SCARBOROUGH TRANSIT ACTION
Scarborough residents for better transit

BACKGROUND TO POSITION STATEMENT ON REVENUE TOOLS FOR PUBLIC TRANSIT EXPANSION IN THE GTA

INTRODUCTION

This position paper is a response to roundtable discussions conducted by Metrolinx on revenue tools for the twenty two new public transit projects contained in The Big Move as well as the similarly focussed City of Toronto Feeling Congested public consultation meetings.

The implementation of all twenty two projects in The Big Move will cost $34 billion. The Province has already dedicated $16 billion toward several of these projects including four new LRT's, the Pearson/Union Air Rail Link and the Presto fare card system. The remaining $18 billion, must come from other sources of revenue. We would need to raise $2 billion a year to cover this amount.

Big Question No.10 in the Metrolinx Conversation Kit asks: Which revenue tools best reflect the principles that you think are most important for choosing how to pay for the next wave of Big Move projects?

The City's Feeling Congested divides transportation revenue tools into three categories: people, places and prosperity. For the purpose of this paper, the focus is mainly on people and prosperity.

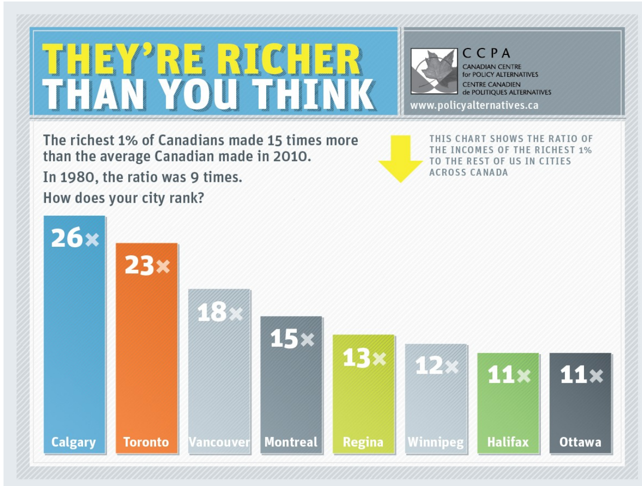
Before considering additional revenue tools, it is important to reflect on the political, economic, social and environmental conditions affecting public transit use in Toronto.

TORONTO'S INEQUALITY CRISIS

Where Women Count: The Women's Equality Report Card Project - 2010
Data collected from a series of public workshops, conducted by Toronto Women's City Alliance showed the TTC was crucial for many women and women with children, but high fares often meant choosing not to use transit. Although the majority of transit users in Toronto are women (65%) those travelling with children or with mobility issues do not find it accessible.

The Three Cities Report - 2010
Research by University of Toronto professors J. David Hulchanski, *The Three Cities within Toronto Income Polarization Among Toronto's Neighbourhoods, 1970 – 2005* and Deborah Cowen, *Toronto's Inner Suburbs Investing in Social Infrastructure in Scarborough* provide an overview of the stark new reality of suburbs in Toronto. No longer a haven for the middle class, residents of Kingston/Galloway have seen their income decrease by more than 40% below the average income of $40,704, while residents close to the city centre have seen their incomes rise more than 40% above the average income. Both studies conclude that unless there is an increase in social and physical infrastructure investment 60% of Torontonians will be living in poverty and the middle class will have virtually disappeared by the year 2025.

This alarming trend is corroborated by a recent info-graphic on provincial inequality produced by the Canadian Centre for Policy Alternatives. Their chart shows Toronto is second only to Calgary in income inequality.



Furthermore, a new study by McMaster University and United Way Toronto: **It's more than Poverty: Employment Precarity and Household Well-being** suggest more than half of Toronto area workers have fallen into 'precarious employment'. These are part-time, contract, temporary jobs with no benefits. Although this trend is harder on those working at minimum wage jobs it is not restricted to low wage workers. Middle income workers are also dealing with precarious employment. Along with economic hardship, the global economy has brought more stress, doubt and anxiety about the future. Workers are finding it more and more difficult to plan for a family and retirement knowing they could suddenly and unexpectedly lose their jobs.

