Transportation Association of Canada

Primer on

Transportation Funding and Governance in Canada's Large Metropolitan Areas

The transportation funding and governance frameworks of Canada's metropolitan regions have developed in response to unique historical, geographical and jurisdictional contexts. Local conditions such as transportation demand, geography, growth rates, legislation and regulations vary considerably. However, a common theme among metropolitan areas is their ongoing efforts to adapt transportation governance and financial arrangements to address current and future transportation needs in a fair and sustainable manner. This primer describes several themes relating to transportation funding and governance.

Historical structures do not meet current and future needs

A number of metropolitan areas are examining, or have recently examined, ways to enhance the governance and/or funding of its transportation system. Municipalities and transportation agencies are undertaking studies and research programs, conducting community consultations, and working together to advance the state of knowledge and practice. Options are being developed and reviewed that could be more effective and efficient, improve the integration of transportation modes, maintain a state of good repair, meet future needs, and receive the support of elected officials and the general public. In particular, metropolitan areas are seeking adequate, sustainable, long-term funding sources—not only to maintain aging road, transit, airport and port assets, but also to fund capital expansions and upgrades that can address congestion, provide timely and reliable movement of goods and people, and serve growing populations. They also lack adequate funding for the enhanced services and additional maintenance demands associated with new infrastructure.

Metropolitan areas rely largely on property tax revenues to fund transportation capital and operating expenditures. Transit systems outside Vancouver and Montréal (i.e. those in Calgary, Edmonton, Winnipeg, Halifax, and the Greater Toronto and Hamilton Area) depend almost totally on property taxes and passenger fares to pay their operating costs. TransLink in Metro Vancouver has access to parking, hydro and fuel taxes, while Montréal systems supplement conventional funding sources with a gas tax and vehicle registration charges. Transit cost-recovery from fares is declining in several areas, partly due to the high cost of serving suburban areas and the growing burden of subsidies for students, seniors and low-income individuals.

Metropolitan areas are responding

Regional organizations have been created in Canada's three largest metropolitan areas to provide better governance of multimodal transportation systems:

- TransLink has the broadest mandate of the three, and is responsible for transportation infrastructure and operations across 21 municipalities, an electoral area and the Tsawwassen First Nation. It is responsible for bus and rail rapid transit, commuter rail, ferries, major regional roadways, five bridges, active transportation and transportation demand management (TDM) measures.
- In the Greater Toronto and Hamilton Area (GTHA), comprising four regional governments, 26 local municipalities and 10 transit systems, Metrolinx is responsible for GO Transit commuter bus and rail services, a new downtown-to-airport express rail service, the regional PRESTO fare card, and delivery of key bus and rail rapid transit infrastructure.
- In Metro Montréal, the Agence métropolitaine de transport (AMT) operates regional commuter rail and express buses, collects and redistributes transit funding, oversees and develops major transit infrastructure, and guides the integration and coordination of regional transportation plans and strategies across a region that includes 82 municipalities, 14 regional districts, and numerous transit systems.

In a number of other metropolitan areas, new transportation or transit governance models have been, or are now being, pursued:

- Halifax Regional Municipality has examined the benefits and disadvantages of a multimodal regional transportation agency, but no decision has been taken on the matter.
- The City of Winnipeg is working with the Province of Manitoba to examine the feasibility of a transportation authority that could provide transportation governance and funding for transit and other modes in the Winnipeg region.
- The Calgary Regional Partnership has examined potential governance and funding models to enhance the coordination and

growth of transit in communities adjacent to Calgary, and to improve coordination of services with Calgary Transit.

- The Capital Region in Edmonton is working with municipal partners to examine the feasibility of creating a regional transit commission.

Federal and provincial governments are involved

Major transportation projects in metropolitan areas are dependent on provincial and federal funding contributions. This is especially true for major rapid transit lines and bridge upgrades or replacements.

