

NATIONAL TRANSIT STRATEGY & POLICY

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FEDERAL ROLE

- What is the proper role of the federal government?
- How do we ensure that the right decisions are made—based on evidence and future planning?



RESEARCH OBJECTIVES

- **Assess the effectiveness** of current intergovernmental fiscal arrangements, using principles.
- **Scope out a role** for the federal government in public transit.
- **Assess the implications** of the proposed funding on the governance of transit systems in Canada's global city-regions.



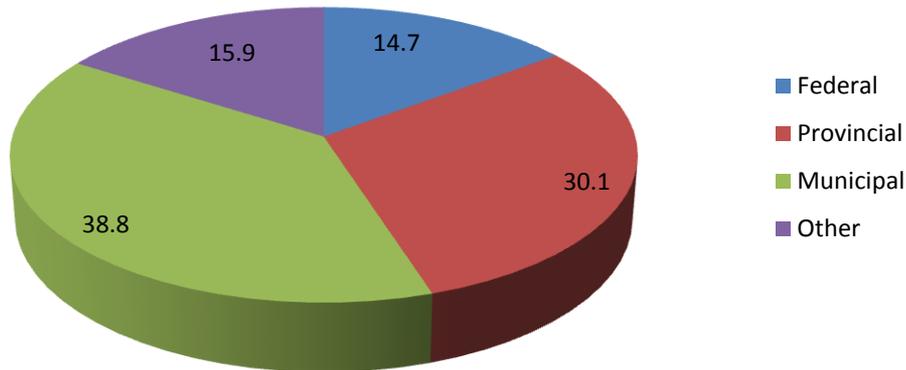
CONCLUSIONS

- **Lack of transparency, predictability and accountability**
- **Canada is an outlier among federal states in its lack of federal funding**
- **Canada must break from its equalizing mentality**
- **The practice of Canadian intergovernmentalism is broken, often devoid of understandable principles and has a negative impact on public transit**
- **Governance needs to be regionally concentrated**

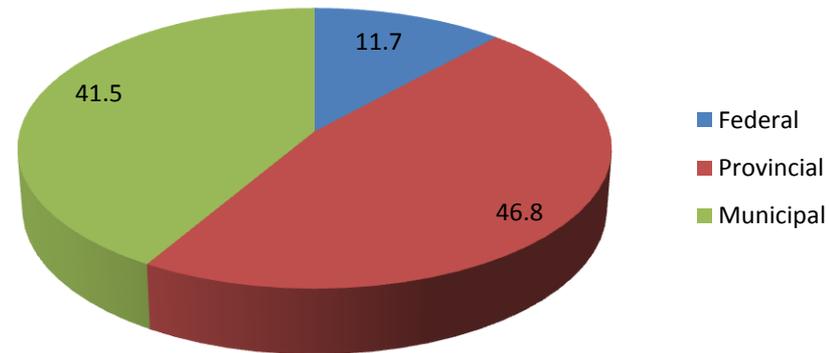


CURRENT FUNDING ARRANGEMENTS

Total Contributions (%) to Transit 2007



Share in Targeted Transit Funding 2008-2009 by Level of Government



FEDERAL FUNDING PROGRAMS FOR TRANSIT

Program	Amount in Program	Amount Spent (since 2007)	Dedicated Transit	% Spent on Transit to date	Allocation	Expiry Date
Building Canada Plan	\$33.2 billion	-----	NO	Around 13%* Includes: Green Infrastructure Fund; Communities Top-up; Provincial-Territorial Base Fund; BCP-MIC; BCP-CC; Gas Tax (from 2007-2010)	Depends on programs	2014
Gas Tax	\$2 billion	From 2005: \$1.1 billion	NO	34%	Per Capita	Now Permanent
Building Canada Fund	\$8.8 billion	-----	NO	-----	Per Capita	2014
Provincial / Territorial Base Fund	\$2.275 billion	\$1.888 billion	NO	Money spent on shovel-ready projects	Equal	2014
GST Rebate	\$5.8 billion	\$2.31 billion (ex. 2010)	NO	Municipalities are free to allocate without reporting	Depends how much you pay	2014
Infrastructure Stimulus Fund	\$4 billion	If deadlines are met: Approx. \$3.89 billion	NO	7% EXPECTED	Merit	2011
Metropass	Metropass dependent	Approx. \$130 million/year	NO	Transfer to individuals	Individual	Permanent
Green Municipal Fund	\$550 million	1.6 million	NO	18.75% (1 project in Banff)	Merit	TBD
P3 Fund	\$1.2 billion	\$75 million	NO	0%	Merit	2014
Public Transit Capital Trust	\$500 million 2008	Approx. \$500 million	YES	100%	Per Capita	Onetime payment to each province over two years 2010
Public Transit Capital Trust 2006	\$900 million	Approx \$900 million	YES	100%	Per Capita	EXPIRED
Canada Strategic Infrastructure Fund	\$4.3 billion	Approx. \$79 million**	NO	0%**	Merit and Regional Needs	2012



