



Strengthening the Canada Public Transit Fund

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

Canadian Urban Transit Association
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Strengthening the Canada Public Transit Fund (CPTF)

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 transit agencies and riders.

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 program does not lose value to inflation over time.

Recommendation 3: Reduce red tape and barriers to accessing the Canada Public Transit Fund, including restrictive eligibility criteria and complicated submission guidelines.

Recommendation 4: The Government of Canada is encouraged to take a leadership role by 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 CPTF’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 accelerated sunsetting of the Investing in Canada Infrastructure Program (ICIP) in March 2023 and the planned rollout of the \$3 billion annual Canada Public Transit Fund (CPTF) in April 2026 results in a significant infrastructure funding gap for public transit projects that must be filled.¹ The Canadian Urban Transit Association (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. For cities like Montreal, where STM estimates its SOGR funding need at approximately \$550 million annually², or the TTC that has unfunded SOGR needs estimated at \$900 million annually³, the sooner and easier it becomes to access funding, the greater the chance of reducing these backlogs. These challenges must be addressed to accommodate Canada's substantial projected population increase, as well as advance key policy aims for affordability, climate, and housing.

Mounting Infrastructure Pressures and Ridership Demand

¹ Canadian Urban Transit Association (CUTA). (2023). *2024 Pre-Budget Submission*. Retrieved from <https://cutaactu.ca/wp-content/uploads/2023/08/CUTA-2024-Pre-Budget-Submission-EN-FINA-jm-.pdf>

²Société 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

³ Toronto Transit Commission (2024). *Prioritizing TTC Asset State of Good Repair to Keep the System Moving Reliably – 2025 Capital Budget Outlook*. Report Link

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.⁴ 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 GHG 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.⁵

The sooner agencies can access CPTF funding, the better equipped they will be to expand their networks to meet growing ridership demand. Canada's projected population growth over the coming decades will require transit systems to accommodate the increasing demand for services. Accelerated access to CPTF baseline funding will enable transit agencies to proactively expand infrastructure, reducing congestion, overcrowding, and inefficiency.

A Smooth Launch for the CPTF

To achieve a seamless rollout of the CPTF program, the government must support transit systems in the interim to ensure transit infrastructure remains in good condition and grows with the population. It is critical that transit agencies receive government support as they undertake the necessary steps to qualify for funding under the CPTF. Integrated regional plans (IRPs) will feature prominently in eligibility for funding, and many metro-region authorities across Canada have not gone through this extensive planning exercise yet. Funds from the CPTF must be released for these planning exercises and associated studies beginning in 2024. Without government support for this important work before 2026, the CPTF will stall at launch and lead to regional disparities, with funds only flowing to metropolitan regions that already have IRPs in place.

Realizing Critical Co-Benefits

Accelerated baseline funding will also help transit agencies achieve critical co-benefits such as the development of high-density housing around transit facilities and the reduction of greenhouse gas emissions at faster rates. By integrating housing with transit infrastructure, municipalities can create vibrant, sustainable transit-oriented communities that reduce the reliance on personal vehicles. Additionally, enhanced public transit systems are vital for achieving national emission reduction targets, contributing to the fight against climate change.

Accelerating the CPTF baseline funding stream’s rollout to Budget 2025 is not just a matter of convenience; it is a strategic imperative. It ensures that transit agencies are well-prepared to handle increasing demand, secures the program's future against political uncertainty, and helps achieve broader social and environmental goals. By acting now, we can create a resilient, efficient, and sustainable public transit network that benefits all riders.

Recommendation 2: Protect the CPTF by enshrining it in legislation and including an annual funding escalator tied to the cost of construction to ensure the program does not lose value to inflation over time.

