

On Track: Moving Transit Forward in the GTHA

J. Robert S. Prichard
President and Chief Executive Officer
Metrolinx

**Toronto Board of Trade
May 17, 2010**

A year ago, the new Metrolinx was created. We were given a \$9.5 billion kick-start in April of last year to help us get started. We were also given an ambitious agenda. We were asked to create a new organization, improve the already good GO Transit, build the Big 5 transit projects and develop an investment strategy.

We have made good progress on each of these items. We now have an excellent full team in place at the new Metrolinx; GO is doing a terrific job on improving customer service; we've broken ground on two of the Big 5 projects and we're ready to go on the third; and there is growing public appreciation of the need of an investment strategy to sustain public transit investments for the longer term.

We have, despite all this good progress, faced a major challenge: to deal with the March Provincial 2010 Budget. The Budget required us to revise the plan for building the Big 5 projects. Today, I am pleased to present our new plan.

We call our plan "Achieving 5 in 10." That is, we plan to build the Big 5 projects in ten years. It's a bold and aggressive plan which will see all five projects built in ten years. It will see us proceed with three projects immediately: the Sheppard LRT, the Eglinton LRT and the York VIVA project. And it will see us proceed with the other two projects to complete the Big 5 in the 2015-2020 period: the Scarborough RT and the Finch LRT. This plan will also see us proceed with phase two of these projects as funds become available from our Investment Strategy.

Let me take you back briefly over the chronology of events to this point. The "old" Metrolinx presented The Big Move as the regional transportation plan in 2008. The Premier announced the funding for the Big 5 in 2009 and created the "new" Metrolinx. We went to work with our partners in Toronto and York from April of last year to February of this year. We developed detailed costings of all the projects and plans to build them. Then in March we were given the challenge with the Budget. We were asked to develop a revised plan to allow the Province to slow the cash flow while continuing with the projects. We have spent the last two months building a plan to achieve this goal. We will present the plan to our Board of Directors on Wednesday of this week for approval.

The Big 5 were announced in April last year. It was the largest public transit investment in the history of Canada. The Province announced a commitment of \$9.5 billion to build five projects which we call the "Big Five"; one project in York Region and four projects in Toronto. The amount for each project is listed in my slide and the total is \$9.5 billion. Of the \$9.5 billion, all but \$330 million is provided by the Province of Ontario. The \$330 million comes from the government of Canada and is a contribution towards funding the Sheppard LRT.

These five projects which are shown as green bars on the map (see slide) are also associated with four other major public transit projects that are on underway at the same time: the Spadina Subway extension through to York University and to York Region; the airport rail link between Union Station and Pearson Airport; the 403 transit way, which is a bus rapid transit way running across Mississauga and connecting to Pearson Airport; and the major work being done at Union Station.

In January and February of this year, we worked with our partners to refine the plans for each of the lines to reflect the new cost estimates that our partners had developed. In

the case of York, the cost estimates stayed right on budget at \$1.35 billion and we have been able to move forward as planned and announced. In the case of Toronto, the TTC concluded that the cost to build the four Toronto projects fully would amount to \$10.5 billion, instead of the \$8.15 billion budget. This left us with a \$2.4 billion problem. The provincial contribution was fixed at \$8.15 billion and the TTC and the City of Toronto were not in a position to supplement that budget. As a result, TTC and Metrolinx worked together to see what we could build with the \$8.15 billion and what we could defer to a second phase that could be built with additional funds from our Investment Strategy.

Over the course of January and February, we looked at many options. We arrived at a consensus known as Option 3a among the multiple options we considered. This option allowed us to proceed with all four Toronto projects in full, but to pay for the first phase from the \$8.15 billion available from the Province and the second phase, amounting to the remaining \$2.4 billion, to be paid for from the proceeds of Metrolinx's Investment Strategy. This map (see slide) shows the six elements we had to defer in order to do that. We deferred the western end of Eglinton connecting with the airport, the portions of Finch we called "Finch Middle" and "Finch East", the last couple kilometres of the Sheppard line to the east of Morningside (to Meadowvale), and the SRT from Sheppard to Malvern. The amount for each element deferred to phase 2 is on the map.

These decisions were not taken lightly or arbitrarily. We didn't decide just to hack the ends off this project and that project. Rather, we made considered and joint decisions about which elements could be deferred to a second phase. So in the case of Eglinton for example, which was supposed to go from Kennedy in the east to the Airport in the west, the GTAA said it was not in a position to bring a line into the airport until 2022 due to debt issues at the airport. Thus, it made sense to defer the portion of Eglinton that would go to the airport until our partners at the airport were in a position to proceed with us. We will then seamlessly extend the line into the airport in phase two when the GTAA and we are ready to proceed together.

