



February 8, 2024

Deputy Minister Kelly Gillis  
Infrastructure Canada  
PO Box 8777, Postal Station T  
Ottawa, ON K1G 1C0

Deputy Minister Chris Forbes  
Finance Canada  
90 Elgin Street  
Ottawa, ON K1A 0G6

**RE: Toward Permanent, Sustainable Public Transit Funding in Canada**

Dear Deputy Ministers,

Public transit in Canada's largest metropolitan areas represent critical national infrastructure and provide an essential service that keeps our cities thriving. As leaders of Canada's three largest transit systems, we would like to thank you for the federal government's partnership to date for public transit funding.

Intergovernmental funding remains critical to the viability of public transit and the current challenges require efforts from all stakeholders for sustainable, long-term solutions. Our attached joint submission highlights these challenges and our proposed actions, which will go a long way in supporting public transit across Canada. The three largest transit agencies are jointly requesting the following:

1. Advance the commitment of funding under the new federal Permanent Transit Fund (PTF) by early 2024, instead of 2026, to enable critical projects and programs (outlined in the attached) to advance and support long term capital planning.
2. Permanently double the Canadian Communities Building Fund (CCBF) as a proven predictable funding stream for municipal infrastructure needs.
3. Establish a forum for ongoing tri-partite engagement, with all orders of government on the development of a sustainable, long-term funding model for public transit that considers the full capital and operating costs of providing high quality transit services.



We look forward to continuing our partnerships with the federal government to advance shared objectives to deliver safe and reliable public transit services in Canada's largest cities.

Sincerely,

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Marie-Claude Léonard  
Chief Executive Officer  
Société de transport de Montréal

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Richard J. Leary  
Chief Executive Officer  
Toronto Transit Commission

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Kevin B. Quinn  
Chief Executive Officer  
TransLink

CC: Hon. Chrystia Freeland, Deputy Prime Minister and Minister of Finance  
Hon. Sean Fraser, Minister of Housing, Infrastructure and Communities  
Éric Alan Caldwell, Board Chair, Société de transport de Montréal  
Jamaal Myers, Board Chair, Toronto Transit Commission  
Brad West, Chair of the Mayors' Council on Regional Transportation, Mayor of Port  
Coquitlam  
Marco D'Angelo, President and CEO, Canadian Urban Transit Association

Attachment:

Toward Permanent, Sustainable Public Transit Funding in Canada  
Joint 2024 Federal Budget Submission from Canada's Three Largest Transit Systems:  
Société de transport de Montréal (STM), Toronto Transit Commission (TTC) and  
TransLink



## **Toward Permanent, Sustainable Public Transit Funding in Canada** **Joint 2024 Federal Budget Submission from Canada's Three Largest Transit Systems:** **Société de transport de Montréal (STM), Toronto Transit Commission (TTC) and TransLink**

### **Introduction**

Modern, properly funded public transit infrastructure is a necessity to grow cities and regions and realize significant economic, social and environmental benefits. Public transit in Canada's three largest metropolitan areas represent critical national infrastructure, an essential service that keeps our cities moving, working, and thriving. Some of Canada's most pressing current challenges – climate change, housing affordability, immigrant settlement, innovation – require vibrant, successful public transit systems.

Investments in public transit in Canada's largest urban centres has potential for significant positive social and economic impact. Together the STM, TTC, and TransLink in 2022:

- Generated approximately 60% of Canada's transit ridership;
- Enabled mobility at the centre of regions that are home to 1 out of every 3 Canadians; and
- Served the core of regional economies that generated 40% of Canada's national GDP.

The potential for further ridership growth is substantial. With approximately 2.35 million in new residents expected before 2050 in these three urban centres alone — growth, existing urban form and policy direction to create transit oriented communities create the potential for growing transit's mode share. To achieve the benefits of public transit and ensure a sustainable future for Canada's cities, immediate and sustained investment in transit operations, state of good repair and building capacity is essential.

***Canada's public transit systems are at a crossroad.*** Canada's largest multi-modal transit systems are facing unparalleled challenges because of their size, aging infrastructure and the growth they are facing. To address these challenges, they require a predictable long term sustainable funding model, and there is need for action now. Each system is facing unprecedented levels of funding need, requiring all orders of government to step up to the challenge.

