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CANADIAN URBAN TRANSIT ASSOCIATION
ASSOCIATION CANADIENNE DU TRANSPORT URBAIN

Growing Canada: Securing our Transit Future

Federal Pre-Budget Submission 2014

Analysis and Recommendations from the

Canadian Urban Transit Association

August 2014

About the Canadian Urban Transit Association

CUTA is the collective and influential voice of public transportation in Canada, dedicated to being at the centre of urban mobility issues with all orders of government, and delivering the highest value to its members and the communities they serve. CUTA is the national association representing public transit systems, manufacturers and suppliers to the industry, government agencies, individuals and related organizations in Canada.

Executive Summary

Canada's economy is fuelled by the thousands of communities that span its vast demographic area and that come together holistically to make up the fabric of this great nation. These communities continue to thrive and prosper when governments of all orders provide them with the necessary resources and tools. These include sound policies that can improve quality of life and standard of living for Canadians. A key aspect to this solution is to invest in transportation and the movement of our people. Indeed, public transit is the main artery that connects people to jobs, schools, hospitals, recreation facilities and other major services in communities. It is also a key factor in attracting businesses, generating jobs, attracting top talent to our cities, and contributing to made-in-Canada innovations that can be exported world-wide.

The Canadian Urban Transit Association has focused its recommendations on 3 of the 6 priority themes identified by the Standing Committee on Finance for Pre-Budget consultations. The themes primarily focus on infrastructure, jobs, and innovation.

Recommendations

1. ***CUTA recommends that the federal government consider raising its cost-share of public-private partnership (P3) infrastructure projects from 25% to 33% in cases where no private partners are providing initial capital investments to build the infrastructure. This could make the procurement model more attractive for municipalities by making the model more accessible – and thereby more widely used.***

2. ***The government should negotiate a special and permanent exemption agreement for Buy America procurement rules pertaining to public transit rolling stock. This could help protect the good paying jobs of the transit industry established here in Canada.***

3. ***The federal government should partner with transit manufacturers, universities, and other private contributors to invest in research and development and become a world leader in transit innovation.***

Ensuring prosperous and secure communities, including through support for infrastructure

As more Canadians migrate to urban areas, traffic gridlock will continue to hinder the movement of people and goods in our cities and restrain our productivity. Recent studies show that the cost of traffic gridlock to our economy is estimated at $10 billion a year and rising.[1] On average, Canadians spend 32 working days a year commuting back and forth to work. Short-term solutions to mitigate this problem include widening highways and roads, but studies show that the best long-term fix is to invest in public transit infrastructure.[2]

Building public transit in Canada is one of the best solutions for our communities to grow and prosper. It is no secret, however, that in this day and age, no single level of government can sustain the costs of building major transit projects. For instance, the expansion of the Edmonton Valley Line alone will cost $ 1.8 billion dollars.

> ***"I would like to say again – that just like you, we consider public transit an important component to the success of our infrastructure investments and our country as a whole."***
>
> *- The Honourable Denis Lebel, Minister of Infrastructure, Communities, and Intergovernmental Affairs*

In the last decade, the federal government has certainly increased its own capital funding commitments for transit projects. In fact, since 2006, the government has pledged and invested nearly $8 billion in funding for transit infrastructure across the country. With the announcement of the Building Canada Plan (BCP) and its recent successor, the New Building Canada Plan, the federal government has taken leadership to ensure long-term and stable funding for important infrastructure projects across this country.

The federal government has also looked at other innovative tools to help pay for infrastructure projects. In recent years, it has supported Public-Private Partnerships (P3) as an alternative funding tool. The intent of P3 is to deliver maximum value for Canadians, stimulate the economy, create jobs and support long-term prosperity while protecting the public from procurement cost over-runs. When faced with funding gaps, P3s can act as a financing tool, but it is important to note that lenders and investors must be paid back eventually. Historically, infrastructure projects involving governments have had costs divided equally by all three

[1] Vrbanovic, B. (2012). Canada: Stuck in traffic on the road to the future. *Federation of Canadian Municipalities*. http://www.fcm.ca/Documents/news/2012/Canada_stuck_in_traffic_on_the_road_to_the_future.pdf

[2] Litman, T. (2014). Generated Traffic and Induced Travel: Implications for Transport Planning. *Victoria Transport Policy Institute*. http://www.vtpi.org/gentraf.pdf

levels of government, with each respectively contributing 33%. The P3 procurement model is different as it only allows the Federal government to contribute a maximum of 25% of its share of the cost, often leaving municipalities and provinces with a more substantial share of the initial capital investment to cover. ***CUTA recommends that the federal government consider raising its cost-share of public-private partnership (P3) infrastructure projects from 25% to 33% in cases where no private partners are providing initial capital investments to build the infrastructure. This could make the procurement model more attractive for municipalities by making the model more accessible – and thereby more widely used.***

Maximizing the number and types of jobs for Canadians.