Similarly, the Scarborough line was announced as going to Sheppard or Malvern. TTC's work in the community north of Sheppard concluded it was desirable to put that line in a tunnel, but that would cost a lot more than budgeted. As a result, the extension became quite expensive. It seemed sensible to defer that to be done as part of phase two, when further funds were available.

It is clearly desirable to get the Sheppard line all the way to Meadowvale but essential to get to Conlins where we are building the maintenance yard. With the project budget constraint of \$8.15 billion, we realized that we could hold off the last two kilometres of the line past Conlins until phase two when it can be seamlessly added and save \$100 million in the meantime.

Similarly on Finch, ideally it would seamlessly cross Finch East, Finch Middle and Finch West. But, in the short term we can only build the most urgent portion - Finch West - running west from the Spadina Subway extension. Completing Finch West shortly after the completion of the Spadina Subway extension makes good sense while leaving the other two elements to phase two. They can be built as soon as the funds are available.

We then came to the March, 2010 Ontario Budget. There was a lot of good news in that budget for us but that was lost in the noise. The Budget reaffirmed the government's commitment to the Big 5 and the budget of \$9.5 billion. It also committed to the costs of

escalation. The budgets were announced in 2008 dollars but are to be built over a number of years. This involves escalation and the Province has committed to that as well. Then the Province said, due to concern about overall provincial debt and the overall financial circumstances of the Province, we must reduce our cash flow requirement for the first five years of the projects by \$4 billion, reducing it from \$7.7 billion to \$3.7 billion. That is, we were asked to take the projects and rework the timetable for them over a more extended time frame so that the cash flow requirements would be \$4 billion less than they would have been in our original estimates and plans.

With that assignment from the Province two months ago, we went about building a revised plan. This result is the plan we call "Achieving 5 in 10." The goal is to complete the Big 5 projects in 10 years, while reducing the cash flow requirements by \$4 billion. It is bold and it is aggressive, but it is doable. It will be demanding, but we are confident we can deliver on this plan.

The key principles of the plan that we are presenting this week are as follows: first, that we build all five projects; second, that we build them as quickly as possible given the budget and cash flow constraints we face; third, that we complete all the projects in 10 years instead of the original eight years; fourth, that we treat York Region and Toronto fairly and equally in dealing with the reduced cash flow; fifth, that we work closely with our partners in York and Toronto to make the best possible plans within the constraints that we face; sixth, that we meet our commitments for the Pan Am Games and meet them well; and seventh, that we make reasoned choices where we have to make choices. For example, Eglinton is the largest, most important and most complex project. We judge it should proceed right away. We must break ground and push ahead now. This is a deliberate and reasoned choice, not an arbitrary one. Similarly, we believe it makes sense in Scarborough to sequence the two projects, dealing first with the Sheppard project and then sequentially rebuilding and extending the Scarborough RT. The TTC has assured us the Scarborough RT will remain safe and sustainable through to 2016 and the TTC will keep it in service for the Pan Am Games.

What conclusions flow from these seven principles? They lead to a six point plan.

First, we will continue to build the York VIVA BRT but we will complete it over a longer period of time. Instead of completing it in 2015, we will stretch it out to 2019 or 2020. I am very pleased to say that this revised plan is strongly supported by York Region and led by its Chairman and we have every confidence that this plan will go ahead now.

Second, we will continue building the Sheppard LRT which is already underway and we will build it on the original timeframe, completing it for service in early 2014.

Third, we will move ahead immediately with the Eglinton LRT, beginning with the construction of the tunnel portion of the line which is 12 kilometres long in the middle of the Eglinton line. We will complete the Eglinton line by 2020.

Fourth, we will start the Scarborough RT reconstruction after the Pan Am Games and after the Sheppard LRT is completed and in service. We will complete the Scarborough RT by 2020.

Fifth, we will start Finch West in late 2015 and we will complete it in 2019.

Sixth, we will use the proceeds of the Investment Strategy to finance the phase two components of these projects. We are, by statute, obliged to bring that plan forward by June 2013. As funds come available, we will seamlessly build the phase two elements.

This table (see slide) shows a comparison of the original and revised times lines: blue is the original schedule that we had proposed to the Province in February and green shows the schedule we are now proposing for completing the lines. As you can see, three of the lines are starting at the same time as originally proposed, and two will start later. All of the lines will be completed now in 10 years where we originally had all of them completed in eight years.

Let me take you briefly through the individual projects. First, York VIVA. This is a bus rapid transit line that will run east-west across Highway 7, and north-south along Yonge Street, and then east again on Davis Drive. It will also connect to the various GO facilities that run through York Region and at the Vaughan Corporate Centre, to the new Spadina Subway extension. This will make a terrific difference to public transportation in York Region. We have already broken ground on this project and we will proceed steadily over the next number of years to complete the project no later than 2020.

