

FACT CHECK: THE FEDERAL 40% TRANSIT FUNDING ANNOUNCEMENT

HOW DOES THE FEDERAL GOVERNMENT CALCULATE THEIR 40% CAP TOWARDS “ELIGIBLE PROJECT COSTS?”

The federal government has said it will pay up to 40% of the “eligible costs” of the major transit projects in the 10-Year Vision, which include:

- Planning and design work
- Construction costs
- Rolling stock (e.g. SkyTrain cars)
- Other construction related costs, excluding those defined as ineligible

However it is incorrect to state the federal government is paying 40% of total project costs for these projects. The federal government does not pay for certain other costs that they define as “Ineligible Costs for Federal Funding”:

- Purchasing land, leasing land, buildings and other facilities; leasing equipment other than equipment directly related to the construction of the project; real estate fees and related costs;
- Financing charges, legal fees and loan interest payments, including those related to easements (e.g. surveys);
- Any goods and services costs which are received through donations or in kind;
- Provincial sales tax and Goods and Services Tax/Harmonized Sales Tax, for which the Ultimate Recipient is eligible for a rebate, and any other costs eligible for rebates.

While these costs may be deemed ineligible by the federal government for reimbursement, they are real costs that must be funded in order to build the projects. Ineligible costs for major transit projects are estimated to be in the range of 20% to 30% of the total capital costs:

- Surrey LRT: ineligible costs are estimated to be around 30-40% of total project costs
- Broadway Subway: ineligible costs are estimated at greater than 15% of total

This is not a new federal policy, and has been in place for decades. Historically, these “ineligible costs” are funded by the Province of BC.

The bottom line: a federal contribution of up to 40% of “eligible project costs” to most major transit expansion projects like the Broadway Subway, Surrey LRT or SkyTrain Upgrade project, is **equivalent to 33% of total project costs**.

HOW MUCH OF THE 10-YEAR VISION STILL NEEDS FUNDING AFTER ACCOUNTING FOR THE FEDERAL GOVERNMENT'S \$2.2 BILLION CONTRIBUTION IN BUDGET 2017?

The federal government's contribution of \$2.2 billion will fund up to 33% of total project costs for the projects in the 10-Year Vision it is directed towards, including the Broadway Subway and Surrey LRT as priorities, and may include elements of the SkyTrain Upgrade Project and other projects in the Vision. The Province of B.C.'s recent commitment to match federal funding with an additional \$2.2 billion will ensure that up to 66% of total project costs are funded, leaving just 33% for the region. Of course, 100% of the associated life-cycle operating costs for these projects will also be borne by regional tax-payers.

However, in addition to the capital costs for the major transit projects funded by the recently announced \$4.4 billion in federal and provincial contributions, Phase Two of the 10-Year Vision includes other key projects that also require provincial support, including:

- Pattullo Bridge Replacement
- Increased HandyDART services
- Upgrades to the Expo-Millennium system & Canada Line stations
- New investments into walking & cycling paths
- New investments into regional main line roads