Breaking gridlock:

B.C.'s transit investment deficit and what can be done to fix it

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Breaking gridlock: B.C.'s transit investment deficit and what can be done to fix it

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The opportunity

The federal government has changed the game for funding transit infrastructure in Canada. Its 2016 budget outlines the first phase in a 10-year plan to invest nearly $20 billion in transit infrastructure across the country and commits federal funding for up to 50 per cent of transit project costs. This opportunity could not come at a better time for B.C. Following an unsuccessful plebiscite on funding major transit infrastructure in Metro Vancouver in early 2015, the provincial government is now in the enviable position of having a completed, comprehensive transit plan for the region, half the funds needed to carry it out and the financial ability and legislative power to produce the remaining investment. However, recent announcements by the B.C. government fall short of directly funding the plan or creating revenue tools needed to close the funding gap and risk perpetuating a long-term cycle of underfunding.

Is a funding agreement between all levels of governments to improve transit and transportation far from reach? No. Our analysis shows that if the provincial government used the same approach and funding framework it developed for the 2008 Provincial Transit Plan, billions in new investment into B.C.'s transit and transportation system would be secured, and the province would be on its way to solving traffic congestion and moving B.C. and Metro Vancouver forward.


Credit: Ted McGrath via Flickr

Introduction

In 2008, the B.C. government released the B.C. Transit Plan, a 12-year, $11.1-billion strategy to reduce congestion, meet B.C.'s legislated 2020 climate target and improve transit systems to meet a growing demand. This report analyzes provincial and federal investments in B.C.'s transit systems since 2008 and compares what the provincial plan said was required with what it actually accomplished. This report also shines light on what can be learned from past experience and what lessons should be applied if B.C. is to capitalize on the federal government's $20-billion infrastructure investment commitment.

As the federal government prepares to infuse the Canadian economy with funds to improve and expand public transportation infrastructure, the government of B.C. stands to miss out on a crucial opportunity to build a better future. First, the provincial government's February 2016 budget calls for declining transit investment over the next three years, at a time when provincial dollars are most likely to attract federal funds that meet and exceed them. Furthermore, the provincial government's promise to provide one-third of the funds needed over only the next three years fails to address concerns raised by Metro Vancouver mayors regarding sustainable long-term funding and implementation of new revenue tools to close the remaining funding gap.

In the wake of an unsuccessful attempt to generate new revenue for transit through the Metro Vancouver Transit and Transportation Plebiscite of 2015, the federal government's commitment to transportation spending could be the solution B.C. and its municipalities have been searching for. However, if the region is to take advantage of this opportunity, it must demonstrate a willingness to meet the federal government halfway and provide sufficient investment over the long term to meet the needs of its citizens.

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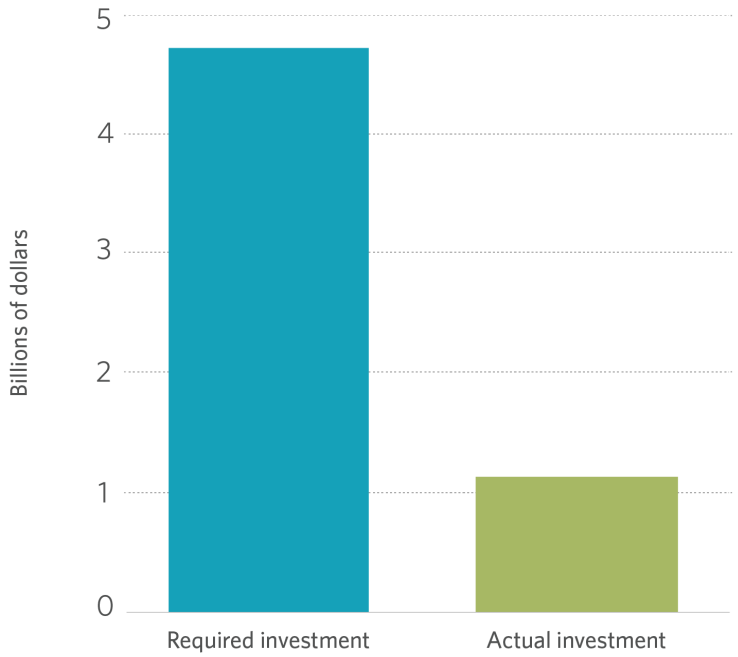
The problem: A history of underfunding

