KEEPING PUBLIC TRANSIT RUNNING

The pandemic dramatically reduced ridership and farebox revenue for Ontario's transit systems. Support from all levels of government ensured public transit services remained intact, preventing service cuts that would have negatively impacted frontline workers that depend on public transit every day.

Ridership continues to rebound from its pandemic low of 17% to roughly 73% of pre-pandemic levels, as of September 2022. The recovery is well underway, as ridership patterns shift and evolve, and transit systems adjust service levels accordingly. However, this important work is not yet done.

Most public transit systems are expecting significant operating shortfalls in 2023 due to residual pandemic-related ridership challenges, increased fuel costs and other inflationary pressures. OPTA's internal survey revealed province-wide shortfalls exceeding $510M. Without government support, significant service cuts will be required, undermining the post-pandemic recovery. Transit networks link our sprawling urban areas and must be ready to support the rapid increase in housing supply and immigration. Ontario's commuters must be able to count on their lifeline to employment, education, recreation, and critical services.

2023 BUDGET PRIORITIES

Ontario's transit systems call on the Government of Ontario to provide funding to offset public transit operating shortfalls estimated to exceed $510M in 2023.

Ontario's transit systems ask the Government of Ontario to ensure the gas tax top-up remains in place, so long as the temporary gasoline tax reduction remains in effect.

WHY PUBLIC TRANSIT NEEDS ONGOING SUPPORT

$510 million

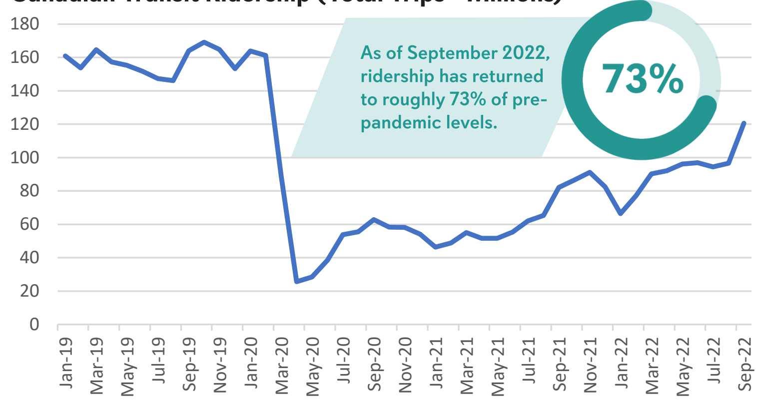
Collective operating deficit for Ontario public transit systems

Service cuts reverberate for years. When revenue shortfalls led to significant service reductions in Toronto during the 1990s, it took 18 years for ridership to recover. Allowing a downward spiral across the province must be avoided. Our cities will become more congested, transit wait times will increase and incidents of social disorder will increase in frequency.

There is currently a concerning rise in public safety incidents on transit and a decline in public confidence in transit systems. A portion of operating expenses are allocated toward public safety, but service cuts will make it far more challenging to ensure a safe and secure experience for riders.

Without government support, these insurmountable deficits will force many public transit systems, large and small, to impose severe service cuts. This can quickly spiral into a vicious cycle of reduced ridership and revenue leading to even deeper service cuts, and ultimately undermine the intent of the Safe Restart Agreement (SRA).

Canadian Transit Ridership (Total Trips - Millions)



Region	Ridership Recovery (Fall 2022)
Toronto	69%
Ottawa	63%
Mississauga	92%
Hamilton	76%
York Region	68%
London	90%
Brampton	115%
Milton	72%
Windsor	78%
Woodstock	95%

Ridership recovery has varied dramatically. Agencies report rates of 100%+ while others report 60% to 80% return

The post-pandemic ridership recovery effort has varied dramatically between different transit systems, with some agencies reporting ridership recovery rates at 100%+ of pre-pandemic levels while other transit systems, particularly those with the most commuters, continue to climb back, albeit at a slower rate (~ 60-80%).

Transit riders across Ontario should, at a minimum, be able to expect and depend on safe, reliable and frequent service. However, many significant operating expenses that were not considered a part of pandemic-induced losses, such as exorbitant fuel costs, a tight labor market, and other inflationary pressures, contribute to the 2023 operational shortfall. For example, diesel fuel needed for bus fleets now retails for approximately $2 per litre, 42% higher than gasoline.

Capital considerations also play a key role in the shortfalls that transit agencies now find themselves in. Between the costs of procuring new busses, electrifying fleets, and maintaining state of good repair for existing infrastructure, many Ontario transit systems will currently assume a substantial portion of these expenditures. Despite financial relief from federal infrastructure programs, timing and cost pressures still pose challenges for Ontario transit systems.

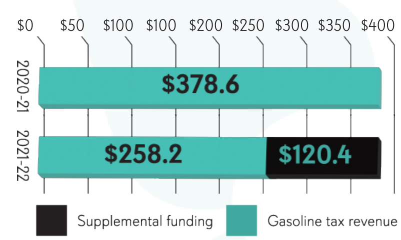
Past investments in public transit operations and infrastructure at the federal and provincial levels are highly appreciated, however the inflexibility of many support program criteria places a substantial financial burden on public transit systems of all sizes. For instance, some funds allocated through the SRA had very specific timeframes. If unused during these periods, they were clawed back, resulting in almost 10% of the $2.15 billion in restart funds being lost.

These additional yet essential expenses that were deemed ineligible expenditures under previous rounds of government funding should be included in new support programs for 2023.

Therefore, OPTA's primary budget priority is securing funding to offset collective operating shortfalls estimated to exceed $510M, and support for public transit systems' capital needs.

CONTINUATION OF THE GAS TAX TOP-UP

Transit systems appreciate the province's top-up of gas tax funding that was provided to public transit systems to supplement lost revenue worth $120.4M. **OPTA hopes this critical arrangement remains in place moving forward, so long as the temporary gasoline tax reduction remains in effect.**



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OPTA thanks the Government of Ontario for providing emergency transit operating support through the SRA and the 2022 bilateral supplement, as well as the gas tax top off. Despite not being out of the woods yet, the success of the operating support programs and sustained positive recovery trends strongly suggests that emergency funding will not be needed in subsequent years. We look forward to working together on advancing public transit priorities.