Ensuring Canada’s Urban Transit Systems Are Ready to Support Population Growth and Climate Action Targets

Submission to the Government of Canada in Advance of the 2023 Budget

February 10, 2023

RECOMMENDATIONS

As the Government of Canada prepares its 2023-24 Budget, Metro Vancouver’s TransLink Mayors' Council on Regional Transportation asks that the Government:

1. **Provide $250 million in Emergency Transit Relief Funding to TransLink**, to be matched by the Government of B.C., to protect existing transit service levels in 2023-25 and enable TransLink to begin improving and expanding transit starting in late 2024 to meet urgent and growing needs.

2. **Accelerate the delivery of the Permanent Transit Fund (PTF) by two years** from the original commitment of 2026/27 to 2024/25 to avoid delaying the transit service expansion needed starting in 2024 to meet national and provincial GHG emission targets, respond to the housing affordability crisis and serve quickly growing ridership. A permanent, predictable transit funding program will enable TransLink to begin delivering the expanded transit services and active transportation projects outlined in TransLink’s *Transport 2050 10-Year Priorities*. The need for this accelerated timeline is particularly acute in Metro Vancouver, which has already utilized its share of funding through the Investing in Canada Infrastructure Plan (ICIP). An accelerated PTF should also:
    a. Ensure complementary provincial contributions;
    b. Include an annual cost escalator of 3.5% and be enshrined in legislation;
    c. Direct funding support to transit projects that are identified in region-wide, long-range transportation plans that are developed through extensive public engagement and consultation, align with land-use plans, and include actionable objectives and targets that meet key national, provincial and local objectives, in particular to address climate change targets and the affordability crisis, and which minimize transportation projects’ adverse impact on local communities and businesses.

3. **Permanently double the Canada Community-Building Fund** (formerly known as the Gas Tax Fund) as was done in 2019, 2021 and 2022, and increase its annual escalator to 3.5% to better reflect construction cost inflation. The Canada Community-Building Fund provides direct, reliable infrastructure funding to local governments, including for public transit.

4. **Launch a tri-partite national commission together with provinces, local governments and transit agencies to develop a new funding model for public transit** that is more resilient and equitable by avoiding overreliance on regressive sources such as transit fares and property taxes. A new funding model will ensure that transit agencies have the resources needed for the increased operating and capital requirements to meet national, provincial and local expectations of public transit services.

OVERVIEW

Public transit in Canada's largest metropolitan areas is at an important and difficult crossroads.

In Canada's big cities, public transit has long been seen by most residents as a basic utility, like electricity, drinking water or roads: an essential service that keeps our cities moving, working and successful. Transit services must be provided at the levels and quality required to meet the mobility needs of residents and contribute to a well-functioning urban transportation network that enables the efficient movement of goods.

New global and national trends and challenges are adding to these already high expectations of transit. More than just an essential service that provides an affordable, efficient mobility choice, public transit makes critical contributions towards national and provincial priorities such as climate action, reducing cost-of-living pressures, settling record-setting numbers of new Canadians, and positioning Canada as a global competitor for talent and innovation.

Relentless population growth in our largest cities, super-charged by new federal immigration targets, only adds to these expectations, and exacerbates pressures faced by transit in Canada's big cities.

Addressing some of Canada's most pressing challenges – from climate change to housing affordability to immigrant settlement to innovation – depends on vibrant, successful public transit systems in our largest cities.

At the same time as these long-term expectations grow, transit is still struggling from the effects of the pandemic—both the immediate shocks of closed borders and movement restrictions, as well as the lingering recalibration of social and economic activity that followed. The pandemic left Canada's largest transit systems relying on rider-dependent fare revenue to cover the bulk of their operating costs. The variability in once predictable ridership patterns has left systems with deep deficits they must recover before adding needed new services. More recent inflationary pressures have only compounded this financial crisis, adding hundreds of millions of dollars in unexpected costs both to operate transit, and complete capital projects already in construction.

Given the twin shocks of the pandemic and inflationary pressures, combined with limited and reduced revenue tools, many transit systems are faced with an impossible decision: cut service and raise fares to preserve the existing system. Such a decision risks an erosion of service and subsequent slowing or even reversal of ridership growth which then often requires more service cuts and fare hikes, leading eventually to a "transit death spiral."

There is an alternative to this bleak future. The crossroad.

This crossroad begins with the recognition that transit, like electricity, or drinking water, or roads, is an essential utility that keeps Canada's largest cities running. It also requires an acknowledgment that some of Canada's most pressing new challenges, from climate change to housing affordability to immigrant settlement to innovation, depend on vibrant, successful public transit systems in our largest cities.

