

Pre-budget Memorandum for 2012-13

House of Commons Standing Committee on Finance

AUGUST 19, 2011



AGENCE MÉTROPOLITAINE
DE TRANSPORT

MEMORANDUM REGARDING PRE-BUDGET CONSULTATIONS FOR 2012-13

EXECUTIVE SUMMARY

The government of Canada has formally opted to focus on the Canadian economy. Public transit plays an essential role in the Canadian economy, and its positive impact has been confirmed by many studies. There are nevertheless a number of issues associated with traffic congestion, which a 2006 Transport Canada study has estimated to cost Canadians some \$3.7 billion annually. The Montreal metropolitan area is particularly affected by daily traffic congestion, not to mention the added impact of major ongoing and upcoming construction sites. In order to streamline the flow of goods and people while reducing road traffic, the *Agence métropolitaine de transport* (AMT) is of the opinion that the government of Canada needs to invest more in mass transit infrastructure.

The AMT will accordingly be submitting the three following recommendations for the 2012-13 budget:

1. Devise a "National Plan for Public Transport" for Canada
2. Institute an independent fund dedicated to the funding of public transport infrastructure
3. Institute an independent fund dedicated to the development of clean energy for transportation

**MEMORANDUM FROM THE *AGENCE MÉTROPOLITAINE DE TRANSPORT* SUBMITTED
FOR THE PURPOSE OF PRE-BUDGET CONSULTATIONS FOR 2012-13**

AMT presentation

Since it was founded in 1996, the *Agence métropolitaine de transport* (AMT) has made it its mission to improve commuting efficiency in the greater Montreal area by promoting the use of public transit. The Agency's prime mandate is to develop, consolidate and complete the metropolitan area's public transport network and the commuter train network.

Public transport as a lever of economic development for both Canada and Montreal

In light of the impact of recent events on world economics, the government of Canada has chosen to focus on the Canadian economy. Public transit plays an essential role in the Canadian economy, and its positive impact has been confirmed by many studies. Notable among these is *The Economic Impact of Transit Investment in Canada*, a national survey sponsored by the Canadian Urban Transit Association (CUTA) in 2010 which demonstrates the importance of investing in this rapidly growing field. The study's findings are that in Canada, the public transport industry generates

- economic spinoffs totalling at least \$10 billion a year;
- direct employment for 45,300 Canadians, and indirect jobs for 24,300 more;
- savings on automobile operating costs of some \$5 billion for Canadian households;
- a decrease of close to \$2.5 billion in the economic cost of traffic accidents;
- an annual reduction of greenhouse gases (GHG) on the order of 2.4 million tonnes, which is the equivalent of \$110 million; and
- annual savings of roughly \$115 million on the cost of health care for respiratory diseases.

In addition to all that, there remains the constant issue of traffic congestion in Canada. In 2006, Transport Canada issued a study revealing that the cost of road congestion stood at some \$3.7 billion a year in Canada (in 2002 dollars). Over 90% of these costs were attributable to time wasted in vehicles, 7% to the value of fuel, and 3% to the GHG emitted in traffic jams.

The metropolitan Montreal area is particularly affected not only by daily traffic congestions, but also by the major construction sites in progress or still to come. And traffic congestion generates considerable economic and social costs. According to a study carried out in 2010 by the Board of Trade of Metropolitan Montreal titled *Public transit: At the heart of Montréal's economic development*, the total cost of traffic congestion in the region was estimated at \$1.4 billion, i.e. 1% of metropolitan Montreal's annual GDP. Traffic congestion also undermines the financial vitality of greater Montreal, as well as its attractiveness for foreign investment.

The participation of the government of Canada

In order to streamline the flow of goods and people and reduce vehicle traffic, the government of Canada needs to invest more in mass transit infrastructure. Although some work is being planned to improve road infrastructure, the AMT believes it is preferable to offer Canadians an alternative to the automobile. Such investments reduce congestion, stimulate job creation and business investment, improve air quality, reduce GHG emissions, increase the prosperity of Canadians and improve their quality of life.

Through its Building Canada Plan, the federal government has instituted financing programs for the purpose of covering certain investments in public transport projects of different sizes. The PPP Canada Fund also enables the government to contribute as much as 25% of the capital cost of projects carried out in public-private partnerships, especially in public transport. This type of funding, of which the AMT was a beneficiary when it came to the Lachine

commuter train maintenance centre project, is a strategic lever for the financing of infrastructure projects. This is why the Agency feels that it is essential for the government of Canada to participate in and even increase its project financing.

