

Getting the Most out of Ontario's Transit Investments

Submission to

**The Hon. Charles Sousa
Minister of Finance**

2016 Pre-Budget Consultations

Prepared by the

Ontario Public Transit Association

and the

Canadian Urban Transit Association

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Summary and Recommendations

These are exciting times for public transit, with unprecedented levels of support for critical infrastructure investment from all levels of government. It is well established that investment in effective public transit supports economic well-being, environmental health and enhanced mobility for our communities. Public transit is essential to the provision of a host of other public and private sector services, and plays an important role in city-building.

The Ontario Public Transit Association (OPTA) and the Canadian Urban Transit Association (CUTA) are pleased to contribute to the government's budget deliberations. Our associations gratefully acknowledge the increased support that this Government has shown for transit in recent years. In keeping with the government's direction, this submission relates to three of the four points in the Province's economic plan:

- Build and revitalize public infrastructure (through an evidence-based decision-making investment framework);
- Improve public services (through predictable operating funding for transit)
- Create a dynamic, innovative environment where business thrives (through support for commercialization of green transit technology);

Recommendations:

1. The Ontario Government should adopt a transparent and objective process for the allocation of transportation infrastructure investment, especially as it applies to the \$15 billion commitment made to critical infrastructure outside the GTHA.
2. Increase the current share of the dedicated gas tax for public transit to an amount greater than the current 2 cents per litre, in order to fund transit service investment
3. As part of the consultations on the "cap and trade" program and Green Investment Fund, a Green Transit Incentive Program should be created that provides incentives for the commercialization of low carbon transit technologies and climate resilient infrastructure, as part of the strategy to reduce Ontario's GHG emissions

Introduction

Cities are the economic engines of Canada, and modern, reliable transit systems provide the backbone on which to build the new economy. Transit systems based on sound planning principles and public policies of inclusion and active living can be powerful tools in building healthy, sustainable communities, and reducing Ontario's GHG emissions.

OPTA and CUTA both applaud the Province's commitment to building transit infrastructure. We recognize that Ontario is currently undertaking the largest infrastructure investment in the province's history, and the recent commitment to build a seamless and integrated transportation network across the province through Moving Ontario Forward is unprecedented in addressing both the state-of-good-repair backlog and building for the future.

Making nearly \$31 billion available over the next 10 years for investments in priority infrastructure projects across the province through two dedicated funds is a bold and much needed commitment. This will go a long way towards creating new transit capacity, alleviating traffic congestion and supporting sustainable growth throughout the province.

Public transit is a primary artery that connects people to jobs, schools, hospitals, recreation facilities and other major services in communities. It is also a key factor in attracting businesses, generating jobs, and retaining top talent in our cities.

With this increased investment in transit infrastructure comes the need to sustain the operations of existing, new and expanded services. In that context, municipalities and their transit systems are facing a rapidly growing challenge to shoulder the operating cost of their transit systems without enhanced provincial support.

When it comes to attracting new transit ridership, there is no replacement for service availability and reliability, both of which require dedicated, predictable operating funds. Transit fares have reached a ceiling. The average transit fare across Ontario in 2015 – taking into account all types of riders and fare media – stood at \$2.27/trip, by far the highest of any Canadian province or territory. If transit service and capacity are to grow and keep pace with planned infrastructure investment without fares rising well beyond the cost of living, let alone meet the expectations that will be placed on it for the foreseeable future, a more reliable source of operating support will need to be found.

This submission relates to three of the four points in the Province's economic plan:

- Build and revitalize public infrastructure (through an evidence-based decision-making investment framework);
- Improve public services (through predictable operating funding for transit)
- Create a dynamic, innovative environment where business thrives (through support for commercialization of green transit technology);

Recommendation 1: Transparent and Objective Process for the Allocation of Transportation Infrastructure Investment

In our June 2015 submission to the Ministry of Economic Development, Employment and Infrastructure (MEDEI), the transit industry offered its suggestions for developing a prioritization framework for allocating the portion of the Moving Ontario Forward funding earmarked for critical infrastructure outside the GTHA.

As articulated in 2015, the overarching criteria for decision making should focus on the economic, social and environmental impact of the investment decision, supporting the continued, sustainable growth of communities and in turn the province and country. This focus should extend to decisions on project investment/support.

