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YORK REGION TRANSIT 2008 FARE RATE CHANGE

(Regional Council at its meeting on September 27, 2007 referred this report to the Finance and Administration Committee and the Transit Committee.)

The Transit Committee recommends the following:

1. The presentation by Paul Tobin, Manager, Finance, York Region Transit, regarding '2008 Fare Rate Change', be received; and
2. The recommendation contained in the following report, August 24, 2007, from the General Manager, Transit, be adopted.

1. RECOMMENDATION

It is recommended that the proposed fare structure identified in this report as Option 3 (outlined below) be endorsed for implementation effective January 1, 2008.

OPTION 3

Option 2 (Increase Flat Cash, Adult Ticket, Express Cash, Express Ticket fares, Adult Multipass) + Increase Student Pass, Senior/Child Pass, Express Pass + Increase Student Ticket + Senior/Child Ticket

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT - 10 TICKETS	21.4%	\$23.00	\$24.00	4.3%	\$ 366,024
ALL CASH	45.5%	\$2.75	\$3.00	9.1%	\$ 1,649,271
STUDENT - 10 TICKETS	6.1%	\$17.00	\$18.00	5.9%	\$ 143,701
SENIOR/CHILD - 10 TICKETS	1.9%	\$14.00	\$15.00	7.1%	\$ 53,530
EXPRESS CASH	0.6%	\$3.00	\$3.25	8.3%	\$ 19,260
EXPRESS - 10 TICKETS	0.9%	\$27.50	\$30.00	9.1%	\$ 31,567
GTA WEEKLY PASS	3.9%	\$43.00	\$43.00	0.0%	\$ -
STUDENT PASS	4.0%	\$65.00	\$75.00	15.4%	\$ 236,846
MULTIPASS	11.5%	\$85.00	\$95.00	11.8%	\$ 564,594
SENIOR PASS	0.6%	\$42.00	\$46.00	9.5%	\$ 23,690
EXPRESS PASS	0.4%	\$100.00	\$115.00	15.0%	\$ 9,564
GO SUBSIDY / SUPPLEMENT	2.8%	\$2.15	\$2.15	0.0%	\$ -
GO STICKER PASS	0.4%	\$0.50	\$0.50	0.0%	\$ -
% Increase (Weighted Average):				7.72%	\$ 3,098,047

Shaded Cells Indicate Fare Increases

2. PURPOSE

This report advises Transit Committee and Regional Council of the status of the current transit fare structure in York Region and a recommended fare rate change for January 2008. The proposed change would apply to all services operated by the Region, including

York Region Transit (YRT), Viva and Mobility Plus. It should be noted that only the Adult fare category currently applies to the Mobility Plus service.

3. BACKGROUND

York Region has made significant investments in public transit in recent years. This has included capital dollars for equipment and infrastructure, and related increases in revenue service hours provided to residents. Ridership has increased annually and resulted in 17.1 million revenue passenger trips in 2006 with projections for about 18.6 million trips in 2007.

In order to balance the capital investment and operating costs incurred by the Region, a review of the fare structure is performed on an annual basis. The review considers multiple variables including: operating costs, cost recovery targets and comparison to other Greater Toronto Area (GTA) transit agencies.

It should be noted that once a new structure is approved, a two-month implementation process begins which involves several steps including: production of new fare media as required, reprogramming of electronic fare equipment both onboard vehicles, at stations and terminals, and the preparation of a communications plan and related materials. In conjunction with the preparation of the preliminary 2008 budget, staff estimate revenues and operating costs and establish preliminary cost recovery figures. This is based on current revenue distribution patterns and projected 2008 ridership.

4. ANALYSIS AND OPTIONS

The comparison to other GTA agencies clearly indicates that all of our monthly passes and several other categories are well below the GTA average. It should be noted that YRT is usually first to announce fare rate changes, primarily due to the timing of our annual budget cycle being much earlier than that of other transit systems.

During the last thirteen months there has been a slow but steady shift towards the purchase of monthly passes. This is primarily due to the introduction of the federal transit tax credit, which went into effect on July 1, 2006. Given the impact of the federal tax credit, it is apparent that a change in pricing strategy is required.

The value of the monthly passes is significant, as surveys show that the average pass usage ranges from 44 to 52 trips per month. For the proposed 2008 rates, this translates into a 39% discount for the adult pass vs. the cash fare. The additional 15.25% federal transit tax credit provides even further incentive for use of this type of fare media.

The intention of the \$0.25 increase to the cash fare is two-fold. It is intended to provide motivation to customers to use tickets or passes. It also would reduce handling costs

associated with the pickup and processing of cash fares. For the proposed 2008 rates, this translates into a 20% discount for the pad of 10 adult tickets vs. the cash fare.