Legislative Enshrinement of the CPTF

To further 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 within the upcoming budget cycle. This legislative action will provide long-term certainty, and further protect this

⁴ Canadian Urban Transit Association (CUTA). (2022). *Public Transit Fund Submission*. Retrieved from <https://cutaactu.ca/wp-content/uploads/2022/10/CUTA-PTF-Submission-Oct-14-2022.pdf>

⁵ Toronto Region Board of Trade. (2024). *Congestion Task Force*. Retrieved from <https://bot.com/Initiatives/Congestion-Task-Force>

crucial public transit funding from misguided austerity measures, as the risk of potential future budgetary cuts targeting transit funding will 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, combatting affordability crises, and reducing GHG emissions. Furthermore, by safeguarding the CPTF's stable and predictable funding, 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 Inflating Construction Costs

The cost of construction and other capital needs for transit projects routinely outpaces standard inflationary growth, as measured by the consumer basket of goods index. Construction costs are influenced by factors such as material prices, labor costs, and regulatory requirements, which tend to rise faster than general inflation.⁶ To ensure the CPTF remains effective and does not lose value over time, it is essential to include a funding escalator tied to the cost of construction. This measure will help prevent the fund from being diluted by inflationary pressures caused by rising construction costs.

Recommendation 3: Reduce red tape and barriers to accessing the CPTF, including restrictive eligibility criteria and complicated submission guidelines.

Simplifying Overly Complex Application Processes

The current application process for the metro-region agreement (MRA) stream of the CPTF is overly complex. Additionally, the housing needs assessment requirement for accessing the fund's baseline stream can be overly burdensome for small transit systems.

While CUTA appreciates the proposed regional collaboration and accountability for the MRA stream, several gaps and issues could impede the program's success. CUTA and our transit agency members are concerned about the ability of systems and municipalities to meet the intensive demands of the 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 MRAs is proposed, allowing regions more time to develop collaborative governance frameworks and integrated regional plans, with funding flexibility during the phase-in period.

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 generally simpler 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 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 services. Clarifications on demonstrating housing outcomes, net-zero expectations, permissible

⁶ Normac. (2024). 2024 Construction Cost Trends. Retrieved from <https://normac.ca/wp-content/uploads/2024/02/Normac-2024-Construction-Cost-Trends.pdf>

uses of funds, and consultation with Indigenous communities are needed to make the process more accessible and efficient for all transit systems, especially smaller and rural ones.

Recommendation 4: The Government of Canada is encouraged to take a leadership role by establishing a national taskforce with provincial and local governments, as well as 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 growing operating shortfalls. TransLink alone faces a structural deficit of \$600 million in 2026.⁷ However, this is not an isolated situation impacting only the largest systems, but a significant challenge affecting transit agencies of all sizes nationwide. The current collective estimated operational shortfall for the public transit sector in Ontario alone already exceeds half a billion dollars.⁸

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, utilizing municipal reserves, and less desirable options such as fare increases and service reductions.⁹ None of these options are highly sustainable, especially in the context of Canada’s ongoing 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

While funding for new transit capital expansions is essential, the lack of coinciding operational support can have detrimental effects. Without adequate support, new services will be underfunded or require resource reallocations from existing infrastructure. These consequences can deter potential riders, exacerbate maintenance backlogs, and force systems to raise fares and cut services. Reduced service quality leads to lower ridership, further decreasing farebox revenue and worsening operational shortfalls. This "death spiral" effect, where agencies continually resort to fare increases and service cuts to cover operating shortfalls, ultimately reduces ridership and perpetuates the cycle.¹⁰ 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 government levels to address these pressing operational funding needs.

⁷ TransLink. (2023). *2024 Investment Plan Discussion Guide*. Retrieved from <https://www.translink.ca/-/media/translink/documents/plans-and-projects/ten-year-investment-plan/public-consultation/2024-investment-plan-discussion-guide.pdf>

⁸ Ontario Public Transit Association (OPTA). (2023). *Pre-Budget Submission 2023*. Retrieved from https://ontariopublictransit.ca/wp-content/uploads/2023/02/OPTA_PreBudgetSubmission_2023.pdf

⁹ 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>

¹⁰ 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>

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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.