When the B.C. government announced its Provincial Transit Plan in 2008, it promised $4.75 billion in provincial funds, with the balance of the $11.1 billion to come from federal and local governments. Eight years into the 12-year plan, only 23 per cent per cent ($1.1 billion) of the provincial contributions have been realized (Figure 1). The lack of a long-term, predictable fiscal plan to accompany the proposed projects over 12 years has been a major factor in its limited success and chronic underfunding. These years of shortfall in investment have begun to threaten the gains won through previous decades of strong policy. Transit service has started to decrease as demand and populations have risen. The traffic congestion B.C. is experiencing today is a direct result of underfunding transit.

Figure 1.

Provincial government planned and realized investment in transit since 2008

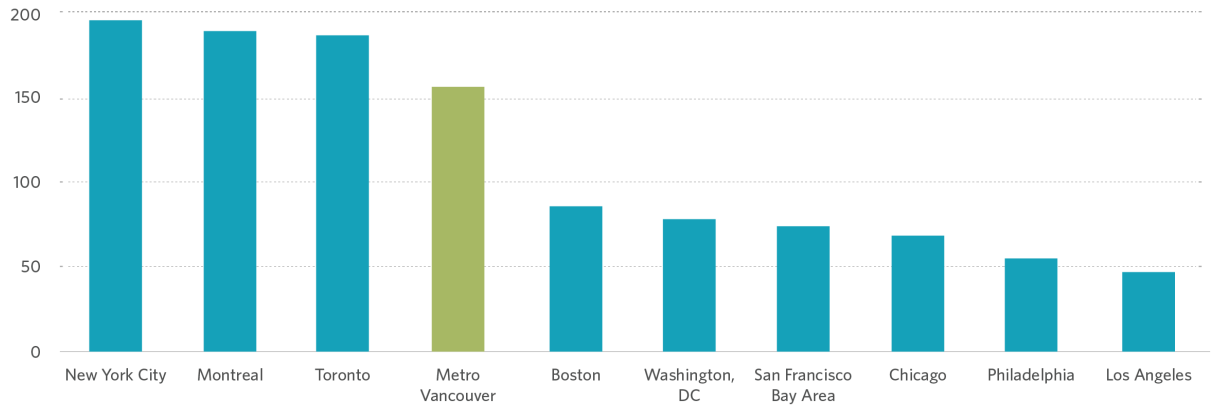


With the population of B.C. expected to grow by 1.4 million by 2040 and with Metro Vancouver alone anticipating one million new residents over this time — a 40 per cent regional increase from 2012 — this trend in provincial funding must be reversed through strong fiscal planning and appropriate revenue tools to support a long-term transit and transportation plan.

Given the importance of transit to the economy, livability, environment and health of Metro Vancouver and given the role that the region plays in the larger B.C. economy, underfunding presents substantial risks. Metro Vancouver relies on public transit to ease the movement of people and goods through the region to a far greater degree than other North American cities of similar size. In fact, per capita annual boardings of transit services in Vancouver are the fourth highest of any city on the continent, behind New York City, Montreal and Toronto (Figure 2) — all much larger cities with respect to population. This approach to regional planning carries many advantages for traffic flow, air quality and public health but requires ongoing attention and investment to remain successful.

Figure 2.

