



Maintaining Public Transit Investments When Times are Tough

Submission in response to

**The Hon. Dwight Duncan
Minister of Finance**

2010 Pre-Budget Consultations

Prepared by the

Ontario Public Transit Association

and the

Canadian Urban Transit Association

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SUMMARY AND RECOMMENDATIONS

Public Transit is a vital link in how our communities function, our competitiveness, and our attractiveness as a place to invest and do business. Investment in transit not only has a positive ripple effect in our communities, but supports other forms of economic growth. Our associations acknowledge the increased policy and financial support that this government has shown for transit in recent years, and also recognize the difficult financial circumstances with which we continue to struggle. We respectfully make the following recommendations:

1. Notwithstanding the challenging economic and times, we recommend that the Province maintain the dedicated provincial gas tax allocation for public transit funding at \$0.02 per litre, as well as the flexibility in terms of how those funds are used.
2. Maintain the Ontario Bus Replacement Program (OBRP) at funding levels sufficient to get replacement needs of the average fleet age down to half the life cycle of new buses and provide the industry with the opportunity to provide input to Ministry staff on possible amendments to the administration of the program.
3. Establish AODA standards that are balanced, measured and sustainable and which are implemented in an orderly and harmonized fashion. This includes the establishment of realistic timeframes that provide individual municipalities, given capacity, with the flexibility to meet the reconciled and prioritized requirements of all the respective standards. Further, this means maximizing the intended objective of establishing 5-year review periods and providing new related provincial funding supporting achievement of the standards.
4. Provide adequate funding over the long term to ensure that the industry's obligations under other new government priorities [for example Bill 168, and regulations regarding communication devices as per Bill 118] can be met without sacrificing service or relying on existing funding programs intended to address service growth.
5. Amend over the medium to longer term the Development Charges Act 1997 which currently places transit services at a relative disadvantage to other municipal services in three key areas:
 - Change the basis of the standard for transit capital growth plans, from a retrospective standard to a progressive standard.
 - Eliminate the 10 percent reduction for transit capital growth costs.
 - Eliminate the offset of funding from the provincial and federal governments.

Maintaining Public Transit Investments When Times are Tough

Introduction

Our associations appreciate the opportunity to provide input on the fiscal priorities of the provincial government for the 2010/11 Budget. We further appreciate that in the past year, we have endured one of the toughest economic downturns in recent memory, and are presently witnessing encouraging but still tentative signs of recovery. The effects have been felt throughout every sector of the economy, and left personal, corporate and public finances in a more precarious state.

OPTA and CUTA gratefully acknowledge and appreciate the support and increased financial commitment that this provincial government has provided to public transit systems over the past few years. Many systems throughout the province are experiencing record growth in ridership, although the economic downturn resulted in a slight pull-back for some systems over the past year. However, the trend line is generally looking upward in terms of future growth projections for both conventional and specialized transit. This is attributable to a number of factors including:

- current transit customers increasing the number of trips they are taking;
- a number of new and first time transit customers who are making conscious lifestyle choices to leave their cars at home and opt for a more sustainable form of transportation;
- an aging population which will continue to need the services of both conventional and specialized transit in the years ahead;
- the investments in public transit that have been made by the Provincial government in the past few years that have helped to make public transit a more viable option in many communities.

Transit plays a vital role in the lives of millions of Ontarians. Each day, people depend on public transit for access to activities such as work, school, shopping, health care and leisure. At the same time, businesses depend on the transportation network to deliver supplies and bring products and services to market. Transit is therefore a vital link in how our communities function, and is critical to our competitiveness and our attractiveness as a province and country in which to invest and do business.

We commend the government over this past year of challenging economic times for maintaining its investment in transit infrastructure. We also commend the

government on its integrated approach to sustainable development in recent years and recognizing the role which transit can play in that very important policy objective.