Second, on Sheppard, we broke ground last December at the GO Agincourt Station. We are running an LRT line east from the end of the Sheppard Subway out to Conlins yard, which is just past Morningside. Phase two will take the line out to Meadowvale. We are nicely underway on the project and will be in service in early to mid 2014, a year ahead of the Pan Am Games.

Third is Eglinton. This project is over half of the total spending in Toronto at \$4.6 billion. Our plan is to proceed next month to order the tunnel boring machines needed to bore the 12 kilometre long tunnel for the middle section. We will then begin construction of the tunnel when those machines arrive. We will do that between 2012 and 2014 while initiating station construction in 2013. Prior to tunnelling, we will do preparatory work on the ground in 2011. We will complete the project by December of 2020. This is a very large and complex project. It will take us the full time between now and 2020 to get it done but we now think we have an excellent plan with the TTC to do just that.

Fourth is the Scarborough RT. The Scarborough RT already exists and is running. The challenge is that it is nearing the end of its useful life. In addition, the ridership demand exceeds the natural capacity of the system. Therefore, it needs to be rebuilt and the capacity expanded. We will do that and convert it to an LRT starting immediately after the close of the Pan Am Games in 2015 and it will be completed by 2020.

Finally, fifth is Finch. The Finch line is an LRT line running all the way across Finch, from Humber College (and eventually Woodbine and the airport in the west), and crossing the Spadina Subway Extension and Yonge Subway, and eventually going over to the Don Mills and connecting with the Sheppard LRT in the east. The portion that we are committed to funding from the Provincial funds – what we call Finch West (as noted in the dark red on the slide) – will begin construction in 2015 and be completed by 2019.

Those are the five projects. Let me now change gears and address some of the discussions that have been taking place in the media over the past few weeks about some alternatives to the plan we are proposing.

The first comes from the City of Toronto. The City, which is our partner in doing these projects in Toronto, is anxious to see us do even more than what we are proposing and to do it faster. What we are proposing is borne of the constraints of the budget and cash flow restrictions. The City of Toronto has proposed that the City borrow somewhere between \$1.5 and \$3 billion now and make those funds available to the Province and that the Province would pay these funds back to the City sometime after 2015. If we were to have available now another \$1.5 to \$3 billion, we could begin construction now on Finch and Scarborough rather than deferring them to the period previously indicated between 2015 and 2020.

The problem with that proposal from the City, from the point of view of the Province, is that it contradicts a central goal of the provincial budget. The goal of the provincial budget is to slow the accumulation of total debt at the provincial level, not to borrow money from a different entity. From the Province's point of view, debt owed to the City is no different from debt owed to Bay Street or Wall Street. So, while the City's effort is welcomed and appreciated, it doesn't solve the challenge for the Province because it would increase provincial debt immediately as those funds are borrowed. As a result, the Province has declined to accept this offer from the City, preferring to stick to its Budget which struck a balance between how much we can spend now, and how much debt we can afford. Put simply, the Province is not interested in increasing its debt by borrowing from a different lender.

Some say to me, "Why can't the City contribute directly to the projects if it wants to accelerate the projects?" Well, the City can contribute directly to the projects and it would be very welcome if the City wished to contribute directly. The City can make anything from a very modest to a very large contribution. For example, in the modest realm, the City could buy land needed for the Finch project and land needed for the Scarborough project. Alternatively, it could extend the Sheppard LRT line immediately out to Meadowvale from Conlins at a cost of about \$100 million. Or it could extend the line down Morningside to the new aquatic centre at a cost of about \$150 million.

If the City wanted to make a larger contribution, it could take on the Finch West project itself and pay for that project – making it a City project rather than a Metrolinx project at a cost of about \$900 million. Or it could take on another Transit City project line – don't forget only the first four Transit City lines are funded with the \$8.15 billion. There are more lines to be done. The Scarborough-Malvern line could be the next most urgent line from the City's perspective and the City could do that for about \$1 billion.

In saying we would welcome the City's contribution, I do not mean in any way to suggest that the City has excess funds available that can easily be spent on major capital projects – not at all. The City faces constraints just as the Province faces constraints on available financial resources and priorities. I am simply making the point that if there were desire to go beyond what the Province can do at this stage, we have designed our plan to accommodate additional investments that would accelerate the plan that we put on the table. If the City wished to make a contribution, we will make it work.

I also want to stress that our plan stands on Provincial funds alone (along with the Federal contribution on Sheppard), and does not depend on the availability of the additional City funds.

