.

Without ongoing operating support, service reductions are all but inevitable. Should this occur, the downward spiral that will result—as decreased service pushes riders away, leading to further revenue shortfalls, and further cuts to service—is likely to be long-lasting. When revenue shortfalls led to significant service reductions in Toronto in the 1990s, it took 18 years for ridership to recover.

FAREBOX RECOVERY 2019

THE HIGHER THE COST RECOVERY RATE, THE MORE A SYSTEM SUFFERS FINANCIALLY WHEN RIDERSHIP DECLINES



Sources: CUTA and APTA Factbooks and FTA's NTD agency profiles.

TARGET SETTING

Targets will help measure the infrastructure gap and close it by letting us know where we are now and what's needed to get where we want to be by 2050. To meet its climate targets, Vancouver has a goal of having walking, cycling, and public transit comprise two-thirds of all trips by 2030[5]. We should aim for national targets for the share of trips taken by active transportation and public transit.

In public transit's case, improved tracking of modal share is essential to help more people travel by transit than car. Currently, Statistics Canada's journey to work survey[6] only captures modal share as a percentage of commutes to work, but excludes non-work related trips. The gap is significant. The 2016 census estimates 12.4% of Canadians—about two million people—took transit to work, but CUTA's transit statistics, which include all trips, reveal that six million people took transit daily in 2019. To better track modal shift, we need a broader understanding of how transit is used, allowing for targets to be better set—and then met, by designing ways to encourage more Canadians choose sustainable mobility.

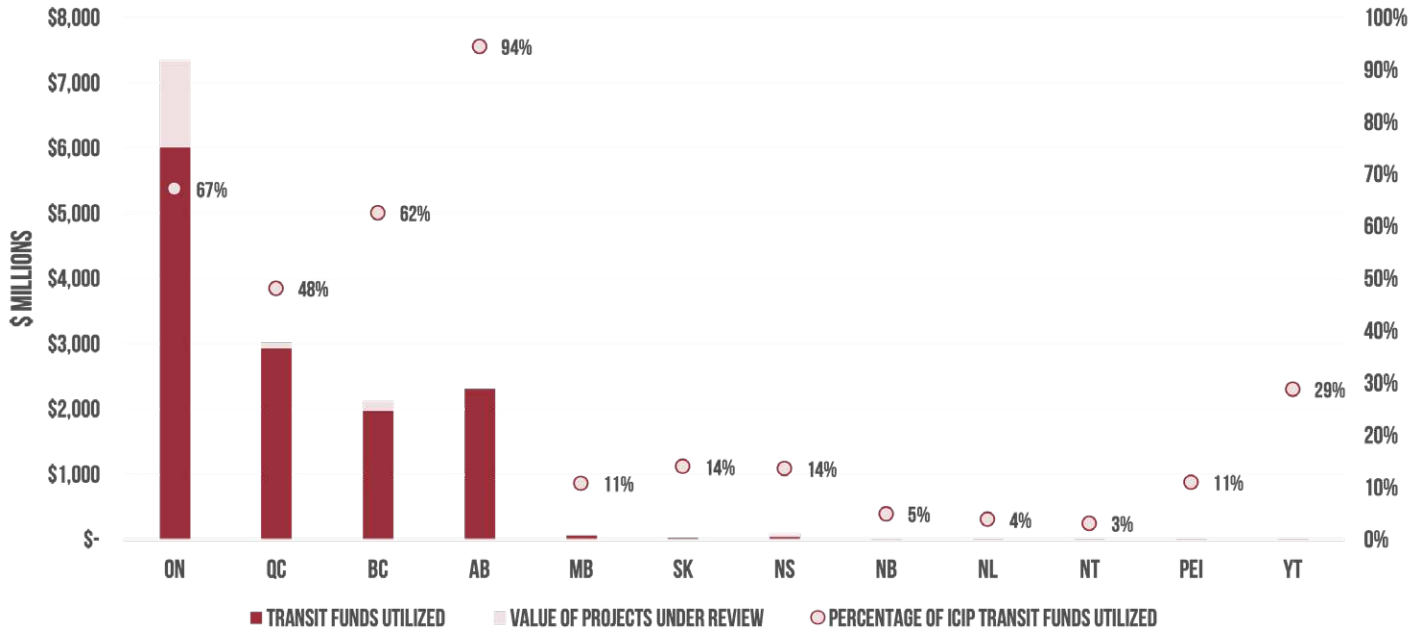
IMPROVING COORDINATION AMONG INFRASTRUCTURE OWNERS AND FUNDERS

The advent of a Permanent Transit Fund (PTF) is potentially transformative, providing the predictability and reliability essential for large capital projects. By ending boom-and-bust cycles that were a hallmark of transit capital investment, systems will be better able to plan. To maximize its effectiveness, CUTA believes the PTF should emulate the success of the Community Building Fund (the former Gas Tax Fund).