TRANSIT FUNDING SINCE 1998

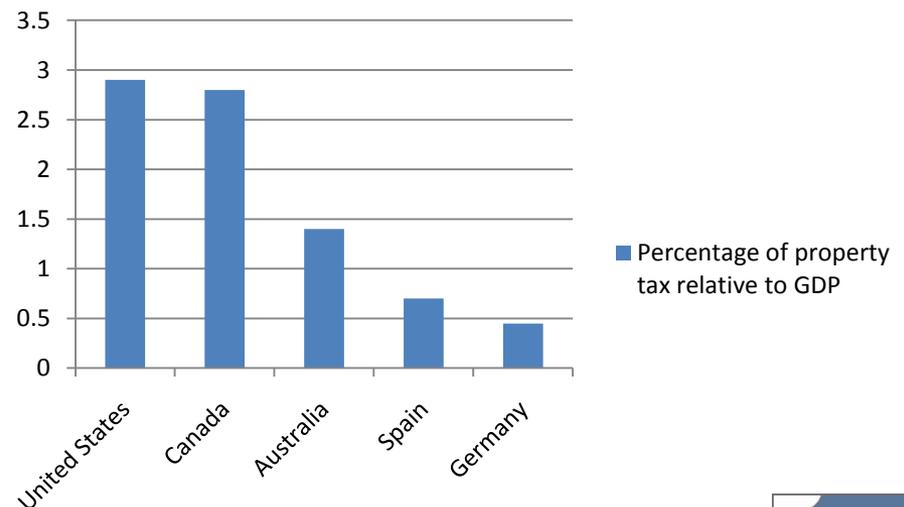
- Ad hoc funding commitments by federal government.
- Patchwork of provincial and federal programs announced without consultation across three levels of government.
- Compared to many European countries and US, subsidies for transit are lower.
- Complete absence of coherent national strategy for public transit.



