



TRANSPORT ACTION ONTARIO

Advocating for Integrated Public Transportation across Ontario

Box 6418, Station "A" Toronto, ON M5W 1X3

<http://ontario.transportaction.ca>

Update on Federal Funding Commitments for GTHA Transit

May 31, 2019

SUMMARY

No matter how the numbers are displayed, the current federal commitment to transit capital maintenance and expansion in the Greater Toronto and Hamilton Area (GTHA) is very low versus a target of 33% or more.

- **3%** federal contribution to 5 LRT/BRT projects currently under construction or construction planning
- **17%** federal contribution to the GO Expansion/Smart Track Stations projects
- **25%** federal contribution to 4 subway expansion projects, even if optimistic provincial assumptions on allocation of federal dollars in its Green Infrastructure Fund entirely to the Toronto subway projects come true
- **29%** federal contribution to capital programs on the existing transit systems, even if it is assumed that 100% of the recently increased federal gas tax remittances are directed to transit, rather than other worthy environmentally sustainable projects
- **Zero** federal contribution to dozens of other important LRT and BRT projects in Toronto and the rest of the region

The federal government must up its game! And the provincial and federal governments need to cooperate to deliver the funds!

1. Background

Two considerations have prompted an update on federal funding commitments for GTHA transit.

- The Ontario 2019 budget proposed a new \$28.5B subway expansion plan for the GTHA and committed \$11.2B of provincial funding (40%). The budget also presumed that the federal government would commit a similar amount (40%). The reported project costs were:
 - Ontario Line \$10.9B
 - Yonge North Extension \$5.6B
 - 3-stop Scarborough subway extension \$5.5B
 - Eglinton West LRT extension (largely underground) \$4.7B
 - This only totals \$26.7B. The Budget also indicates funding set aside for planning and design, which presumably brings up the total to \$28.5B
- A federal election will occur in October

2. Previous Analyses

The Transport Action Ontario report “Second Update on Funding Gaps for GTHA Rapid and Conventional Transit, Backgrounder Report”, December 15, 2017, is a useful reference document, as it provides a project-by-project listing of the costs and federal contribution to dozens of rapid transit projects.

It also provided a summary of Harper-era federal funding. Excluding projects that are now close to or fully constructed, that report indicated that the following major commitments (excluding funds for studies) were present from the Harper era:

- \$0.3B for Finch LRT
- \$0.66B for Scarborough Subway Extension
- \$1.2B for 33% of Smart Track (6 stations + Eglinton West LRT). *Note – a staff report April 10, 2018 indicated the 6 stations alone would cost \$1.5 B, i.e. federal share about \$0.5B. A staff report April 16, 2019 assumed a federal contribution of \$0.6B*
- \$1.9B for GO RER from the New Building Canada Fund

It was assumed that Harper-era funding was completely used up, and future funding commitments would come from programs by the Trudeau government.

The report also discussed the Trudeau Investing in Canada Plan, introduced in Budget 2016. This will be discussed further in the next section.

3. Investing in Canada Plan.

3.1 Public Transit Infrastructure Fund (PTIF) – 1

- A Canada –wide funding commitment of \$3.4B, of which \$1.5B to Ontario including \$0.8B to Toronto. Will contribute 40-50% of project costs. Covers eligible costs up to 2020
- 650 projects in over 83 communities in Ontario have been announced
- Largest project seems to be TTC new/refurbished buses \$440M
- Pace of spending slower than originally anticipated
- Largely committed

3.2 PTIF-2

- Canada-wide funding commitment of \$20.1B, of which \$8.3B to Ontario. Will contribute 40-50% of project costs. 85% of funding must be directed to transit expansions. 11 year program. Allocated on the basis of existing transit ridership. Thus allocations are roughly (not a comprehensive list)
 - Toronto \$4.9B
 - Metrolinx \$0.6B
 - Mississauga \$0.3B
 - York \$0.2B
 - Brampton \$0.2B
- Includes \$0.66B for SSE and 0.87B for Ottawa LRT Phase 2, previously committed
- On March 14, 2018, Canada and Ontario signed a bilateral agreement where Ontario would contribute \$7.3B in matching funds.

3.3 Green Infrastructure Fund

Similar to PTIF, Ontario will receive \$2.9B, including \$0.2B for Ottawa LRT Phase 2 and \$0.4B for Toronto Portlands flood protection, leaving a net of \$2.3B. Ontario will match with \$2.3B in provincial funding.

4. Canada Infrastructure Bank

On May 30, 2019 it was announced that the Canada Infrastructure Bank would contribute up to \$2B in debt financing for the GO Expansion project. While this signals a helpful endorsement of the GO project, this is not considered project funding, but debt financing that needs to be repayed.

5. Federal Gas Tax Increase

Budget 2019 announced an doubling of the federal gas tax remittances to municipalities. The funding can be used for “environmentally sustainable projects”, including transit. Total Canada-wide funding will therefore be about \$4.4B/yr. GTHA municipalities should receive about \$800M/yr, of which Toronto would be around \$600 M/yr. Recall, however, that this funding can go to numerous other areas beyond transit.