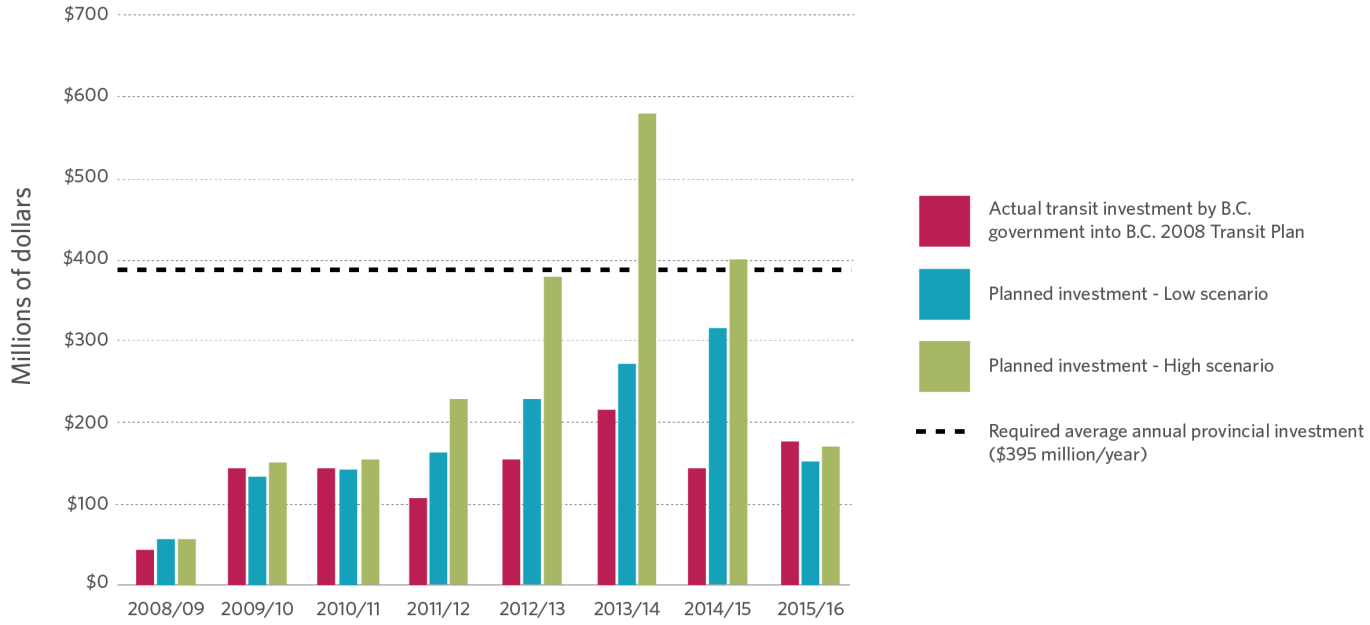
Annual boardings per capita



In spite of the importance of transit to the region — and the province more broadly — investment has stagnated. Regarding the 2008 plan, figures reported in provincial budgets demonstrate that actual yearly investment in transit infrastructure has continuously fallen short of even the low-funding scenarios outlined in previous fiscal plans. Comparing these data with the average annual investment that was required from the province to meet the $4.75 billion commitment made in 2008, a systemic deficit in funding is clear (Figure 3).

Figure 3.

Provincial investment in B.C.'s Transit Plan



In addition to reduced spending, recent actions by the provincial government indicate a shift away from transit infrastructure as a priority, putting transit on an uneven playing field with transportation infrastructure like roads and bridges, which have gone ahead without the delays placed on transit. During the April 2013 provincial election campaign, Christy Clark announced that if her government were re-elected, any new funding mechanisms for transit projects in Metro Vancouver would need to be approved by referendum. After the election, Premier Clark requested that Metro Vancouver's 21 mayors develop a regional transit transportation plan. This was completed in spring 2014.

Ultimately, the provincial government chose to go ahead with a public vote on transit and transportation funding in spring 2015. The question at the centre of the plebiscite was two-fold. The first aspect was whether or not voters supported a comprehensive plan developed by the region's mayors to improve and expand road and public transportation networks in line with the needs of each individual municipality. The second was whether this plan should be funded, in part, by increasing sales tax in Metro Vancouver by 0.5 per cent.