4.1 Fare Change Criteria

A number of variables are considered when a fare review is performed. The variables considered for this report include financial objectives (such as cost recovery targets), cost pressures (service contractor rates and CPI increases), consistency with other GTA transit systems and the availability of discounts for regular customers.

From the analysis, three options have been developed which take into account the potential additional revenue as well as the associated ridership reduction that results from any fare increase. The fare elasticity is estimated to be about -0.3 for a system of YRT's size. This suggests a 3% loss of ridership for every 10% fare increase.

4.1.1 Current Fare Structure and GTA Comparison

Attachment 1 compares the current YRT fare structure to those of other GTA transit systems.

4.1.2 Operating Costs and Cost Recovery Targets

Projections for 2007 indicate that approximately \$42 million will be generated in fare revenues, contributing to a conventional system (YRT and Viva) cost recovery ratio of about 38%. In 2008, costs will rise due to operations and maintenance contract terms and the introduction of new conventional service, some of which has been deferred from 2006 and 2007 budget years.

Contractor rates are increasing in 2008 by CPI and the price for diesel fuel seems to have stabilized, thus reducing pressures when compared to the changes experienced for the 2007 budget. Fuel escalation estimates are still forecast to be about \$5 million in 2008.

Annual fare rate adjustments and ridership growth, combined with measured service improvements and the implementation of cost mitigation measures, will move the Region toward its 50% cost recovery target. Achievement of this target means that 50% of conventional transit (YRT and Viva) operating costs would be recovered through fare revenues, with the other 50% coming from property taxes.

Realistically, this target will take several years to reach, particularly since there is a need to introduce new service each year to keep pace with population growth. New services though, typically have a lower cost recovery than mature ones. An interim target of 45% cost recovery from fare revenues by 2010 is attainable.

4.2 Fare Change Options

Attachment 2 outlines three options which were developed for revising the current YRT fare structure. It should be noted that the revenue shortfall presented to Transit Committee and Regional Council in June is partly the result of lower than expected

average fares caused by changes in usage. This issue is addressed in the options presented as well as realigning fares more closely with our GTA counterparts. A summary comparison is shown on the next page:

Table 1
Fare Change Options

Summary of Fare Change Options	Resulting New Revenue	% Increase (Weighted Avg)	Resulting R/C Estimate
Base	\$3,244,650	0%	38.2%
No fare increase – ridership growth only.			
Option 1			
- Increase the flat cash rate to \$3.00. - Adjust the Express cash and ticket to reflect overall cash increase. - Adjust Adult ticket to reflect the cash increase.	\$2,066,122	5.20%	39.0%
Option 2			
- Increase the flat cash rate to \$3.00. - Adjust the Express cash and ticket to reflect overall cash increase. - Adjust Adult ticket to reflect the cash increase. - Align the Multi Pass price closer to the current GTA average.	\$2,630,716	6.61%	39.8%
Option 3 - Recommended			
- Increase the flat cash rate to \$3.00. - Adjust the Express cash and ticket to reflect overall cash increase. - Adjust Adult ticket to reflect the cash increase. - Align the Multi Pass price closer to the current GTA average. - Align the Express, Student and Senior passes closer to the current GTA average. - Adjust the Student and Senior\Child ticket to reflect the cash increase.	\$3,098,047	7.76%	40.6%

4.3 Relationship to Vision 2026

Vision 2026 includes a goal statement relating to managed and balanced growth. To support this goal, the Region has identified specific action areas including obtaining

adequate funding for future service needs. The recommendations within this report are consistent with this goal.

5. FINANCIAL IMPLICATIONS

As indicated in the analysis section, the preferred option is estimated to generate an additional \$3.1 million in revenues for 2008. In addition, the ridership growth associated with the proposed new services for 2008 will improve the revenue\cost recovery ratio to over 40%.

Projections are that over the next 4 to 5 years the ratio would be further improved to over 45%, that being an interim target towards the established goal of attaining the ultimate goal of a 50% cost recovery ratio.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact associated with this report.

7. CONCLUSION

As noted within this report, the fare structure is an important component of the transit service. It needs to strike a balance between providing discounted fare options for frequent users, having relative consistency with other GTA providers and contribute towards a reasonable cost recovery ratio for taxpayers.

All of these variables have been considered as part of this annual review and as a result it is recommended that Option 3 be endorsed to be implemented as of January 1, 2008.

For more information on this report, contact Paul Tobin, Manager, Finance (ext. 5691), of the Transit Branch of the Transportation and Works Department.

The Senior Management Group has reviewed this report.

(The attachments referred to in this clause are attached to this report.)