Through the continued delivery of funding for urban transportation infrastructure, including roads and transit, and by providing funding under its mandates regarding seaways, railways and airports in metropolitan areas, the federal government has demonstrated its recognition of the importance of transportation systems to the economic development of Canada's largest communities. However, these investments do not represent a coherent national funding strategy for public transit, such as the one suggested by the Canadian Urban Transit Association and the Federation of Canadian Municipalities. Such a program would be similar to those of Canada's peer nations, where central governments provide sustainable funding levels and diverse funding sources to meet long-term public transit needs.

Significant provincial funding exists for urban transportation systems in British Columbia, Ontario, Quebec, Manitoba and Alberta. For example, BC's Ministry of Transportation and Infrastructure supports transit services, Outside of Metro Vancouver, through a crown corporation, BC Transit, which provides 46% of operating costs and significant capital investments to over 80 transit systems across the province including some just outside Metro Vancouver. In addition, the Provinces of BC, Ontario, Manitoba and Quebec are among the few that fund public transit and active transportation and do not focus almost exclusively on roads and bridges.

Transportation authorities are gaining importance

Airport authorities in the metropolitan areas studied offer some valuable lessons in terms of innovative funding and governance models. Their de-politicized governance structure has been successful, they have expanded their funding sources (e.g. landing fees, passenger fees, parking fees, on-site commercial and office developments, and the creation of consulting firms), and they have kept pace with significant growth in freight and air passenger traffic. In some cases, they have even contributed to regional public transit improvements—for example, the Vancouver Airport Authority's investment of $300 million in a Canada Line spur to the airport improved mobility for airport staff, airline employees and customers, eliminated parking congestion and created a revenue stream from new development. Similarly, the Halifax International Airport Authority contributed to the cost of the Halifax Metro bus rapid transit (BRT) service.

Authorities responsible for airports, ports and some transit systems have Boards of Directors who are typically appointed by municipal, provincial and/or federal governments, as well as by business and other stakeholder groups. Board members usually offer broad experience and diverse skillsets (e.g. in transportation, planning, engineering and business), and manage authorities with effectiveness and efficiency. For example, TransLink has unelected Board members who offer substantive skills and experience, and who can moderate parochial voting. However, such Boards can face challenges in terms of accountability and transparency around politically sensitive decisions. TransLink's Board has received public and stakeholder criticism for its approval of proposed funding mechanisms and regional transportation improvements that impact local municipalities.

New funding sources are being explored

Metropolitan areas are actively examining more sustainable sources of funding. For example, Metrolinx has short-listed preferred future funding choices that include development levies, parking charges, a fuel tax and a share of provincial sales taxes; Metro Montréal transportation agencies are discussing a variety of funding sources including road pricing and fuel taxes to fund AMT's long-term transit plan; and TransLink will likely have a referendum in June 2015 seeking public support for new funding sources.

Some transit agencies are increasingly using public-private partnership (P3) processes to design, build and finance major capital investments such as rapid transit lines. P3 can help get projects financed, attract additional federal funding, and reduce time and budget risks while shifting them to the private sector. The City of Edmonton has obtained P3 funds for its Southeast LRT corridor, and the City of Winnipeg is pursuing P3 funding for its Southwest BRT extension.

Tolls and other forms of road pricing are emerging as an area of interest. For example, TransLink has adopted a strategy to use integrated mobility pricing for fairness, efficiency and revenue and committed to undertaking a near-term study to understand the implications of applying these principles to the road system. The City of Surrey has proposed a regional pricing approach for major roads and bridges in Metro Vancouver that could replace some existing transportation funding sources.

Port agencies are also innovating where funding is concerned. For example, Port Metro Vancouver charges municipalities an impact fee to offset the cost of transportation projects that improve access to municipal lands.

Expenditure priorities are shifting

The criteria used by transportation agencies to make transportation investment and funding decisions typically include regulatory requirements, safety, economic growth, infrastructure age and condition, transit ridership gains, network impacts and total costs. To make more informed capital investments, organizations such as TransLink, Metrolinx and the City of Calgary increasingly use these and other criteria in comprehensive multivariate analysis and modeling processes linked to specific program and policy performance measures. Notwithstanding these sophisticated approaches, there remains a preference for funding asset management and state-of-good-repair of capital assets, both to extend asset life and optimize operating expenditures.