Unprecedented Challenges to the Public Purse

Notwithstanding the substantial investments in all forms of infrastructure over the past year – including transit – we recognize that the finances for all levels of government experienced a “battering” during 2009. We recognize that as the Province deliberates over its spending priorities for the *coming* year, however, there will be considerable pressure to trim existing programs, look for greater operating efficiencies, and generally reduce expenditures where possible. We also know that in this Budget cycle, the transit sector will not elude such scrutiny.

However, we remind the government of the importance of continuing to invest in all forms of infrastructure – particularly transit -- as it will lay the foundation for future growth and prosperity. Most transit investment has an immediate impact at the local level, so the spinoffs and job creation are felt right in our own back yard. Spending on transit not only has a positive “ripple” effect in our communities, but supports other forms of economic growth which might otherwise not occur.

In this submission, we will review some of the programs which sustain the province’s commitment to public transit, and address some other issues which have a financial impact on the sector.

Dedicated Provincial Gas Tax Funding for Transit

For a number of years, the public transit industry has called for a strategy which provides sustainable, long term and dedicated investment. We recommended that the Province improve the predictability and sustainability for public transit funding by providing for a dedicated provincial gas tax allocation for transit. The introduction of this program has supported accelerated service expansion, led to enhanced mobility, access, air quality and economic development, and for all this we are grateful.

In last year’s pre-budget submission, notwithstanding the fiscal pressures the Province was then facing, we elected to ask that consideration be given to a temporary increase in the allocation from \$0.02 to \$0.03 per litre. Given the Minister’s recent economic statement and the projected deficit in the coming year, we do not believe this is the year to ask for an increase in the allocation from the gas tax. **However, we strongly recommend that the program be maintained at the \$0.02 per litre level, because this funding is critical to transit operations.**

Further, we also encourage continued flexibility in terms of how the dedicated gas tax funds are used: in any given year, transit system priorities will vary. Provincial funding must allow for local system flexibility depending on how that money is divided between, for example, capital projects, repairs, new facilities, or meeting transit operating requirements. This is critical so as to ensure that the gains made to date are not compromised.

Ontario Bus Replacement Program (OBRP)

A second, critical program which is very important to transit is the Ontario Bus Replacement Program, or OBRP. Ontario's transit systems rely on this program to finance fleet renewal, sustain existing service levels and improve accessibility. The OBRP is essential to improving vehicle and service reliability, controlling maintenance costs and enhancing accessible services. For example, largely because of this program, roughly 80% of the Ontario municipal bus fleet is now fully accessible, with 100 percent accessibility targeted within the next decade.

OPTA and CUTA have submitted a more detailed brief to the Ministry of Transportation in support of the OBRP, which is available on the OPTA web site by visiting www.ontariopublictransit.ca/submissions.asp. **Our organizations advocate that this program be continued, ideally at funding levels sufficient to get the replacement needs of the average fleet age down to half the life cycle of new buses.**

Given the OBRP program has been in existence for several years, the administration of the program and the associated guidelines have gone through several iterations. Going forward, the industry would appreciate the opportunity to provide input to Ministry staff on possible amendments to the administration of the program, including the following:

- the timing of the annual announcement to better coincide with municipal budget cycles and deadlines associated with the Provincial Transit Procurement Initiative;
- the annual reporting requirements noting that much of the required documentation is a duplication of that provided to the Ministry of Transportation under other program requirements (i.e. CVOR).

Accessibility for Ontarians with Disabilities Act (AODA)

The transit industry is supportive of the objectives of the Accessibility for Ontarians with Disabilities Act (AODA) and the establishment of clear, realistic, measured and sustainable (affordable) standards that reflect these objectives. The industry's commitment is evident by the progress that has been made in recent years. This has been evident even in difficult economic times by the demonstrated progress associated with building accessible public transit services and active participation in the standard development process.