A LOCAL LEVEL PROBLEM THAT REQUIRES NATIONAL RESOURCES

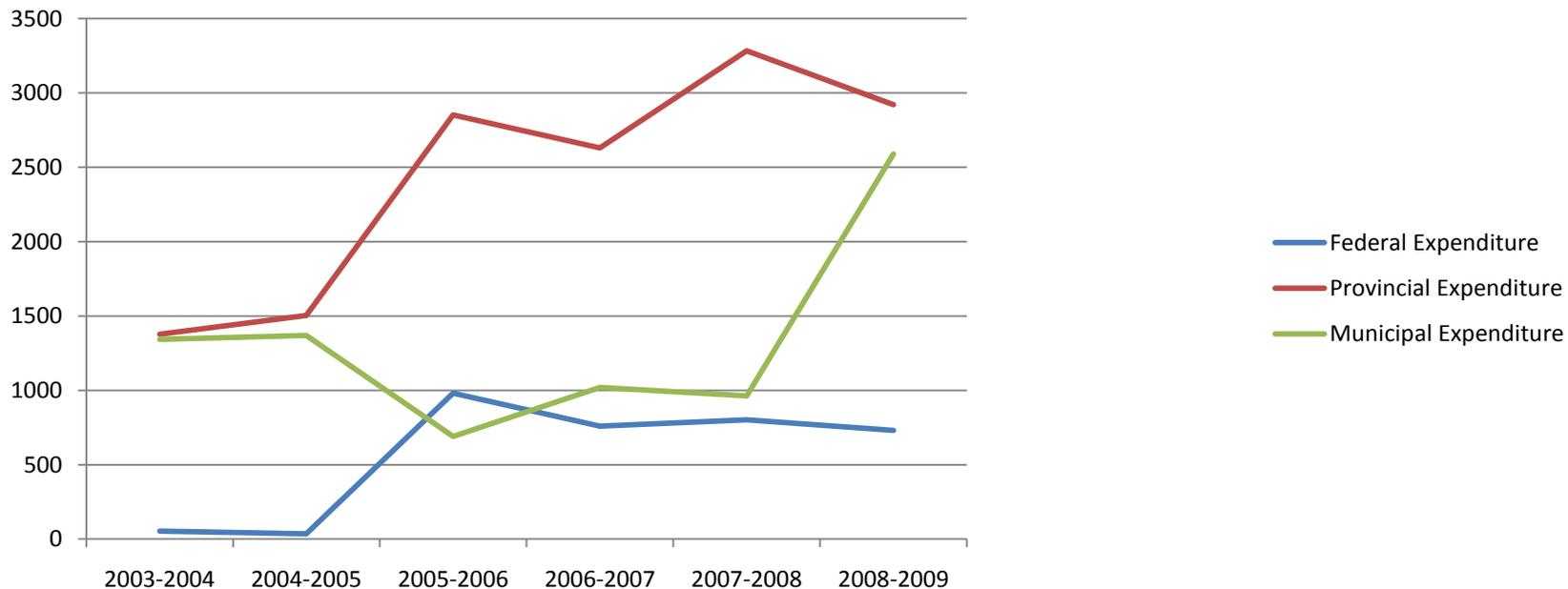
- The cost of an integrated, multi-modal transit system in Canada's global city-regions is substantial—costs of building a subway at roughly \$250-300 million per km and \$60-100 million per km for LRT.
- Property taxes in Canada are already among the highest in the OECD—there is limited capacity to increase revenues from this tax base.

