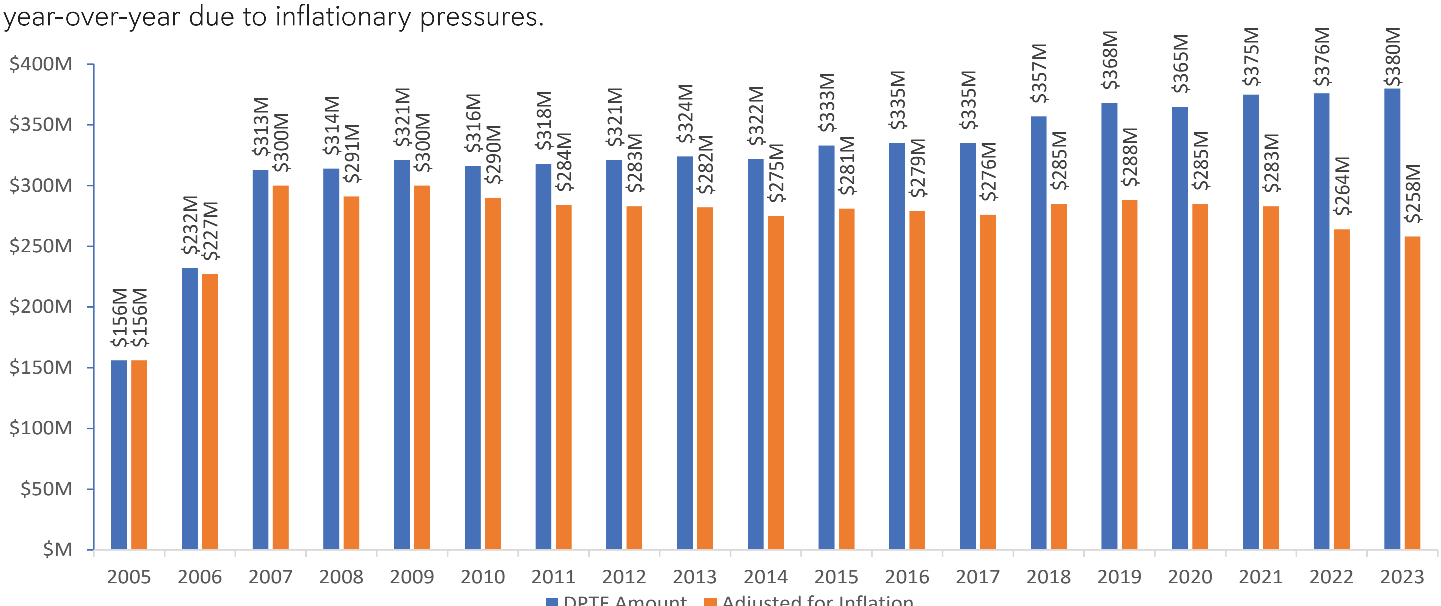
ENSURING TRANSIT SYSTEMS CAN CONTINUE TO SUPPORT ONTARIO'S GROWING POPULATION

WHO WE ARE: The Ontario Public Transit Association (OPTA) is the collective voice of the transit industry in Ontario. Our member-driven trade association represents public transit systems, health and social service agency transportation providers, suppliers to the industry, consultants and government representatives.

The Dedicated Public Transit Fund (DPTF), also known as the gas tax fund, provides flexible provincial funding for transit systems through gas tax revenues. It was first introduced at 1 cent/litre in 2004, rising to 2 cents/litre in 2006. With the goal of fostering ridership growth, funds are distributed to municipalities based on a formula of 70% ridership and 30% population. The program was made permanent in 2013. In the 10 years since it was codified and permanently enshrined into the budget as a protected spending program, it has proven to be a very successful programs and an invaluable tool for transit system finances, as it has supported capital and operational funding. Just over 50% of ON transit agencies surveyed split funds between operating and capital, while just under 50% use the funds solely for operating.

The DPTF No Longer Funds Growth

The total funding envelope remained relatively unchanged in recent years at roughly $380 million. This is due to decreased gasolines sales and a top-up by the government. This does not factor in recent rapid inflation which has devalued the total funding envelope significantly. Adjusting for inflation, 2 cents today has the buying power of 1.4 cents when compared to 2006. This is at a time when Ontario transit systems' operating costs increased by 13% year-over-year due to inflationary pressures.



For many transit systems, the program can no longer support its intended goal of growing ridership. In many ways, the program is a victim of its own success – ridership has grown but the total funding envelope has not kept pace. In Burlington for example, ridership has hit 120% compared to 2019 levels. Operating expenses have increased by 10% this year and capital costs by 25%, but its portion of the DPTF remains relatively steady at roughly $2.3M annually.

Unprecedented Growth of Ontario Communities

Based on the federal government's ambitious immigration target of roughly 500,000 new Canadians each year, and with 40-45% choosing to settle in Ontario, the province will see its population rise to roughly 20 million by the early-2040s. Municipalities must be equipped to expand transit networks to meet rising demand and to ensure new housing developments are properly integrated with public transit infrastructure. The alternative is more road congestion, commuter dissatisfaction and higher GHG emissions.

In Brampton, Canada's fastest-growing large city, where ridership is 133% compared to 2019 levels, the transit system remains strained as the municipality is currently unable to procure electric buses or build new facilities. Without action, fast growing municipalities like Brampton will not have the transit service capacity to support their expanding populations.

Operational Pressures Facing Transit Systems

Ontario transit systems continue to face a combined $510 million operating shortfall. Many transit systems have increased fares or plan to do so in the short term, which can only harm families that are most dependent on transit at a time when affordability is a primary concern. Some transit systems accessed reserve funds, and some had to cut service levels. Research shows that service cuts reduce transit frequency, making it less attractive for choice riders, reducing ridership in the process. In Thunder Bay – a regional hub – ridership stands at 111% compared to 2019 levels. The municipality had to raise fares in 2022 and 2023 and is planning another 6% increase in 2024 while also cutting service on several routes from every 15 minutes to every 30 minutes. This is an equity issue.

Mounting Infrastructure Pressures

Transit systems also face mounting state of good repair backlogs, including facility maintenance, vehicle maintenance, track replacement and more. These backlogs must be addressed promptly to ensure infrastructure resilience and safety. This issue is compounded by climate change and the need for systems to retrofit and adapt their infrastructure to handle extreme weather conditions. In Toronto alone, the state of good repair backlog stands at $92 million in 2023. Without additional funding support, the TTC projects this figure will rise to $538 million in 2024 and will exceed $1 billion by 2025.

Transit systems are continuously innovating to ensure better service for commuters. Systems across Ontario are exploring alternate service delivery models to attract more riders. During the pandemic, several small and medium sized systems adopted on-demand transit. Many systems continue to offer the service. Innovations that enhance service and ridership do not address the significant need to increased funding through the DPTF.

OPTA's ultimate aim is to work with the government to identify forward-looking solutions to enhance DPTF funding levels. Looking at other Canadian jurisdictions provides a path forward for adjusting the funding envelope.

Region	Gas Tax (¢/L)	Available to Transit (¢/L)
B.C. (Vancouver / Victoria	27 / 20	17 / 5.5
Manitoba	14	2
Ontario	9 (was 14.7)	2
Québec (Montréal)	19.2	3

Recommendation:
OPTA proposes increasing the total envelope of the DPTF. This will ensure the fund is more in line with the needs of transit agencies as they serve Ontario's growing population. Additionally, the fund should incorporate an annual escalator to ensure it does not continue to lose value over time to inflation.

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