This alternative path requires a commitment by all levels of government to support transit's near-term challenges but also to look beyond the near-term by continuing to invest in expanding transit services to ready our cities for the future.

It's time for governments to shift away from a sole focus on transit 'survival' and add an objective to ready transit systems for the needs of a growing population.

This is essential to ensure our efforts to spur economic recovery and improve affordability are not compromised by traffic congestion and other mobility challenges.

The Government of Canada and the Government of British Columbia already embrace this alternative. For the half decade prior to the pandemic both governments made historic investments in transit expansion by committing to long-term transit funding programs, increasing senior government cost-share towards new transit projects, and tying transit investments to improved outcomes in land-use planning, GHG emissions and housing. During the pandemic, both governments worked together to deliver the Safe Restart Agreement that provided emergency relief funding of over $800 million to TransLink that was critical to ensuring that TransLink could maintain service at near pre-COVID levels, offset operating losses during the pandemic, and keep fare rate increases lower than planned up to and including 2024.

This track record by senior governments is based on their recognition of the critical role that transit plays not just locally, but provincially and nationally. Recent investments have been an essential ingredient to the success of Canada's largest transit systems. However, the sheer magnitude of this track-record – tens of billions of funding over the past decade – may be seen by some as "job done" and "boxed checked." This is not the case: transit is an essential utility facing growing needs at the same time as it continues to struggle, acutely, from the pandemic and inflation without sufficient tools of its own to recover, grow and succeed.

Now is not the time to turn away. Now is the time for all three orders of government to recommit to the importance of transit and ensure that the resources are available to fulfill its role. Now is the time to put transit in Canada's largest urban regions firmly on the road to recovery and enable these cities to deliver the new and expanded service our cities, provinces and country needs to meet existing and future needs.

MANAGING THE CURRENT CRISIS

RECOMMENDATION #1

Provide **$250 million in Emergency Transit Relief Funding** to TransLink, to be matched by the Government of BC, to stabilize its finances until 2025 and enable planning to begin immediately for the injection of new and expanded transit service targeting urgent growth needs.

Prior to the pandemic, starting in 2015, TransLink launched an historic expansion of transit services, yet by early 2020 public demand had pushed ridership beyond the capacity of the system – at levels not seen anywhere else on the continent.

COVID-19 brought unprecedented financial and operating challenges, but thanks to our region's strong partnership with the Government of Canada and Government of British Columbia who provided over $800 million in pandemic relief funding, TransLink was able to keep the system operating, guaranteeing mobility for essential service workers, and avoiding layoffs and future staffing challenges.

While this relief funding stabilized TransLink's finances and allowed for seamless delivery of services, the impact of the pandemic continues to be felt in several areas:

- Transit service remains at 94% of pre-pandemic levels to provide essential mobility options, however, fare revenues have rebounded to just over 70% of pre-pandemic levels (ridership has recovered to 82%, but customers are using less expensive fare products leading to lower fare revenues). This imbalance between what used to be our largest revenue source and our largest expenditure leads to ongoing losses over the next several years.
- At the same time, TransLink, the Mayors' Council and the Government of BC are committed to keeping transit affordable for the region by limiting fare increases to no more than 2.3% per year up until and including 2024.
- Together, these impacts on fare revenues contribute to over $200 million in losses over and above the losses already covered by relief funding and TransLink's other revenue sources.
- Fuel tax revenue is projected to be a declining revenue source as the adoption of zero-emission vehicles grows in line with the proposed federal sales targets for zero-emission vehicles. By late 2022, British Columbia had already exceeded the 2026 target with 20% of all new vehicles registered as zero emissions. By 2030, fuel tax revenues will be $350 million lower annually than if this source grew at the same rate as our other revenues.
- Affordability concerns also limited the degree to which property tax increases could be relied upon to offset funding challenges.
- In addition to these revenue impacts, TransLink, like other organizations and Canadians at large, is struggling to contain cost escalation due to supply chain shortages, inflation and high interest rates, leading to a negative impact of over $400 million.
- As a result of these impacts, TransLink is facing a growing funding gap. The current multi-year budget ("2022-31 Investment Plan") approved in mid-2022 stabilized TransLink's finances until 2026; however, these recent impacts have led to a gap between projected revenues and expenditures of about $500 million by the end of 2025.

