



# **PUBLIC TRANSIT, A GENERATOR OF WEALTH**

**Brief Submitted to the  
House of Commons  
Standing Committee on Finance**

**August 2011**

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	ii
THE SOCIÉTÉ DE TRANSPORT DE MONTRÉAL.....	1
URBAN CENTRES, CANADA'S ECONOMIC ENGINES .....	2
PUBLIC TRANSIT, THE ECONOMICAL CHOICE .....	3
MOVING FORWARD.....	4
RECOMMENDATIONS.....	4
BIBLIOGRAPHY .....	5

## EXECUTIVE SUMMARY

For over 150 years, public transit has been instrumental to Montreal's economic development, boosting productivity and economic activity for the region's businesses and agencies. With over 1.2 million trips daily, the STM helps Montrealers commute to work, attend school and patronize businesses.

Public transit also helps reduce road congestion, which each year costs Metropolitan Montreal \$1.4 billion, or 1% of Montreal's GDP. Less road congestion means reduced travel times for all Montrealers, including non-riders. Each public transit user means one less car on the roads, thereby cutting down travel time for goods and people (BTMM, 2010).

### Economic impact of public transit on Metropolitan Montreal (2009)

- \$1.8 billion invested in Metropolitan Montreal
- \$1.1 billion in value added to the economy
- 14,000 direct and indirect jobs
- Total revenues of \$216 million for the Quebec government
- Total revenues of \$86 for the federal government

source: BTMM, 2010

Investment in public transit provides infrastructure for modern, efficient transportation that helps make our urban centres more competitive. As well, developing public transit reduces demand for additional road infrastructure and fosters sustainable development, allowing cities, the country's economic mainstay, to prosper for decades to come.

### Recommendations

- 1. We recommend that a national public transit fund be created to provide stable, long-term capital funding.**
2. The 2011 Budget states that the government will table legislation to make the annual \$2 billion investment into the Gas Tax Fund permanent. **We recommend that this contribution be indexed annually as well.**
3. The federal minister of Transport, Infrastructure and Communities said that he will develop a long-term public infrastructure program that will be extended once the Building Canada program expires. **We recommend that public transit remain a category eligible for federal funding.**

## THE SOCIÉTÉ DE TRANSPORT DE MONTRÉAL

As Quebec's 14<sup>th</sup> largest company, the Société de transport de Montréal (STM) has close to 9,000 employees and carries 1.2 million riders per day, or more than 70% of all public transit trips in Quebec. It has a budget of over \$1.15 billion, and its asset replacement value is estimated at over \$14.5 billion. For several years now, the STM has been recognized internationally for its sound management, particularly by Moody's, which awarded the STM an Aa2 rating, placing it in the lead as one of North America's best managed transit agencies.

The STM operates a fleet of more than 1,600 buses serving the Greater Montreal Area, which covers almost 500 km<sup>2</sup>. There are 206 bus routes and 95.4 km of bus lanes for faster travel. In 2010, buses carried riders close to 81.4 million km, an increase of 16% over 2006.

Opened in 1966, the Montreal Métro comprises four lines serving 68 stations along 71 km of track. The fleet includes 759 cars that travelled 76.9 million km in 2010, 30% more than in 2006. In the 2008 and 2009 rankings of 27 world subway systems by Imperial College London, **the Montreal Métro was ranked the most productive, meaning that the productivity of its labour force is the highest in terms of km-cars and that its operating costs are among the lowest, despite the fact that its cars are some of the world's oldest.**

### The Société de transport de Montréal Recognized Internationally

The STM was awarded Outstanding Public Transportation System in North America by the American Public Transportation Association (APTA) for its excellent results between 2007 and 2009 in terms of effectiveness and efficiency.



### 2020 Strategic Plan

In December 2010, the STM presented a draft development plan outlining the organization's vision and its projects for the next ten years. The 2020 Strategic Plan targets a modal transfer of 5% of motorists toward public transit, which would result in reaching 540 million trips annually in the STM system by 2020, representing a 40% increase in ridership. This plan will require an estimated \$12 billion investment. To achieve this objective, the STM will focus intensely on maintaining and renewing its fleet to ensure system reliability and safety.

As a way to expand service, the plan focuses on developing transit backbones such as the Métro. In concrete terms, the plan provides for the replacement of rolling stock and for system extensions. The STM is also looking to develop its bus network. It plans to do this by making the bus more attractive through such measures as building reserved lanes, rolling out a smart transit system that will inform riders and manage its fleet in real time, adding more than 400 buses, and gradually electrifying its surface system, which will allow the organization to contribute further to greenhouse gas reductions and support the development of a Canadian electric vehicle industry.

