

October 2013

## SHAPING TRANSIT'S FUTURE IN BRITISH COLUMBIA – A SUMMARY

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The Honourable Linda Reid  
Speaker of the Legislative Assembly  
Province of British Columbia  
Parliament Buildings  
Victoria, British Columbia  
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Dear Madam Speaker:

Under Section 13 of the *Auditor General Act*, I have the honour to transmit to the Legislative Assembly of British Columbia my 2013/14 Report: *Shaping Transit's Future in British Columbia*.

Public transit is a complex subject with multiple stakeholders involved in making decisions. Achieving progress in public transit is also strongly affected by external factors such as economic and demographic change. In 2008, the provincial government launched its Provincial Transit Plan, which laid out projections for funding, ridership growth, and increased service levels. Five years later, it is time to reflect upon what has been achieved, what lies ahead and how expectations align with the current transit landscape.

In 2012, my Office released the results of our audit of BC Transit's ridership growth. As part of this work, we gathered valuable information from a variety of sources that for many reasons, was not included in the report. I felt it important to share this valuable information so I am pleased to release [Shaping Transit's Future in British Columbia](#), an interactive and informative web-based resource, as well as this PDF summary of the online resource. As with some of our other informational resources (e.g. January 2013's [Health Funding Explained](#)), which are not audits, we produce such work where information may not be publicly available or available in a single and/or easily accessible location.

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October 2013

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**PUBLIC TRANSIT IS AN IMPORTANT PART** of communities in British Columbia and around the world. It can connect citizens to their jobs, schools, hospitals, friends, family and much more. Having an effective and efficient public transit system not only helps reduce greenhouse gas emissions, it also supports local economies and gives those who might not have other transportation a way to be mobile in their community.

Public transit is a complex subject with multiple stakeholders involved in making decisions. Achieving progress in public transit is also strongly affected by external factors such as economic and demographic change. In 2008, the provincial government launched its Provincial Transit Plan, which laid out projections for funding, ridership growth, and increased service levels. Five years later, it is a good time to reflect upon what has been achieved, what lies ahead and how expectations align with the current transit landscape.

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Because BC Transit has multiple stakeholders across the province and numerous overlapping but not always cohesive guiding documents, we determined that this work would be valuable to legislators, transit planners and British Columbians to understand the challenges involved in achieving sustainable public transit.

In addition to my Office's 2012 audit of BC Transit, two other independent reports with recommendations for improvement were also published that year: The BC Transit Independent Review Panel's [Modernizing the Partnership](#) and my Office's [Crown Agency Board Governance: BC Transit](#). As government develops plans to address these recommendations, the information in this resource and the questions for consideration posed throughout should help to maintain focus on key issues. It should also assist municipal governments and other stakeholders as they plan for the future of their transit systems. Not least, the resource will help British Columbians to understand how our transit system functions and how their own choices and actions are shaped by, and in turn help to shape, the province's transportation future.



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October 2013



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**WE WOULD LIKE TO THANK** the Office of the Auditor General for developing this summary report. As highlighted in the report, one of the largest challenges facing public transit today involves balancing and meeting stakeholder needs and expectations with regard to service levels, infrastructure investments and financial affordability. To address this challenge and maintain strong support for public transit, it is imperative that BC Transit continue to find ways to maximize the value it provides to customers, taxpayers, and funding partners.

The *Provincial Transit Plan*, which was developed during a time of higher service investment and expansion, it set goals to double ridership provincially and increase transit mode share in each of Vancouver, Victoria and the rest of the Province. The expectation of the plan was that the three levels of government would continue to partner and provide the necessary financial support to meet the goals of the plan. The results of a recent performance audit completed by the Office of the Auditor General confirms that while BC Transit has made a number of improvements to facilitate increased ridership, there is a shortfall between actual ridership and the targets set in the *Provincial Transit Plan*. Much of this gap is due to delays in service expansions and infrastructure investments.

Sustainable long-term revenue sources are fundamental to the ability of BC Transit to deliver on its mandate now and in the future. Since more than two thirds of total revenues come from provincial and local government sources, the growth of transit service is directly linked to financial support from these levels of government as well as the Federal government. Maintaining government funding support requires demonstrating the continuing public demand for transit services (as demonstrated through ridership) as well as the cost-effective use of public monies (as demonstrated through operating and administrative efficiency).