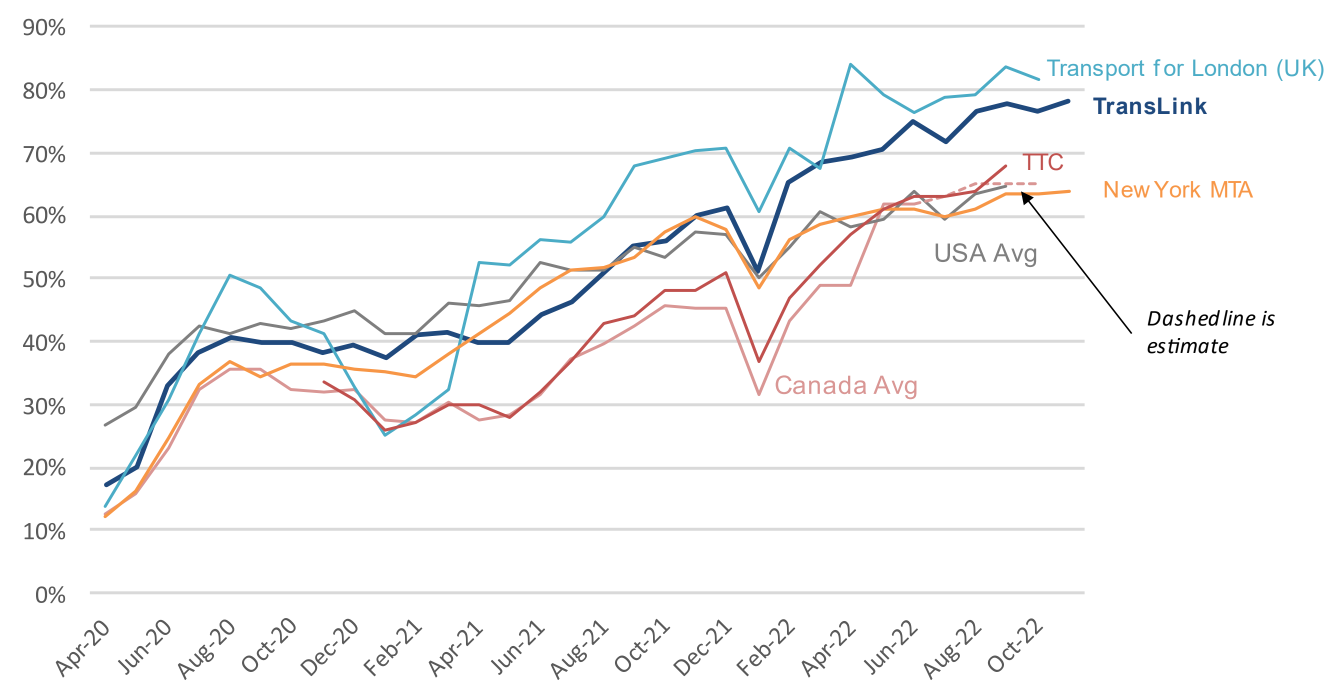
- To reduce these negative impacts, TransLink has:
  - Implemented cost-saving measures, such as reduced corporate expenditures, deferred capital projects, and optimized service costs;
  - Maximized non-taxation revenues, such as land development;
  - Approved increases to property tax, consistent with the rate of increase in other growth-related senior government revenues such as income and sales taxes.

In total, lower fare revenues due to the pandemic, plus higher expenditures due to inflation has led to a funding gap of approximately $500 million between 2023 and 2025 that must be filled to stabilize our finances before further transit expansion can be contemplated.

Growing pressures

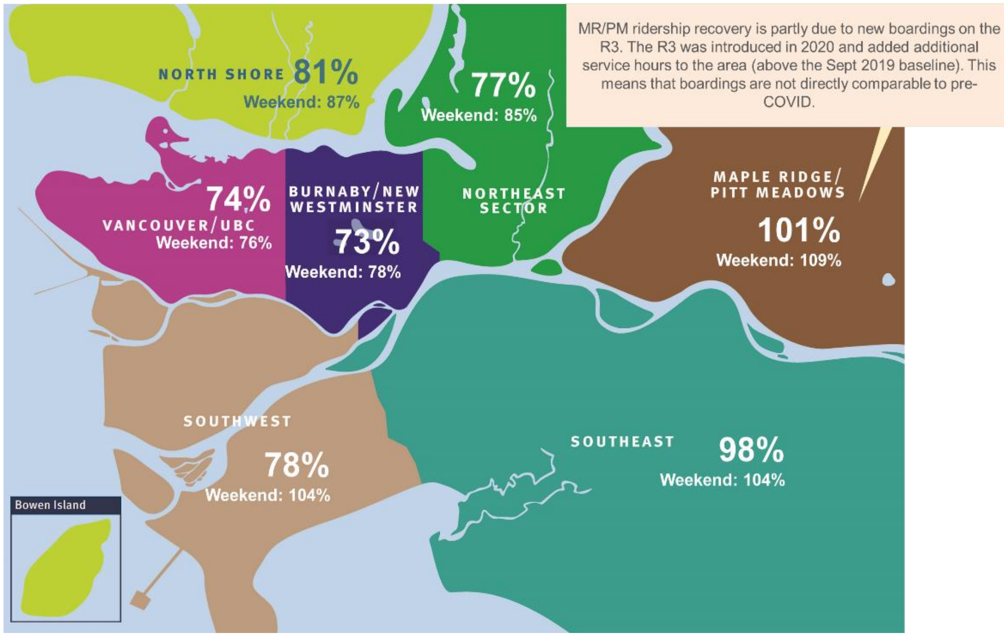
In January 2023, Metro Vancouver's transit ridership recovery returned to 82% of pre-pandemic levels, leading North America in ridership recovery. Metro Vancouver transit boardings are 60% higher than Seattle and Portland combined. Metro Vancouver transit boardings are now more than the entire Chicago area, an urban region with triple the population.