Transportation authorities are increasing their emphasis on funding for infrastructure and programs that support transit, cycling and walking, and for TDM programs. This shift is in recognition of the environmental and health benefits, road infrastructure savings and lower social costs that result from more sustainable travel. There is also an understanding that the success of transit is linked to the quality of walking and cycling access, and that better integrating walking and cycling facilities with public transit can make transit more effective and efficient.

Long-range transportation and land use planning is becoming more integrated

Many agencies are preparing medium- and long-term strategic and transportation network plans (and in the case of Alberta Transportation, even 50-year plans), as well as more detailed one- to three-year plans. Examples of 10- to 30-year plans include Calgary's *Plan It* and *RouteAhead*, Edmonton's *The Way We Move*, Winnipeg's *Transportation Master Plan*, TransLink's *Regional Transportation Strategy*, AMT's *Vision 2020*, Metrolinx's *The Big Move*, and HRM's transportation and land use plans in its *Regional Growth Strategy*. These plans enrich transportation investments and the management of transportation systems, making them more efficient, effective and customer-focused. They consider climate change, land use, demographic and economic changes, and they create a future transportation vision and related objectives and principles.

Linkages between land use and transportation planning are becoming more explicit. For example, Metro Vancouver (responsible for land use and utility infrastructure) collaborates closely with TransLink (responsible for transportation investments); and in Metro Montréal the Communauté métropolitaine de Montréal works closely with area municipalities and transit systems. Transit-oriented developments, which involve progressive land uses coordinated with major transit projects, are seen as a way to maximize the return on transit investments, build two-way transit ridership, boost transit cost-recovery, and generate new property taxes or development levies. Authorities in Vancouver, Calgary, Montréal, Toronto and Winnipeg are all considering ways to capture increased property values around rapid transit stations.

Governments are emphasizing stakeholder consultation and education

Consultation with stakeholders and the general public is integral to the search for more effective transportation governance and funding; the views of local elected officials, stakeholder groups, and the general public are an important complement to the unique circumstances of each region. Many stakeholders from the private and institutional sectors (e.g. chambers of commerce, boards of trade, universities, industry) are becoming more involved. Some have significant concerns about the growing impact of traffic congestion on residents and businesses, and strongly support transportation improvements that can move people reliably and quickly, such as enhanced bus and rail rapid transit systems. Others are strongly interested in enhancing the directness and reliability of goods movement through better highway and bridge connections to ports, airports and trucking centres.

Some metropolitan areas (e.g. Vancouver, Halifax) have Gateway Councils with broad business, industry and government representation. These councils have succeeded in improving the coordination of roads, transit, airports and ports, with benefits for economic development, employment and traffic congestion.

Metropolitan areas are increasingly consulting on operating and capital investment plans, as well as governance and funding options, through public meetings, workshops, charrettes, focus groups, social media and online platforms for community consultation. To support informed decisions, the City of Surrey offers a transportation course for community groups, media, consultants and individuals on transportation planning and decision tradeoffs. Transportation agencies want their investments to be more effective and efficient, and to enjoy greater support from interest groups and the general public.

More information

The information in this primer is extracted from the Transportation Association of Canada (TAC) publication entitled *Transportation Funding and Governance in Canada's Large Metropolitan Areas: An Inventory of Current Practice.* The report describes the elements, successes and challenges of multimodal transportation funding and governance in Canada's largest metropolitan regions: Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Montréal and Halifax. The report explains how transportation infrastructure and operational decisions are planned and funded, and who the primary decision makers are. It will help these regions and other Canadian municipalities learn about the advantages and disadvantages of each system, and to better understand which components might be applicable to their situation. The publication is available for purchase in TAC's online bookstore.

Disclaimer

Every effort has been made to ensure that all information in this primer is accurate and up-to-date. The Transportation Association of Canada assumes no responsibility for errors or omissions. The primer does not reflect a technical or policy position of TAC.

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