



BY EMAIL

Montreal, October 8, 2022

**Peter Fonseca**

Chair of the House of Commons Standing Committee on Finance

Member of Parliament for Mississauga East—Cooksville

[peter.fonseca@parl.gc.ca](mailto:peter.fonseca@parl.gc.ca) | [FINA@parl.gc.ca](mailto:FINA@parl.gc.ca)

**RE: Recommendations from the STM during the 2023-24 pre-budget consultations of the House of Commons Standing Committee on Finance**

Dear Mr. Chairman,

Since 2015, the Government of Canada has stepped up the initiatives to support public transit, whether through emergency assistance in response to the pandemic, massive investments in public transit or electrification of transportation. In doing so, the federal government made it possible to maintain the services that many Canadians depended on, support the economy, help ensure the safety and performance of our infrastructure, reduce congestion, and help reduce GHGs in transportation. Despite that support, public transit continues to face major challenges for which your continued support remains necessary, even urgent. This is the context in which we submit the following recommendations to you for the Government of Canada's 2023-2024 budget.

**The lasting impacts of the pandemic**

---

Although traffic congestion has already returned, the impacts of the pandemic continue to be felt in public transit. The pandemic cut customer revenues in half in 2020 and 2021, resulting in a shortfall of approximately \$900 million just in the Greater Montreal Area. At the height of the crisis, ridership was down 90%.

In 2020, the governments of Canada and Quebec awarded \$1.4 billion in emergency assistance to compensate the public transit systems for losses in customer revenues and protect services to the public. Following the depletion of those funds, the Minister of Finance announced last February a new round of assistance of \$750 million across the country to help public transit systems maintain their services. At the same time, the government called upon the provinces to support the federal contribution and accelerate their efforts to improve the housing supply. The joint effort of the governments of Canada and Quebec therefore made it possible to make \$400 million available to support public transit services in 2022. However, for 2023, it is already clear that public transit systems will still have to deal with reduced ridership, while about 30% of trips are still missing. In the Greater Montreal Area, the Autorité régionale de transport métropolitain (ARTM) is anticipating a deficit of over \$500 million for metropolitan public transit in 2023.

Since 2020, transit companies have increased cuts and ramped up the optimization efforts in order to mitigate the consequences of the financial crisis, while limiting the impacts on customers. Without adequate financial support, the 2023 shortfalls could mean service cuts or fare increases, which could result in a vicious circle of reduced ridership, and thus new shortfalls.

Instead, in trying to fight climate change, it is crucial to encourage customers to return to public transit

in order to offer a powerful alternative to single-passenger vehicles. Public transit is also an indispensable tool for densifying cities, enabling a more affordable lifestyle there, and reducing transportation expenses for Canadian households. Therefore, the STM recommends that the federal government once again work with the provinces to renew the emergency support for public transit and expedite the housing supply.

More broadly, even before the pandemic, the public transit sector was facing a structural deficit with expenditures (investments and services) that were increasing much faster than its revenues. That structural deficit affects the STM, the metropolitan area, and the Government of Quebec alike. To ensure the longevity of public transit, it is becoming urgent to establish a new financial framework with resources in line with ambitions. The municipalities and the Government of Quebec are already making significant contributions. A permanent contribution from the federal government to operating expenditures now appears to be unavoidable. The terms and conditions of such support can be complex and should be handled through a working group with city and industry representatives.

### **Recommendations**

- Work with the provinces to renew the emergency public transit support in 2023 and expedite the housing supply.
- Establish a working group on a permanent federal contribution to public transit operating expenditures.

### **Support public transit asset maintenance and investments**

---

The STM's assets, especially those of Montreal's metro, are aging. The asset maintenance deficit was estimated at \$3.9 billion in 2020, and the STM is aiming to reduce it to \$2.2 billion over 10 years. Inadequate maintenance of public transit assets and equipment hinders their performance, increases the number of service outages, increases repair costs, and can potentially affect the safety of services. This is why the STM will invest at least \$3 billion in asset maintenance by 2028.

Over the next five years, the STM must also invest \$674 million to electrify the first three transportation centres and make it possible for them to receive and charge all-electric buses starting in 2025.

The metro system now has 20 accessible stations, whereas the STM is aiming for 30 stations by 2025. Phases 2 and 3 of the STM's accessibility program must invest \$723 million to continue the efforts to install elevators in the Montreal metro to make its entire system accessible.

In 2021, the announcement of the creation of the new Permanent Public Transit Fund (PPTF) of \$3 billion per year is excellent news in this regard. This increased financial support will be crucial for reducing the STM's asset maintenance deficit, electrifying the street-level system, and making the metro fully accessible. These three key priorities require long-term work, proper planning, and stable, predictable, and sufficient funding. To that end, the PPTF should allocate the bulk of its funds on a ridership basis, in part because of the asset maintenance needs, which are greater in the large systems. The amounts made available by the PPTF should also be protected from inflation by an indexing mechanism. Finally, eligible expenditures in the federal infrastructure programs exclude land acquisition costs or expenditures incurred prior to government approval of projects. These unwarranted restrictions should be removed because they reduce the federal government's actual share of project costs and shift this burden onto the municipalities and provinces alone.

### **Recommendations**

- Allocate the bulk of the Permanent Public Transit Fund (PPTF) money through a main stream based on ridership, in order to primarily address asset maintenance needs.
- Provide a mechanism for indexing the PPTF money to protect the value of the funds awarded.
- Expand eligible expenditures to include expenditures related to land acquisition and those incurred prior to project approval by the Government of Canada.
- Move up the implementation of the PPTF to 2024.

Federal support will be essential for protecting public transit service levels in the short, medium, and long terms. The new Permanent Public Transit Fund will also make a crucial contribution to enable transit companies like the STM to deal with asset maintenance challenges, electrify their fleets, and make their systems accessible.

In both the short and longer term, the challenges facing public transit are considerable. I am confident that the Government of Canada will continue to work with its provincial and municipal partners and that it will be there to help them overcome these significant challenges.

Sincerely,

Handwritten signature of Eric Alan Caldwell in black ink, consisting of the letters 'E', 'A', and 'C' in a stylized, cursive font.

**Éric Alan Caldwell**

Chair of the STM Board of Directors

cc: Valérie Plante, Mayor of Montreal  
Dominic LeBlanc, Minister of Intergovernmental Affairs, Infrastructure and  
Communities  
Steven Guilbeault, Minister of Environment and Climate Change