CUTA ACTU

CANADIAN URBAN TRANSIT ASSOCIATION
ASSOCIATION CANADIENNE DU TRANSPORT URBAIN

PUBLIC TRANSIT AND THE ROLE OF THE FEDERAL GOVERNMENT

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The Canadian Urban Transit Association (CUTA) wishes to thank the Minister of Transport, Infrastructure and Communities for the opportunity to address the role that public transit can play as part of the ongoing discussion on the fiscal imbalance.

By way of introduction, our key recommendations include the following:

- Make direct investment in the nation's public transit systems a permanent program, through a mechanism that will provide equitable distribution of federal funds in a sustainable, predictable and equitable manner for all municipalities with transit services as well as those municipalities wanting to create a transit system.
- Maintain infrastructure investment funding mechanisms, such as the Canada Strategic Infrastructure Fund (CSIF), which support investment in major rapid transit projects for Canada's cities.
- Negotiate future federal-provincial-municipal agreements, which recognize the need to clearly, and specifically support environmentally sustainable infrastructure, including transit, with allocated funding for such purpose.

Over the past several years, the federal government has made significant commitments to impacting the lives of urban Canadians through investments in public transit. Examples include the New Deal for Cities and Communities, the Canada Strategic Infrastructure Fund, the Public Transit Fund and the Public Transit Capital Trust. These targeted investments are designed to help ensure that Canada's cities remain the economic engines of the country, build their international competitiveness and become even more livable as vibrant and diverse communities.

As the debate evolves on the best approach to resolving the fiscal relationship between the three orders of Canadian government, the role of the federal government in urban transit policy must be clarified. It is critical that progress on improving public transit in Canada does not get lost in the debate over jurisdictional spending.

In recent comments, Prime Minister Stephen Harper has suggested, "the federal role must be defined to deal with projects of national significance." Indeed, the focus appears to be on the importance of cities and their critical role in Canada's future, as opposed to the municipal or community agenda that, in the Prime Minister's vision, is largely the mandate of the provinces.

In this context, public transit emerges as more than a municipal issue, as it carries with it the economic, environmental and quality of life benefits that support the national significance of cities to Canada as a country.

The most recent update to CUTA's transit infrastructure needs report has estimated the total requirements over the five-year period 2006-2010 at $20.7-billion. The survey of 70 municipalities across Canada was stratified in two dimensions: replacement or renewal versus expansion on the one hand, and investments currently planned versus those that can be met only through new external funding on the other.

By comparison to previous surveys, the latest information suggests that needs have stabilized, after rising constantly since the late 1990s. Furthermore, the proportion of these needs that appears possible under existing funding programs has increased from 50 to 75%. This can be attributed in large part to the federal government's role in providing greater infrastructure investment in recent years, and now through the transfer of a portion of the federal gas tax to municipalities.

ECONOMIC BENEFITS OF TRANSIT

Efficient and effective public transit is vital to the movement of people and goods in Canada's urban economies. Without public transit, many of our urban centres would be even more gridlocked than they are today. Investment in public transit is one of the best strategies for limiting congestion and for keeping our economy strong.

In March 2006, Lawrence Cannon, Minister of Transport, Infrastructure and Communities, released the results of a study, which conservatively estimates the cost of recurrent congestion in urban areas at between $2.3 billion and $3.7 billion per year.[1]

Transit's efficiency has huge implications for our cities. In a study of dozens of cities around the world, higher transit ridership consistently correlated to greater overall economic success and a higher standard of living.[2] Hence, investment in access and mobility through universally accessible public transportation is a key to enhancing the international competitiveness of Canada's cities in a rapidly globalizing economy.

Additional economic benefits include increased labour mobility for numerous economic sectors, particularly downtown businesses and increased personal mobility for millions of people who choose not to drive or otherwise cannot reach work, shopping, health care or other services by car.

1. Transport Canada, The Cost of Urban Congestion in Canada, 2006.

2. J. Kenworthy et al. for the World Bank, Indicators of Transit Efficiency in 37 Global Cities, 1997.

> "Increasing congestion is hindering the economic competitiveness and quality of life of Canada's urban centres. It impacts Canada's ability to attract and win new investment, as businesses report that access to roads and public transit are key factors in their business location and expansion decisions… Strengthening and expanding public transit networks will reduce congestion, ensure a cleaner environment, manage urban growth and provide economic returns."
> **Canadian Chamber of Commerce**

> "Ontario's reliance on trade makes it imperative that we have a road and public transit system across Ontario that will sustain us into the future."
> **Windsor Chamber of Commerce**

> "Roadway congestion in Greater Montreal was found to cost users more than $500 million annually."
> **KPMG Consulting LLP**

> "No government can meet all of the GTA's transit and transportation needs by itself. Toronto alone has an estimated $300 million infrastructure backlog and the TTC needs $5 billion over the next decade just to maintain a state of repair."
> **Toronto Board of Trade**

Regardless of how the fiscal balance is resolved, federal policymakers have an interest in ensuring the health of our economy. Strategic investments in public transit are critical to ensuring this economic success. There is little doubt that stronger cities enrich the whole country.

A new study released in July 2006 by the Conference Board of Canada, *"Canada's Hub Cities: A Driving Force of the National Economy,"* makes a strong argument for investing in the transportation infrastructure of Canada's "hub cities." The study's core recommendation focuses on the need for the Federal government to invest strategically to maximize economic growth.[3] The study also makes it clear that federal investment should focus on modern transportation.

The Federation of Canadian Municipalities and Canada's Big City Mayors also stress the importance of a long-term federal commitment to a national transit program.[4] They call on the federal government and the provinces to provide cities with access to tax revenues that grow with the economy and to implement a permanent national transit program.