- In Montreal, STM's [Programme des immobilisations 2024-2033](#) outlines a total of \$26.8 billion in capital spending, of which \$21 billion is planned for the next 10 years. It is a cautious capital-spending plan that focusses on modernizing STM's network and its assets by ensuring state of good repair, renewing the aging metro fleet, improving universal access, expanding the blue line and transitioning the bus fleet to zero emissions. Of the total \$ 26.5 billion plan, \$16.5 billion is currently unfunded. These investments are critical to preserve and improve the subway's safety and reliability.
- In Toronto, the TTC requires an additional capital investment of \$1.8 to \$2.3 billion annually over the next 15 years from all orders of government. This is to address unfunded state of good repair, modernization of the subway, transitioning the bus fleet to zero emissions to meet GHG reduction targets by 2040, and capacity improvements to the existing network. In total the [TTC's 2024-2038 Capital Investment Plan](#) identifies



\$47.8 billion, of which in capital requirements of which \$35.5 billion is unfunded. This does not include major transit expansion projects.

- In Metro Vancouver, TransLink requires additional capital and operating funding to implement the *Access for Everyone Plan* (also called: [Transport 2050: 10-Year Priorities for TransLink](#)). In total, TransLink's expansion focused plan over the next ten years outlines over \$20 billion in capital investments and an approximate 50% increase in annual operating costs (\$1.2 billion) when fully implemented.

All three transit systems will also continue to face a challenging operating funding model with reliance on fare box user fees, and property taxes – revenue streams that do not grow with the economy. The impact of this operating funding model was most acutely felt through the pandemic, with ridership decline eroding fare box revenues and putting transit systems at risk of having to make deep service cuts had temporary operating funding support not been provided.

To provide world-class, safe, reliable services while contributing to broader integrated policy mandates such as housing, fundamental changes are needed to improve how Canada's largest transit system are funded to operate now and plan for the future. This requires collaboration and bold, transformational leadership at all levels of government.

***Canada's large transit systems request federal commitment to advance a sustainable funding model for public transit.*** Budget 2024 presents an opportunity to demonstrate support for Canada's public transit systems, by taking critical steps towards establishing a funding framework that is predictable, stable and enables large systems such as STM, TTC and TransLink to plan long term to operate, preserve and expand systems infrastructure. As a result, we're jointly requesting the following:

1. Advance the commitment of funding under the new federal Permanent Transit Fund (PTF) by early 2024, instead of 2026, to enable critical projects and programs to advance and support long term capital planning.
2. Permanently double the Canadian Communities Building Fund (CCBF) as a proven predictable funding stream for municipal infrastructure needs.
3. Establish a forum for ongoing tri-partite engagement, with all orders of government on the development of a sustainable, long-term funding model for public transit that considers the full capital and operating costs of providing high quality transit services.

## **Recommendations**

### **1. Advance the commitment of funding under the new federal Permanent Transit Fund (PTF) by early 2024, instead of 2026, to enable critical projects and programs to advance and support long term capital planning.**

The need to advance funding under the new PTF program by two years, is a key ask of Canada's largest transit agencies, and reflected in earlier 2024 pre-budget submissions put forward to the House of Commons Standing Committee on Finance in July and August 2023 by STM, TTC and TransLink. This request was echoed by the Canadian Urban Transit Association (CUTA) ([link](#)).

Accelerating funding commitments under the PTF program to 2024 from 2026 will address a gap in available federal infrastructure funding programs. Early access to the PTF will help our transit agencies to meet current priority needs and plan for future system demands. Funding from all governments and transit partners is needed to address budgetary, and implementation challenges. This means funding not only for new infrastructure but also to maintain existing systems and meet life-cycle costs (SOGR, rehabilitation and modernization). The current 2026 implementation timeline creates a gap and will leave agencies lagging further behind in addressing critical issues including state of good repair backlogs. Including a minimum 5% annual cost escalator to the program would allow the program allocation to grow in line with other major revenue sources, as well as the increasing demands on transit systems as a result of demand and economic growth.