Canada must develop policies that continue to attract businesses of all sizes, which in turn create jobs and growth in our communities. Businesses will often look at various elements before choosing where to settle. One of the major elements of the equation is transportation. In fact, a recent survey commissioned by the Business News Network and the Globe and Mail, showed that Chief Executive Officers of Canada's largest companies believe governments should focus on funding transportation infrastructure as a priority. "The movement of people and goods – improving public transit in cities, roads, port expansion, faster border crossings, and in Ontario, even high-speed rail – are the investments that the C-Suite thinks would do most to help our economy."[3]Other leading economies around the world understand that transportation and mobility is key to attracting businesses, jobs, tourism, and trade. If Canada wants to compete with these countries, it will need to think long term about the investments it makes today, to create dividends down the road.

- $12 Billion – economic impacts generated by investment in public transit annually, coast to coast.
- 1:3 – for every dollar invested in public transit, three more are generated in economic growth.

A recent report commissioned by CUTA showed that investments in public transit generate $12B in economic impacts annually[4]. In fact, for every dollar invested in public transit, three more are generated in economic growth. The Canadian transit industry currently employs 75,000 people and creates thousands of spin-off jobs. Transit system employment grew by 4% annually from

[3] C-Suite Survey. (2013). *Business News Network and The Globe and Mail.*

[4] Canadian Urban Transit Association. (2010). *The Economic Impact of Transit Investment: A National Survey.* http://www.cutaactu.ca/en/public-transit/publicationsandresearch/resources/Final_CUTA-EconomicBenefitsofTransit-FinalReportESept2010.pdf

2007-2011 and the manufacturing and supply chain for the industry also continued to show strong growth in Canada. Our manufacturers and suppliers are often based in rural and small communities, which provide substantial employment opportunities. For instance, the Eglinton Cross-Town Line will benefit the residents of Toronto, but the subway cars used are made at Bombardier in Thunder Bay and tested in its Kingston facilities.

Canadian-based public transit bus manufacturers satisfy nearly 70% of the North American urban transit bus market, and directly employ 3,000 Canadians. Moreover, companies like New Flyer based in Manitoba, and Nova Bus based in Quebec, use hundreds of suppliers that are based in communities of all sizes across the country. Whether it's the steering system, the seating, the transmission, or the wheelchair ramp and lift, hundreds of companies are based here in Canada.

The examples provided above illustrate the impact of how public transit infrastructure projects can create thousands of jobs, putting local citizens to work, building stronger communities, and helping create a more energy-efficient Canada. However, protectionist measures are being debated in the U.S. regarding Buy America procurement rules which could potentially raise U.S. content from 60% to 100%.Hundreds, if not thousands, of Canadian jobs related to the industry could be put at risk if transit manufacturers are forced to shift production to the U.S. ***The Government of Canada should negotiate a special and permanent exemption agreement for Buy America procurement rules pertaining to public transit rolling stock. This could help protect the high-value, high-paying jobs in the Canadian transit industry.***

Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization

Research shows that Canada invests less on R&D than most of its peers. Canada has been a middle-of-the-pack performer among economically advanced countries with respect to its

Canada is fortunate to have a long legacy of public transit innovation and leads the world in many dimensions of urban mobility, maintaining centres of excellence in rail signalling and automatic train control, bus and railcar design, transit planning, systems engineering, bike and car sharing, scheduling and operations management software, safety and security systems, video surveillance and customer information. Many of the manufacturers, consultants and suppliers at the core of this industry have developed their expertise in Canada, employ many Canadians as part of their work forces, and export a substantial share of their production to other countries.

business enterprise R&D spending. In fact, it ranked 20th out of 37 countries in 2009, and showed a decline from 1999 to 2009, while most countries saw an increase.[5]

In 2012, Canadian transit suppliers exported $751 million worth of goods to other countries. Annual R&D and innovation spending in the Canadian transit industry is estimated at nearly $100 million. In fact, more than 70% of transit systems and business members work on experimental development and undertake R&D to develop or improve materials, devices, or product[6]. Major bus and train suppliers have research, development, design and production centres in Ontario, Quebec, Manitoba and BC. In the past year, CUTA and its manufacturing members have teamed up with academia to create a Canadian Urban Transit Research Innovation Consortium (CUTRIC). Our vision is to create a research network with the public sector, private sector, and academia that will increase competitiveness and innovation within the industry in Canada. We can become a leader in innovative, cutting-edge public mobility manufacturing and user experience, and the government can do a few things to help achieve this goal.

First, the government can streamline and simplify its application processes for R&D programs and broaden its eligibility criteria to match the nature of the transit sector's R&D activities and costs. Second, ***the federal government can partner directly with transit manufacturers, universities, and other private contributors to invest in research and development and become a world leader in transit innovation.***

Conclusion

Investing in transit means investing in Canada. Public transit investments grow our economy, create jobs, develop made-in-Canada innovation and manufacturing, and expand the critical arteries of movement that connect people to their places of employment, and the places they call home. The Government of Canada is commended for its ongoing support for transit, and we look forward to working with the Government – and with Parliament – on additional improvements to our policy framework. Together, we can create an optimal environment for maximizing the return on investment in public transit for a Canada in the Twenty-First Century.

[5]OECD, Main Science and Technology Indicators Database, June 2011.

[6] Canadian Urban Transit Association. (2013). *Innovation in Canada's Public Transit Industry: Executive Report*. http://www.cutaactu.ca/en/public-transit/eventsandawards/resources/2103_Exec_Report_ENG.pdf