



TRANSPORT ACTION ONTARIO

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Update on Funding Gaps for GTHA Rapid and Conventional Transit

REVISED

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In August, 2016, the Move the Greater Toronto and Hamilton Area (MTGTHA) collaborative of non-government organizations released a major report and backgrounder entitled *"Are We There Yet? The state of transit investment in the Greater Toronto & Hamilton Area"*. Transport Action Ontario is a core member of MTGTHA and was a major contributor to the report.

That report found that, despite significant funding announcements from government over the past years, there was still a large funding gap, estimated at \$2.8B to 3.2B/yr to fully build and operate the rapid transit (RT) network envisioned in the 2008 Metrolinx Regional Transportation Plan (RTP), plus subsequent announcements.

Since then, events have continued to unfold, including release of a potential new RTP and new funding and costing announcements. This report updates the 2016 report to incorporate these new events. Further details on all these are available in our companion Backgrounder Report.

Potential Slimmed-down RTP

Metrolinx issued a discussion paper on the next RTP in Fall, 2016. Although not yet final, it appears that the next RTP will have a final built-out RT network of First Wave and Next Wave projects, GO Regional Express Rail (RER), limited GO extensions and Smart Track/Eglinton West Light Rail Transit (LRT). This would be supplemented by a Frequent Transit Network (bus and streetcar feeder) and other local transit improvements. Only limited if any additional RT projects will be identified. This is a dramatic departure from the 2008 RTP which had a much more extensive RT network, including important projects such as Waterfront LRT (\$1.5B) and Eglinton East LRT (\$1.6B).

Limited Progress on Provincial Revenue Sources

The Province has introduced some new revenue sources for transit in the past year, as given in Table 1.

Table 1 – Provincial Revenue Sources for Transit

Revenue Source	Amount	Comment
Asset Sales, eg Hydro One shares, real property	\$5.3 B to date (province wide)	One-time source. Not certain how much will go to GTHA transit
HOT lanes pilot on QEW	Small	New source, but likely little net revenue. Will grow as network expands
Provincial Gas Tax -increased transit grant to 4 ¢/L	\$235m/yr growing to \$470M/yr to GTHA	Reallocation of existing revenue stream
Climate Change Action Plan (CCAP)	\$100 – 150M/yr for first 4 years to GO Transit	New source.
407 East and 412 Tolls	?	New source

Assuming the current commitments from CCAP and Provincial Gas Tax continue unchanged, these will provide about \$600M/yr for GTHA transit.

Two big ticket new revenue sources were rejected by the Province. In December, Toronto City Council approved expressway road tolls as a new revenue source to fund transportation infrastructure. However, in January the Province indicated they would not approve the required regulatory amendment. Instead, the Province committed to allocating more of the existing gas tax to transit over the next four years - from 2 ¢/L to 4 ¢/L.

In August, 2017, the Association of Municipalities of Ontario (AMO) issued a request to boost the HST from 13% to 14%, raising \$2.5B/yr dedicated for municipal infrastructure. Of 7 tax options, AMO’s research found that a retail sales tax increase was the fairest way to go, spreading the cost more widely. A Nanos poll suggested a majority of Ontarians supported such an increase. All three major Ontario party leaders said “no” to the AMO request.

Federal Funding Announcements

New federal funding from both the Harper-era New Building Canada Fund and from Phase II of the current government’s Public Transit Investment Fund (PTIF) were announced for RT, with a total value of almost \$7B. It is assumed these are over and above previous federal announcements for funding for Scarborough Subway Extension, Smart Track and Sheppard (now Finch) LRT.

In addition to the above announcements, the Federal Gas Tax fund contributes about \$200M/yr to GTHA transit.

Updated Capital and Operating Funding Gap for new RT is now \$1.8B/yr

This update report has factored in these events, including the new funding and the assumption that only the slimmed down RT network is built. A detailed listing of the costs and commitments for each RT project is provided in Table 3. The scaled-down capital plan (\$57.7B) is about 84% of the previous plan discussed in our 2016 report.

The result of these changes is that the updated capital and operating funding gap for new RT (net of fares) is now **\$1.8 B/yr**, versus the higher number in our report of last year. Details are available in the Backgrounder.