The federal government has signalled an intention to tie transit funding to regionally integrated housing plans and outcomes to incentivize provinces and municipalities to increase housing supply. This approach will ensure alignment between public transit and housing and potentially address affordability and many other challenges, however it should not have the effect of delaying critical funding to transit networks.

For example, there are some immediate priority projects and programs in the pipeline that require access to matching federal funding as early as 2024 in order to meet the transit needs of Canada's largest urban centres.

- In Montreal, STM requires \$2.9 billion to replace its aging MR-73 train fleet, which are already among the oldest in the world. An additional \$1 billion is required to adapt or build the necessary facilities to store and repair these new trains that will provide increased capacity and better customer experience. A new train control system, which will allow for increased frequency and reliability, needs to be deployed on the green, orange and yellow line. It represents another major project that will require around \$3 billion in funding. Making the metro network universally accessible for all clients, including the elderly, families and people with disability, through the Programme Accessibilité requires \$910 million. Over \$3.2 billion of state of good repair investments are also needed to modernize our metro network so as to increase its reliability, its performance and its capacity. The procurement of new electric buses will require \$1.7 billion over the next 10 years while over \$1 billion will be required to adapt the different bus depots to operate and recharge the new buses. All of these initiatives are currently unfunded.



- In Toronto, the TTC requires matching funding to enable a new subway train procurement to proceed immediately as a top priority to support Line 2 modernization, Line 1 growth and expansion. The TTC urgently requires a minimum of 55 new trains (\$2.3 billion) to replace the existing fleet on Line 2 – a subway line that moves over half a million riders each day, and is expected to grow. A matching federal commitment of \$758 million in early 2024 is required to leverage municipal and provincial funding already committed. Further, additional growth trains (25 trains at cost of \$1 billion) and a train maintenance and storage facility (\$3.3 billion) are required for the Line 1 subway. Line 1 will need to accommodate a 55 percent projected increase to demand by 2040 driven by new population and housing development. A new train procurement creates opportunity for contract options to address this need, and will also require matching funds from all orders of government. The TTC’s green fleet procurement plan is also unfunded post 2025, requiring early access to a new funding stream to secure matching funds to meet national GHG climate goals.
- In Metro Vancouver, the TransLink Mayors’ Council on Regional Transportation is asking the federal government to invest in three new Bus Rapid Transit (BRT) projects, to be completed by 2027. Initial cost estimates for the BRT projects are \$250-300 million each, with additional funding also needed to expand TransLink’s bus fleet and associated maintenance facilities. The Mayors’ Council is also asking to commit new capital funding by mid-2024 from the PTF to support the immediate delivery of the first phase of the *Access for Everyone* Plan to relieve overcrowding and enable service expansion in the next several years with investments to: expand the bus fleet to enable peak period bus expansion by 2027 and support Bus Rapid Transit delivery (\$375 million), add additional bus depot capacity (\$1.4 billion), invest in active transportation and road safety projects (\$70 million), and initiate the Golden Ears Way BRT-readiness and goods-movement project (\$120 million). Given lead times for procurement and capital planning, commitments need to be made urgently to address service expansion needs already falling beyond growth in demand.

The PTF is a welcomed advancement towards stable long term funding for public transit, however it is unlikely to fully address the comprehensive capital needs of Canada’s three largest systems in addition to the requirements of public transit systems across Canada. The intention for the program to be permanent is a significant improvement over shorter term grant funding programs which create constraints to effective long term capital planning. Advancing the start date for commitments under this program by two years will be an important step to giving greater certainty to transit agencies capital programs.

## **2. Permanently double the Canadian Communities Building Fund (CCBF) as a proven predictable funding stream for municipal infrastructure needs.**

The Canada Community-Building Fund (formerly the Gas Tax Fund) provides municipal governments a reliable, direct and important source of funding for public transit. As a key step towards a sustainable funding model, building on the success of a proven funding program presents a tangible option to support critical infrastructure and public transit in particular. Permanently doubling the CCBF as was done in 2019, 2021 and 2022, and increase its annual escalator to 3.5% to better reflect construction cost inflation, will ensure the CCBF continues to make a strong impact.



The predictable and flexible program design model for CCBF, provides a level of autonomy to municipalities to allocate funding to highest priority needs within the capital program, effectively manage interdependencies within the capital portfolio, and improve long term planning. For this reason, the CCBF was cited by many transit agencies including TransLink, STM and TTC as a model for program design of the new federal PTF.