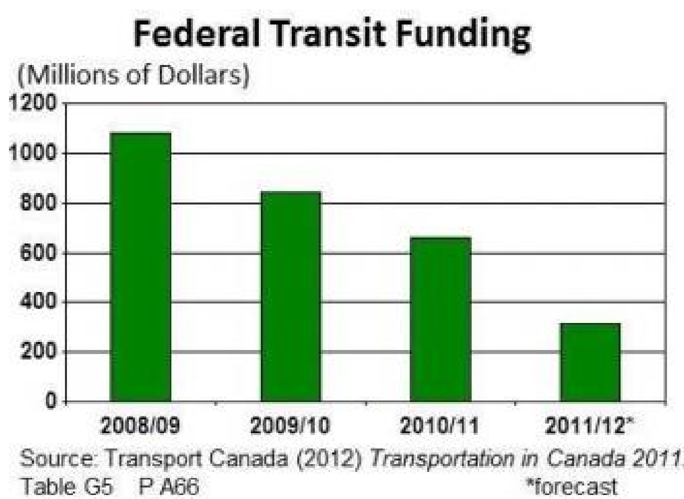
TWENTY FIVE YEARS OF DOWNLOADING FROM HIGHER LEVELS OF GOVERNMENT

Public Transit Underfunding

Congestion, smog, stress, long commute times, increased respiratory illness, would not be with us today without decades of underinvestment and downloading by provincial and federal governments. This chronic funding shortfall must first be addressed in order to rectify the low priority public transit has received in the past.

Federal Underfunding

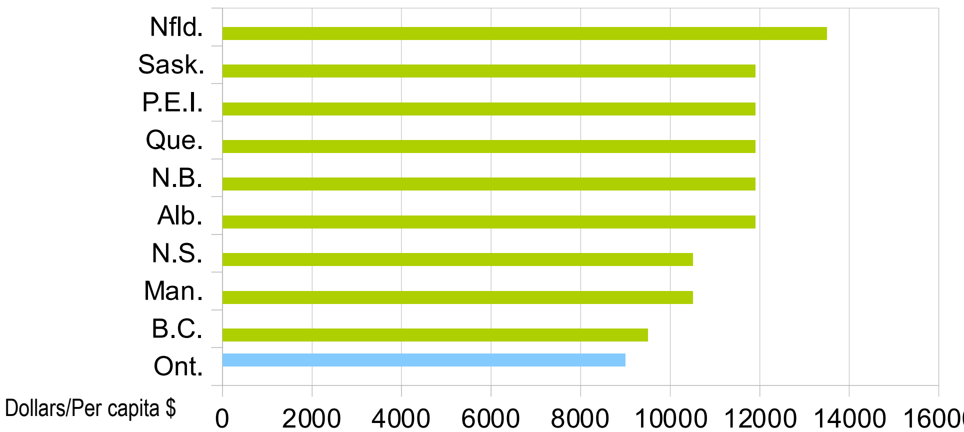
Despite the growing need for more public transit in Canada's cities, federal contributions have not kept up. In fact they are rapidly declining. The federal government must move quickly to support urban transit through a National Transit Strategy. The Big Move and Feeling Congested, must secure adequate, continuous federal funding.



Insufficient Federal Equalization Payments to Ontario

With thirty nine per cent of the population, Ontario was once the economic powerhouse of Canada. However global restructuring, the high dollar, Dutch disease etc. has shed 255,000 manufacturing jobs over the past decade leaving us ill equipped to contribute to "have not" provinces through federal equalization payments. An article in the Toronto Star by Mowat Centre for Policy Innovation director, Matthew Mendelsohn: *Ontario staggers* *under burden of fiscal federalism*, makes reference to the Drummond Report. Although the the report looked at ways to cut spending, it also revealed Ontario has less money to spend per capita because of a $12.3 billion shortfall in federal transfers.

Provincial Government Expenditures



SOURCE: Statistics Canada

Taken from Toronto Star Graphic

While new premier, Kathleen Wynne announces," the cupboard is bare", we hear very little about the fact that Ontario still contributes the same amount to federal coffers despite being one of the provinces hardest hit by the recession. Mendelsohn concludes that if Canadians were aware that federal spending and transfers continue to take money out of Ontario, they would be offended. He's right. For many years Ontario contributed to "have not" provinces. Federal equalization payments must address the hollowing out of Ontario's manufacturing sector and public transit expansion is a good place to start.

Provincial Underfunding of TTC Operations

In Toronto, fares comprise the highest operation "subsidy" (70%) of any transit system in North America . At present, the only contribution toward operations from the province is $162 million in gas tax funding which when divided between new transit infrastructure and operations, amounts to $91.6 million – a mere 6% of the TTC's $1.5 billion annual operating budget. The province should return to subsidizing 50% of TTC operations, as it did in the past.

