



Strengthening the Canada Public Transit Fund

*Written submission to the Department of Finance Canada for the
pre-budget consultations in advance of Budget 2025*

Canadian Urban Transit Association

August 28, 2025

Strengthening the Canada Public Transit Fund

Canada stands at a pivotal moment in shaping the future of its transportation systems. As pressure mounts on housing and affordability, public transit must be recognized as essential nation-building infrastructure. Strategic investments in transit enable workforce mobility, unlock access to opportunity, and drive national productivity. This pre-budget submission from the Canadian Urban Transit Association (CUTA) presents four targeted recommendations to strengthen the Canada Public Transit Fund (CPTF) and ensure it delivers the infrastructure Canadians need to support long-term growth and prosperity.

Summary of Recommendations

Recommendation 1: Double the Canada Public Transit Fund's Baseline Funding stream to \$1 billion (an increase of \$500 million) to ensure public transit systems have rapid access to capital funding in order to meet the present and future needs of Canadian commuters.

Recommendation 2: Equip transit agencies to rapidly modernize fleets through the Targeted Funding stream of the Canada Public Transit Fund.

Recommendation 3: Ensure the sustainability of the Canada Public Transit Fund by enshrining it in legislation and including an annual funding escalator of 5% so the fund maintains its value over time.

Recommendation 4: Cut red tape and barriers to entry in the Canada Public Transit Fund to increase transit investment in more communities across Canada.

Recommendation 1: Double the Canada Public Transit Fund's Baseline Funding stream to \$1 billion (an increase of \$500 million) to ensure public transit systems have rapid access to capital funding in order to meet the present and future needs of Canadian commuters.

Transit Solutions Require Proper Funding

The Canada Public Transit Fund (CPTF) has three complementary streams, of which two will be referenced in this recommendation. The Baseline Funding stream is deliberately streamlined to flow infrastructure funding directly and quickly to transit systems across the country. By contrast, the Metro-Region Agreements stream requires integrated regional planning, new regional governance structures, and the establishment of multi-year funding agreements. While valuable, those steps take time and will hinder rapid deployment of infrastructure funding across Canada in 2026.

That is why CUTA recommends doubling the Baseline Funding stream from \$500 million to \$1 billion annually. This increase will allow urgently needed capital dollars to reach transit agencies of all sizes right away, helping them deliver reliable and accessible service to riders as population growth and rising demand strain existing networks.

Boosting the Baseline Funding stream will accelerate shovel-ready projects, close coverage gaps, and allow agencies to scale service to meet commuter needs now, not years down the road. This aligns directly with the government's priority of deploying nation-building infrastructure funding quickly and equitably across Canada.

The CPTF is Canada's chance to invest in true nation-building infrastructure. Expanding its Baseline Funding stream ensures that every region can respond today, while longer-term metro-region agreements take shape.

Recommendation 2: Equip transit agencies to rapidly modernize fleets through the Targeted Funding stream of the Canada Public Transit Fund.

Canada's Transit Fleets Are Rapidly Aging

The average age of transit buses has risen from 8.3 years in 2020 to 9.5 years in 2023. Some systems are operating buses nearly twenty years old, requiring costly rebuilds just to stay on the road. Aging fleets drive up maintenance costs, create replacement backlogs, and strain agencies already facing rising procurement costs and growing service demands.

Renewing fleets is one of the most effective ways to cut emissions and improve service, as modern buses use cleaner, more efficient propulsion technologies. Yet without sustained, dedicated funding, many agencies cannot replace vehicles fast enough to meet service needs.

The shift to zero-emission buses (ZEBs) is uneven across the country. While the Zero-Emission Transit Fund (ZETF) helps support ZEB procurement, many systems cannot yet fund a transition to electric fleets. It is anticipated that the government will fold the ZETF into the Targeted Funding stream of the CPTF.

Greater Flexibility in Propulsion Choices

CUTA recommends allocating funding more broadly toward fleet renewal, regardless of propulsion type, to help transit agencies bridge the gap between aging fleets and available resources, ensuring reliable service and long-term sustainability.

CUTA recommends allowing broader eligibility for propulsion options, including hybrid and diesel, where appropriate. New vehicles of any type reduce emissions compared to older models. Expanded public transit service lowers congestion by shifting commuters away from single-occupant vehicles. Funding for new vehicles should be based on the needs of a transit system, making the process more equitable for smaller systems who know what their needs are and the costs associated with them.

Recommendation 3: Ensure the sustainability of the Canada Public Transit Fund by enshrining it in legislation and including an annual funding escalator of 5% so 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 public transit, it is crucial to pass legislation that enshrines the CPTF's long-term certainty. Transit agencies can then confidently plan and implement long-term projects that are essential for expanding and enhancing their networks. This supports the federal government's goals of increasing housing supply by connecting communities, improving affordability by reducing household transportation costs, and strengthening economic resilience by getting people to places of employment and education.

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, labour costs, and regulatory requirements, which tend to rise faster than general inflation.¹ To ensure the CPTF remains effective and maintains its value over time, it is essential to introduce a funding escalator of 5% for an initial three-year period, subject to review.