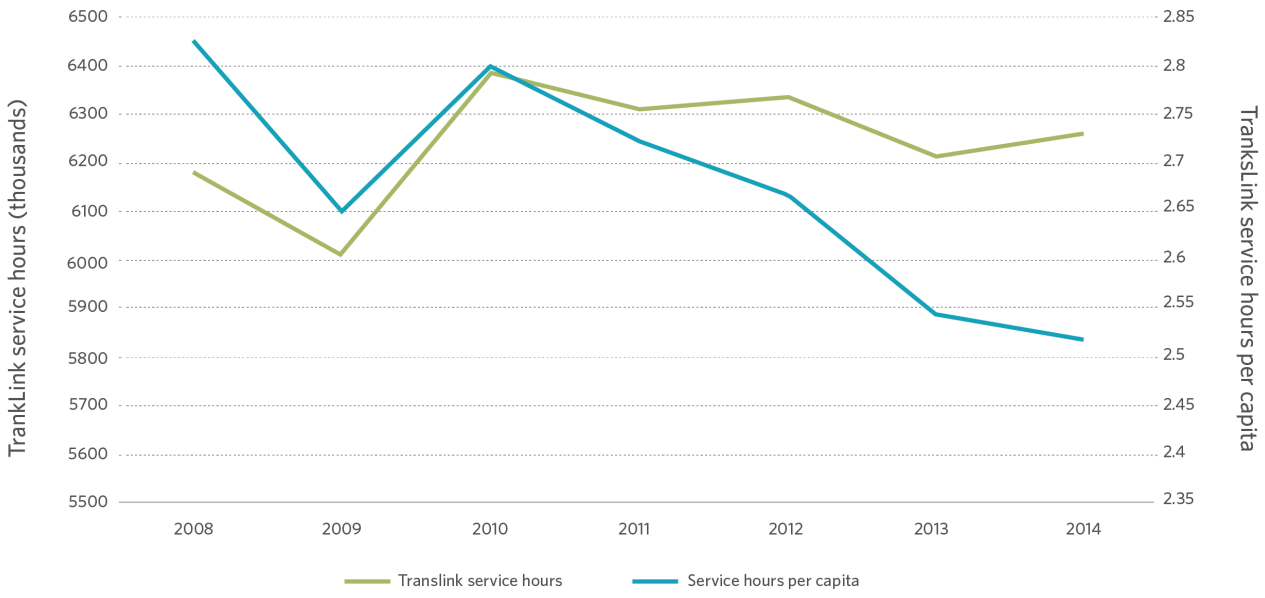
Despite the widely touted benefits of the Mayors' Council plan (a 10 per cent reduction in traffic congestion and commute time reductions of up to 30 minutes on highly congested routes[1]) and support from a coalition of 145 community organizations representing business, labour, student, health and environmental groups, the plebiscite failed to pass.

Subsequent polling revealed that the primary issue for over 75 per cent of "No" voters was not the merit of the plan itself, but trust in TransLink — the regional transit authority — to properly invest funds generated.[2] When the results of the plebiscite are considered alongside the findings of the provincial government's "B.C. On the Move" survey (also released in 2015), voter intentions become even clearer. The survey reports 92 per cent of Lower Mainland respondents were in favour of improving and increasing transit services for communities across B.C. (90 per cent of respondents across the province).[3] It is evident that the vast majority of people in B.C. support investment in public transportation but have reservations about the transit authority itself.

Since the plebiscite vote, no new source of funding has been agreed upon for these projects. As investment in the region's public transit network has stagnated and provincial funding has declined, a long-term growth trend in transit ridership has levelled off and even begun to reverse. In 2013 alone, transit ridership declined by five million passengers.[4] As transit networks in the region have approached capacity, crowding and delays have increased and the quality of service has been eroded. Data from TransLink show that the total number of service hours provided annually has not increased since 2010.[5,6] At the same time, the region's population has continued to grow, leading to a marked decline in service hours per capita that will undoubtedly continue until new investments are made (Figure 3). The need for investment in the region's transit system have never been greater.

Figure 4.

TransLink total service hours and service hours per capita over time



Feeling the pinch in Metro Vancouver: As population has exploded, investment in transit has decreased and stagnated since 2010.

Benefits of transit investment

Investment in public transit networks holds enormous benefits. Effective transit networks are good for public health, social equality, the environment and the regional — and subsequently the provincial — economy.

Research from C.D. Howe and Clean Energy Canada released during the plebiscite estimates that the costs of congestion in Metro Vancouver alone are between $500 million and $1.2 billion per year.[7] These numbers agree with those presented by HDR Consultants, which further estimated that, as Metro Vancouver adds an expected one million residents over the next 30 years, the costs associated with congestion will grow to well over $2 billion per year when lost business revenue is considered.

