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E X E C U T I V E S U M M A R Y

Public transit systems need ongoing operating support from the federal and provincial governments to deal with the largest, most sustained decline in transit ridership ever due to Covid-19. At its lowest point, ridership plunged by about 85% from prepandemic levels. And while it has grown somewhat since, and is likely to continue to grow as vaccination rates increase and society reopens, depressed ridership will be a multi-year event. In one example, Quebec's transportation agency covering the Montreal area is forecasting steep financial losses through 2024.

"ONGOING OPERATING SUPPORT IS CRITICAL TO SUPPORTING THE ECONOMIC RECOVERY."

This is the case around the world, but is exacerbated in Canada due to higher rates of cost recovery through fares. Before Covid, about 51% of transit's operating costs were covered by the farebox compared to 39% in the United States, and the higher the cost recovery rate, the more a system suffers financially when ridership declines. The Safe Restart Agreement in 2020 was essential to allowing transit systems to keep service levels relatively high, but funding has already expired in some provinces and will soon elsewhere.

Public transit requires ongoing support until ridership returns to allow access to employment and education for those unable to walk or cycle but whose income is too low to drive, and to maintain frequency so people continue to choose it. It is critical to supporting the economy reopening and meeting climate goals. And it is needed to prevent a downward spiral of ridership and revenue, which would have long-lasting, perhaps permanent effects on public transit's ability to foster social equity, reduce urban congestion, and lower carbon emissions. Without ongoing operating support, transit systems may receive funding to buy new electric buses but be unable to use them, and having new transit lines built with little ability to run vehicles on them.

Despite ridership declines, more than two million Canadians rely on public transit every day—to get to work or school, and to support essential activities, often for seniors and people living with disabilities. They would be harmed most by steep reductions in service, which would in turn hinder the economy reopening and ensure that what recovery does occur is unequal and car-based.

THE STATE OF TRANSIT TODAY

The pandemic led to the largest and most sustained loss in ridership Canadian transit systems have ever experienced. At its lowest point, ridership in Canada plunged by about 85% from pre-pandemic levels. It has since recovered to about 30% of pre-Covid levels¹. The MTA in New York City experienced a larger drop in ridership during the first six months of Covid-19 than the first three years of the Great Depression².

While transit systems around the world have experienced ridership declines, the financial impact is exacerbated in Canada due to higher rates of cost recovery through fares. Before Covid, about 51% of operating costs were covered by the farebox, compared to 39% in the United States. The higher the cost recovery rate, the more a system suffers financially when ridership declines.

The current loss in ridership is primarily a result of public health measures. Some of these are temporary and as students return to campus and stay-at-home orders are lifted, ridership will grow. Workers will return to the office, but perhaps not every day. Working from home seems likely to be a longer-term trend. Statistics Canada estimates that if everyone who could work from home actually did, there would be 369.9 million fewer trips by transit a year.³ While that won't happen, it also found that 80% of new teleworkers would like to continue to work from home at least some

IN THE UNITED STATES, THE FEDERAL GOVERNMENT HAS DELIVERED TWO ROUNDS OF FINANCIAL SUPPORT FOR PUBLIC TRANSIT. THE LATEST PHASE EXTENDS INTO 2024, WHICH SPEAKS TO THE LIKELIHOOD THE DROP IN TRANSIT RIDERSHIP WILL BE A MULTI-YEAR EVENT. of the week.⁴ Another potential long-term trend created by the pandemic is a modal shift towards cars—another Statistics Canada study found that almost 75% of former transit users who left transit and continued to commute used a private car⁵. These trends will not end overnight.

But they almost certainly create at least a multi-year event for depressed transit ridership. The Quebec government agency overseeing transportation in the Montreal area is forecasting significant financial shortfalls through 2024⁶. And so the challenge is how to avoid a downward spiral in transit ridership until levels return to normal. If service is reduced and transit becomes more inconvenient, riders will be pushed away, leading to further reductions in revenue, and more service reductions. Experience shows that if that occurs, transit will face a long-term decline that could take decades to reverse.





DESPITE REDUCTIONS IN RIDERSHIP, MORE THAN TWO MILLION CANADIANS RELY ON PUBLIC TRANSIT EVERY DAY. IT PROVIDES ACCESS TO EMPLOYMENT AND EDUCATION, AND FOR MANY SENIORS AND PEOPLE LIVING WITH DISABILITIES ALLOWS FOR ESSENTIAL TRIPS. REDUCTIONS IN SERVICE WILL MEAN LONGER WAITS AND THE VEHICLES THAT REMAIN IN SERVICE WILL BE MORE CROWDED.