TransLink is Leading Ridership Recovery Among Peer Regions in Canada and the USA*

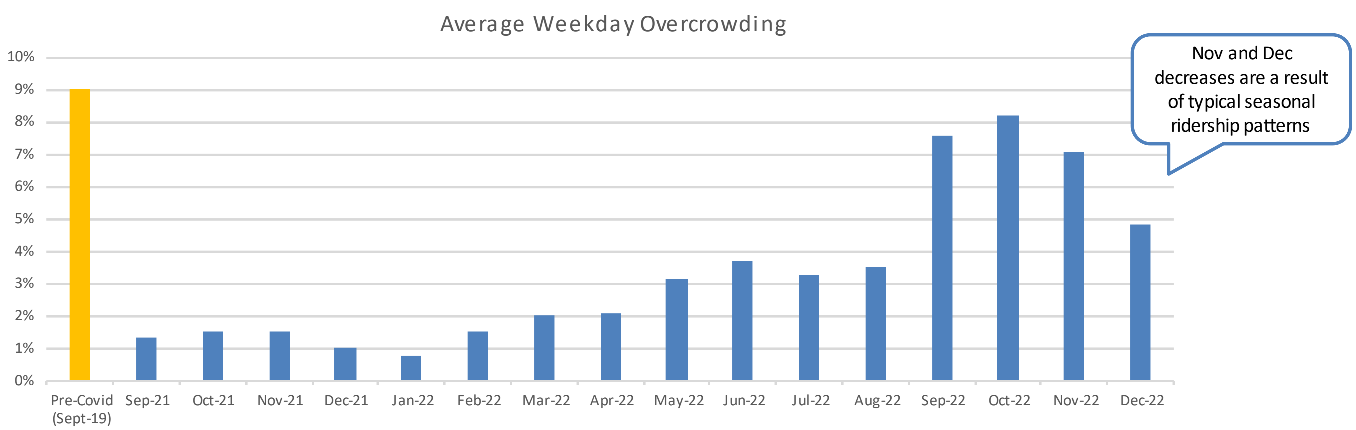


**Based on regions and systems with available data*

Although ridership still lags pre-pandemic levels region-wide, this does not mean the system is operating with excess capacity. In fact, our transit system has returned to or exceeded pre-pandemic levels in Metro Vancouver's fastest growing communities south of the Fraser River and in its eastern suburban communities. These are the places that provide the region's most affordable housing options, and most accessible employment opportunities, often to new Canadians, and lower- and middle-income families struggling to succeed and thrive in the midst of an affordability crisis. It is in these neighbourhoods that transit is a vital backbone, and at the same time is pressed to meet the public demand.



TransLink, with the support of federal and provincial relief funding, has managed to avoid service cuts; however, the ongoing financial challenges have made adding new service impossible. To respond to the surging transit demand, TransLink has shifted service hours from high-frequency routes in Vancouver and the North Shore that still had excess capacity, to the increasingly overcrowded routes in the southern and eastern parts of the region. Transit service has in fact been increased by 12% in Surrey and Langley since mid-2020. However, the gambit of “robbing Peter to pay Paul” has reached its conclusion, with overcrowding growing throughout the region and reaching close to pre-pandemic levels, making any further “service optimization” re-shuffling impossible without leading to worsening service for those who often have no other mobility options.



Transitioning to a ‘new normal’

Looking ahead, there will be a transition period between the current uncertainty and challenges of operating in a pandemic, and a more stable operating future. In the short term, cities and regions will continue to require support from federal and provincial governments to cover operating losses while planning for a shifting mix of revenue sources over the longer term. It is time for governments to shift away from a sole focus on transit "survival" and add an objective to ready transit systems for the needs of a growing population. This is essential to ensure governments' efforts to spur economic recovery and improve affordability are not compromised by traffic congestion and other mobility challenges.