Implementing the full suite of projects in the Mayors' Council plan would reduce these costs by at least a third.[8] In fact, the Canadian Urban Transit Association reports that every dollar invested in transit improvements yields at least $3 in economic benefits.[9]

Businesses that transport goods pay less if congestion is reduced since their goods get to market more quickly and their trucks are not wasting fuel idling in traffic congestion.[10] Rapid transit also encourages urban densification, providing businesses with a greater number of potential employees and customers or clients, and improved access to suppliers and markets. The Greater Vancouver Board of Trade recently cited underinvestment in transit and transportation infrastructure as one of the biggest threats to the regions' economic competitiveness.[11] Industry also benefits from less absenteeism and greater productivity in cities with widely available transit.[12]

Individuals and families also experience direct economic benefits from investment in transit. If public transit, cycling or walking are practical options, people have the option to save money by not owning a vehicle or reducing the number of family cars and trips made by car. The Canadian Automobile Association investigated three popular car models and estimated that, depending on the car, a Canadian who drives an average amount will spend between $8,760 and $11,750 per year on each vehicle they own.[13] Even those who don't forgo car ownership completely can reduce how much they spend on gas if congestion is reduced or their work is closer to home.

A summary of transit research prepared by the UBC Health & Community Design Lab reports that transit users achieve 25 per cent of their daily recommended exercise from transit use alone.[14] Compared to non-transit users, they also accumulate between 12 and 18 minutes of additional walking per day. Transit users, compared to commuters who rely on a private vehicle for travel, are at reduced risk of high blood pressure, cardiovascular disease and diabetes and are 81 per cent less likely to become obese over time. This has a direct impact on regional health care costs.

Investment in public transportation also provides social benefits. Shorter commutes mean more time spent at home, and with family and friends. Enhanced mobility means people can search a broader area for things like medical and social services — in addition to jobs.[15] This enhanced accessibility leads to greater regional equality given that a person does not need to be able to drive a car, or afford to own one, to live a healthy, happy and fulfilled life.

Finally, fewer vehicles means there's less need to expand costly roads, leaving more room for parks and green spaces. Nature provides ecosystem services such as water filtration, pollination, improved air quality, food production and recreational enjoyment, all of which have an estimated value of $5.4 billion per year for the Lower Mainland.[16] Intact nature provides opportunities for recreation that have been linked to improved psychological well-being[17] and better perceived health.[18] By reducing the number of cars on the road, transit also reduces carbon emissions that contribute to climate change. Transportation is a significant source of emissions at the provincial and regional levels, with light-duty vehicles (cars and trucks) accounting for 18 per cent of Metro Vancouver's carbon footprint.[19]

The solution: Proportional fair-share funding for projects

Despite the lack of a funding model to support it, the very existence of the Mayors' Council transit plan for Metro Vancouver gives B.C. an advantage with respect to securing federal funds. The plan remains unique in the country for its scope, its specificity and the rewards it offers per dollar spent. With this in mind, the region's mayors have suggested a new funding model based on the federal government's commitment to provide 50 per cent of the funds for transit infrastructure projects. Under this model, municipalities would provide 10 per cent of funds and the provincial government would provide one-third of the remaining investment while also using its legislative authority to create new revenue sources to close the remaining seven per cent gap. This model is meant to replace the traditional assumption of one-third of funding from each level of government and is more reasonable given that municipalities collect around eight cents of every tax dollar in Canada.[20]

Regarding the historic role of municipal funding for transit infrastructure, our research indicates that Metro Vancouver citizens contribute roughly twice the annual tax dollars to transit as residents of the province's next largest cities.[21] Metro Vancouver also yields a greater share of property tax revenue to the provincial government than most other large cities in Canada.

