A new decade for Ontario transit

Written 2020 pre-budget submission to the Standing Committee on Finance and Economic Affairs

Date: January 17, 2020

OPTA

| info@ontariopublictransit.ca

| 416.229.6222

Recommendations summary

1. That the government begin the expansion of the Dedicated Public Transit Fund from the equivalent of 2 cents per litre of existing gas tax revenues to 4 cents per litre when the fiscal situation permits during this mandate.

2. That the government work with Infrastructure Canada, Natural Resources Canada and the Ontario Public Transit Association to develop a funding program that will support Ontario transit systems in transitioning to zero-emission fleets.

3. That the government review of the Driver Certification Program include a directive to analyze the passenger carrier industry separate and distinct from the trucking industry.

Executive summary

Investments in public transit are a key policy tool to combat climate change, reduce road congestion and grow the economy. Transit is the most effective and affordable way to move large volumes of people through limited urban space in Canada. As we begin a new decade, we must learn from the past and look to the future to prepare for the challenges that lie ahead. Ontario can do that by focusing on the expansion of programs that have been successful in growing public transit, and investing in transit infrastructure for the coming shift to lower and zero-emission fleets.

Ontario's Gas Tax Funds for Public Transit Program (herein referred to as the Dedicated Public Transit Fund) is a best-practice program that provides the capital and operational funding that Ontario municipalities rely on to deliver some of the best transit services available in Canada. The case was made in 2017 for the Ontario government to double the fund incrementally over time from two cents per litre in 2018 to four cents per litre by 2021-22, owing to consistent annual increases in transit ridership since the program's inception in 2005. The doubling of the fund was cancelled in Budget 2019 pending an ongoing review of the program. When the fiscal situation permits, a reversal of this cancellation would support municipal governments to continue to invest in transit operations which, in turn, increases service frequency and reliability and leads to more transit use. This provides an affordable mobility option for commuters and gets our economy moving.

The federal government adopted policies in December 2019 to encourage the shift towards zero-emission transit buses and rail systems. Beginning in 2023, federal investments in transit should support the procurement of zero-emission buses, and other funding programs will support the procurement of 5,000 new zero-emission transit and school buses by 2025. Though this ambition is welcome, the task is daunting and transit systems require support to help achieve these goals. There are currently no coordinated federal-provincial policies to help fund the required on-road and in-facility electric charging and associated zero-emission refueling infrastructure necessary to service green fleets. An additional funding mechanism should be put in place to help deliver such infrastructure.

The 2019 report by the Auditor General of Ontario recommended that the Ministry of Transportation analyze the difference in pass rates between the Driver Certification Program (DCP) and those at Drive Test centres to determine whether they are reasonable and, where relevant, identify instances that require follow up or corrective action. The report also recommended that the Ministry study and report on the potential road safety benefits of mandatory pre-employment and random drug and alcohol testing for commercial vehicle drivers to reduce the risk of collisions involving commercial vehicle drivers under the influence of drugs and alcohol. Road safety is the most important priority for the transit industry. We recommend keeping the DCP in place, and we support the Auditor General's call to study the safety benefits of mandatory pre-employment and random drug testing for train and bus operators.

1. Expand the Dedicated Public Transit Fund

Recommendation: That the government begin the expansion of the Dedicated Public Transit Fund from the equivalent of 2 cents per litre of existing gas tax revenues to 4 cents per litre when the fiscal situation permits during this mandate.

The Dedicated Public Transit Fund currently reserves the equivalent of 2 cents of existing gas tax revenues to be distributed proportionally each year to every Ontario municipality with a transit system. Funds are allocated to municipalities based on a formula of 70% of a municipality's ridership for the preceding year, and 30% of a municipality's population. This gives a solid funding baseline for all transit systems based on how many constituents they serve. The advantage of 70% of the allocation based on ridership means that transit systems can remain demand responsive. As ridership grows, service levels can expand so that buses and trains do not get overcrowded or off-schedule. The current formula also incentivizes investments in ridership growth strategies, which drive innovation in the transportation sector and result in better service delivery for riders.

Ontario's Dedicated Public Transit Fund is a best-practice program that delivers the capital and operational funding that Ontario municipalities rely on to deliver some of the best transit services available in Canada. The case was made in 2017 for the province to double the fund incrementally over time from two cents per litre in 2018 to four cents per litre by 2021-22. The rationale behind this decision was that the program led to consistent annual increases in transit ridership since its inception in 2005. The decision to move to four cents was also taken to ensure that municipalities such as the GTA would not have to impose road tolls or other costly taxes to fund transit services. The increase would have allowed small and mid-sized municipalities to invest in transit operations which, in turn, increase service frequency and reliability and lead to more use. Getting service frequency to 15-minute intervals or below is key to driving the behavioral change that reduces congestion and greenhouse gas (GHG) emissions in transportation. According to a 2018 report commissioned by the Canadian Urban Transit Association (CUTA)[1], for every 10% increase in a transit system's total operating budget, a 5.5% increase in vehicle revenue hours is expected, and for every 10% increase in vehicle revenue hours, a 10% increase in ridership is expected. There is thus a causal link between increased/stable operating funding and increased/stable ridership numbers.

According to the Toronto Board of Trade, congestion in the GTHA area is estimated[2] to cost roughly $6 billion per year to the economy in wasted time, lost wages and job opportunities, and increased road accidents. This figure is set to increase to $15 billion per year by 2031. Ontario residents have the longest average commute times in Canada. We can transport up to 40 times more people in a bus or a train than a car, and use far less road space doing so. Moving people from their cars to transit relieves our clogged roadways and eases congestion, shortening commutes and boosting economic productivity. A 2016 study by Montreal's transit system found that their operations alone reduced congestion related GHG emissions from car idling by about 836,000 metric tonnes per year.