Property Taxes Relative to GDP 2008



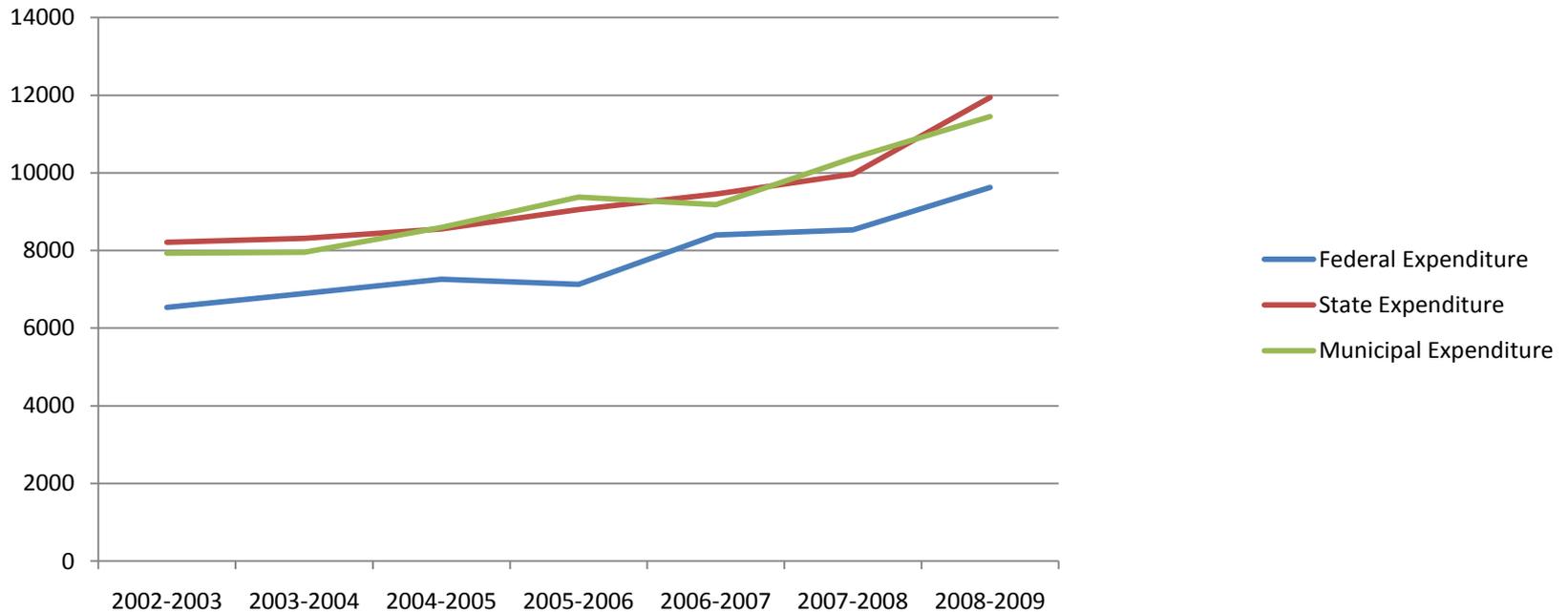
REVENUE ADEQUACY

Canada: Dedicated Transit Expenditure by Level of Government 2003-2009



REVENUE ADEQUACY (cont.)

US: Dedicated Transit Expenditure by Level of Government 2003-2009



REVENUE ADEQUACY—CANADA IN COMPARISON

- **United States (SAFETEA-LU)** – federal government has spent approximately 0.067% of GDP on transit.
- **Switzerland (Fund for Urban Transport, the Motorway Network, and Peripheral Regions)** – federal contribution for urban and suburban transport is CHF 6 billion.
- **Spain (Extraordinary Transit Fund)** – €22 billion budget in 2011, with significant amount going to public transport.
- **Germany (Local Authority Infrastructure Financing Act and the Local Public Transport Act)** – Acts extended in 2010, with a total sum of €8.5 billion provided to the federal states for urban transport.
- **Australia (Nation Build Program 2008-2013)** – Federal spending commitments specifically for public transit reaching \$4.6 billion.



PREDICABILITY

- Federal funding arrangements have primarily been short-term.
- It is unclear what federal resources will be available to fund transit after 2014; it is unclear what federal resources are available to fund transit now.
- Federal infrastructure programs (BCP & ISF) did not include dedicated funds for public transit.
- Only 7% of the ISF went to transit capital expenditures.



TRANSPARENCY

- *“The announcement of stimulus-funded projects and general communication about infrastructure initiatives has not always been consistent and straightforward. Consequently, it has been difficult for the public ... to fully understand what projects are being funded and when projects will be procured” (CE-BC).*
- Approximately 90% of US federal grants for urban transportation are distributed based on a published formula.



ACCOUNTABILITY

- Lack of clarity in roles and responsibilities makes it difficult for people to hold governments and institutions accountable.
- Accountability to citizens should take precedence over accountability to governments.
- Too many governments with unclear governance leads to blame avoidance and finger pointing across the three governments.
- The federal government is not held appropriately accountable for its unstrategic and unpredictable role in public transit



EQUITY

- Three types of equity for transfer allocation:
 - Per Capita
 - Per Targeted Population
 - Needs-based
- Canada uses none of the above and often adopts a non-equity related approach: lottery/“Free for all”.
 - (“Merit” based, per jurisdiction funding)
- Current funding programs use different allocation formula without any principle-based justification: Per capita, merit-based, per jurisdiction, ridership.



GOVERNANCE

- Decision-making is complicated by joint-decision traps and veto points.
- Need accountability to citizens over government-to-government accountability.
- Canadian federalism is broken in some crucial ways and is too slow when it comes to making timely decisions critical to our future.
- Decision-making needs to be concentrated in a regional body with opportunity for local/federal input.



RECOMMENDATIONS

Dedicated federal commitment to public transit, including a national transit strategy for global city-regions.

Long-term commitment (like CHT/Health Accord), providing predictable funding with sufficient time horizons to facilitate large capital projects.

Transparent single transfer with a clear, principles-based allocation formula.

RECOMMENDATIONS (cont.)

Promote accountability by clarifying the role and funding commitment of the federal government.

Concentrate transit investments in large city-regions with regional planning bodies, using measures such as ridership, local population, etc.

Decision making should be concentrated in a regional transit authority.



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