**3. Establish a forum for ongoing tri-partite engagement, with all orders of government on the development of a sustainable, long-term funding model for public transit that considers the full capital and operating costs of providing high quality transit services.**

Municipal governments and stakeholders have long expressed the need for fiscal sustainability for transit agencies which requires partnership from all orders of government. Establishing a forum to advance tri-partite engagement towards a framework that encompasses the full capital and operating requirements of Canada's transit systems is necessary, and would be welcomed by STM, TTC and TransLink.

For too long, discussions focus on network expansion without acknowledging the pressure of state of good repair required to sustain the infrastructure we already have. Operating costs of capital are not considered when expanding the system, introducing new funding pressures to systems trying to sustain existing service levels. This has put Canada's large transit systems in a position of advocating to multiple orders of government, with the result historically being piecemeal and temporary, unsustainable solutions. A renewed focus on a long term sustainable funding model for public transit would build on the federal government's approach to advancing more predictable funding streams under the PTF and the existing CCBF program.

The new federal PTF which will make available \$3 billion per year in predictable capital funding to transit agencies across the country is recognized as significant. However, PTF will likely not be sufficient to address the full existing capital needs of Canada's three largest systems, in addition to all transit systems in Canada, on top of the desire to build new rapid transit. For example, in Toronto alone approximately \$1.8 to \$2.3 billion annually over the next 15 years is needed to meet TTC base system capital needs, prior to adding in major transit expansion projects desired by the City of Toronto (Waterfront Transit, Eglinton East LRT, etc.). With the *Access for Everyone Plan* outlined by TransLink, and STM's state of good repair requirements, the PTF will be a key element but likely not the full solution to sustainable transit funding.

The plans for expanding transit infrastructure and the desire to introduce new services for growing populations, result in transit operations funding becoming a critical pressure for cities that do not have a sufficient stream of diverse revenue sources to meet the need. For transit operations, the heavy reliance on the fare-box was exposed as a vulnerability during the pandemic, and would have resulted in deep service cuts had a temporary operating funding solution not been provided by Canada and the provinces.

Transit systems have been optimizing their spending to reduce cost since the beginning of the pandemic while preserving services to their users. For example, in 2024, STM will be cutting \$85 million in recurring expenses while maintaining service (roughly 5% of its \$1.8 billion budget), and has committed to reduced its recurring operating costs by an additional \$100 million over the next 5 years while preserving service level. These represent major and never seen



before efforts, however cost-cutting efforts alone will not be enough to address the fundamental funding challenges that transit networks are currently facing.

It is imperative that we get started now to identify sustainable sources of funding that will support transit operations and future service expansion. A number of factors make this shift necessary:

- Fuel tax revenue is expected to continue to decline 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.

Meanwhile, congestion keeps growing, costing billions to Canada's economy every year, causing pollution and affecting the quality of life of Canadians. Sustainable funding options will be critical to support transit services, especially with record-setting population growth in our cities, due to federal immigration policy. Metro Vancouver's population is expected to grow from 2.57 million to 3.8 million by 2050. Toronto's population is expected to rise from 3.03 million in 2021 to 3.65 million in 2051. The Greater Montreal area is expected to grow by half a million to reach 4.6 million in 2046.

As we collectively seek to increase supply of housing near transit and attract new customers to our public transit systems the need for an integrated approach to increase transit capacity and appeal to riders will require a holistic review of how public transit is funded. Service (operating funding), modernizing our infrastructures (SOG) and expansion projects must go hand in hand.

## **Conclusion**

Canada's three largest transit systems make a significant impact on environmental, social and economic outcomes of our largest cities and the economic base of the country, providing benefits beyond the direct users of the system<sup>1</sup>. Budgetary pressures and an unsustainable reliance on the fare box means that the transit agencies face uncertainties regarding their ability to deliver quality transit services to their cities and metropolitan areas. They cannot face these challenges alone. A tri-partite discussion on a long-term financial strategy for public transit is necessary to support the liveability of Canada's large urban centres.