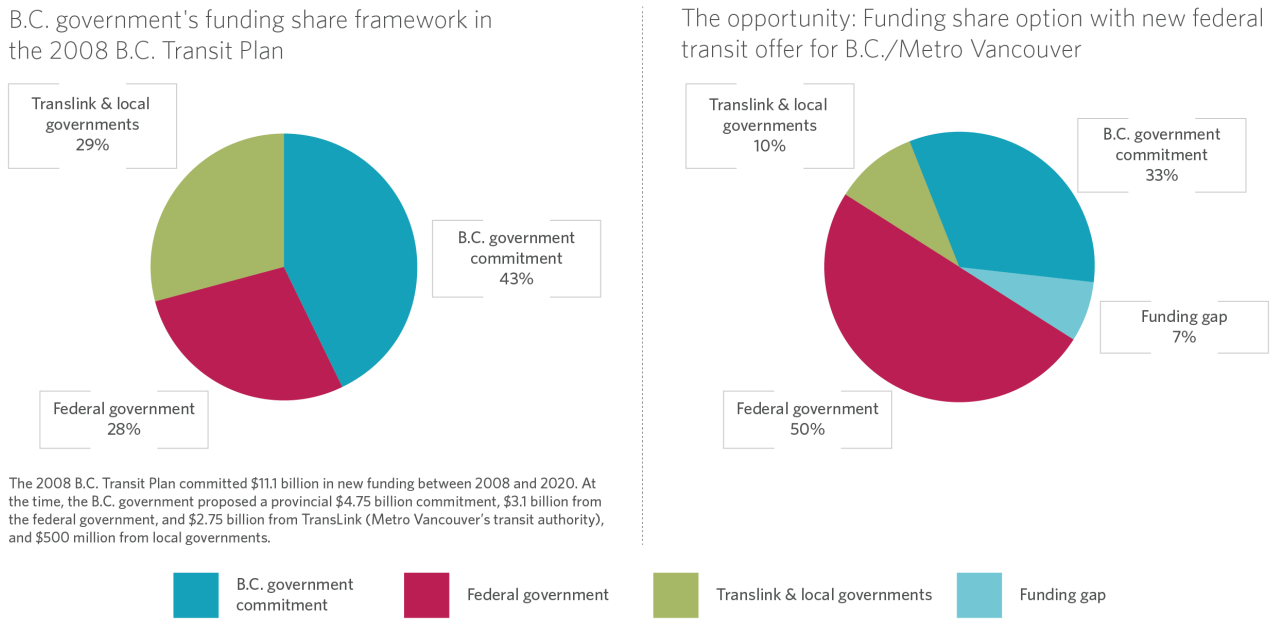
With these facts in mind, we believe the provincial government has a responsibility to invest in the region's transit to a greater degree than it has.

On May 26, 2016, the provincial government announced it would provide one-third of the required funds, but only for the first three years of the 10-year plan.[22] Provincial leaders failed to make any commitment to revenue sources that could close the remaining gap. This partial commitment falls short of what the region needs and sets up a repeat of the 2008 plan, for which long-term funding wasn't secured and only isolated pieces of the broader vision were realized.

Compared to the funding model the provincial government proposed for the 2008 transit plan, in which $4.75 billion of the $11.1 billion would come from the province, the approach proposed by the Metro Vancouver mayors calls for a smaller provincial share of investments even when the new revenue sources are considered (40 per cent versus 43 per cent). Still, the provincial government has opted not to address the seven per cent gap that stands between the region and a secure transit future (Figure 5). If the provincial government is unable to provide the required funds, the only remaining option is for it to use its legislative authority to create new revenue tools to close the funding gap. Otherwise, the committed federal funds will undoubtedly go to other regions.

Figure 5.

Comparison of funding framework for the Mayors' Council plan compared with the 2008 Provincial Transit Plan



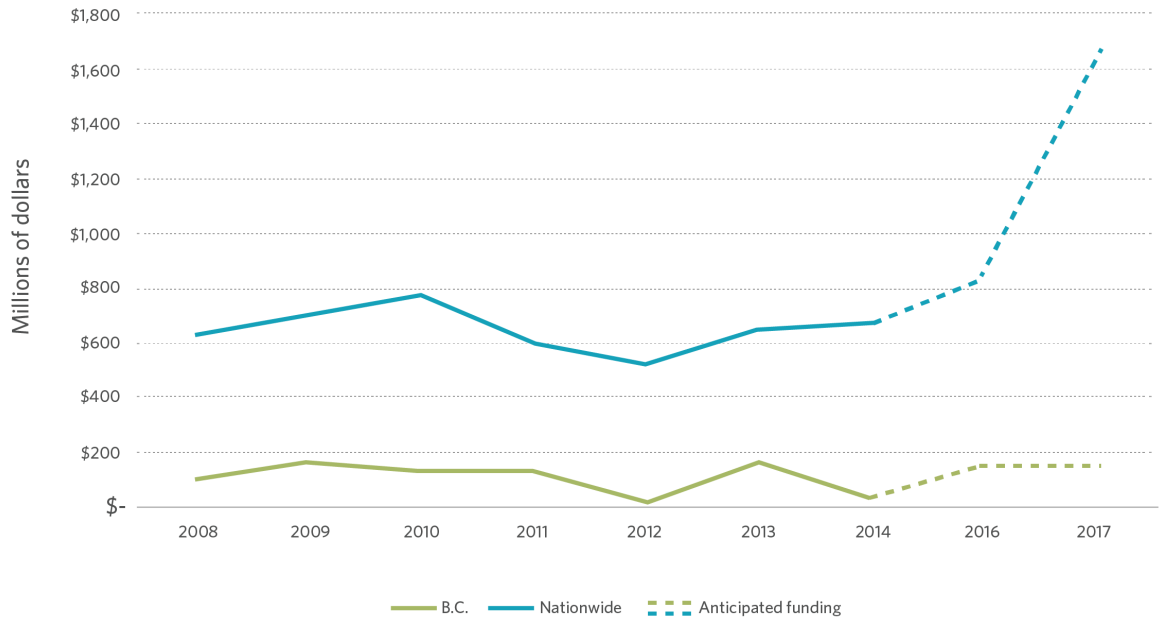
The 2008 B.C. Transit Plan committed $11.1 billion in new funding between 2008 and 2020. At the time, the B.C. government proposed a provincial $4.75 billion commitment, $3.1 billion from the federal government, and $2.75 billion from TransLink (Metro Vancouver's transit authority), and $500 million from local governments.