MEETING FUTURE DEMANDS

Recommendations #2 and #3

- Accelerate the delivery of the Permanent Transit Fund (PTF) by two years
- Permanently double the Canada Community-Building Fund

At the same time as Translink is managing its ongoing financial crisis and growing demands on service, it also has to prepare for longer term needs that are often driven by national and even global trends as well as provincial and federal legislative requirements. In particular, recent trends in population growth, and climate action targets are the most complex to manage and most important to citizens.

Population growth and affordability

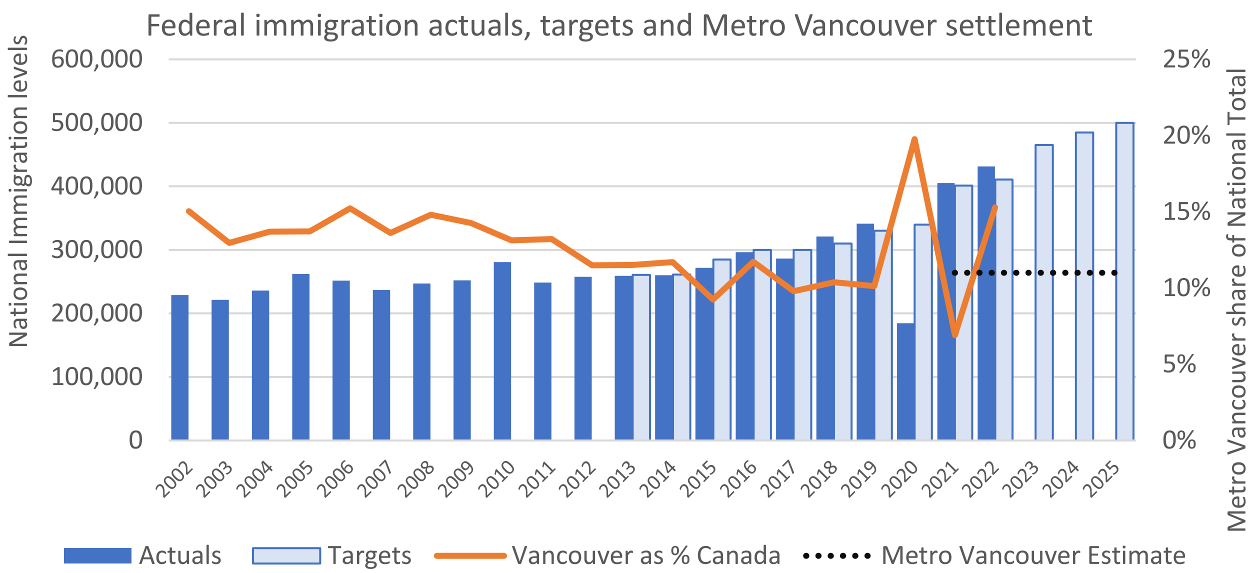
TransLink's 30-year regional transportation plan, *Transport 2050*, plans for the region's population to grow by over one million people by 2050 and the related demands on the transportation network. Compounding the impact of this growth is the type of growth expected:

- Regional growth in Metro Vancouver is governed by the 30-year Regional Growth Strategy (the current plan is called *Metro 2050*) which concentrates future population and employment growth into urban centres and along Frequent Transit Development Areas. Densifying urban areas lead to transit usage growing at a faster rate than population because denser cities make transit more useful and convenient. This type of transit-oriented development growth is anticipated and planned for in *Transport 2050* and underpins the plan's focus on aggressively expanding transit service across the region.
- New Metro Vancouver residents are not settling evenly across the region. The majority of population growth is occurring in the fastest growing neighbourhoods South of the Fraser and in the Tri-Cities. These areas have lagged historically in transit investment and expansion, but with population exploding in these affordable communities, *Transport 2050* will direct a disproportionate share of new transit service to these areas with the most pressing needs.
- Most importantly, the majority of population growth in Metro Vancouver will come from immigration. New Canadians tend to rely disproportionately on transit, especially in the early years of settlement, either because they have arrived in Canada from countries with very high reliance on transit, and/or because many new Canadians are lower income families who tend to use transit more often than higher income families.

Most new Metro Vancouver residents over the next 30 years will be new Canadians who will settle in fast-growing, rapidly densifying transit-oriented communities. These trends bring enormous benefits to the region, province and country and its economy and vibrancy, but also super-charge the demands on our system.