Recommendations of the AGENCE MÉTROPOLITAINE DE TRANSPORT

In light of the foregoing, the AMT will be submitting the three following recommendations for the 2012-13 budget:

1. Devise a “National Plan for Public Transport” for Canada

Canada is the only G8 nation not to have a national policy on public transport, and if anything, such a policy is more necessary than ever. Based on a clear vision, stated goals and a sound investment plan, a transport policy would foster the development of high-quality mass transit services and would be sure to improve the quality of life, competitiveness and sustainability of Canadian communities.

In fact, a national public transport policy would establish a strategic background and stable, secure financing for long-term infrastructure planning and for the final completion of the many projects enabling the federal and provincial governments to attain their stated objectives. This policy would also make for a better integration of urban development with transit systems, thus paving the way for living environments that are much less dependent on individual modes of transport and simply giving Canadians more choice as to their commuting mode. The ultimate benefit of such a national policy would be to establish a long-term vision of both urban and inter-urban public transport throughout Canada by formulating an investment plan focused on the development of long-term mass transit infrastructure.

2. Institute an independent fund dedicated to the funding of public transport infrastructure

The financing needs associated with public transport infrastructure are considerable, to say the least. According to the CUTA's latest survey, dated 2010, Canada's needs in terms of public transport infrastructure for the 2010 – 2014 period are estimated at \$53.5 billion. Despite the need, there is presently no federal fund specifically dedicated to the financing of this infrastructure of undoubtedly strategic importance which sustains the country's economic, social and environmental development and reduces the congestion on our roads. This is why the AMT is requesting the establishment of an independent fund specifically devoted to the funding of public transport infrastructure.

As in the case of the PPP Canada Fund, an independent dedicated fund could be the ideal complement to existing provincial programs and serve as a driving force behind a greater number of public transport infrastructure projects. Such a dedicated fund would also provide stable, reliable and long-term financing of infrastructure development—an issue that many stakeholders have described as crucial for the maintenance and development of first-class public transit services.

3. Institute an independent fund dedicated to the development of clean energy for transportation

In its 2011 budget, the Canadian government made a commitment to invest in the clean energy economy. The necessity of promoting the use of a variety of clean energies reflecting Canada's vast wealth of potential sources, such as wind power, solar energy, hydroelectric power and biomass, needs no further demonstration. Indeed, these resources reduce GHG emissions, help secure the national energy supply for public and business needs, and create employment in these fields, which strengthens the entire nation's competitiveness. As the transportation sector is a major energy consumer, it accounts for a large part of GHG emissions. Added to all that is the fact that sizeable fluctuations in fuel prices have an impact on all Canadians.

National endeavours and priorities must accordingly reflect the rationale behind major projects aimed at increasing the use of clean energy within Canada's energy consumption landscape, notably in terms of individual commuting, public transit and transportation of goods. It is therefore vital for the nation to set up an independent fund dedicated to transport projects aimed at reducing GHG emissions and increasing the use of clean energy such as to enable private citizens, transit agencies and businesses to invest in a sector that will make Canada a leader in the matter. As with the PPP Canada Fund, this fund will entitle agencies requesting assistance to subsidies they can invest in transport projects based on the use of clean fuels, the purpose being to steer Canada towards a viable energy-use future. Electrifying public transit is an excellent example of projects eligible for this type of financing.

Conclusion

From 1996 to 2010, regional public transit ridership in metropolitan Montreal climbed from 398 to 480 million commutes. Ridership on the AMT's commuter train network alone increased 125%, from 6.9 million to 15.5 million commutes, over the same period. These statistics show that the people of the greater Montreal area are increasingly opting for alternatives to the one-car, one-driver concept. Public transit is actually being perceived as a genuinely competitive commuting option and a trouble-free way to get to work or other destinations.

The government of Quebec needs no further convincing that public transport is an essential component of the province's economic soundness, and it has accordingly formulated the Québec Public Transit Policy to increase the popularity of public transit. The methods selected to reach stated targets require cooperation from a variety of actors: municipalities, transport organizing authorities, users, drivers and employers. Preliminary results have reassured the Quebec government that its policy will have a positive impact on reducing traffic congestion on our roads. In fact, achieving the stated objective of 40 million more commutes by mass transit would reduce automobile commutes by 34 million and generate annual savings of \$44 million.

We also happen to believe that, like its provincial counterpart, the government of Canada should make public transport a priority and invest more funds and resources in this commendable ideal. According to a study carried out in 2010 by the Board of Trade of Metropolitan Montreal titled *Public transit: At the heart of Montréal's economic development*, public transit in greater Montreal generates annual revenue on the order of \$217.1 million and \$85.9 million for the provincial and federal governments respectively. These figures prove that public transport can definitely be qualified as a lever of economic development for Canadian communities.

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