



Strengthening the Canada Public Transit Fund

*Written submission for the pre-budget
consultations in advance of Budget 2025*

Canadian Urban Transit Association
August 2, 2024



Strengthening the Canada Public Transit Fund

The Canadian Urban Transit Association (CUTA) presents this pre-budget submission to refine the Canada Public Transit Fund (CPTF) to better meet the needs of Canada's commuters and transit agencies.

Summary of Recommendations

Recommendation 1: Accelerate the rollout for the Canada Public Transit Fund's baseline stream from April 2026 to budget 2025 to ensure public transit systems have equitable and rapid access to capital funding in order to meet the present and future needs of Canadian commuters.

Recommendation 2: Protect the Canada Public Transit Fund by enshrining it in legislation and including an annual funding escalator tied to the cost of construction to ensure the fund maintains its value over time.

Recommendation 3: Streamline the application process and remove barriers to the Canada Public Transit Fund to maximize participation.

Recommendation 4: The Government of Canada is encouraged to take a leadership role in establishing a national taskforce with provincial, local governments and transit agencies, to develop a national public transit strategy with a new funding model for Canada's public transit agencies.

Recommendation 1: Accelerate the rollout for the Canada Public Transit Fund's baseline stream from April 2026 to budget 2025 to ensure public transit systems have equitable and rapid access to capital funding in order to meet the present and future needs of Canadian commuters.

Infrastructure Funding Gap

The sunsetting of the Investing in Canada Infrastructure Program (ICIP) in March 2023 and the planned rollout of the \$3 billion annual CPTF in April 2026 results in a significant infrastructure funding gap for public transit projects that must be filled. CUTA recognizes the importance of a seamless and effective implementation of the CPTF to facilitate long-term public transit planning across Canada. However, the current timing of the CPTF leaves transit agencies facing critical capacity problems and mounting state of good repair (SOGR) backlogs. In Montreal, the Société de transport de Montréal (STM) estimates its SOGR funding need at approximately \$550 million annually¹. In Toronto, the Toronto Transit Commission (TTC) has unfunded SOGR needs estimated at \$900 million annually². The sooner and easier it becomes to access funding, the sooner transit agencies can roll up their sleeves and get to work on their most immediate needs. These challenges must be addressed to accommodate Canada's substantial projected population increase, as well as advance key policy aims around affordability, housing, and climate change mitigation.

¹Société de transport de Montréal (STM). (2023). *Plan d'immobilisations 2024-2033*. Retrieved from

https://www.stm.info/sites/default/files/media/Affairespubliques/Communiqués/2023/Budget/pi_2024_2033.pdf

² Toronto Transit Commission (2024). *Prioritizing TTC Asset State of Good Repair to Keep the System Moving Reliably – 2025 Capital Budget Outlook*. Retrieved from <https://cdn.ttc.ca/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2024/July17/3PrioritizingTTCAssetStateofGoodRepairtoKeeptheSystemMovingReliably2025CapitalBudgetOutlookUpdt.pdf>

Mounting Infrastructure Pressures and Ridership Demand

Based on the government's ambitious immigration target of roughly 500,000 new Canadians each year, Canada will have a population of 45 to 50 million by the mid-2040s, with transit systems built for 25 million people. Municipalities must expand transit networks to meet rising demand and integrate new housing developments with public transit infrastructure. The alternative is more road congestion, commuter dissatisfaction, and higher greenhouse gas emissions. With Canada's largest cities facing severe traffic congestion, the CPTF will support congestion reduction and enhance economic productivity. In the greater Toronto area alone, it is estimated that \$11 billion in productivity is lost each year due to extreme congestion.³

Realizing Critical Co-Benefits

Accelerated baseline funding will also help achieve critical co-benefits. This includes the development of high-density housing around transit facilities to create vibrant, sustainable transit-oriented communities that reduce the reliance on personal vehicles. This will decrease traffic congestion in Canada's cities and accelerate the reduction of greenhouse gas emissions, contributing to the fight against climate change.

Accelerating the CPTF baseline funding stream's rollout to Budget 2025 will help ensure that transit agencies are prepared to handle current infrastructure demands and can effectively plan for multi-year projects.

Recommendation 2: Protect the Canada Public Transit Fund by enshrining it in legislation and including an annual funding escalator tied to the cost of construction to ensure the fund maintains its value over time.

Legislative Enshrinement of the CPTF

To safeguard the CPTF's future and achieve the program's aim of providing reliable and predictable capital funding for transit agencies, it is crucial to pass legislation that enshrines the CPTF's permanency. This legislative action will provide long-term certainty, and further protect this crucial public transit funding from misguided austerity measures, as the risk of potential future budgetary cuts targeting transit funding can only exacerbate systems' challenges in meeting current and future service demands. Additionally, such reductions to transit funding could significantly delay progress on federal goals for increasing Canada's housing supply, providing affordable options for Canadians, and reducing greenhouse gas emissions. Furthermore, by safeguarding the CPTF's predictability, transit agencies can confidently plan and implement long-term projects that are essential for expanding and enhancing their networks.

Implementing a Funding Escalator to Address Rising Construction Costs

The cost of construction and other capital needs are influenced by factors such as material prices, labor costs, and regulatory requirements, which tend to rise faster than general inflation.⁴ To ensure the CPTF remains effective and maintains its value over time, it is essential to include a funding escalator tied to the cost of construction.

³ Toronto Region Board of Trade. (2024). *Congestion Task Force*. Retrieved from <https://bot.com/Initiatives/Congestion-Task-Force>

⁴ Normac. (2024). 2024 Construction Cost Trends. Retrieved from <https://normac.ca/wp-content/uploads/2024/02/Normac-2024-Construction-Cost-Trends.pdf>

Recommendation 3: Streamline the application process and remove barriers to the Canada Public Transit Fund to maximize participation.