Amplifying these growth pressures are quickly increasing federal immigration targets. *Transport 2050*, which began development 3-4 years ago, assumed federal immigration targets would remain around 300,000 annually in the short-term resulting in 30,000 to 40,000 net immigrants to Metro Vancouver per year. The latest federal immigration plan significantly revised these targets upwards to 500,000, which is having an immediate and tangible effect on the region's population. The latest data from Statistics Canada estimates that 91,000 immigrants, students, foreign workers, refugees and other temporary residents arrived in Metro Vancouver in 2022. These higher targets will almost certainly lead to faster than projected – and planned for – population growth in Metro Vancouver. Given that net external migration is such a significant driver of labour and population growth, early data appears to confirm this trend, with the region's net population growing by nearly 78,000 in 2022—35% higher than BC Stats projections.

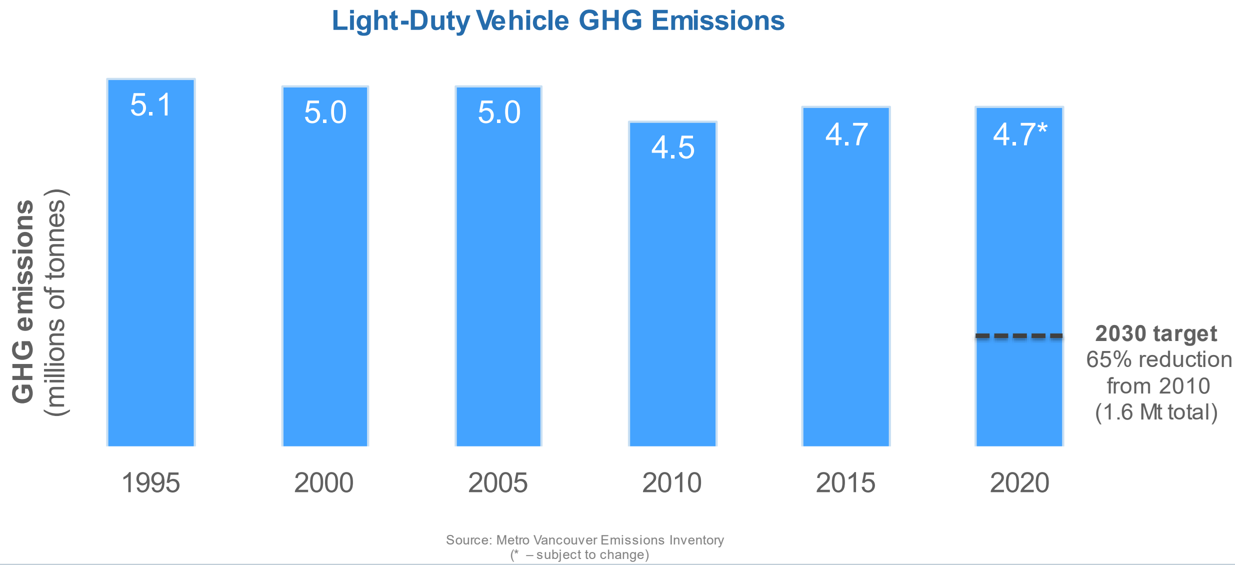
Ensuring that new transit comes online as this new transit-oriented population arrives is critical not just to Metro Vancouver, but also for the province and the country.



Climate action

The Government of BC is striving for net-zero GHGs by 2050 in its *CleanBC Roadmap to 2030*. CleanBC targets a 40% reduction in GHGs by 2030 (relative to 2007). Metro Vancouver's regional government and TransLink are working together to identify an implementation pathway for the region to meet its target to reduce GHG emissions from passenger cars and trucks by 65% by 2030 (relative to 2010 levels). The accelerated national and provincial transition to emissions-free and low-emission passenger cars and light trucks will help the region meet about 50-60% of its 2030 targets; the remainder will need to come from making more efficient use of existing transportation modes, including a modal shift to transit and active transportation.

Unfortunately, while regional and municipal transportation investments and strong land-use policies have laid the foundation for a relatively sustainable transportation system by North American standards, people in the Metro Vancouver region still largely prefer to drive. Around 70% of trips in the region are made by cars and the remaining 30% by walking, biking, rolling, and transit. These trends have slowed over the last decade but fall well short of the absolute decreases required to meet national and provincial emission reduction targets.



Every year that GHG emissions are not reduced contributes to worsening climate change impacts and makes achieving the targets in the remaining time period even more difficult. Achieving the 2030 targets are critical to minimize those compounding impacts, while also setting the region on a trajectory to become carbon neutral by 2050.

Climate action plan has two additional impacts on TransLink: it requires significant capital investments to convert our buses to a zero-emission fleet, while at the same time as reducing TransLink's fuel tax revenue as the region converts to zero-emission vehicles.