Delivery of new transit infrastructure will automatically result in a demand for increased service and operations funding. However, if a 50% subsidy were already in place, innovative, less costly measures could address traffic congestion right now. Electrification of exisiting rail lines, dedicated bus lanes and continuous bus routes (destinations along Kingston Road can require up to four transfers) should be considered before expensive tunneling.

TTC Fare Increases and Service Cuts

Faced with a perpetual operating budget shortfall, City Council has responded with a "let the users pay" approach to the TTC. Last year, the TTC generated a $22 million surplus due to overcrowding from service cuts. This money could have been used to avoid another five cent fare increase in 2013. Instead it was funnelled back into City coffers. The majority on City Council fail to recognize the importance of adequately funding this "essential service". With ridership increasing every year, we should be expanding service. Instead we abandon the "Ridership Growth Strategy" and punish transit users with fare increases, ignoring the fact that many can no longer afford to use the TTC.

CRITERIA FOR NEW REVENUE TOOLS

Additional revenue tools must not add to the financial burden and stress of Torontonians bearing the brunt of government cutbacks, precarious employment, unemployment and lack of affordable housing. Each fare or sales tax increase has the potential to disqualify a growing number of people in Toronto from using public transit altogether. Unless we make a concerted effort to re-orient municipal, provincial and federal funding to ensure accessibility for the most vulnerable members of our communities, we fail to bring about the kind of prosperity and well being we envision with The Big Move. They should also encourage public transit use, reduce pollution from cars, while generating sufficient revenue without duplicating existing municipal revenue tools.

Proposed revenue tools like **fare increases**, **transit fare restructuring**, **sales taxes**, a **utility levy** and **employee payroll taxes** would do more to exacerbate the economic hardship that already exists in the outer areas of the GTA and for half of Toronto residents engaged in precarious employment, while with the exception of sales tax, the amount of revenue generated would be relatively small ($50 - $260 million). Therefore we do not recommend adopting these revenue tools.

The City of Toronto currently uses **property taxes, land transfer tax, land value capture** and have considered using **vehicle registration tax** to generate revenue for capital projects. Since municipalities have limited options for generating revenue, Metrolinx should co-ordinate with the City to ensure that they do not duplicate any of these tools.

Personal Income Tax
Although not included in the list, consideration should be given to taxing incomes over $250,000 as opposed to a sales tax which punishes low income Ontarians. According to Joseph Stiglitz Nobel Prize-winning former chief economist of the World Bank, a three per cent tax increase on higher income Canadians would generate $2 billion whereas the same tax increase on incomes under $30,000 would only generate $154 million.

Federal Equalization Payments
There is a $12.3 billion shortfall in federal transfer payments to Ontario. This money could be directed toward public transit.

Corporate Taxes
Underfunding of public transit has been permitted while corporations have seen their taxes drop provincially and federally. Since 2004, the corporate tax rate in Ontario has gone from 14% down to 10%. Originally intended as an incentive for economic investment, it has had little effect. To the chagrin of Bank of Canada governor, Mark Carney, Canadian corporations have accumulated almost $600 billion which they refuse to put toward anything but bigger bonuses for their CEO's.

Metrolinx should make corporate taxes as a priority revenue tool since corporations will directly benefit from the increased productivity of shorter commute times and profitability from Ontario's preferred infrastructure delivery model of alternate funding procurement or public-private-partnerships. This does not constitute and endorsement of P3's however.

According to The Big Move Conversation Kit, a proposed 0.05% corporate tax increase would generate $210 million/year. However if it were increased another 2.5% it could generate as much as $1.26 billion/year. This 2.5% increase would still be 1% less than the 2004 corporate tax rate. Adequate, dedicated corporate taxes are strongly recommended. On their own, they generate nearly $2 billion/year and do not exacerbate inequality.

The **carbon emission tax**, **highway tolls**, **vehicle kilometres travelled charge, parking space levy** encourage people to use public transit and reduce pollution. They also tend to generate more revenue ($890 million - $1.6 B) We consider these revenue tools to be suitable however in fairness to people who have no other option but the car, accessible public transit alternatives should already be in place.

$34 BILLION INVESTMENT MUST ADDRESS INEQUALITY

According to the 2012 Ontario Auditor General's Report, the Presto Next Generation fare card requires all users to have a bank account with which to load a $10 minimum, or pay a $6 initial charge. Tickets for the Airport Rail Link could range from $20 to $30. Metrolinx and the City of Toronto must ensure that new and existing public transit infrastructure is accessible. Presto card users can apply for a fifteen per cent federal tax credit but must take transit for thirty one consecutive days to qualify. Instead transit should be free for seniors and the disabled, transit authorities should provide a low income pass and free transit on smog alert/extreme cold days.