A recent study[3] that analyzed decades of infrastructure investment patterns in Ontario concluded that investing in transit has had the largest long-term impact on GDP growth of all infrastructure asset classes. Each $1 invested in transit infrastructure grows the economy by $29 over its life cycle. Each additional $1 million invested in transit creates 107 jobs in Ontario. Evidence shows that building transit infrastructure clusters economic activity by increasing population density and reducing vehicle trip distances. This not only shortens commutes and expands economic productivity, but also impacts on the labour market and economy by connecting workers to employers and businesses to customers.

We call on the Ontario government to begin the expansion of the Dedicated Public Transit Fund from 2 cents per litre of existing gas tax revenues to an increase equivalent to 4 cents per litre, when the fiscal situation permits during this mandate. The program's allocation formula should remain as is, as should its conditionality that funds only be invested in municipalities with a transit system.

2. Prepare for Zero-Emission Fleet Procurement in Ontario

Recommendation: That the government work with Infrastructure Canada, Natural Resources Canada and OPTA to develop a funding program that will support Ontario transit systems in transitioning to zero-emission fleets.

43.6% of all transit trips in Canada in 2018 were taken in Ontario. The province represents the largest hub of public transit infrastructure in the country, and changes to procurement rules will affect Ontario in a big way. The federal government adopted policies in December 2019 to encourage the shift towards zero-emission transit buses and rail systems. Beginning in 2023, federal investments should support the procurement of zero-emission buses, and other funding programs will support the procurement of 5,000 new zero-emission transit and school buses by 2025. Though this ambition is welcome, the task is daunting and transit systems require support to help achieve these goals. There are currently no coordinated federal-provincial policies to help fund the required on-road and in-facility electric charging and associated zero-emission refueling infrastructure necessary to service greener fleets. An additional funding mechanism should be put in place to help deliver such infrastructure.

Funding pressures for transit systems transitioning to green fleets are not limited to the charging infrastructure necessary for battery electric and hybrid buses. Facility and garage retrofits are significant investments in money and time that disrupt the business-as-usual workings of a municipal service provider. To ensure a dedicated and reliable power source, power utilities must reconfigure their networks to plug transit systems into the grid, which may require legislation. Experts in electric mobility are also needed as zero-emission buses require specific engineering and maintenance expertise. Route planning is also affected as electric battery technology has a lower energy density than fossil fuels, which gives zero-emission buses a lower service area range, particularly in cold climates. Government funding is necessary to support the transition to zero-emission fleets without an impact on service reliability.

Ontario has three budget cycles and construction seasons to fully prepare its communities for the zero-emission procurement deadline of 2023. As planning, consultation and construction takes time, the earlier that funds to prepare for this transition begin to flow the better. Thus far, most federal investments in electric mobility are targeted towards the adoption of passenger electric vehicles. Transit provides a service that greens public transportation and helps reduce GHG emissions. Systems are committed to greening their operations, but require support to meet ambitious new targets.

We call on the Ontario government to work with Infrastructure Canada, Natural Resources Canada and our industry to develop a funding program that will meet Ontario's needs in transitioning to zero-emission transit fleets. This would include investing in on-road and in-facility charging infrastructure and associated costs to help systems prepare for new federal government policy that mandates that federal investments in transit be used to procure zero-emission buses starting in 2023.

3. Action the Auditor General's recommendations on safety

Recommendation: That the government review of the Driver Certification Program include a directive to analyze the passenger carrier industry separate and distinct from the trucking industry.

The 2019 report by the Auditor General of Ontario recommended that the Ministry of Transportation analyze the difference in pass rates between the Driver Certification Program and those at Drive Test centres to determine whether they are reasonable and, where relevant, identify instances that require follow up or corrective action. The report speculates that drivers getting their licenses from certified instructors through their carriers could be being pushed through with lower standards to fill a driver shortage in the industry. The lower fail rate can be explained by the nature of the recruitment and training process which identifies and eliminates unqualified candidates. These are vastly different groups. We recommend keeping the DCP in place as an effective way of having a separate channel of driver certification for commercial and professional drivers rather than forcing all through drive test centres.

The report also recommended that the Ministry study the potential road safety benefits of mandatory pre-employment and random drug and alcohol testing for commercial vehicle drivers to reduce the risk of collisions involving commercial vehicle drivers under the influence of drugs and alcohol. As transit operators are responsible for the safety of riders and the surrounding public, their fitness for duty is of paramount importance. Federal regulations in the United States require mandatory pre-employment drug testing, as well as random drug and alcohol testing for commercial drivers throughout the year. Transport Canada has banned all cannabis use, including for medical reasons, for flight crews and flight controllers. Some GTHA transit operators have likewise banned cannabis use for their train and bus operators.

We support the Auditor General's call to study the safety benefits of mandatory pre-employment and random drug testing for train and bus operators with a view to legislating for the same.

***

[1] CUTA, *Canadian Transit Ridership Trends Study*, 2018 (p.88) http://cutaactu.ca/sites/default/files/cuta_ridership_report_final_october_2018_en.pdf

[2] Toronto Board of Trade website, accessed on January 8, 2020, link here: https://www.bot.com/PolicyAdvocacy/Campaigns/LetsBreakTheGridlock.aspx.

[3] Pereira et al., *On the effects of infrastructure investment on economic performance in Ontario*, Department of Economics, The College of William and Mary, Williamsburg VA, Virginia, USA. Journal of Infrastructure, Policy and Development, Volume 2 Issue 2 (2018).