While this submission has outlined some significant cost pressures ahead, funding public transit is an investment in Canada's future and is the solution to key challenges associated with affordability, access to housing and services, and climate change. STM, TTC and TransLink would welcome the opportunity alongside our broader transit agency peers to advance this critical discussion, and request consideration of the recommendations put forward.

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<sup>1</sup> CUTA (2019). [The Economic Impact of Transit Investments in Canada](#).



## Appendix: STM, TTC and TransLink Key Facts

	TTC/Toronto	STM/Montreal	TransLink/Vancouver	Total
<b>Annual Ridership (2022)</b> Linked trips Source: CUTA Fact book 2022	318.7 million	293.9 million	192.2 million	804.9 million
	23% of Canada 55% of Ontario 70% of the GTHA	21% of Canada 72% of Quebec 86% of the GMA	13.8% of Canada 80% of British Columbia	58% of Canada  1,388.9 million
<b>Population directly served</b>  Greater region 2022 census metropolitan areas	3.03 million (City of Toronto)  Greater Toronto Area (GTA): 6.47 million  (17% of Canada)	2.025 million (City of Montreal)  Greater Montreal Area (GMA): 4.4 million (11% of Canada)	2.9 million (Metro Vancouver)  Metro Vancouver: 2.9 million (7% of Canada)	7.95 million  Residing in the geographies served by TTC, STM, and TransLink
<b>GDP (basic prices)</b> By census metropolitan area StatCan, 2020 % of total Absolute number <sup>2</sup>	<b>Toronto CMA as % of national GDP is 20.6%</b>  \$431 billion 53% of Ontario's GDP	<b>Montreal CMA as % of national GDP is 10.9%</b>  \$229 billion 54% of Québec's GDP	<b>Vancouver CMA as % of national GDP is 7.8%</b>  \$164 billion 57% of British Columbia's GDP	<b>Toronto, Montreal and Vancouver CMAs as % of national is 39.5 %</b>  \$824 billion Canada: \$2,083 billion
<b>Population growth forecasted</b>	City of Toronto: From 3.03M (2021) to 3.65M by 2051	From 2.02M to 2.67M  From 4.1M to 4,6M by 2041 (GMA)	Metro Vancouver: From 2.9 million to 3.8 million in 2050	
<b>Unfunded Capital Requirement</b>	For TTC Base System needs as outlined in the CIP:  \$18 billion over 10 years (2024 – 2033)  \$35.5 billion over 15 years (2024- 2038)  This does not include transit expansion	For STM, base needs outlined in its CIP:  \$10 billion over 10 years (2024-2033)  \$16 billion over 15 years (2024-2038)  This does not include transit expansion	TransLink's Access for Everyone Plan calls for over \$20B in capital funding projects over 10 years	

### Reference Documents:

- **STM's Programme des immobilisations 2024-2033:**  
[https://www.stm.info/sites/default/files/media/Affairespubliques/Communiqués/2023/Budget/pi\\_2024\\_2033.pdf](https://www.stm.info/sites/default/files/media/Affairespubliques/Communiqués/2023/Budget/pi_2024_2033.pdf)
- **The TTC's 2024-2038 Capital Investment Plan:**  
[https://cdn.ttc.ca/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2023/Dec-20/6\\_TTCs\\_2024\\_2038\\_Capital\\_Investment\\_Plan\\_A\\_Review\\_of\\_Unfunded\\_Capital\\_Needs.pdf?rev=1ef4b6b519b34559b1487aea4808d176&hash=105C587A0F9F0D23A734FA925C37F91A](https://cdn.ttc.ca/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2023/Dec-20/6_TTCs_2024_2038_Capital_Investment_Plan_A_Review_of_Unfunded_Capital_Needs.pdf?rev=1ef4b6b519b34559b1487aea4808d176&hash=105C587A0F9F0D23A734FA925C37F91A)
- **TransLink's Access for Everyone Plan:**  
<https://www.translink.ca/-/media/translink/documents/about-translink/governance-and-board/council-minutes-and-reports/2022/june/attachment-2-transport-2050-10-year-priorities-for-translink.pdf>

<sup>2</sup> Statistics Canada. [Table 36-10-0468-01 Gross domestic product \(GDP\) at basic prices, by census metropolitan area \(CMA\) \(x 1,000,000\)](#)