BC Transit remains committed to the objectives of the *Provincial Transit Plan* and will continue to work closely with provincial and local government partners to maximize the efficiency of existing service levels through service reviews, and strategically prioritizing investment to maximize ridership gains.

BC Transit and the Province look forward to working closely with our local government partners to meet the objectives of the *Provincial Transit Plan* and this report will be a valuable resource as we plan for transit in the future.



## INTRODUCTION

**AN EFFECTIVE PUBLIC** transportation system plays an important role in meeting economic, social and environmental goals. Good public transit shapes the liveability of communities, connecting people to key amenities such as employment, health care, education and recreation.

In British Columbia, the provincial government has articulated a vision for a significant transformation in the way its citizens travel. This vision outlined in the province's 2008 Provincial Transit Plan is intended to reduce automobile use and increase the use of other forms of transportation, such as public transit, cycling and walking. A key reason for this shift is the provincial government's commitment to reducing greenhouse gas emissions. When the government developed its Climate Action Plan in 2008, it was estimated that transportation accounted for approximately 36 percent of greenhouse gas emissions in B.C., making it the largest contributor to the province's total emissions. The most recent figures available show a similar trend (37 percent).

The Provincial Transit Plan (2008) includes targets for public transit in both the Lower Mainland (TransLink's area of operation) and in the rest of B.C. (BC Transit's area of operation). This report focuses only on BC Transit. TransLink does not fall within the Auditor General's oversight role, as it is outside of the government reporting entity.



## WHY WE PRODUCED THIS SUMMARY AND WEB REPORT

In 2012, the Office of the Auditor General of BC released *An Audit of BC Transit's Ridership Growth Since the Launch of the 2008 Provincial Transit Plan*. As part of this work, the Office gathered information that was not included in the performance audit report. This valuable information, garnered from a variety of sources and compiled here and in our detailed web report, can assist legislators, stakeholders and British Columbians to understand the challenges involved in achieving sustainable public transit.

This high-level summary provides an overview of our detailed and interactive website report, which can be found on our website at [www.bcauditor.com/online/pubs/shapingtransit](http://www.bcauditor.com/online/pubs/shapingtransit). These reports aim to help the public understand:

- ◆ what the government is trying to achieve with public transit and why;
- ◆ the current responsibilities for public transit planning and funding;
- ◆ some of the challenges in achieving the goals of sustainable transit; and
- ◆ opportunities that could arise from moving public transit in B.C. to a higher level of sustainability.

## SHAPING THE FUTURE: POLICY AND GOVERNANCE

Good practice in governance suggests that when long-term objectives are clear and key partners work together to achieve these goals, the process is more efficient and the likelihood of success increases.

There are three main stakeholder groups in the development and funding of transit services across the province:

- ◆ the Ministry of Transportation and Infrastructure (MoTI);
- ◆ the BC Transit Crown corporation; and
- ◆ the 130+ local governments outside of metro Vancouver that have transit services.

### *Sustainable Transportation*

Canada's Centre for Sustainable Transportation proposed a definition of sustainable transportation in 1997, updated in 2000 to the following:

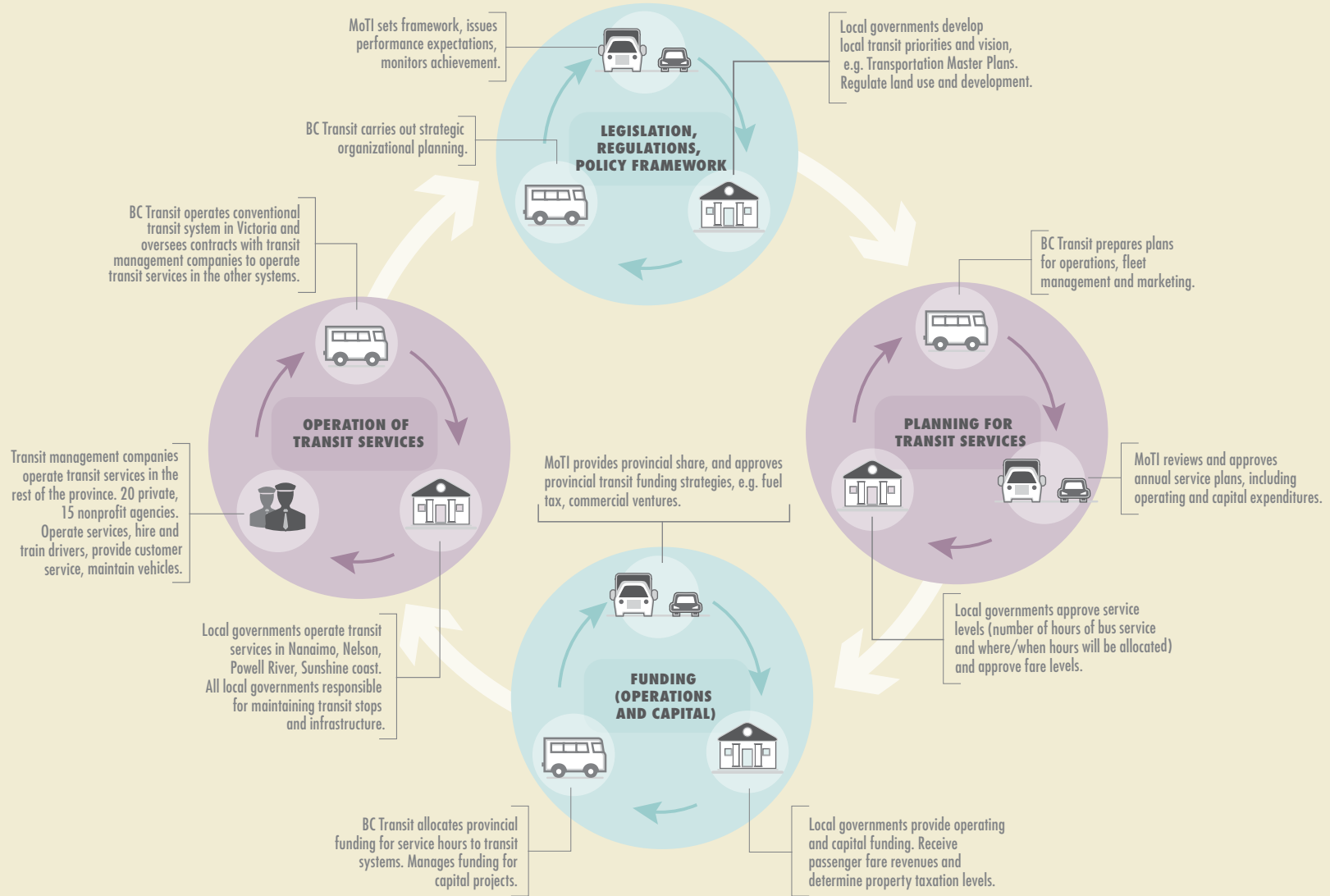
A sustainable transportation system is one that:

- ◆ allows the basic access needs of individuals and societies to be met safely and in a manner consistent with human and ecosystem health, and with equity within and between generations.
- ◆ is affordable, operates efficiently, offers choice of transport mode, and supports a vibrant economy.
- ◆ limits emissions and waste within the planet's ability to absorb them, minimizes consumption of non-renewable resources, limits consumption of renewable resources to the sustainable yield level, reuses and recycles its components, and minimizes the use of land and the production of noise.

# SHAPING TRANSIT'S FUTURE IN BRITISH COLUMBIA: A SUMMARY

As shown in Exhibit 1, the division of roles and responsibilities is complex. Lead roles for stakeholders vary from one decision-making area to the next.

**Exhibit 1:** Transit roles and responsibilities



Source: OAG based on information from BC Transit and Ministry of Transportation and Infrastructure (2012/13)



Different stakeholders have different objectives for transit in British Columbia. For example, the overriding objective behind government's Provincial Transit Plan is connecting transit growth and development to climate action goals. The focus of BC Transit's mandate in the *Transit Act*, which was set in 1986, is to support regional economic development. Several other policy documents contain a wider range of goals and objectives for BC Transit, including social goals such as improving accessibility for people with mobility challenges and connecting people to key community services such as health care and recreation. Multiple and often conflicting objectives cannot be resourced equally so they must be prioritized.

There are also several different policy areas in the hands of multiple decision makers and key decisions made about these policies can affect transit's success. These areas include land use, transportation and economic strategies. For example, local governments in the province make key decisions around land use policy in their respective municipalities or regional districts, but decisions at the provincial level can also influence land use and development in these local areas. To further illustrate, a decision in the area of land and transportation planning can assist transit in meeting its objectives (e.g. high population density residential housing zoned near/on transit route) and can also be a barrier to transit in meeting its objectives (e.g. highway lane expansion reducing commuting time for drivers of single occupancy vehicles).