Good Job Creation

Infrastructure expansion brings job creation and the opportunity to provide a real alternative to economic recession and inequality. Metrolinx estimates that, The Big Move will generate 430,000 new jobs and $21 billion in employment income or as much as 800,000 to 900,000 jobs and $110 – 130 billion. To create prosperity that is equitable however, these jobs must be local, fair wage, full time, permanent jobs with benefits.

However, their decision to go with alternate funding procurement, reduces the number of good jobs that will be created. The TTC will only be allowed to operate four new LRT's under a ten year contract. Maintenance jobs will be controlled by the private sector. There may be some apprenticeships for youth through a Community Benefits Agreement. However, had the TTC Expansion Department been allowed to oversee these projects as originally planned, all construction, operation and maintenance would have been delivered using union labour according to the City's fair wage policy. In contrast, when issuing contracts for tunnelling along Eglinton, Metrolinx hired non-union workers who are less likely to be certified or complain about workplace safety violations, for fear of losing their jobs. Thus calling into question, who really benefits from this $34 billion investment?

> Often, when the private sector claims to be more efficient than the public sector, this really means cutting labour costs by laying off workers, using non-unionized instead of unionized labour, cutting wages, pensions and other benefits, or reducing hours or conditions of work. This is particularly common in service delivery P3s, where the private partner is handed a budget or part of a budget to deliver services previously delivered by the public sector in return for a share in any savings it can generate.

-Asking the Right Questions: A Guide for Municipalities Considering P3s, John Loxley, Canadian Union of Public Employees, June 2012, page 24.

METROLINX NEEDS MORE DEMOCRACY

Real and Meaningful Public Consultation

In exploring a vision of transportation for the next 25 years, there must be democratic checks and balances to ensure real and meaningful public consultation is conducted at crucial decision making points *prior* to the selection of revenue tools. For example there was no public input over the decision to eliminate fifty years of in house TTC Expansion Department expertise, or unionized maintenance jobs. There were no public meetings about the signing the Master Agreement with the City to build four new LRTs, the decision to use Alternate Funding Procurement or the decision to hire non-unionized workers for a portion of construction of the Eglinton Crosstown LRT.

It is imperative the public interest be protected when considering public versus public private partnership delivery models. For instance, unnecessary cost overruns and delays with the Presto fare card (Presto initial cost $250 million -final cost up to $700 million) might have been avoided if the Provincial Auditor General had been allowed to review all value-for-money-assessments and contractual agreements beforehand. Since corporate confidentiality, prevents public scrutiny, any future, decisions to go with a public-private-partnership for new transit infrastructure projects, should first be subject to a review by the Provincial Auditor General's office.

Local Autonomy

In the past, the Province has threatened to withdraw funding if local municipal officials try to retain autonomy over construction of new public transit infrastructure in Toronto. However, in replacing the TTC Expansion Department for delivery of four new LRTs, we risk losing fifty years of valuable, in house expertise. Metrolinx must not ignore this valuable, local, public source of technical experience. Metrolinx must take steps to ensure we do not become overly reliant on the private sector to the point where we are no longer able to choose anything but public-private-partnerships. The Ministry of Transportation and Metrolinx must take a more open and co-operative approach with municipalities. No more threats to remove funding. No more back room deals.

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Notes:

Stable Provincial Funding
Funding received from the Provincial government is currently provided on an ad-hoc basis. For 2007 and 2008, $100 million in annual funding was received from the Provincial government for the TTC and Wheel-Trans. This funding did not recur in 2009. The City replaced it in 2009 with $92 million in funding from closed capital accounts. The City's 2009 Approved Operating Budget also included $238 million in one-time Provincial funding to offset capital debt service costs for transit projects which the City funds in its operating budget to repay the interest and principal costs of debt for capital projects.
There was no Provincial funding or funding from City reserves allocated to the TTC's 2010 or 2011 Operating Budget and there is no Provincial funding being utilized in the TTC's 2012 Operating Budget.
While the Province has made a significant contribution to the funding of TTC operations in the past, the ad-hoc nature of this funding creates uncertainty regarding planning and budgeting for future year transit operations.
It was approved that the Chief General Manager of the Toronto Transit Commission and the City Manager continue discussions on partnering with the Province for permanent sustainable funding in order to return the TTC's provincial funding component to the 50% level of the mid-1990s. City Budget 2012 TTC Operating Program Summary pg. 26