The Big City Mayor's Caucus is convinced that a "separate transit-specific program is required to provide permanent long term funding for large-scale transit infrastructure projects such as rapid transit." They concluded, "While the need for transit infrastructure is critical for cities, the operating and maintenance costs also need to be taken into consideration."

3. Lefebvre, and Brender for the Conference Board of Canada, Canada's Hub Cities: A Driving Force of the National Economy, 2006.

4. Federation of Canadian Municipalities, Municipal Fiscal Imbalance Hurting Canada's Cities and Communities, 2006; and Big City Mayors Caucus, Our Cities Our Future, 2006.

In June 2006, Queen's University economist Thomas Corchene published "Citistates and the State of Cities: Political-Economy and Fiscal-Federalism Dimensions" as part of extensive research on municipal, provincial and federal funding.[5] The report points out that Canada's economic future depends on the capacity of our cities to compete with its U.S. counterparts. A funding model that ensures that transit keeps the economies of our cities moving is clearly imperative as a national policy consideration.

It is important, therefore, that the federal government has the latitude to make significant strategic investments in transit, and that there is an ongoing predictable commitment that is incremental to municipal and provincial funding. This will be critical to ensure the state of good repair of our existing infrastructure as well as providing the investment to expand capacity.

ENVIRONMENTAL BENEFITS

The Prime Minister has made it clear that Canada will be developing a new approach to environmental policy, including a new strategy to address climate change. Public transit is an important part of this platform, as evidenced by the recently introduced tax credit for public transit passes.

On average, one passenger-kilometre traveled on transit produces 76 grams of $CO2$, whereas one person-kilometre traveled by an urban automobile produces 254 grams, or more than three times as much. Transit also reduces air pollution, contributing to the health of Canadians. On average, each automobile emits 4 tonnes of pollutants each year; while buses emit significantly fewer nitrous oxides, volatile organic compounds, carbon monoxide per passenger-kilometre compared to a car.

During the 2006 election campaign, the Conservative Party pledged to "fight congestion through public transit," saying that "improved public transit usage will help both reduce traffic congestion in our urban centres and reduce carbon dioxide and other emissions." Federal investment in public transit is critical to our environmental future. The result was the tax credit for transit passes, but incentives such as this can only be effective if sufficient capacity is available to carry new customers, and that capacity requires investment in infrastructure.

TRANSIT IN AN INTERNATIONAL CONTEXT

When viewing federal policy in the context of other OECD nations, it is significant to note that Canada remains the only OECD country without a long-term, predictable federal transit-investment policy. As an example, in 2005 the United States passed the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This legislation provides US$ 52.6 billion for federal transit programs over the six-year period from 2004 - 2009 – an average of nearly US$ 9 billion per year.

5. Young and Leuprecht, State of the Federation 2004: Municipal-Federal-Provincial Relations in Canada, McGill-Queens University Press, 2006.

In spite of the vastly higher federal transit investment in the United States and other OECD countries, Canadian per-capita public transit ridership is double that of the United States. The proportion of transit operating costs covered by fare revenue is also more than double the U.S. average, and is higher than in countries such as France, Italy, the Netherlands, Germany and Sweden. Building on these strengths, however, requires a consistent investment stream in cities and communities across this country that only the federal government can provide.

In summary, the federal government has a unique opportunity to play a pivotal role in the lives of urban Canadians while addressing important national objectives in the areas of economic and environmental policy. What is needed is an ongoing investment flow that benefits all cities and communities with transit, as well as a fund that is large enough to enable the construction of major rapid transit projects.

These are important for the reasons outlined in the Conference Board report, but they alone are not enough. All communities with population exceeding approximately 20,000 can support a public transportation service. For example, without the recently announced federal investment, communities such as Lethbridge (Alberta) and Whitehorse (Yukon) would not have been able to replace their urban bus fleets and significantly expand service. Without the federal investment, Charlottetown (Prince Edward Island) would not have started its new transit system, and other communities such as Edmundston (New Brunswick) are seriously considering following suit.

RECOMMENDATIONS

The importance of partnerships with other levels of government in support of public transit depends largely on maintaining and enhancing well-established collaborative partnerships among a diverse range of groups, including other federal departments and agencies, the provinces and territories, municipalities and other stakeholders. It is through partnerships such as the gas tax agreements and the public transit agreements that the government can develop a vision for the future of Canada's cities and communities.

The complex challenges transit faces in cities and communities require a collaborative approach by all three orders of government. The current framework of federal-provincial agreements followed by agreements between the provinces and its municipal associations – or directly with municipalities – shows that we can come together and agree on creating a win-win-win solution to the fiscal balance that exists in our cities and communities.

These negotiated agreements are also important in ensuring that broad objectives are put in place to ensure that Canadians – regardless of where they live – can enjoy an improvement in their quality of life. By creating conditions that flow federal infrastructure funds toward environmentally sustainable municipal infrastructure such as public transit, while retaining local flexibility, the funds go to sustainable projects.

By continuing these conditions in future federal-provincial-municipal agreements, investments will continue to help Canada's cities and communities improve the quality of the environment, reduce greenhouse gas emissions and improve the quality of our air and water, and will underscore the federal government's commitment to recognize municipal governments as partners in implementing Canada's national agenda.

In conclusion, CUTA recommends that, in its deliberations about responding to the fiscal balance debate, the federal government:

- Make direct investment in the nation's public transit systems a permanent program, through a mechanism that will provide equitable distribution of federal funds in a sustainable, predictable and equitable manner for all municipalities with transit services as well as those municipalities wanting to create a transit system.
- Maintain infrastructure investment funding mechanisms, such as the Canada Strategic Infrastructure Fund (CSIF), which support investment in major rapid transit projects for Canada's cities.
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