SAFE RESTART AGREEMENT FUNDING IS **RUNNING OUT (OR HAS)**

In Covid's early phases, transit systems were facing a fiscal cliff. Many experienced zero revenue to allow for rear-door boarding to better protect drivers. Transit fare shortfalls were the single biggest revenue shortfall for many municipalities. As the pandemic unfolded, the federal and provincial governments negotiated an unprecedented Safe Restart Agreement that delivered financial support for many sectors, including \$4.6 billion in operating support for public transit. This rescue package allowed transit systems to maintain relatively high service levels for people who relied on it every day to get to work or perform essential trips.

This funding is running out. In most participating provinces (the transit portion of the Safe Restart Agreement was optional), it expired on March 31. In British Columbia and Ontario, it effectively ends at the end of 2021. In Quebec, it expires at the end of 2022, but even there Montreal's regional transportation agency is calling for service reductions starting in 2022.





Transit systems in three provinces—New Brunswick, Newfoundland & Labrador, and Prince Edward Island-did not receive any funds; and in Manitoba, Nova Scotia, and Saskatchewan, the province did not match federal funds.

Without ongoing support from governments, public transit systems will almost inevitably have to make service reductions even as the economy reopens and students return to campus. Municipalities have limited revenue tools and many are legally prohibited from running deficits. In addition, transit systems are ineligible for federal supports that are available to the private sector, like the Canada Emergency Wage Subsidy.



Note: In March 2021, the Ontario government provided a further \$150 million to transit systems in the province.

POSSIBLE CONSEQUENCES OF OPERATING SUPPORT ENDING

- Service reductions, which disproportionately harms low-income workers⁷.
- Fare hikes, which reduce ridership and hinder economic activity⁸.
- Being unable to take full advantage of new capital funding, leading to the irony of transit systems receiving funding to procure new electric buses while being unable to use them⁹, and having new transit lines built with little ability to pay staff or run vehicles on them.

RECOMMENDATION:

Higher orders of government should continue to provide operating funding assistance to public transit until ridership recovers to prepandemic levels.

WHEN REVENUE SHORTFALLS CAUSED SERVICE CUTS IN TORONTO IN THE EARLY 1990S, IT TOOK 18 YEARS FOR RIDERSHIP TO RECOVER.

PREVENTING A DOWNWARD SPIRAL

The largest danger facing public transit is the downward spiral: a cycle of service reductions that push people away from transit, further decreasing revenue, leading to further service cuts. If this is allowed to happen, it will make cities more congested, increase carbon emissions, and severely restrict access to employment, education, and urban mobility for many citizens.

If this is allowed to occur, it will almost inevitably create a car-led economic recovery as those people who can afford to drive, will, as service becomes increasingly inconvenient. We know that once someone leaves public transit, they are most likely to switch to travelling by car, creating entrenched habits that will be difficult to reverse.

Canadian transit has experienced a downward spiral once before, starting with a recession in Ontario in 1990. Ridership on the Toronto Transit Commission (TTC) plummeted, which was exacerbated by the province and the city both reducing operating support.

From 1990 to 1997, Toronto's population grew by 10%, but service levels declined by 11.5%. As its finances declined, the TTC took more than 230 buses and 60 streetcars out of morning rush hour service. Riders abandoned the system.



By 1996, ridership was about 19% lower than it was in 1990 and did not return to 1990 levels for 18 years—after a concerted ridership growth strategy was implemented that included significant investments.¹⁰

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TODAY'S POLICY WILL DETERMINE WHETHER TRANSIT RIDERSHIP RECOVERS WITHIN A FEW YEARS OR TAKES DECADES.

FACTORS THAT INFLUENCE RIDERSHIP

Service levels are the largest factor in transit ridership. If service increases by 10%, ridership increases by 10%. But a 10% increase in gasoline prices increases ridership by only 1.4%, while a 10% increase in fares causes ridership to drop by 1.4%. Another factor is housing density. If a community sees a 10% increase in apartments, ridership will rise by 5%; a 10% increase in row houses will drive ridership up by 2.9%; while a 10% increase in single-family homes will cause ridership to fall by 3.4%.¹¹

In addition to service levels, the more the service can improve the more likely ridership is to return. Measures such as bus lanes, signal priority, or rail system upgrades are all ways to make transit an attractive travel option. Recent announcements about capital investments are welcome and will also help more people choose transit. But maintaining service levels is the only way to avoid a car-led recovery that will make cities more congested, climate targets harder to reach, and social inequality worse.

CONCLUSION

During the pandemic, public transit was a lifeline for lower-income workers who had no other way to get to work. They were mostly women and disproportionately people of colour¹². Transit also helped many seniors and people living with disabilities make essential trips. As the pandemic recedes and life becomes more normal, these riders will be joined by students and people on social visits or going to events. Public transit underpins an economic recovery.

If service is reduced because operating support is not extended, more than the recovery will be put at risk. Professional, office-based commuters may never return if service is too infrequent and inconvenient, which will make cities more congested and greenhouse gas emissions higher. A sustainable, equitable recovery depends on public transit, and it in return depends on operating support being extended.



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