A second issue we have all heard about over the past couple of months is that some would like more subways for Toronto. “Why aren’t you building more subways?” they ask. Well, we are building a subway. We are building a twelve kilometre long subway on Eglinton. It is a hybrid subway-LRT. It’s a terrific idea. It was imagined by the TTC and I completely endorse the idea. It recognizes Eglinton is 33 kilometres long and that a traditional subway for the whole length would cost more than our budget for all five projects. However, the middle section on Eglinton is narrow and very busy, so let’s build a subway there and instead of forcing riders to transfer to other vehicles at the end of the tunnel, let’s make this a continuous subway and LRT. Therefore, on Eglinton, the rider will travel on a single vehicle, moving at the same speed in the tunnel as a subway and with all the capacity necessary with three car consists – that’s three cars tied together – and then moving at grade level as an LRT at the eastern and western ends of the line. This hybrid will serve riders and their communities well.

Similarly, on Scarborough, we are not building a subway in the sense of building underground, but we are building a completely grade separated facility, running in the right of way where the Scarborough RT is now. Part of it is elevated above ground and part of it is at ground level. It is completely grade separated and will run at the same speed as a subway and will have one, two, or three car trains - depending on the time of day - and will provide full capacity.

So, when people suggest that we are not building subways, I urge them to look at our actual plans and realize that in those two cases, we are building the equivalent of subways, but we are building facilities that are best suited to the needs of these communities and the riders on these lines. In the case of Sheppard and Finch, they simply lack the density of population and land use that would support the cost of a subway which, as you know costs, at least three times as much as an LRT for those lines.

What do others say? They say, “I got it. I like the projects and I like your plan. We just want more and we want it faster. We want it all and we want it now.”

Some ask that we do all five projects – now. Some ask that we do the full extent of the projects now instead of phasing them. My answer to these requests is that they are simply not affordable. They are inconsistent with the budget that we have of \$8.15 billion dollars and the cash flow limitations we face.

From my perspective, and I believe from the Province’s perspective, surely it is better to proceed with the three projects immediately – Sheppard, Eglinton and VIVA – than not to proceed at all. Surely it is better not to allow perfection to be the enemy of the good. Surely it is better to proceed with \$7 billion of the \$9.5 billion of projects immediately than not to proceed at all. From our perspective, it makes good sense to move ahead now, urgently, with everything we can afford at present and be ready to bring on the next two projects in 2015 when our cash flow will permit it.

Others say to me, “Why not defer a decision? What is the rush? Why do it now? Why not wait? We have a municipal election underway and public transit is a central issue in the election. Why don’t we wait and see where the dust settles in the campaign and then return to these discussions a year from now?”

Again, my advice is that this is the wrong way forward. From our perspective, the Province has already spoken. The Province has made an unprecedented financial commitment to these lines. Metrolinx has also spoken. Metrolinx issued The Big Move and identified these five projects as ranking among the absolute top priority projects. City Council has spoken. City Council has virtually unanimously approved and re-approved these four projects in Toronto just as York Region has approved its project repeatedly already. The TTC has also spoken. The TTC has given its complete support and Commission approval to these projects to proceed.

So, with all of these bodies having already spoken and approved these lines, why would we wait? Now is not the time to stall. It is time to move ahead. We can't afford, as a City and Region, to miss this opportunity. It is the largest public transit investment in the history of Canada. Surely, we shouldn't put it on hold because others who will follow us may have different ideas. Surely we should proceed and get in place these projects that are so urgently needed so that others in future years – future councils and future leaders – can build on top of this firm foundation.

The Big 5 projects are only a start on the requirements for public transportation in the GTHA. But they are a profoundly important start and from our perspective, we need to move ahead with them now.

What is the way ahead? Our plan is to take this plan – with detailed cash flows and technical requirements – to our Board of Directors this Wednesday, May 19, 2010 to seek the Board of Metrolinx's approval for our plan, "Achieving 5 in 10." Assuming we get that approval from our Board on Wednesday, later that day we will submit our plan to the Province for approval. The Province will then make a decision. The projects are all already approved. No further approvals are required by either Toronto or York. They already enjoy full approval from their respective councils. All we need now is the Province's approval to move forward with the revised plan.

We want to move forward. We want to continue the work on York VIVA and continue on the work on the Sheppard LRT. We want to buy the Eglinton tunnel boring machines next month and we want to order the vehicles that we need for the four LRT lines next month. We want to press full speed ahead with this plan. And we want to be ready for Finch and Scarborough when the funds are available in 2015 and we will spend money now to be sure we are.

From Metrolinx's perspective, now is the time for action. We are past the point for more talk. We believe it is time for action and we need it now. Now is the time to get these projects done and we at Metrolinx are determined to do just that.