



This is the End of the Line

Reconstructing Transit Operating Funding
in Canada

May 2024

Overview

- Background
- Project Goals
- Process
- Revenue Tools for Eight Canadian Urban Regions
- Policy Recommendations for transit agencies and all levels of government

[Link to the “This is the End of the Line: Reconstructing transit operating funding in Canada” Report](#)



Background

Service levels have either stayed static or decreased

- Service is not keeping up with population growth

Fare revenue is changing

- Travel patterns and demand for certain products not the same

Diverse revenue sources

- Some Canadian cities have implemented more diverse operating revenue tools

Ridership recovery is ticking upwards

- Rate / trend different in each jurisdiction

Revenue-Cost Ratio has decreased

- It has become more expensive to operate service

The time to act is now.

- Multiple challenges facing our society, and all levels of government, that transit service plays a key role in addressing

Background

Transit operating deficits to maintain and expand service vary across Canada

City / Region	Existing Service Shortfall (per year)	Service Expansion Shortfall (per year)
Metro Vancouver	\$600 Million	\$1.2 Billion
Calgary	\$33 Million	\$127.4 Million
Edmonton	\$21 Million	\$174 Million
Winnipeg	\$37 Million	\$28.6 Million
Toronto	\$155 Million	<i>Not available</i>
Ottawa	\$39 Million	\$90.3 Million
Greater Montreal	\$700 Million	<i>Not available</i>
Halifax	<i>Not available</i>	\$22 Million

Project Goals

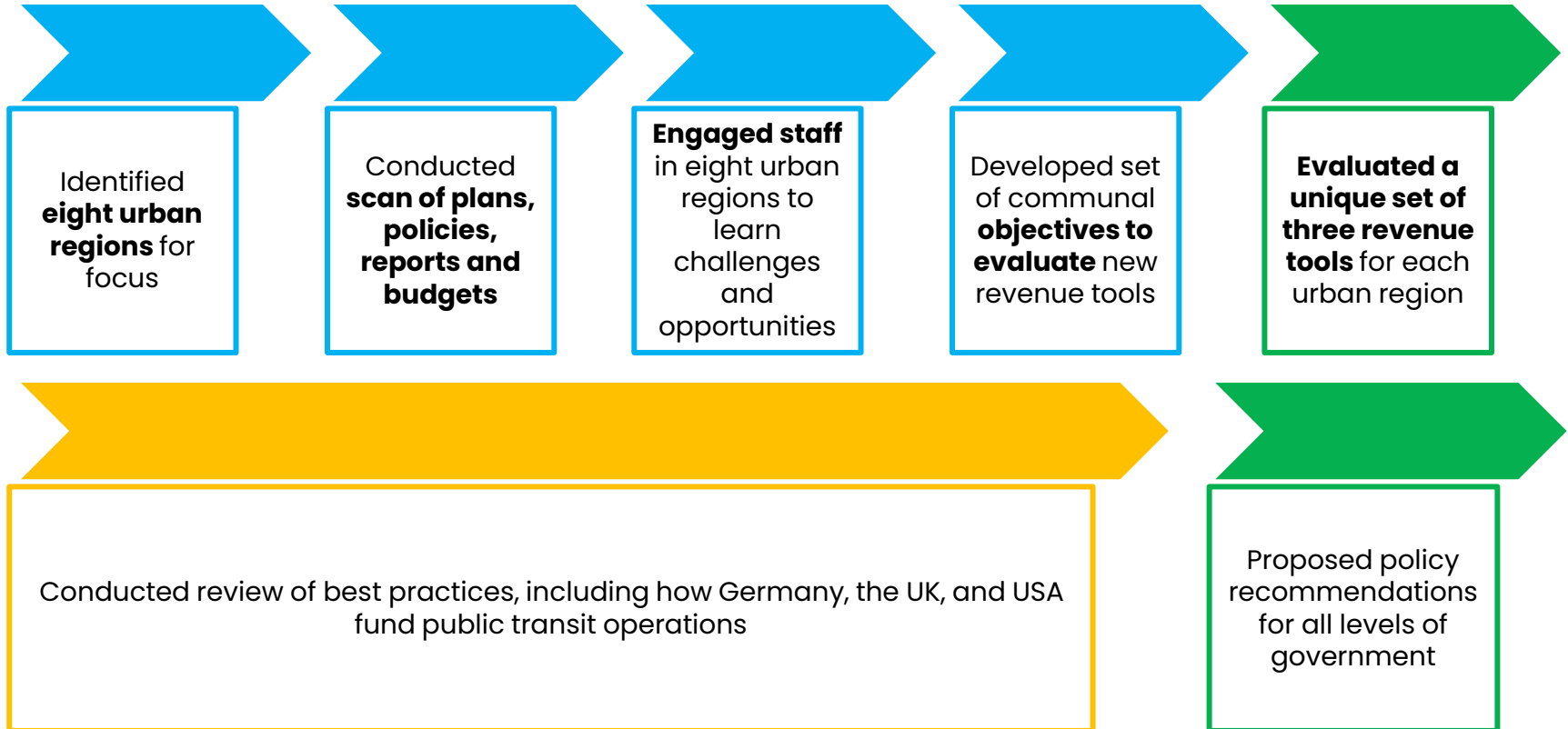
1. **Investigate how urban transit operations are funded** across Canada