The Provincial Transit Plan provided transit authorities and local governments with a vision that could inspire transportation decisions in support of the above mentioned goals. BC Transit's ability to implement the goals and objectives of the Provincial Transit Plan are dependent upon how transit decisions are made. As local governments have the responsibility to make decisions regarding transit service levels, BC Transit's ability to control or influence decisions is limited by the realities of local government affordability and its own local goals and objectives for transit. BC Transit advised us that the world economic crisis which occurred subsequent to the release of the Provincial Transit Plan put further pressure on local governments' ability to achieve and support Provincial Transit Plan goals and objectives, and in many cases simply maintaining current transit service levels has proven to be a challenge.

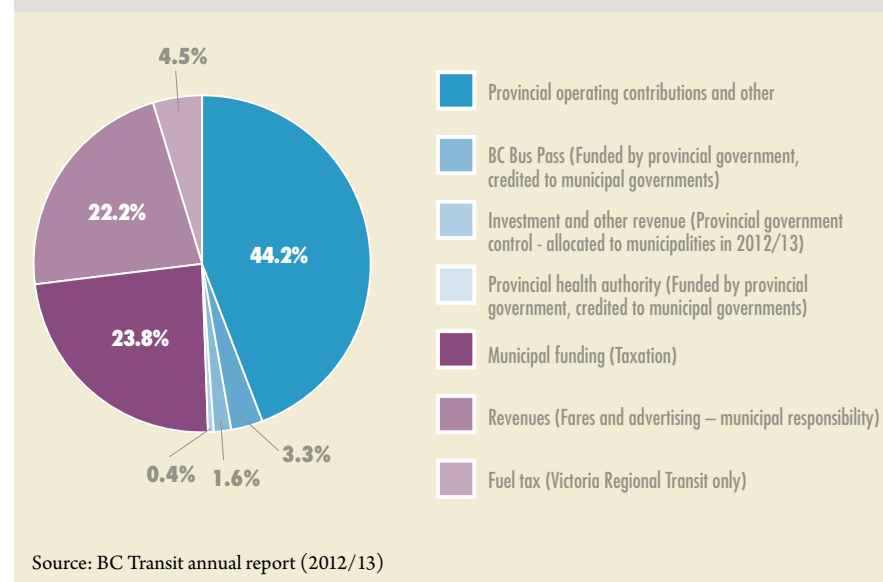
BC Transit's governance structure is complex, and there are a variety of objectives and policy areas that can influence transit's success. This means that stakeholders must work together to ensure that priorities are established and objectives are clear.

## SHAPING THE FUTURE: FUNDING

Experiences in the transit field suggest that major change in transportation behaviour (people switching from cars to transit) and transit systems requires substantial initial investment and takes place over long timelines, such as 20 years. Long-term funding approaches should be well informed about how the money can best be used to achieve government's long-term policy objectives, and often have to evolve to remain successful and sustainable.

The two main sources of funding for BC Transit are government (provincial and municipal) and passenger fares (see Exhibit 2). The federal government also contributes funding for capital infrastructure. Passenger fares offset the amount municipal governments fund. This means that if passenger revenues increase, municipal governments have to cover less of their funding commitment through other sources, such as property taxes.

**Exhibit 2:** Sources of funding for BC Transit - 2012/13



# SHAPING TRANSIT'S FUTURE IN BRITISH COLUMBIA: A SUMMARY

Provincial and municipal funding are tied to each other through a legislated cost-sharing formula. The formula requires that each party pay a specific proportion of transit costs each year; therefore, if one funding partner wishes to expand transit services, the other partner has to pay their portion of the associated costs. Generally, transit funding has grown annually and the province's proportion of transit funding has increased since 2008. Overall, however, funding has not always reached the level BC Transit projected would be required to meet its 2020 growth targets. BC Transit considers that the economic downturn has been a constraint on the availability of funding for transit expansion.

In 2007, the Ministry of Transportation and Infrastructure's estimate was that to achieve their goals of increased transit usage by 2020, capital and operating costs would amount to approximately \$2.6 billion. This translates to an average annual increase of 4.1 percent. The provincial government put forward a vision for, and commitment to, public transit in the province in the Provincial Transit Plan, and called upon its government partners at federal and municipal levels to join in the vision. BC Transit has worked towards achieving the goals of the Provincial Transit Plan through its partnerships with local governments, and relies strongly on their support to meet the targets.