Transportation/transit projects warranting consideration should clearly demonstrate the following:

- needs justification report for the project;
- the project is a clear priority of the community (municipal council) and has gone through a public consultation process;
- there is a clear linkage to a community's Official Plan linking land use (community growth and development) and transportation planning;
- the project is an integral component of a community's Transportation Master Plan – a master plan that is congruent with the direction, policies and programs of the community's Official Plan;
- there is an accompanying Financial Plan – setting out both capital and operating investment requirements and how such investments are to be accommodated over time. The Financial Plan would identify investment partners and should have as a companion document a related Asset Management Program (strategy);
- there is a defined Business Case that identifies investment needs and measures investment returns both from a qualitative and quantitative perspective. The Business Case should also include a sensitivity analysis of the identified returns. The impacts/returns would consider:
 - economic development benefits
 - transportation user benefits
 - environmental impact
 - social and community impact

The Ontario transit industry requests the Government give consideration to the above discussion in establishing the decision metric. Further, the industry would appreciate the opportunity to further discuss the above, in greater detail with the Ministry of Economic Development, Employment and Infrastructure officials as may be appropriate.

Recommendation 2: Increase the Share of Dedicated Gas Tax Funding for Public Transit to Fund Transit Service Investment

Both OPTA and CUTA gratefully acknowledge the decision in the 2014 Budget to permanently entrench the 2 cent per litre funding from the Gas Tax Program. The program, as it is structured, provides the flexibility municipalities need to spend the funds where it is needed most. For example, municipalities have used dedicated gas tax funding to purchase new vehicles, which has improved the average age and accessibility of transit fleets across the Province. In other cities, Gas Tax Funding has been used to fund service hours, thereby providing a level and frequency of service needed to make transit competitive with the private automobile.

Gas tax dollars are essential for helping some systems to expand to meet growing demand. In other cases, that funding represents the difference between having a transit system in a community and not having one at all. The critical importance of dedicated gas tax funding is well documented. By allocating a greater proportion of the existing Gas Tax to municipal transit, public transit will continue to be a strategic partner in reducing GHG emissions.

Recommendation 3: As part of the consultations on the “cap and trade” program and Green Investment Fund, create a Green Transit Incentive Program for commercialization of low carbon transit technologies and climate resilient infrastructure, as part of the strategy to reduce Ontario’s GHG emissions.

In our 2015 pre-budget submission, we called on the government to partner with transit manufacturers, universities, the federal government and other private contributors to invest in research and development and become a world leader in transit innovation. The government then announced support for a “Cap and Trade” program, the details of which are currently the subject of extensive consultation.

As the government moves to battle climate change and its impacts, the transit sector should be viewed as a key tool and stakeholder in reducing Canada’s GHG emissions. Furthermore, the government should incentivize both the commercialization of emerging low carbon transit technologies as well as the development of climate resilient infrastructure and active transportation networks throughout Canada’s transit systems.

In the past year, CUTA and its manufacturing members have teamed up with academia to create the Canadian Urban Transit Research Innovation Consortium (CUTRIC). Our vision is to increase competitiveness and innovation within the industry, thereby becoming a leader in innovative, cutting-edge public mobility manufacturing and user experience. But the ultimate goal is the commercialization of R&D investment and support for organizations seeking to move from successful research projects into the world of successful commercial products.

As CUTRIC gains momentum on the R&D side, transit systems are looking forward to adopting the new technology and upgrading to low-carbon technologies developed in Canada. A Green Transit Incentive Program will be necessary to help bridge the funding gap.

Conclusion

We are encouraged by the priority the Province has given to transit investment in recent years, and applaud the recognition of transit's role in supporting economically and environmentally sustainable communities. We are also impressed by the Province's vision for a future that integrates the economy, the environment, energy, urban development and transportation into a coherent set of policies. Healthy, efficient and effective public transit provides the backbone for improved quality of life and economic competitiveness.

In addition to increased provincial investment in infrastructure through Moving Ontario Forward, transit will continue to require provincial support for operating funds to meet the growing expectations of the public for frequency and reliability. Support for transit service improvements through increased operating funds will go a long way to allowing municipalities of all sizes to plan for and contribute to Ontario's low-carbon economy.

OPTA, the Ontario Public Transit Association, is the provincial association whose members represent public transit systems, health and social service agency transportation providers, suppliers to the industry, and government representatives. OPTA's vision is excellence in the provision of sustainable public transit services for Ontarians.

CUTA, the Canadian Urban Transit Association, is the national association representing public transit systems, urban mobility providers, suppliers to the industry, government agencies, individuals and related organizations across the country. Its vision is to inspire and influence the evolution of integrated urban mobility.

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