From 2020 to 2024, the average cost of purchasing a new bus in Canada rose by more than 22%, climbing from \$590,700 in 2020 to \$725,000 in 2024 before adjusting for inflation. This steep increase places significant strain on municipal budgets, as higher capital costs directly limit the number of vehicles transit agencies can replace or expand into service. Importantly, these figures do not yet capture the added financial pressure of new North American auto tariffs, the full impact of which remains uncertain but is expected to drive costs even higher in the years ahead.

¹ Normac. (2025). 2025 Construction cost trends eBook. <https://normac.ca/wp-content/uploads/2025/02/Normac-2025-Construction-Cost-Trends-eBook.pdf>

Recommendation 4: Cut red tape and barriers to entry in the Canada Public Transit Fund to increase transit investment in more communities across Canada.

METRO-REGION AGREEMENTS FUNDING STREAM

Simplify Access to Funding Under the Metro-Region Agreements Stream of the CPTF to Ensure National Reach

While CUTA supports the goals of regional collaboration and accountability built into the Metro-Region Agreements (MRA) stream of the CPTF, the current structure presents several implementation risks. In particular, the requirement for integrated regional plans (IRPs) may delay access to urgently needed capital for state of good repair (SOGR) and expansion projects.

To avoid regional disparities and ensure a more equitable rollout, CUTA recommends a phased approach to the MRA stream. This would provide metropolitan regions additional time to develop collaborative governance frameworks and IRPs, while still allowing immediate investment in pressing SOGR priorities during the phase-in period. Without this flexibility, funding could disproportionately benefit only those regions with existing IRPs, leaving others behind. CUTA also recommends allowing the Baseline Funding stream of the CPTF to include funding for systems with pre-existing commitments, reducing red tape and the need for RFPs.

Additionally, greater clarity is needed on how funding will be divided by region within the MRA stream and the metrics used to determine allocations, ensuring agencies can present consistent cases to provinces for matching support.

Increase the Share of Federal Funding Under the Metro-Region Agreements Stream of the CPTF

There is a critical need to increase the federal and provincial contribution toward major transit projects such as light rail transit and bus rapid transit. Under the current funding framework, which sees the federal government covering 40% of the cost and assumes the province will match that coverage, municipalities are left covering 20% of transit project costs.

Large transit projects regularly cost billions of dollars, and even a relatively small municipal share can exceed what local governments are able to finance without cutting into other essential services. Shifting a greater portion of responsibility to federal and provincial partners would not only make these projects financially feasible but also accelerate the delivery of the kind of transformative transit infrastructure needed to meet Canada's housing and economic goals.

BASELINE FUNDING STREAM

Make the Baseline Funding Stream of the CPTF More Inclusive for Small and Rural Transit Systems

The Baseline Funding stream's expression of interest (EOI) process is a positive step toward simplicity, but thresholds outlined in the program design documents prevent the communities most in need from accessing support. Current eligibility requirements, such as a minimum average annual capital investment of \$100,000, ridership of 30,000, and existing fixed-route service risk excluding small and rural transit systems. These are often the communities with the most severe mobility gaps and the least capacity to absorb rising costs. Many have incorporated innovative on-demand services that are increasingly vital in smaller or less densely populated areas. Lack of access to the CPTF Baseline Funding stream will prevent them from spinning up new routes and services, stifling ridership growth.

CUTA recommends adjusting eligibility to better reflect the diversity of Canada's transit landscape. This includes eligibility for on-demand service and the creation of fixed-route service where none currently exists. Tailoring requirements to the realities of small and rural systems will ensure more equitable access to CPTF funding, strengthen regional mobility, and support national goals for affordability.

Regularly Revisit Allocations under the Baseline Funding Stream of the CPTF

Baseline Funding allocations are based on population and ridership. These should be revisited on a frequent basis. This will allow transit systems that experience high growth rates in either category to access the funding streams equivalent to their needs, instead of relying on out-of-date data.

ALL FUNDING STREAMS

Allow More Propulsion Options Under all CPTF Funding Streams

While CUTA supports the long-term transition to ZEBs, restrictions on bus propulsion choices should be lifted to reflect the realities of transit systems across the country. Agencies are at different stages of readiness for full electrification, and for many, particularly smaller systems, the higher cost of ZEBs makes procurement difficult. To ensure systems can continue renewing their fleets while advancing environmental goals, funding should also support a wider range of propulsion technologies, including hybrid and diesel, where appropriate. This flexibility would enable agencies to modernize fleets more effectively, improve reliability, and reduce emissions in line with their capacity and local circumstances.

Allow Current Contracts to be Funded Under the CPTF

Accommodations should be made for transit systems that had already adjusted fleet composition or infrastructure plans before the introduction of the CPTF. Under the current guidelines, these transit agencies will be required to restart procurement processes once funding is approved, even when projects are already fully compliant with program objectives. This creates unnecessary delays, increases administrative burden, and in some cases, risks driving up costs by forcing agencies to restart work they have already completed.

Streamlining this requirement would cut red tape and acknowledge and reward the proactive planning undertaken by transit systems. More importantly, it would ensure that funding flows quickly to projects already aligned with CPTF priorities.



Head Office

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

Ottawa Office

440 Laurier Ave. West, Suite 400
Ottawa, Ontario
Canada K1R 7X6

www.cutaactu.ca
cutaactu@cutaactu.ca