

Date: August 31, 2021

Re: 2021 Updated Business Case Guidance - Supporting Document

Purpose

The purpose of this document is to provide a summary of the changes and new additions made to the version of the Metrolinx Business Case Guidance released in August 2021. Prior to this version, the Guidance was last released in April 2019.

The updated version of the Guidance includes new approaches for transit project evaluation, as well as updates to existing evaluation parameters used to measure project costs and benefits.

The new Guidance for 2021 has been reviewed by an Advisory Panel for Project Evaluation, an external panel of experts comprising academics, economists and public policy professionals, and should be used to evaluate all Business Cases initiated or in progress towards completion in 2021.

A comprehensive list of all revisions made to the Guidance for 2021 relative to the earlier version published in 2019 along with the document page numbers where changes were made can be found in Tables 1 and 2 below.

Table 1: List of new additions to the Business Case Guidance released in August 2021

Guidance chapter	New to Guidance	Page number
1. Guidance Overview	i. Introduction to the Post In-Service Business Case framework.	21-22
2. Investment Options	i. The need for a business case to evaluate more than one option that could address the problem or opportunity being studied at every stage of its lifecycle.	49
	ii. Specification of a ridership ramp-up period.	56
	iii. Business cases should use a project-specific ridership growth rate, derived using GGHMv4.	61
4. Economic Case	i. Proper reporting of negative benefit-cost ratios	86
	ii. Sensitivity Tests by scale of project.	87-89
	iii. Optimism Bias: theory, application and illustrative example.	90-97
	iv. Approach to evaluating land acquisition costs.	104
	v. Travel time perception by mode.	112
	vi. Quantifying agglomeration impacts.	149
	vii. Reporting precision and rounding policy.	163

	viii. CBA adjustments - resource cost adjustment, unit of account and indirect taxation.	166-168
	ix. Economic parameters summary table.	170-171
5. Financial Case	i. Approach to evaluating land acquisition costs.	179
	ii. Reporting precision and rounding policy.	183-184

Table 2: List of changes made to the Business Case Guidance released in August 2021

Guidance Chapter	Changes to Guidance	Page number
3. Strategic Case	i. Metrolinx's standard performance metrics noted with an asterisk in Table 4.2.	74-75
4. Economic Case	i. Correction to capital and operating cost growth rate from 1% until 2031 to 1% until 30 years from the base year of evaluation.	84
	ii. VOT change from \$18.06 (2019 \$) to \$18.79 (2021 \$) in Table 5.8.	98
	iii. Ridership and benefits growth cap corrected from 2031 to 30 years from the base year of project evaluation.	98, 211
	iv. Change in approach to capturing decongestion impacts/auto time savings.	108, 118
	v. Update to the unperceived auto operating cost parameter from \$0.09/km (2019 \$) to \$0.10/km (2021 \$)	108, 123
	vi. Correction to walk time inconvenience factor for business travellers from 1.0 to 2.0.	111
	vii. Note on new transit users making transfers subject to the rule of half. Transfer penalty 2.5 minutes for new users.	111
	viii. Correction made to when a resource adjustment is required. Adjustment is required if fare is used to estimate demand.	121
	ix. Update to maintenance cost per km for auto operating costs from \$0.04/km (2019 \$) to \$0.05/km (2021 \$)	122
	x. Changes to the resource cost adjustment formula in the user impact estimation example. Changes include an incremental fare revenue and indirect fuel taxation adjustments, and conversion of user impacts from a market price unit of account to a factor cost unit of account using a downward adjustment factor of (1+13%).	125-128
	xi. Update to walk and cycle health benefit parameters from to \$4.08/km (2021 \$) and \$1.83/km (2021 \$), respectively.	130, 132
	xii. Update to road safety benefit parameter from \$0.095/km (2019 \$) to \$0.09/km (2021 \$)	130,135
	xiii. Correction of local air quality parameter from \$0.02/km to \$0.002/km.	130
	xiv. Update to unit costs for CACs in Ontario from 2019 \$ to 2021 \$.	140
	xv. Changes to the reporting structure in the Economic Case summary table to report CBA adjustments separately from user impacts.	165
5. Financial Case	i. Correction to capital and operating cost growth rate from 1% until 2031 to 1% until 30 years from the base year of evaluation.	176, 211