Is a funding solution within reach? Just eight years ago, the B.C. government committed itself to a higher funding share than what the Metro Vancouver Mayors' Council has now proposed for the province. If the provincial government had the same approach and funding framework, billions in new investment for B.C.'s transit and transportation systems would be secured.

Federal funding for provincial transit projects can be a feast-or-famine proposition. Between 2008 and 2014, federal capital funding for transit projects in B.C. fluctuated from a high of $160 million to a low of $19.5 million (Figure 6).[23] The best way to ensure that federal investments consistently flow to B.C. is to demonstrate that they will be supported by similarly strong, stable commitments from the provincial government. With the federal government poised to spend $120 billion on infrastructure projects over the next 10 years, supporting the Mayors' Council Transit Plan with reliable funding will establish the provincial government as a reliable partner in achieving broader long-term goals.

Figure 6.

Federal government transit funding nationally and within B.C.



Conclusion and recommendations

B.C. is at a crossroads with respect to the future of its public transportation systems. The decision the provincial government faces is whether or not to augment its present approach to transit funding in a way that recognizes — as the federal government already has — that to effectively fund infrastructure improvements, municipalities need proportional support from higher levels of government. For its part, the federal government must ensure that investment builds effective transit hubs and corridors in B.C.'s communities and that money is given to local governments with plans to promote smart growth. From the provincial perspective, setting a new precedent with respect to project funding requires thought and consideration, but B.C. has spent a decade pondering a solution, and the current window of opportunity is time-bound and critical to the economic, social and environmental future of the province.

Increasing investment in the Metro Vancouver Mayors' Council Transit Plan will benefit B.C. residents' health, well-being and economic opportunities and will set the stage for future cooperation between the federal and provincial governments on a number of key infrastructure projects far beyond Metro Vancouver. It's time for the province to say yes to the federal government's investment by providing sufficient funds and revenue tools to ensure full-scale implementation of the Metro Vancouver Mayors' Council plan over the full 10 years.

The required funding formula needed to avoid further costly delays is 50 per cent investment from the federal government, 10 per cent from municipalities and the remaining 40 per cent from the province, either through direct funding from existing sources or by committing 33 per cent of the funds while also approving new revenue tools to close the remaining seven per cent gap, as the Mayors' Council has suggested. Only the province has the fiscal power and legislative authority to create the new revenue tools needed to close the gap. Without those tools, the plan is at risk.

Our analysis shows a made-in-B.C. solution is within reach. In the recent past (eight years ago), the province committed to a higher funding share for transit infrastructure than what the Metro Vancouver Mayors' Council is proposing to fund the plan. If the B.C. government had the same position as that developed in the 2008 B.C. Transit Plan, the region's plan would be fully funded today and we would be on our way to solving B.C. and Metro Vancouver's traffic-congestion problem.

With costs associated with the Mayors' Council plan rising by the day because of soaring real estate values and other factors, B.C. must seize this investment opportunity to improve transportation and ease traffic congestion. Local governments also need the authority to generate revenue beyond what is currently afforded them. The stakes are the health, success and livability of B.C.'s cities. All that is needed to build a brighter future is for the provincial government to give transit the green light.

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