

Strengthening Canada's Urban Public Transit System

Increasing urbanization, environmental awareness and rising fuel costs have greatly increased demands on Canada's public transit systems. Over eighty per cent of the Canadian population now lives in urban centers and 67 per cent of Canada's jobs are located in 25 metropolitan areas. Canada's cities act as engines of economic growth for the nation. However, there is not a coordinated transportation plan to address the investment in infrastructure needed to support this urban shift. Canada continues to be the only OECD and G8 nation without a long-term federal transit plan; consequently, a national transportation strategy should be a priority for the federal government.

Public transit is an essential service that contributes to the economic well being of a city through such effects as increased residential and commercial property values and reduced amounts of household budgets devoted to transportation, thereby increasing disposable income. According to research conducted by the Canadian Urban Transit Association (CUTA) the optimal supply and demand of transit in Canada would require a \$71.3 billion investment in transit infrastructure but would generate economic benefits of \$238.6 billion (Source: Canadian Urban Transit Association, *The Optimal Level of Supply and Demand for Urban Transit in Canada*, 2008).

Gridlock and congestion is increasing in many municipalities where expansion of public transit systems is not keeping pace with the growth of the urban centre. This has economic, social and environmental costs. Metrolinx, the Greater Toronto and Hamilton Area's regional transportation authority, calculates that congestion costs the Greater Toronto and Hamilton Area \$6 billion (\$3.3 billion in economic burden for commuters and \$2.7 billion in lost opportunities for economic expansion) in 2006 alone (Source: Metrolinx, *Costs of Road Congestion in the Greater Toronto and Hamilton Area*, December 2008). Meanwhile, 21,000 Canadians died of smog-related deaths in 2008, with this number expected to rise to 90,000 by 2031 (Source: Canadian Medical Association, *No Breathing Room, National Illness Costs of Air Pollution*, August 2008).

Municipalities have the responsibility to provide transit services, but limited ability to generate the revenue necessary to sustain, let alone expand, transit systems to meet the growing needs of the population. Cities currently rely heavily on the property tax base to fund their services. However, since property taxes don't grow with the economy, like income or sales taxes, municipalities aren't well positioned, fiscally, to make the long run investments public transit requires. Coupled with growing demands for other municipal services, many cities have deferred important transit infrastructure maintenance or expansion. CUTA estimates that Canadian transit systems require a \$40.1 billion capital infrastructure investment by 2012 to meet the rising transit demand across the country (Source: Canadian Urban Transit Association, *Towards a National Plan for Public Transit*, 2008).

Financial contributions from senior levels of government vary across jurisdictions. On average, provincial governments tend to fund 40-50% of capital transit improvements (Source: Canada Urban Transit Association, *A National Transit Strategy for Canada*, 2007). At present, most federal funding for public transit is contained in the Building Canada Fund, a 7 year infrastructure improvement plan that runs until 2014. The 2009 Federal Budget contained significant stimulus funds devoted to infrastructure, but the

time-limited nature of these funds means that most public transit projects will not qualify for these funds. *Complete to Win*, the final report from the Competition Policy Review Panel on increasing Canada's international competitiveness, recommended that the federal government provide leadership to deal with critical urban issues, such as public transit, including an "adequate, stable and diversified revenue base to underpin Canada's urban centres" (Source: Competition and Review Panel, *Compete to Win*, 2008).

There is a striking difference between Canada and, for example, the U.S. in the level and predictability of the federal support for transit. Between 1998 and 2006, the U.S. government spent a total of US\$56.5 billion on public transit and as part of the Obama Administration's Economic Recovery Act an additional \$8.4 billion has been allocated specifically for public transit initiatives. In Europe, senior levels of government underwrite 15-30 per cent of transit operating costs and 30-100 per cent of capital requirements.

Capital transit projects take many years to complete and a lack of stable, predictable funding makes it difficult to undertake necessary projects. A dedicated, stable commitment to public transit will enable Canadian transit agencies to make long-term transportation plans that will help to bolster the economy, better serve transit users and provide the investment confidence required to attract private sector investors. With a dedicated national transit program, Canada can move forward into the 21st century with funding to maintain the existing infrastructure and develop new transit projects that are important to relieve congestion, improve mobility for all Canadians and strengthen the economy.

Recommendations

That the federal government develop a National Transit Strategy including:

1. A permanent federal funding mechanism to support urban transit infrastructure.
2. Cooperating with provincial and territorial governments to facilitate and encourage private investment in infrastructure projects, particularly through public-private partnerships.
3. Support for municipalities in their attempts to develop jurisdictional wide planning, which would involve integrated land use, and would limit sprawl.