



Transport 2000 Ontario

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GTHA Transportation Investment Strategy - The Case for Action NOW
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Public transit provides many economic, social and environmental benefits. However, this very important service comes with a significant price tag! Work needs to start NOW on developing sources of dedicated, stable and predictable capital and operating funding.

Roads are also important for goods movement, transit movement and for trips that cannot be efficiently achieved by transit. Surprisingly, existing revenue sources for roads are also falling short.

Transit Costs - Present and Future

Present day operating costs of the various transit systems in the GTHA are about \$2 B/yr, of which only 65% on average (range is 40 - 90% depending on the system) is recovered from passenger fares. Current capital costs in 2008/2009 to expand and rehabilitate these systems are over \$2B/yr.

In addition, The Big Move, Metrolinx's plan to increase the amount of regional rapid transit, is estimated to cost \$50B to build over 25 years, and \$3 B/yr after that to operate and rehabilitate. The costs of building, operating and maintaining increased or adjusted local transit services to provide connections to the regional rapid transit network have not been estimated, but would likely be at least 50% greater than today. After all, annual system-wide ridership is expected to more than double from 546 M riders/year today to 1270 M riders/year in 25 years.

Thus we can anticipate future annual operating and capital costs of at least \$8B/yr, truly a staggering figure!

Transit Revenues

Passenger revenues for GTHA transit systems totaled about \$1.3 B in 2008.

A significant amount of transit funding for GTHA operators comes from provincial and federal sources. However, this funding is almost exclusively directed to specific expansion programs, usually for large high profile projects. Examples of these are the announcements by the province and feds in April and May 2009, totaling \$9.6 B for capital funding for various high profile lines identified in The Big Move. Although the funding is welcomed, there is legitimate concern among transit operators that this mode of "big announcement funding" is unpredictable, unsustainable and insufficient.

Other than passenger revenue, transit operators in the GTHA receive only minor amounts of dedicated stable and predictable funding. Portions of both the federal and provincial gas taxes are directed towards transit, totaling \$0.3 - 0.4B in 2008 to GTHA transit operators.

Any funding shortfall is made up by a subsidy from the local municipalities. For example, the operating cost subsidies to the TTC and YRT/VIVA in 2008 totaled over \$0.4B. Essentially this is paid for by municipal property taxes.

Roads Costs and Revenues

It is a common misconception that user fees are sufficient to cover the costs of roads. While this may have been true historically, this is no longer the case. A 2008 Transport Canada report (TP 14819E) pegged the capital, land, operating and maintenance costs of roads in Canada to be \$38B/yr, while revenue raised from fuel taxes and vehicle registration fees totalled only \$13B/yr. Thus there is a large funding shortfall for roads also.

Potential Other Revenue Sources

One of the missions for Metrolinx, per Ontario Metrolinx Act, 2006 Section 32.1 is to "develop an investment strategy, including proposals for revenue generation tools that may be used by the province or the municipalities to support the implementation of the transportation plan".

On June 13, 2008, Metrolinx presented a preliminary analysis on a suite of dedicated revenue sources and financial tools for the regional RTP network:

- to fund and implement RTP network expansion over the next 25 years
- to maintain/renew existing and future regional transportation infrastructure stock over the life-cycle
- to sustain operating costs over the life-cycle

Twenty revenue items were listed in a Potential Tool Kit. International Practices were reviewed. Big Potential Tools were identified as those that could raise \$1B+ /yr in revenues or financing:

- Road Pricing
- Parking Pricing
- Carbon-Based Pricing (gas tax)
- Transit Fares
- Transit Operating Grant
- Transit Capital Grant
- Sales Tax
- Debt Financing (analogous to a home mortgage amortized over the life of the asset)
- Land Value Uplift Capture

York Region's Transportation Master Plan (2009) identified most of these above tools as well as:

- Improved Development Charges Act
- Tax Increment Financing
- Joint Development Opportunities (transit agency as co-developer near hubs)

Public Private Partnerships (P3) or Alternative Financing and Procurement (AFP) is a strategy that does not help to provide additional sources of revenue but rather provides greater overall Value for Money and potential streamlining of payments. This approach, where the private sector assumes responsibility for some parts of Design, Build, Finance, Operate, Maintain is increasingly being used for public infrastructure in Canada, including transportation. The private sector may have access to capital and potentially can improve project cost and schedule and assume some of the project risk (over runs). Infrastructure Ontario is the arms-length crown corporation set up to procure and manage large AFP projects.

The Case for Action NOW

The Act requires that an investment strategy be developed "on or before" June 1, 2013. There is almost universal concern that a 2013 date is too late. Organizations as diverse as the Toronto Board of Trade, municipalities and non-governmental organizations specializing in transportation have all advocated for an **early and visible analysis** of revenue options.

Many of the revenue tools are new to the GTHA and will be controversial. They will take time to explain to the public and to obtain feedback. A sophisticated discussion on their costs and benefits will be needed. Some tools such as land value uplift are complex and may require several iterations. Some tools have policy, legislative and institutional impediments that would need resolution. Ultimately it may be desirable to conduct "pilot tests" of different approaches to some tools such as parking fees or road pricing. Starting an early and visible analysis will allow more time for such tests.

It is very unfortunate that the preliminary work done by Metrolinx in 2008 appears to be moving very slowly. There has been a flurry of positive media interest, meaning it is a good time to start engaging the public. Other Canadian regions have successfully brought on new dedicated stable and predictable transportation revenue tools. The GTHA needs action NOW.