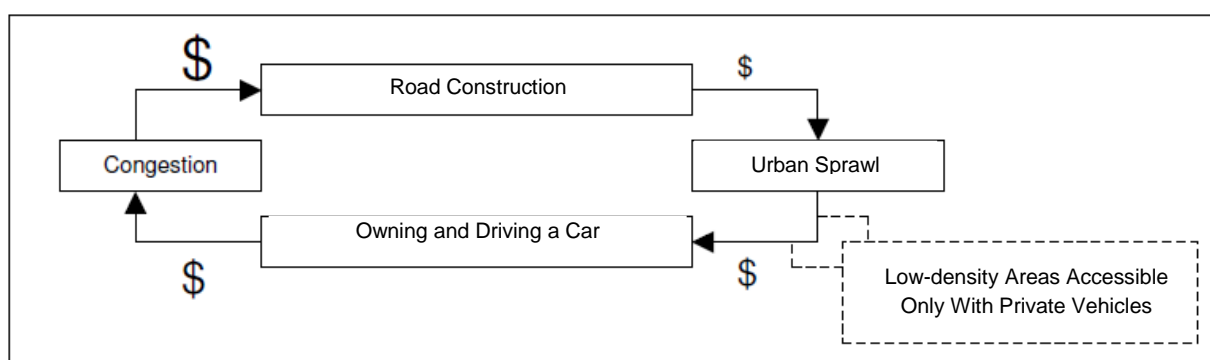
## URBAN CENTRES, CANADA'S ECONOMIC ENGINES

Cities are the engines of global economic activity and are home to over 80% of Canada's population. Infrastructure plays a vital role in the efficiency and economic development of metropolitan areas, especially in terms of transportation. Improving transportation efficiency means promoting both production and consumption. This makes it a critical factor in attracting private investment, as business depends on the transportation systems in place to bring employees to and from work and to transport goods efficiently (Conference Board, 2007). The wealthiest societies are also the most mobile (BTMM, 2010). At a time when much of the transportation infrastructure must be renewed, growing populations in metropolitan areas are putting increased pressure on the need to develop efficient transportation solutions. This makes it worthwhile to invest in transit.

Developing the road network in a metropolitan area promotes urban sprawl, which in turn leads to increased congestion and greater demand for new infrastructure, exerting long-term financial pressures on governments when it comes time to maintain it. This is the current situation facing Metropolitan Montreal. Developed 50 years ago, Montreal's transportation infrastructure is suffering from a maintenance deficit while the highway network continues to expand.

In 2007, the cost of congestion in Canada's nine largest cities ranged between \$2.3 billion and \$3.7 billion in 2002 dollars according to various estimates (Conference Board, 2007, and ATUQ, 2008). For Montreal in particular, the economic loss due to congestion was estimated at close to \$1.4B for 2003, or 1.1% of the region's GDP (BTMM, 2010).

**The Cycle of Urban Sprawl**



“While traffic has a negative effect on the entire economy, some activity sectors are especially affected. For instance, trucking companies lose money every year due to rush hour traffic—an estimated \$80 million in 2009” (BTMM, 2010). STM riders make 1.2 million trips daily, which means 1.2 million fewer people on the roads, improving travel time for people and goods.

Since public transit helps slow urban sprawl and reduce congestion, it requires less spending on infrastructure—roads, bridges, water and wastewater systems, lighting, parking, etc. (ATUQ, 2008). As well, the surface area needed for private vehicles is much greater than is required by public transit. For equivalent traffic levels, cars occupy roughly six times more road space than a bus. With limited urban space, as is the case in Montreal and other large cities in Canada, current infrastructure solutions for maintaining automobile traffic, such as highways, bridges, tunnels and overpasses, are becoming extremely expensive (BTMM, 2010).