2. **Understand how governments and transit agencies are positioned** (fiscal capacity, legislative authority, revenue tools) **to fund transit operations**

3. Learn how three comparator countries fund public transit operations

4. **Propose policy recommendations** for all levels of government, including revenue tools for Canadian transit agencies

Process



Revenue Tools for Eight Canadian Urban Regions



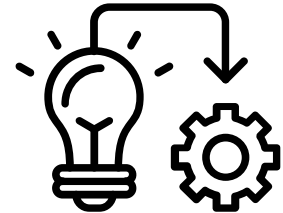
Revenue Tools - Objectives



Mode Share



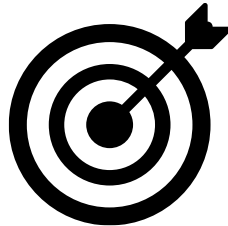
Equity



Implementation



Revenue

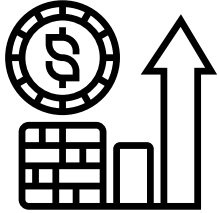


**Alignment with
Organization Goals**

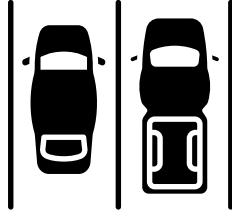


Risk

Revenue Tools Evaluated



**Benefit Area
Tax**



**Off-Street
Parking Tax**



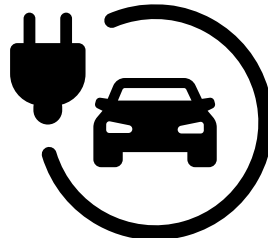
Vehicle Levy



VKT Taxes



Sales Tax



**EV Charging
Tax**



TNC Fee

Findings for Montreal

Benefit Area TAX

- A local tax levied on property within a defined area near transit

Development charges are already levied on new development in transit station areas

- Expand to look at a broader defined area beyond new transit infrastructure

VKT Tax

- Drivers are charged a fee that varies the distance that they travel

A form of VKT already exists in the region

- Could be expanded as a form of congestion charges on key transportation infrastructure

EV Charging Tax

- A regional surtax passed on to drivers when charging their electric vehicles

The region has the second highest adoption rate of EVs in Canada

- Strong transportation demand benefits

Lessons from Comparator Countries



**Increase in the
subsidization of fares**

**Operating shortfalls
covered by other utility
revenue**



**Reinvestment of fuel
revenue into transit
operations**

**Enabled congestion
charges**



**¼ of transit operating
funding comes from the
federal government**

Recommendations for Cities/Transit Agencies

Identify the costs of new system expansions / improvements and make them transparent

- Understand the cost of system improvements or expansion as they relate to organization objectives and targets
- Build the case for and willingness to use new revenue sources with interested parties

Evaluate and build the business case for new revenue tools using a set of unique objectives

- Existing tools (e.g. property tax, gas tax, fares) are not able to meet current service levels/demand
- Use findings to advocate for enabling legislation from higher levels of government

Direct funding from new revenue tools to transit operating expenses

- Establish the direct relation between new revenue tools and the service they fund
- Avoid revenue being repurposed for other costs that could be funded with general revenue

Recommendations for Provinces

Adopt enabling legislation for new revenue tools

- Diverse funding portfolio enables cities and transit agencies to meet changing operating funding needs
- Reduce transit system need for relief funding from higher levels of government

Partially subsidize new transit services

- Transit systems responding to demands from Provincial mandates (e.g. healthcare, housing etc.)

Advocate for a tripartite national commission for new model for transit operating funding

- Establish roles and responsibilities for funding new and improved transit services
- Provincial and Federal mandates put demand on transit systems

Recommendations for Federal Government

Establish a tripartite national commission for new model for transit operating funding

- Establish roles and responsibilities for funding new and improved transit services
- Federal mandates (e.g. economic growth, housing, climate action, immigration etc.) put demand on transit systems

Partly subsidize new capital projects in the Permanent Transit Fund for a defined period of time

- Transit systems responding to demand from federal mandates (see other recommendation)
- Capital projects and new services are costly to operate in early years due to lower ridership (and fare revenues)

Thank You!

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