The Ministry of Transportation and Infrastructure and BC Transit projected that achieving transit growth would require an injection of financial resources for capital projects such as rapid transit infrastructure, new buses and building or expanding transit exchanges, bus garages and maintenance facilities. In addition to the cost of expanding transit to achieve the growth targets, there are substantial capital costs just to maintain existing services. Along with capital investment, expanding transit services also entails an increase in operating funds, at least until the time when ridership growth is significant enough that passenger fares cover the costs of transit services.

Actual total expenditures from 2007/08 to 2012/13 have increased by an annual average of 9 percent. This increase is higher than what the ministry initially projected would be required, but lower than what BC Transit anticipated in its service plans during the first three years after the launch of the Provincial Transit Plan.

Total expenditures are comprised of capital and operating expenditures, and the trends have been different for each type. Actual capital expenditures from 2007/08 to 2012/13 are lower than projected, assuming an even distribution to 2020. Operating expenditures are higher than what the Ministry of Transportation and Infrastructure originally projected would be required to meet their goals for 2020. However, BC Transit's



Image courtesy of: BC Transit

projection from its service plans anticipated higher operating expenditures than what was actually spent for four of the five years since the plan was launched.

A large proportion of operating expenditures is the delivery of transit service hours—that is, the number of hours the buses are on the road. The number of transit service hours delivered during the period since the Provincial Transit Plan was launched was lower than anticipated. This is likely related at least in part to an increase in the cost of providing transit services. Therefore achieving 2020 targets will require even more funding for operating costs than anticipated in the 2008 Provincial Transit Plan.

When reviewing funding approaches, stakeholders should also consider how funding methods can help to achieve policy goals of increasing transit use and decreasing vehicle use. Currently, BC Transit has a funding source that is directly linked to transportation behaviour for the Victoria regional transit system, which is the gas tax. The gas tax is added to the price of gasoline, which raises the cost for customers at the pump (3.5 cents dedicated motor fuel tax – BC Transit Victoria). Raising the cost of gasoline tends to reduce consumer use, encouraging people to use alternative transportation methods, such as transit. At the same time, the money collected from the gas tax goes directly to fund transit.

## SHAPING THE FUTURE: DESIGN OF PUBLIC TRANSIT SERVICES

To attract new customers to switch from cars to transit while maintaining existing customers, public transit systems typically have to understand their potential customers and diversify their services to appeal to different market segments. Measuring and monitoring progress are key aspects of managing the change in the design of transit services.

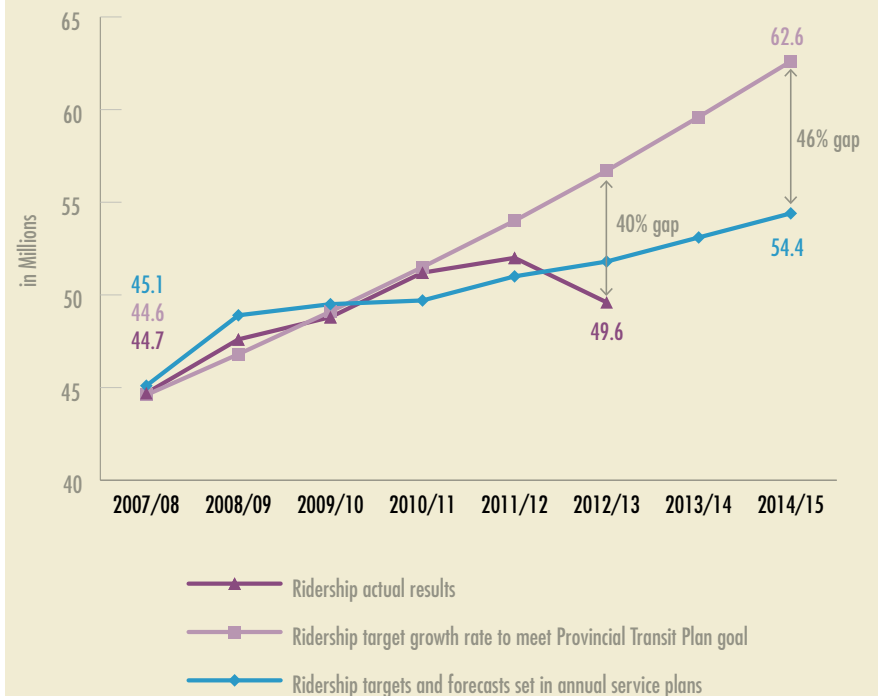
Goals set by BC Transit and other stakeholders need to be monitored to ensure they are being achieved. A key performance indicator monitored regularly by BC Transit is ridership levels in each municipality. Monitoring progress toward the mode share goals has been more difficult.