Its use of tri-lateral agreements is an excellent way to improve coordination among governments. They respect provincial jurisdiction and allow for funds to flow to municipalities. But they cover more than funding, and can include progress reports, dispute resolution, and the setting of targets. The OECD concluded they are, "an excellent example of an inter-governmental agreement that utilizes contractual design to optimize the effectiveness of the relationship between all levels of government".[7]

In the near term, as provincial and municipal budgets—often, the largest shortfall for cities is lower transit revenue—recover from Covid-related shortfalls, flexibility will likely be required in shared funding. Traditionally, the federal government has tried to ensure that provincial contributions did not fall as federal funding increased. The Parliamentary Budget Office, however, believes that "Given the significant fiscal pressures faced by provinces and municipalities, it is unclear whether federal funding will be able to leverage new provincial and municipal money over the medium-term for new projects."[8] Its recent study of governments'

UTILIZATION OF FEDERAL TRANSIT FUNDS SINCE 2016



*Calculation as of June 2021[13]

fiscal capacities found most provincial balance sheets were not sustainable[9]. Given this, it is unlikely traditional cost-sharing formulas will lead to transit expansion in the foreseeable future. Longer-term, ways to prevent other orders of government reducing support for transit as federal funding grows will need to be addressed. Ontario's Gas Tax Fund, for example, reduces funding to municipalities that reduce transit support[10].

The PTF could also help address significant regional disparities in public transit created by provinces not accessing available federal funding. The Atlantic provinces, Manitoba, and Saskatchewan have not accessed more than $1.3 billion in potential federal funds for public transit. Across Canada, more than a quarter of Infrastructure Canada's budgeted amounts were unspent. Since 2015, it's been authorized to spend an average of $6.82 billion a year on all infrastructure classes, but spent an average of $5.07 billion[11].

CUTA recommends the Permanent Transit Fund flow through three streams:

- **A stream for larger, often-rail based, projects** that requires provincial matching funds. Large transit systems are in the greatest need of capital dollars because rail projects are more capital-intensive, and leveraging additional funding from provinces is crucial to covering their higher costs.
- **A baseline stream for all communities** that does not rely on provincial matching funds, to help rectify the current regional disparity that results in many, often smaller, projects unbuilt in smaller provinces. Creating a low, but guaranteed, baseline would be enormously beneficial to smaller municipalities in provinces or territories that rarely fund transit capital investments. An added advantage of this approach is it would create a pipeline of projects if the government needed to increase funding as an economic stimulus measure.
- **Continuing the fund for rural municipalities** currently without public transit that is currently scheduled to expire in 2025.

ENCOURAGING ZERO-EMISSION FLEETS

CUTA's 2019 Zero-Emission Bus member survey[12] found large disparities in transit systems' readiness to transition to zero-emission fleets. The larger the transit system, the better prepared it is likely to be.

Current funding and financing programs for zero-emission buses from Infrastructure Canada ($2.75 billion) and the Canada Infrastructure Bank ($1.5 billion) will expire in five and three years, respectively. Yet there is a possibility of governments requiring electric-only fleets—as Quebec has done by 2025—and in the event more mandates are introduced, electrification funding programs should last as long as the mandate.

RECOMMENDATIONS:

- Address the disparity in transit systems' readiness to electrify by frontloading capacity-building funding for systems, such as feasibility studies.
- Allow transit systems to access funding, CIB financing, or a combination of both.
- Funding should cover all associated costs, including planning, procurement, charging infrastructure, depot and facility expansions and upgrades, IT systems, backup power and energy management systems, and grid connections.

CONCLUSION

Public transit is at the nexus of many policy areas, linking social, economic, and environmental goals like no other infrastructure class. It has enjoyed the support, both capital and operating, of governments of all political stripes—before the pandemic and during it. And it needs ongoing support from governments of all levels as we emerge from Covid and recover from it.

In that recovery, public transit has a vital role. We will support people returning to the office and to campus, to go shopping, or attend a concert or a sporting event. We will do so for people who are wealthy and people who are not, and in so doing we will decongest our cities, reduce emissions, and improve quality of life.

CUTA and transit systems welcome the National Infrastructure Assessment, and hope it looks at all aspects of transit including its operation. Thank you for this opportunity to make this submission and we look forward to engaging with this process as it continues.

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