

- ISSUE PAPER -

The Role of Public Transit in Tackling the Affordability Crisis



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Introduction

Public transit represents one of Canada's most effective levers for addressing the affordability crisis, offering a far more economical option than car ownership – particularly for vulnerable groups like seniors and students. Currently, transportation makes up approximately 15.8 percent of total household spending.ⁱ With support from the federal government,

there is an unprecedented opportunity to create reliable transit systems that improve mobility and reduce Canadians' average transportation costs. To unlock transit's full potential as a catalyst for affordability, a reevaluation of funding models is required, ensuring that transit systems can expand service and reach without sacrificing quality.



Public Transit is the Most Affordable Option

In recent years, the costs associated with car ownership have increased at a rapid pace. The average Canadian spends \$1,370 every month on car-related costs, including insurance, which has increased an average of 22.3 percent nation-wide from 2019 to 2024.ⁱⁱ In Toronto, monthly costs jumped from \$1,068 in 2019 to \$1,623 in 2024, an increase of 52 percent.ⁱⁱⁱ In many Canadian cities, the cost of one month of car ownership is equivalent to a full year of unlimited public transit use. This cost difference becomes increasingly apparent when considering demographic groups like students

and seniors, who are often able to receive significant discounts on transit passes. When looking at Toronto specifically, residents would save an average of \$17,760 annually if they decided to trade their keys for a TTC pass.^{iv} Such significant savings could help alleviate other pressures that play a part in the affordability crisis facing Canadians.

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Housing Affordability is Hurting Canadians

Spending more than 30 percent of household income on housing is widely recognized as unaffordable. According to the most recent Survey of Household Spending conducted by Statistics Canada, shelter accounted for 32.1 percent of total consumption of goods and services in 2023. On average, homeowners with mortgages spent 37.2 percent of their total consumption on shelter.^v The average rent of a one-bedroom unit in Toronto is \$2,343. Data from 2024 shows that among renters living in Ontario, 35 percent spend up to

30 percent of their net income on monthly rent costs, while 36 percent spend between 31 and 50 percent of their income, and 18 percent spend more than 50 percent.^{vi} Furthermore, in March 2024, there were over 2 million visits to food banks in Canada, the highest number in history, representing a 6 per cent increase compared to 2023, and a 90 per cent increase compared to 2019.^{vii} Many Canadians are already at a breaking point, seeking relief wherever they can find it.



Strong Public Transit Can Provide Relief

With the surging affordability crisis, public transit presents a viable alternative for individuals looking to offset high housing costs by cutting down on transportation costs – provided the transit service is frequent and reliable enough for their needs.

Those hardest hit by the affordability crisis include those on fixed or no income, including seniors and students. Most transit agencies across Canada offer discounted or free fares to those in these groups. In

May 2023, Oakville Transit became fare-free for youth and seniors. In the following year, ridership skyrocketed, with youth and senior ridership seeing 228 percent and 180 percent increases, respectively.^{viii}

By providing reliable and affordable transit, municipalities can directly boost affordability—helping seniors, students, and those on fixed incomes save hundreds or even thousands annually, while also promoting greater mobility, community inclusion, and access to essential services for all.





ION: The Success of Waterloo's Light Rail System

Grand River Transit's ION LRT runs through the core of Kitchener-Waterloo and has been instrumental in building housing density and driving economic growth in the region. Since 2011 (before ION began operations) through to 2024, over \$3-5 billion in new development has occurred in the area surrounding ION stations, known as the central transit corridor. By mid-2024 the figure neared \$5 billion.^{ix}

Approximately 19,000 residential units have been built along the corridor, 91 percent of them with high-density formats. As of 2023, approximately 21 percent of Waterloo Region residents live in the central transit corridor.^x Furthermore, municipal tax revenues from properties in the corridor rose to \$234 million in 2022, about 75 percent higher than in 2011.^{xi} Waterloo sets a strong example for urban density growing hand-in-hand with strong public transit infrastructure to drive economic growth and promote transit affordability.



Tying Transit to Affordable Housing

When discussing transit and affordability initiatives, it is vital that conversations be held regarding affordable housing near transit stations and corridors. Mandatory inclusionary zoning in transit areas is something that is slowly beginning to emerge in jurisdictions across Canada, particularly in Toronto.

The City of Toronto mandates inclusionary zoning (only within Protected Major Transit Station Areas (PMTSAs), generally within 800 m of major transit stations. Starting

in 2025, purpose-built rental projects will require affordable units (5 percent in high-demand areas, 3 percent elsewhere). These percentages phase in annually, reaching 8–22 percent by 2030, depending on market area. Furthermore, all affordable units must remain affordable for 99 years, ensuring that transit and affordability are accessible to residents, regardless of income.^{xii}



Government can Make Transit a Driver for Affordability

Given the fact that public transit performance is reliant on policy decisions, all levels of government have the opportunity to make public transit a leading force in Canada's fight for affordability and a prosperous future. Currently, Canadian public transit systems are far too reliant on farebox revenue and municipalities aren't able to provide an adequate level of funding on their own. Many municipalities have been led to cut services, which actively discourages ridership and hinders

opportunities to make life more affordable for residents. In April 2025, OC Transpo, Ottawa's transit agency, made significant changes to their services, which is expected to result in 74,000 fewer service hours per year, representing a 3.5 percent reduction in bus service.^{xiii} This cycle of less funding leading to less ridership, which leads to less funding can only be properly addressed with an improved funding structure, where all levels of government work to ensure that transit operations are well funded.



A Path Forward

Public transit is not just a mobility solution; it is a powerful instrument in Canada's response to the affordability crisis. By replacing the high and rising costs of car ownership with reliable, frequent transit service, Canadians, particularly students, seniors, and low-income households, can achieve real financial relief and greater access to opportunity.

But the promise of transit will remain out of reach for many without a fundamental rethinking of how we fund and operate our systems. A model that over-relies on farebox revenues and downloads the

burden onto municipalities sets transit up to fail – undermining ridership, reducing service, and eroding public trust.

To unlock transit's full potential, all levels of government must treat operational funding not as a subsidy, but as an investment: one that delivers measurable returns in affordability, equity, climate action, and economic resilience. Stable, long-term operating support must become the norm – not the exception. That will ensure transit systems can grow, serve more people, and become a viable, everyday alternative to car dependency.





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