In 2012, the Office of the Auditor General completed an [Audit of BC Transit's Ridership Growth Since the Launch of the 2008 Provincial Transit Plan](#). We found that by 2011/12 BC Transit's ridership growth during this period was 27 percent lower than it projected needing to meet the Provincial Transit Plan target by 2020.

In 2012/13 there was a drop in ridership, which BC Transit attributes to service reductions in a number of communities across the province, as well as a labour disruption in Victoria during the last half of the year. This translated to BC Transit's ridership growth being 40 percent lower than it projected needing to meet the Provincial Transit Plan target by 2020. Moving forward, BC Transit has adjusted their forecasts to anticipate a lower growth trend for the next three years, leaving a gap of 46 percent by 2015.

**Mode Share Growth:** Changes in overall transportation patterns that support the ultimate goals of reducing single-occupancy vehicle use and greenhouse gas emissions, reducing traffic congestion, and improving accessibility for various social groups.

**Exhibit 3:** BC Transit ridership targets and forecasts versus actuals



Source: BC Transit Annual Reports and Service Plans (2007/8 to 2012/13) and OAG calculations based on BC Transit information

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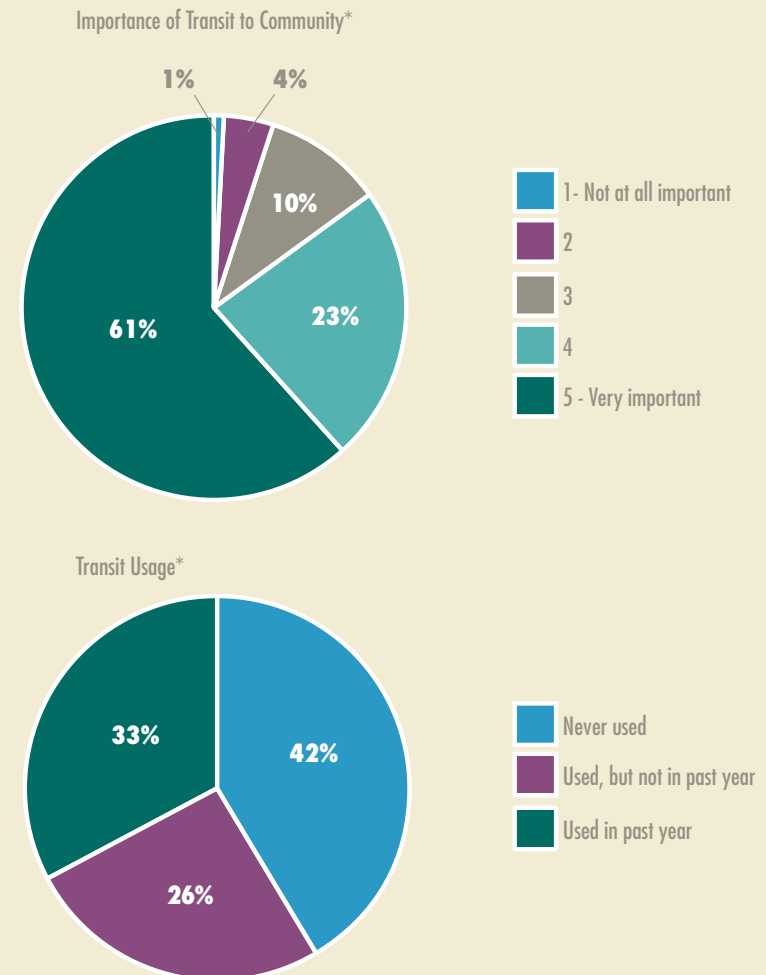
Given the lower forecast for ridership, BC Transit will be challenged to meet the 2020 milestone. As a consequence, it will also take longer to realize the sustainability outcomes associated with a mode share shift from automobile to transit.

An important consideration for design of transit services is to identify potential riders and address issues fundamental to them. In BC Transit's recent customer service satisfaction survey, 53 percent of respondents were identified as the 'choice' customer market—that is, people who have the option of using a vehicle to commute but who could 'choose' to take transit. While over one third of these choice commuters reported that their job requires them to use their vehicle, the remaining two thirds are potential transit commuters.