6. Ontario Media Releases

- In March, 2019 Ontario opened the first stream of the 10 year infrastructure program, request for proposals on rural and northern transportation projects
- On April 2 , 2019 Ontario issued “Intake One” of the 10 year public transit stream - a request for transit proposals from municipalities outside the GTHA. The funding will be allocated by a ridership/population formula – e.g. Peterborough expects to get \$26M. The total federal + provincial funding will be up to \$1.6B

- On May 15, 2019 Ontario issued a release where it pressed the federal government for transit and transportation support. It indicated that 54 projects have been nominated, including 5 historic transit projects in the GTHA totaling \$28.5B.
 - Ontario Line
 - Bloor-Yonge Capacity Improvement Project (approximate cost \$1.5B as per staff report April 16, 2019)
 - 3-stop Scarborough Subway Extension
 - Smart Track Stations Program
 - Yonge North Subway Extension (cited at \$5.6B)

7. Discussion and Conclusions

7.1 Federal Funding Gap for GTHA Transit

The Ontario budget states “this means that the \$4.2B allocated under ICIP for transit infrastructure in Toronto could be used for eligible subway projects, in addition to the \$660M already allocated to the Scarborough Subway Extension by the federal government”.

It also states that “the federal government has indicated flexibility in reallocating monies from the \$2.25B Green Infrastructure Stream to the Public Transit Stream. Given the obvious ability of subway projects to reduce greenhouse gas emissions, the total funding potentially available from the federal government to support subway construction could be just over \$7B”

We concur with both these statements.

However, no matter how the numbers are crunched, there is a **large federal shortfall in its funding commitments versus a target of 33% or more:**

- The two large rapid transit projects currently under heavy construction (Eglinton LRT, VIVA), with capital costs totaling \$6.7B, have **zero** federal contribution
- The three large LRT projects about ready to start heavy construction (Finch, Hurontario, Hamilton) have a federal contribution of \$0.3B out of a total of \$3.6B **(8%)**
- GO Expansion (a.k.a Regional Express Rail) + 6 Smart Track Stations has an estimated capital cost of \$15B. The federal contribution is only \$2.5B **(17%)**
- The 4 subway extension projects have a capital cost of \$28.5B. The federal contribution might be \$7B, if the province’s optimistic statements come true. **(25%)**

The May 15 Ontario release indicates that the federal government “ made a commitment to the people of Ontario that it will continue to put your priorities first and will ensure the projects that matter most to your communities....are expedited for approvals “. This means that the federal funding will be completely consumed by the projects listed above, largely subway and GO expansion projects.

This leaves **no federal (or provincial) money for all the important LRT and BRT projects** identified in the Metrolinx and transit agency plans. These include vital projects such as Toronto's Waterfront LRT (\$1.9B) and Eglinton East LRT (\$0.7B), Brampton Queen Street RT (\$0.6B) and Dundas BRT (\$0.5B). York Region has identified \$5.3B of additional BRT investment (80 km) required to complete its network, none of which is funded.

There is also minimal explicit federal money earmarked for any capital improvements for existing transit systems. In January, 2019, Toronto estimated its 15-year capital costs for the base transit system to be \$33.5B, including \$18.0 for subway lines 1 and 2, and the balance for other parts of the system. Even if 100% of Toronto's PTIF-1 funds (\$0.8B) and 100% of the federal gas tax money over 15 years (\$0.6B/yr x 15 years = \$9.0B) is pointed to this program, this represents only \$9.8B/\$33.5B or **29%** of the program. We presume a similar challenge exists for other GTHA transit systems.

7.2 RCCAO Report on Ontario Infrastructure Investment

A May 22, 2019 report by the Residential and Civil Construction Alliance of Ontario (RCCAO) entitled "Ontario at a critical moment to increase infrastructure investment" showed that provincial investments planned over the next 5 years amount to 2.65% of Ontario GDP, while the federal contribution in Ontario has remained under 0.5% of GDP. Ideally, the combined federal and provincial investment should be 5.4% of Ontario GDP. The federal government needs to up its game!

7.3 Federal-Provincial Cooperation Needed

The Provincial budget states that "the province will continue to work with the federal government in the hopes that it will further increase its funding, consistent with a 40% contribution to all new builds." This is a laudable objective.

But there have been persistent media claims that the two levels of government are bickering. For PTIF-2 funds to be released, there must be provincial cooperation. Instead there has been a war of words between federal infrastructure minister Champagne and provincial infrastructure minister McNaughton. We urge both levels of government to cooperate!

Disclaimer: This analysis is based on publically available reports, largely government media releases and transit agency staff reports. These documents are not always directly consistent with each other. Minor errors and inconsistencies are possible in this workup, but should not detract materially from the final conclusion.