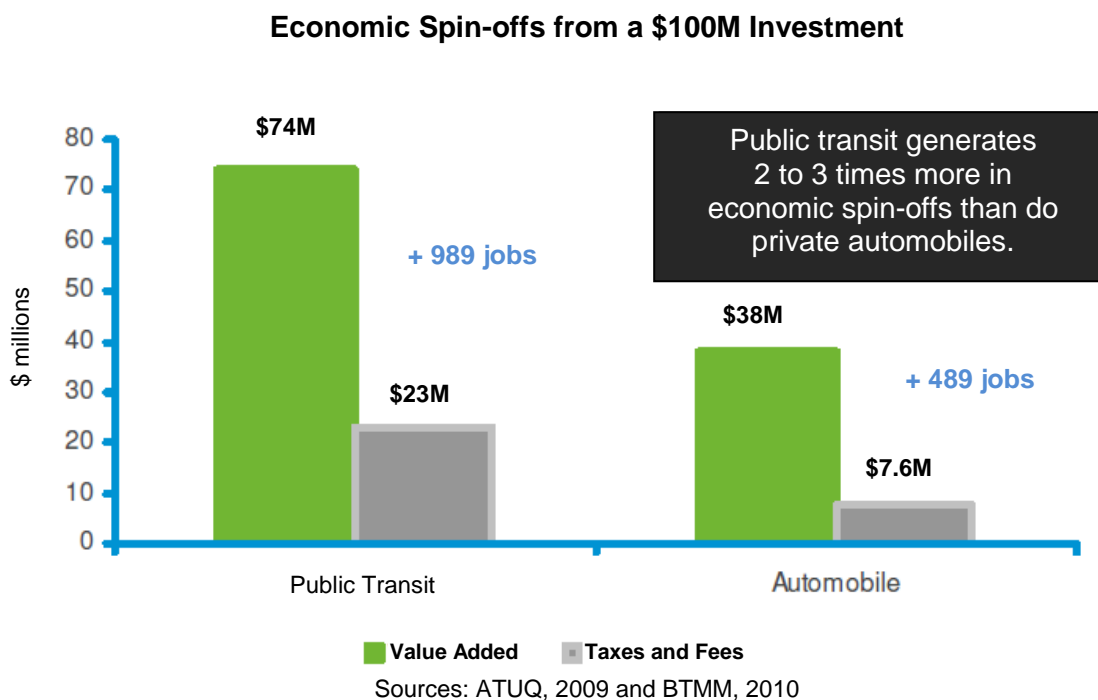
## PUBLIC TRANSIT, A CHOICE THAT PAYS

The current context drives policymakers to make strategic choices to support economic recovery and balance government budgets. To achieve this, governments must invest in industries that promote this recovery and generate wealth and employment.

Public transit is often recognized for its social and environmental benefits. It presents an affordable alternative for accessing services, consumer goods, education, employment, culture, health and recreation, and it is an invaluable tool for fighting climate change. That said, it also provides significant, high-value-added economic leverage.

Investing in transit generates more jobs and economic spin-offs than any other transportation investment. According to the Canadian Urban Transit Association (CUTA), capital transit expenditure in Canada over the past eight years has totalled \$10 billion, with \$21 billion in economic spin-offs. This can be explained in part by the fact that there are several organizations in Canada working in this area. "Because Canada is a transit equipment exporter, investment in transit can remain in Canada, creating spin-off employment in manufacturing and related industries" (CUTA, 2010).

In 2009, the government transit agencies across Metropolitan Montreal injected \$1.8 billion into the economy. This generated \$1.1 billion in added value, along with over \$216 million in total revenue for the Quebec government and close to \$86 million for the federal government. Montreal's public transit sector also supports more than 14,000 direct and indirect jobs (BTMM, 2010). The STM alone injected \$1.2 billion into the economy and provides more than 12,000 direct and indirect jobs. STM operations generated \$200 million in tax revenue for the provincial government and \$83 million for the federal government (ATUQ, 2010).



## MOVING FORWARD

Similarly to the Metropolitan Montreal and Quebec governments, efforts by the federal government to support public transit, such as the 2006 and 2008 Public Transit Capital Trust Funds, the Building Canada Fund, the Gas Tax Fund, the Urban Transportation Showcase and the Transit-Secure program, have had a significant positive impact on STM operations and client service.

That said, in order to achieve its objectives and participate fully in economic development, the STM, along with Canada's other transit agencies, should be able to rely on the support of its partners, including the federal government. If it is fully funded and implemented, **STM's 2020 Strategic Plan will, between 2011 and 2020, create 4,300 direct and indirect jobs. As well, based on data in the BTMM (2010) study, achieving the Plan objectives would add an additional \$1.9 billion to the economy and generate annual savings of \$114 million in reduced congestion.**

## RECOMMENDATIONS

Investing in public transit generates significant spin-offs across Canada and builds modern and efficient transportation infrastructure that helps make our urban centres more competitive and improve quality of life. As well, developing public transit reduces demand for additional road infrastructure and fosters sustainable development, which allows cities, the country's economic mainstay, to prosper socially, environmentally and economically for decades to come.

- 1. We recommend that a national public transit fund be created to provide stable, long-term capital funding.**
2. The 2011 Budget states that the government will table legislation to make the annual \$2 billion investment into the Gas Tax Fund permanent. **We recommend that this contribution be indexed annually as well.**
3. The federal minister of Transport, Infrastructure and Communities said that he will develop a long-term public infrastructure program that will be extended once the Building Canada program expires. **We recommend that public transit remain a category eligible for federal funding.**

## BIBLIOGRAPHY

Association du transport urbain du Québec (ATUQ). *Historique du financement des sociétés de transport en commun du Québec*. 2008.

Association du transport urbain du Québec (ATUQ). *Les impacts économiques de la Société de transport de Montréal*. 2010.

Board of Trade of Metropolitan Montreal (BTMM). *Public Transit: At the heart of Montréal's economic development*. 2010.

Canadian Urban Transportation Association (CUTA). *The Economic Impact of Transit Investment: A National Survey*. 2010.

Conference Board of Canada. *Sustainable Urban Transportation: A Winning Strategy for Canada*. 2007.