In some communities, ridership will likely increase by expanding transit services into areas where an existing demand for services is not currently being met. In other communities where transit services largely meet existing demand, more significant change will need to occur to shift people from automobiles to transit. Transit systems will need to be seen as a better alternative to personal vehicles and consumers will need to change their travel behaviour. For example, in Victoria, there are plans to introduce rapid transit to achieve a substantial shift in transportation choices for commuters.

In this year's 2012/13 BC Transit customer service satisfaction survey, respondents were asked how important transit service is to their community. As shown in Exhibit 4, on average, 84 percent of people surveyed felt that transit was important or very important to their community, while only 33 percent said they had used transit in the last year. This suggests that even British Columbians who are not regular transit users view the service as important.

**Exhibit 4:** 2012/13 BC Transit customer service satisfaction survey results (BC average)



\* Due to rounding, totals may not always add up to 100  
Source: BC Transit Customer Satisfaction Tracking Survey results 2012/13



**THE MAIN STAKEHOLDER GROUPS** are actively engaged in planning for the future of transit at the local level and provincial levels. The provincial government is in the process of addressing recommendations made in the three recent reports on BC Transit. Local governments are working with BC Transit on developing Transit Future Plans, as well as developing or implementing their Transportation Master Plans and Official Community Plans. Together, these plans set the vision for transportation and sustainability in their communities. BC Transit is working with all partners on performance reporting, long-term budgeting and other items related to recent report recommendations and their own strategic plan vision.

It is important that decision-makers continue to consider the long-term policy questions as they make plans and decisions in the short term, keeping in mind the vision for improved environmental, economic, and social sustainability in the transportation sector.

Our Office may follow up on the progress of the various stakeholders in the future and will follow up in 2014 on the recommendations in our December 2012 summary report on the performance audit of BC Transit's ridership.





**AS PART OF THIS REPORT**, we prepared key questions in three areas (policy and governance, funding, and design) for provincial ministries, BC Transit, and local governments to consider as they work to increase ridership and develop a sustainable transportation system.

The questions to consider help maintain focus on important issues, many of which are already being addressed by the respective parties.

## Policy and governance

1. Does the current governance model allow for the most efficient and effective allocation of roles and responsibilities to meet the long-term sustainable transportation goals?
2. How should the varying objectives for transit be reflected in legislation?
3. How should all of the various plans that relate to transit fit together?
4. When different transit objectives cannot be pursued simultaneously, how should they be prioritized?
5. Where does B.C. stand in relation to the evolving development of public transit in the Pacific Northwest, in Canada, and worldwide?
6. What collaboration is required from each partner to ensure effective implementation of transit plans?
7. How can transit and land use planning processes effectively be integrated?
8. How are transit goals integrated into the overall vision for transportation in B.C.?
9. What are the potential impacts of other government initiatives and activities on the achievement of transit objectives? If these may have a negative impact, how can conflicting priorities be reconciled?
10. What capacity does each partner require (people, skills, knowledge, and resources) to deliver their required contributions and what organizational structure is most appropriate?

## Funding

1. What is the most appropriate funding model for BC Transit to meet long-term transit goals and objectives?
2. Are existing funding commitments and sources sustainable given the long-term objectives and timeframes targeted?
3. What long-term funding commitments are required to facilitate effective and efficient long-term planning?
4. What is the capacity of the transit supply industry to produce additional buses or respond to demand for different types of buses to meet transit expansion plans?
5. How can transit funding sources be designed to achieve the greatest positive influence on transportation behaviour?

## Design of public transit services

1. What measurements are best suited for monitoring progress toward meeting the government's ultimate goals for public transit?
2. Given that changes in the transport system and travel behaviour take time, have reasonable timelines been set to achieve targets and outcomes? Can the strategies developed to achieve objectives be sustained over time?
3. Do we fully understand the most important factors that influence British Columbians' satisfaction with transit services and their travel mode choices (this may differ by region and community)?
4. Which of these factors are within the control of BC Transit? The Ministry? Local governments?
5. Are the benefits greater than the costs of the option(s) being considered to change transportation behaviour?
6. If demand increases, as a result of policy disincentives to automobile use or other transit incentives or motivating factors, will the quantity, quality and affordability of transit services be sufficient to meet and sustain demand?



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