Dramatically expanding transit supply – as an alternative to driving – is a necessary precondition to achieving these targets (although not sufficient on its own to meet the targets; additional measures are required, all of which will rely on substantially increased transit). *Transport 2050* includes most of the transit expansion needed to meet the supply-side solutions required, but the pace of the expansion needed is so aggressive that even short delays in planned transit expansion will put the targets out of reach.

TRANSPORT 2050

Created as part of TransLink's largest-ever public engagement, *Transport 2050* was adopted on January 27, 2022. In *Transport 2050*, we've identified five goals for regional transportation: convenient, reliable, affordable, safe & comfortable, and carbon-free. The strategy also identifies over 100 actions to improve transportation across all modes. Some of the transformative actions include:

- Quadrupling the size of the rapid transit network, from 100 to 400 kilometres
- Building out an 850-kilometre traffic-protected Major Bikeway Network
- Putting frequent transit within a short walk of most homes and jobs
- Dedicating more streets to walking, biking, rolling, and transit
- Promoting electrified and shared bikes, scooters, and cars

The new Regional Transportation Strategy responds to residents' top priorities, such as climate change and affordability, and will create more transportation options for everyone.

PLAN FOR THE FUTURE

In 2021, following recommendations of the Federation of Canadian Municipalities and regions including Metro Vancouver, the Government of Canada committed to the creation of a Permanent Transit Fund (PTF) of $3 billion per year, beginning in 2026-27. This new source of permanent and stable funding was welcomed by communities as it will enable transit agencies to carry out long-term project planning and delivery of services to meet the needs of our growing population.

With the recent approval of TransLink's *Transport 2050* Strategy and unanimous approval from the region's mayors for its first phase – the *10-Year Priorities* (2024-2033) – our region is ready to come to the table with the provincial and federal governments to determine how the PTF and other sources of funding can be utilized to move forward with new transit projects and active transportation infrastructure to meet the demands of our growing population.