Review of Capital and Operating Funding Needs for Existing Transit Network shows Unfunded Gap of \$1.0B/yr+

This update report also takes a first-time look at the funding needs for the existing transit network, especially as it will be expected to pick up more of the slack due to the slimmer new RT network.

Current region-wide 10 year approved transit-related capital plans (good repair and growth) are \$2.0B/yr, funded from development charges and municipal tax levy. But numerous important projects remain unfunded within the 10 year plan due to inability of municipalities to raise funds. Senior governments need to fund portions of these capital programs, as they have often in the past, or give authority for new revenue tools to the municipalities.

Current operating cost subsidies (net of fares) are about \$1.3B/yr and will grow if the network grows. These are completely funded from the municipal tax levy, meaning there is no gap at present. Historically the province made a 50% contribution to the operating subsidy, which would free up municipal funding for capital.

Grand Total Unfunded Gap is \$2.0B/yr+. Need more senior government support

Table 2 - Grand total of all unfunded gaps, net of fares, municipal contributions and other ongoing funding

New RT network (construct and operating subsidy)	\$1.8B/yr
Conventional transit and existing RT network (capital needs beyond traditional municipal funding)	\$1.0B/yr
Conventional transit and existing RT network (operating subsidy beyond traditional municipal funding)	Zero + from growth
Total	\$2.8B/yr +
Minus Ongoing funding from CCAP and Provincial/Federal Gas Tax	(\$0.8B)
NET FUNDING GAP	\$2.0B/yr +

Although much of the costs for conventional transit and the existing RT network are covered by the municipalities, clearly this is inadequate. Senior governments need to fund existing and new transit to a greater extent.

Table 3 – Capital Costs and Commitments for First Wave, Next Wave and Other Approved RT Projects

	\$B	Prov Comm.	Fed Comm.	Mun Comm.
First Wave (2008\$)				
TYSSE (Spadina Subway Extension)	2.6	1.1	0.7	0.9
Eglinton LRT	5.3	5.3		
Scarborough LRT	1.8	1.8		
Finch LRT	1.0	1.0		
Sheppard LRT	1.0	0.7	0.3(now Finch)	
Mississauga BRT	0.3	0.1	0.1	0.1
VIVA BRT	1.4	1.4		
UP Express	0.5	0.3	0.2	
GO Georgetown	1.5	1.1	0.4	
Union Station	0.7	0.4	0.2	0.1
TOTAL (2008\$)	16.1	13.1	1.9	1.1
INFLATE TO 2014\$ (15%)	18.5	15.0	2.2	1.2
New Costs in First Wave (2014\$):				
-Replace Scarborough LRT with SSE	1.6		0.7	0.9
-TYSSE overrun	0.7			0.7
TOTAL (2014\$)	20.8	15.0	2.9	2.8
Next Wave(2008\$)				
Relief Line	7.4	0.15(2017\$)	0.03(2017\$)	0.03(2017\$)
Yonge Subway	3.4	0.05 (2017\$)	0.04(2017\$)	
GO Rail Expansion	**			
GO Lakeshore Expansion	**			
Electrify GO Kitchener and UP Express	**			
Brampton Queen	0.6			
Dundas BRT	0.5			
Hamilton LRT	1.0	1.0		
Hurontario LRT	1.6	1.6		
TOTAL (2008\$)	14.5	2.8		0.1
TOTAL(2014\$)	16.7	3.2	0.0	0.1
GO RER (2014\$)	13.5	13.5	1.9	
Other GO extensions:				
-Bowmanville	0.6	0.6		
-Kitchener (Missing Link)	2.2	2.2		
-Niagara	0.2	0.2		
ST (6 stns+Eglinton W LRT) (2016\$)	3.7		1.2	
OTHER FED \$ (NO PROJECT ASSIGNED) – Prov. Matching \$ not included			4.8	
GRAND TOTAL (2014/6\$)	57.7	34.7	10.8	2.9

* Prov and Fed \$ for first wave projects are approximate to force totals to about \$13B and \$2B (2008\$)

** Project became part of GO RER