However, as the government is surely aware, the AODA standards carry considerable financial implications associated with their implementation, and has already done so for those systems which have begun to undertake such implementation in anticipation of the new standards becoming law. Transit systems have concern for their ability to implement and sustain the requirements of all the AODA standards in the absence of a provincial commitment to help fund the costs associated with meeting and maintaining the requirements and complying with timeframes. The question for many transit systems becomes one of trying to address competing priorities, all of which add cost pressures to transit capital and operating budgets. There are pressures to maintain a state of good repair for transit fleets, to enhance service and grow ridership, and now to implement the requirements of all the AODA standards with timelines prescribed by the Province but with no consideration of local priorities or resources.

The transit industry has presented a paper entitled “The Case for Harmonization of the AODA Standards” to the Minister of Community and Social Services for consideration. Harmonization of the various standards is not only required to meet the goal of the AODA, but it is critical if obligated organizations are to be afforded the opportunity to implement the various standards in a sustainable and cost-efficient manner. The paper sets out a proposed framework or process that supports implementation of the respective standards in a linked manner versus as independent standards and provides flexibility at the local level, giving consideration to related local priorities, operational and fiscal capacity. Further, it provides a viable option to the process embarked on by MCSS where standards are viewed independently, compete in terms of timelines, resources and unilaterally set priorities (predicated on timelines). Finally, a non-harmonized process could create expectations that are unlikely to be accomplished, and we fear that the end result could be litigation, frustration and most important, disappointment in falling short of the goal of a fully accessible Ontario by 2025.

We encourage the Province to strongly consider the harmonization approach which also maximizes the benefit of the 5-year review periods set out in the legislation to address areas of concern with respect to the implementation of standards as adopted.

The industry will require additional funding to meet these challenges if we are to avoid the prospect of service cuts for both conventional and specialized transit.

Regulations to Phase out the use of Radio Phones in Bill 118

The Ministry of Transportation recently announced the regulations restricting the use of hand-held communication devices while operating a vehicle. The transit industry is in support of most of these regulations, and in fact its members have, for the most part, prohibited the use of the personal use of cell phones while operating a transit vehicle.

However, the requirement that the industry must phase out the use of hand-held radio phones over a 3-year period in favor of wireless technology will place an unanticipated financial burden on the industry in the range of \$30-50 million to make the conversion. We have written to the Minister of Transportation requesting that working in concert with the industry, the Ministry of Transportation undertake an assessment of the effect that the transit industry's current practices respecting the use of mobile radio phones has had on the industry's safety record and operating performance. We also recommend that this review should include an assessment of the information used in other jurisdictions where similar legislation exists and where a decision was made to grant an exemption for transit. The outcome of this review, we suggest, would either re-enforce the basis for the Ministry's decision calling for mobile phones to be phased out or, alternatively, provide the basis for the Minister to reconsider the industry's request for a permanent exemption to Bill 118 in respect of the use of mobile radio phones by public transit systems.

Development Charges Act 1997

For the past several years, OPTA and CUTA have requested amendments to the current Development Charges Act. While the Province has indicated that there are to be no substantive changes to the Development Charges Act in the short to medium term, we urge the Province to not to lose sight of the previously recommended amendments. Without these amendments, the legislation places municipal transit service at a considerable disadvantage compared to other municipal services. The specific recommended amendments are threefold:

- Change the basis of the standard from a retrospective standard to a progressive standard.
- Eliminate the 10 percent reduction for transit capital growth costs.
- Eliminate the offset of funding from the provincial and federal governments.

Further to providing for the equitable treatment of transit related growth costs, the amendments support the principle of "growth paying for growth".

Conclusion

This submission recognizes the current economic uncertainty that has befallen the global economy, and the fiscal pressures this will place on both federal and provincial treasuries in the months ahead. We are encouraged at the priority the Province has given to transit investment in recent years, and we applaud the recognition of transit's role in supporting economically and environmentally sustainable communities. However, transit will continue to require funds not only for capital improvements, but also for operating an expanded capital base to

meet the growing demands of the public, and to meet additional statutory and regulatory obligations which the province has been enacting.

Finally, we encourage the Province to work in concert with Ontario transit systems and municipalities to engage the federal government to fully participate in funding transit and to adopt and implement a national transit strategy.