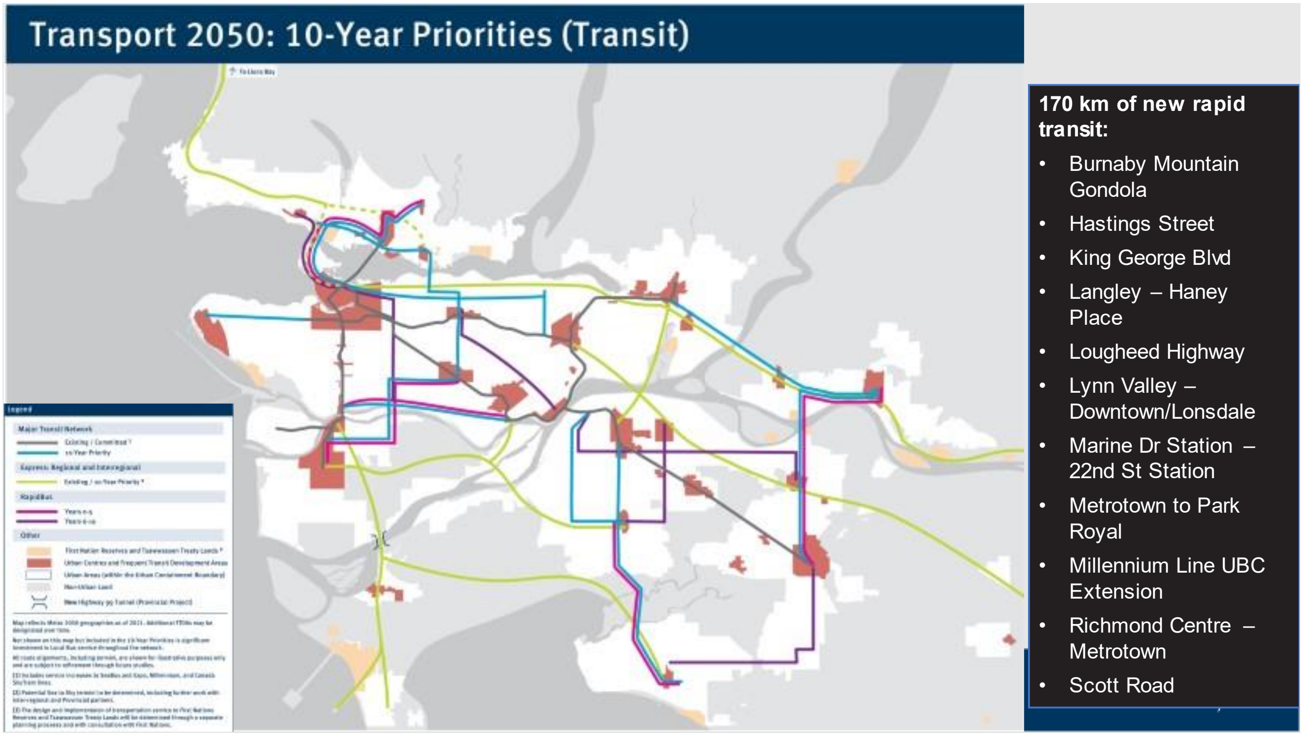
10-Year Priorities 2024-2033

Transport 2050: 10-Year Priorities takes a "bus-first" approach with an historic investment to more than double local bus service and build approximately 170 km of rapid transit, as well as initiating planning for additional rapid transit corridors across the region, including on the North Shore, the Tri-Cities and Surrey. The plan also proposes an expansion of the SkyTrain network, an unprecedented increase in local bus service, and introducing high-capacity Bus Rapid Transit. This new zero-emissions bus-based rapid transit will be deployed along high-demand corridors throughout Metro Vancouver at a fraction of the cost and time compared to rail-based technology.

Recent public consultations and opinion survey data show that Metro Vancouver residents strongly support the *10-Year Priorities*, which include:

- ✓ Doubling bus service – 114% increase over 10 years.
- ✓ Up to 9 Bus Rapid Transit (BRT) corridors including quickly bringing rapid transit to the North Shore.
- ✓ Burnaby Mountain Gondola to SFU.
- ✓ Millennium Line UBC Extension.
- ✓ Increase HandyDART service by 60% to meet future ridership demand and improve convenience by increasing to 24-hour service.
- ✓ Improvements to SeaBus, SkyTrain, and West Coast Express.
- ✓ Significant improvements to passenger safety and comfort at transit stops, stations and exchanges.
- ✓ Provide transit service to all First Nation reserves in Metro Vancouver, currently under- or unserved as they are outside of TransLink's legislated service area.

The first step in implementing the *10-Year Priorities* will be the approval of the first phase of projects in 2024. Since TransLink has already allocated existing federal infrastructure funding sources to projects already in service, in procurement or under construction, and with the Permanent Transit Fund currently scheduled to begin in 2026, this leaves a gap where no other new source of federal funding has been identified to support transit expansion in Metro Vancouver beyond the Canada Community-Building Fund.



By accelerating the PTF to begin in 2024 and doubling the Canada Community-Building Fund the Government of Canada has an opportunity to ensure TransLink and other transit agencies are able to continue adding services to meet public demand and avoid delaying new projects that have been identified as a priority.

FIXING OUR OUTDATED MODEL OF FUNDING PUBLIC TRANSIT

Recommendation #4
Launch a tri-partite national commission together with provinces, transit agencies and local governments to develop a new funding model for public transit, including greater support for operating costs.

Accessing the Permanent Transit Fund starting in 2024 will help TransLink to get started on implementing the first phase TransLink's 10-Year Priorities outlined above. With ambitious plans to make unprecedented expansion to bus service and build out one of North America's largest BRT networks in the coming years, it is imperative that we get started now to identify sustainable sources of funding that will support future expansion. A number of factors make this shift necessary:

- Fuel tax revenue is declining faster than expected due to adoption of zero-emission vehicles.
- Regressive sources such as property tax are not equitable and put pressure on the cost of living.
- There is limited capacity for transit users to absorb fare increases, especially when considering the need to make transit an attractive alternative to cars and the ongoing affordability challenge in Canada's big cities.
- There is a need to act quickly to address the climate emergency and affordability crisis. However, TransLink's existing revenue sources mean that new services cannot be ramped up quickly enough to meet the targeted needs, without additional funding from federal and provincial governments.

TransLink and the Mayors' Council have initiated discussions with the Government of British Columbia to modernize transit funding sources to support TransLink's continued financial recovery and ensure resources will be available to expand the network as Metro Vancouver's population grows. Only new approaches, with all governments working together in innovative ways, will allow us to achieve the objectives described in *Transport 2050*. We also know that transit agencies in other Canadian cities are contemplating similar challenges, which creates an opportunity for a national conversation on redesigning the funding model for public transit in all our major urban centres.

As we work on a future funding model for TransLink, the Mayors' Council is focused on moving forward with our plan for service expansion, while utilizing the resources we have available now. Bringing all levels of government together to chart a new path for funding public transit, including how to fund the higher operating costs of a fast-action bus-based approach, will be essential for meeting Canada's GHG reduction targets and keeping life affordable for urban communities.

Canada is calling on transit to deliver much more – in services, and benefits – for the nation and its communities than ever before. Transit systems are ready get to work, together with our senior government partners.