Simplifying and Removing Barriers to Entry

While CUTA appreciates the proposed regional collaboration and accountability for the metro-region agreement (MRA) stream, several gaps and issues could impede the program's success. CUTA and our transit agency members are concerned about the ability of transit systems and municipalities to meet the intensive demands of the integrated regional plan (IRP) guidelines, especially in regions lacking strong planning frameworks. These challenges could delay funding for urgent SOGR costs and capital expansion projects. A phased approach to the MRA stream is proposed, allowing regions more time to develop collaborative governance frameworks and IRPs, with funding flexibility during the phase-in period. Without flexibility, the CPTF is at risk of stalling at launch and leading to regional disparities, with funds only flowing to metropolitan regions that already have IRPs in place.

CUTA recommends revising MRA submission requirements to reduce detailed information early in planning, clarifying fund distribution criteria, and ensuring flexibility in achieving co-benefits. Additional clarity is needed on investment categories, cost-sharing formulas, evaluation processes, and fund flow. Flexibility in reporting metrics and governance criteria, as well as acknowledgment of existing governance frameworks and previous consultation efforts, are crucial. Practical guidance and a flexible, phased approach are necessary for a smooth and equitable CPTF launch.

Although the expression of interest (EOI) process for the baseline stream is simple compared to the MRA stream, some components of this stream should be modified. Requiring a minimum average of \$100,000 annual capital investment and ridership of 30,000 will exclude many small and rural systems that are depending on this baseline funding to address critical capital needs. CUTA strongly recommends reducing these thresholds and carving out exceptions for small systems. The focus on fixed-route systems may also exclude systems offering on-demand service. Additionally, the housing needs assessment requirement for accessing the fund's baseline stream can be overly burdensome for some small transit systems.

Recommendation 4: The Government of Canada is encouraged to take a leadership role in establishing a national taskforce with provincial, local governments and transit agencies, to develop a national public transit strategy with a new funding model for Canada’s public transit agencies.

Post-Pandemic Challenges and Operational Shortfalls

Since the pandemic, transit agencies have struggled with growing operating shortfalls. TransLink faces a structural deficit of \$600 million in 2026.⁵ In their 2024 Operating Budget and 10 Year Capital Plan report, the TTC estimated their operating pressures for 2025 to be worth approximately \$354 million.⁶ The Autorité Régionale de Transport Métropolitain (ARTM), which oversees the transit systems of the Greater Montreal Area including Laval, Longueuil, and the exo commuter trains, currently faces a total operating deficit of \$561 million and has been collaborating with the Government of Quebec to partially alleviate it.⁷ This is not isolated to Canada’s largest systems, as transit agencies of all sizes are affected.

Efforts to Cover Operational Shortfalls

Transit agencies have attempted to cover these shortfalls through various mechanisms, including provincial gas tax funding, other dedicated government support, municipal reserves, and less desirable options such as fare increases and service reductions.⁸ None of these options are highly sustainable, especially in the context of Canada’s current affordability crisis. Further inaction on this front will lead to less frequent, reliable, and affordable transit services, ultimately undermining the aims of the CPTF and other federal funding programs.

The Consequences of Inadequate Operational Funding

Operation shortfalls can lead to reduced service frequency. This can discourage ridership, further decreasing farebox revenue and worsening operational shortfalls. This "death spiral" effect, ultimately reduces ridership and perpetuates the cycle.⁹ Additionally, operational costs will continue to rise due to inflation and the growing expenditures associated with zero-emission technology installation, operation, and maintenance. Transit systems require federal support in convening and collaborating with other levels of government to address pressing operational funding needs.

⁵ TransLink. (2024). *Potential Transit Impacts*. Retrieved from https://www.translink.ca/-/media/translink/documents/about-translink/governance-and-board/council-minutes-and-reports/2024/july/report_2024-07_potential_transit_impacts_public_mc.pdf

⁶ Toronto Transit Commission (TTC). (2023). *2024 Operating Budget and 10 Year Capital Plan*. TTC. Retrieved from https://pw.ttc.ca/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2023/Dec-20/2024_Operating_Budget_and_10_Year_Capital_Plan_Board_Presentation.pdf

⁷ CityNews Staff. (2024). *Quebec to decide next fall amount of aid to provide for greater Montreal transit agencies’ deficits*. CityNews Montreal. Retrieved from <https://montreal.citynews.ca/2024/05/06/quebec-deficit-public-transit/>

⁸ Edmonton Journal. (2023). *Edmonton hikes transit fares in 2025 amid revenue shortfall, looks to fill low-income pass gap*. Retrieved from <https://edmontonjournal.com/news/local-news/edmonton-hikes-transit-fares-in-2025-amid-revenue-shortfall-looks-to-fill-low-income-pass-gap>

⁹ Canadian Urban Transit Association (CUTA). (2021). *Issue Paper: Why public transit needs extended operating support*. Retrieved from <https://cutaactu.ca/wp-content/uploads/2021/06/Issue-Paper-Why-public-transit-needs-extended-operating-support.pdf>



CUTA is Canada's voice for public transit and urban mobility. CUTA helps connect the public transit industry. Our members include transit systems, public bodies, companies that supply the sector, and experts in urban mobility. We advocate for investment and support from governments. We facilitate conversations and connections to help transit professionals keep up with the latest. And we're the leading data collection body in the field.

Head Office

55 York Street Suite 1401
Toronto, ON Canada M5J 1R7
Tel. : 416-365-9800

Siège social

55, rue York, bureau 1401
Toronto, ON Canada M5J 1R7
Tél. : 416-365-9800

www.cutaactu.ca

cutaactu@cutaactu.ca