



TRANSPORT ACTION ONTARIO

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Second Update on Funding Gaps for GTHA Rapid and Conventional Transit

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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 background under entitled "*Are We There Yet? The state of transit investment in the Greater Toronto & Hamilton Area*". Transport Action Ontario (TAO) 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 new funding and costing announcements. In addition, Metrolinx issued a discussion paper in Fall, 2016 with a slimmed-down RT network. TAO issued a report on September 7, 2017 updating the funding gap assuming this smaller network. However, on September 14, 2017, Metrolinx released a draft RTP proposing a network that was substantially larger than in the discussion paper. Therefore, TAO has released this second update report incorporating the new draft plan and announcements. Further details are available in our companion Background Report.

1. New Draft RTP

The draft RTP issued by Metrolinx lists a total of 100 projects in a Frequent Rapid Transit Network (FRTN), and indicates that the capital costs for these projects is \$45B over 25 years, over and above the more than \$30B that has already been committed.

2. 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	\$5.3B 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 share to 4 ¢/L	\$235M/yr growing to \$470M/yr to GTHA	Reallocation of existing revenue stream. Will decline with switch to low GHG emissions vehicles
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 \$400M/yr of new revenue for GTHA transit, over and above historical gas tax levels.

Two big ticket new revenue sources were rejected by the Province. In December, 2016 Toronto City Council approved expressway road tolls as a new revenue source to fund transportation infrastructure. However, in January, 2017 the Province indicated they would not approve the required regulatory amendment. Instead, it 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.

3. 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.

4. Updated Capital and Operating Funding Gap for new FRTN plan is \$2.8B/yr

The capital costs of the new network can be estimated from two sources:

- Transit agencies have published the capital costs for some projects. These are summarized in Table 3, which also includes funding commitments from the three levels of government. Capital costs are \$57.7B, with committed funding of \$48.4B, leaving a gap of \$9.3B.
- The remaining projects have no specific published capital costs. We have estimated these costs based on generic \$M/km for the different technologies. Full details are in the Backgrounder. The total capital costs are \$16.9B, with no committed funding.
- Our estimated capital total of \$75.3B for the FRTN agrees closely with the Metrolinx estimate of over \$75B.

The Backgrounder also details that updated operations, maintenance and rehabilitation cost, net of fares, are \$53B over the 28 year period 2014-2042. Total funding gap over 28 years is therefore \$26B (capital) + \$53B (OM&R) = \$79 B or **\$2.8 B/yr**,

5. Capital and Operating Funding Gap for Conventional Transit Network is low

With the large FRTN now proposed, it is assumed that traditional municipal funding sources, namely transit fares, development charges, municipal taxes and traditional levels of gas tax grants can pick up operating and expansion needs for conventional transit

6. Grand Total Unfunded Gap is \$2.4B/yr.

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

New FRT network (construct & operating, maintenance and rehabilitation subsidy)	\$2.8B/yr
Conventional transit –operating and routine expansion	Nil
Minus ongoing funding from CCAP and new increment of provincial gas tax	(\$0.4B)
NET FUNDING GAP	\$2.4B/yr

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 (2014/16\$)	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