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YORK REGION TRANSIT/VIVA FARE RECOMMENDATION

The Transportation Services Committee recommends the adoption of the recommendation contained in the following report dated September 1, 2010, from the Commissioner of Transportation Services.

1. RECOMMENDATION

It is recommended that:

1. Regional Council defer a YRT/Viva transit fare increase until the 2011 budget process has been completed.

2. PURPOSE

This report requests Regional Council approval to defer a fare increase until the 2011 budget process has been completed and informs Regional Council of the efforts York Region Transit (YRT/Viva) has made to improve service and build ridership. It also informs Regional Council of the challenges being faced.

3. BACKGROUND

2010 OVERVIEW

In response to Regional Council's direction, YRT/Viva has focused its 2010 mission on improving service and building ridership

To meet Regional Council's challenge, staff focused on addressing the "adherence to schedule" issue identified by both our customers and contractors' staff. New performance indicators were developed and, over the last eight months, changes have been made to schedules, whereby YRT/Viva service has become more reliable. By year's end, YRT/Viva will have made substantial revisions to its bus service, published accurate schedules and informed the public about the benefits of public transit, focusing on its reliability.

To achieve this goal, service adjustments were necessary and, in many cases, capacity was added to improve service on several high-volume routes. By year's end, a 6% increase in YRT/Viva's daily bus requirement (20 buses) will have been added to the rush-hour requirement, just to achieve the currently-published schedules. Since this initiative began in February of this year, ridership has steadily increased and current projections indicate that YRT/Viva will approach, if not exceed, 20 million annual revenue boardings. 2010 is projected to be the highest revenue ridership year since the amalgamation of transit services in York Region in 2001.

Recognizing the above, YRT/Viva expenditures are projected to come in on target, utilizing all of the 2010 operating budget approved by Regional Council. This will yield a farebox recovery ratio of just under 40%.

Related to this report, there is a report titled “September Service Changes Communication Plan” outlining the particular service changes for September, also on this Transportation Services Committee agenda.

4. ANALYSIS AND OPTIONS

2011 CHALLENGES

Improving “on-time” service is only one of the challenges facing YRT/Viva as the 2011 Business Plan & Budget is being prepared

Staff have identified the following direct challenges beginning in 2011:

- Service impact from the first full phase of VivaNext construction on Highway 7.
- The introduction of the Presto smart card and possible impact on revenues.
- Base budget pressure from the award of the new 5-year Southwest division contract.
- Base budget pressure from the award of a 3-year Viva contract extension.
- Base budget pressure from the still-to-be-negotiated Southeast division contract extension or resultant tender process should negotiations be unsuccessful.
- Annualization budget pressure from 2010 service improvement initiatives.

In order to minimize some of these direct challenges, options for YRT/Viva service adjustments and the rollout of other programs are being evaluated

For example, in response to the VivaNext construction, additional vehicles and service hours may be proposed to mitigate service impacts in affected routes/segments. In order to minimize revenue impacts, the Presto card rollout will be applied to tickets only in 2011 in order to ensure a smooth transition. In conjunction with Presto’s rollout, YRT/Viva will review fare structure, products and pricing possibilities in 2011.

Recognizing that 2010 appears to be a transition year for YRT/Viva, to grow ridership and improve service reliability it is important to identify potential indirect challenges as well. These are summarized below:

- Protection for the recovery of lost ridership (2008 vs. 2009) which is in progress.
- The slow recovery of the economy from the 2008 economic downturn.
- The mild increase in fuel prices from the 10-year low in December 2008.

As mentioned, each of the challenges identified above needs to be taken into consideration when preparing YRT/Viva's 2011 Business Plan and Budget.

The 2011 budget challenge will be to balance the service enhancements needed to maintain customer satisfaction and ridership growth with the economic pressures from rising costs, construction impacts and Presto rollout.

Budget preparation is actively underway and staff are looking at all options to optimize transit service by having levels of service with a fare which will maintain customer loyalty. At the same time, as stated above, new programs such as the VivaNext construction on Highway 7 and the Presto rollout may have an effect on ridership and/or revenue. The final element of the transit "balancing act" is to meet Regional Council's expectation of a 40% farebox recovery ratio with a plan to grow to 50%, while operating costs are increasing.

Preliminary projections estimate that YRT/Viva's farebox recovery ratio will be between 35% and 39% for 2011

Ongoing budget preparations have included several options to maximize our revenue/cost ratio. These options are:

- A mid-year fare increase of $0.25 for a cash fare, which generates approximately $1.7 million annually ($850,000 for 2011).
- Service adjustments to obtain the projected annual revenue ridership increase to approximately 21 million revenue riders for 2011 (approximately 5% increase), thus increasing revenues by $2.5 million.
- Service cuts to routes in urban areas where the farebox recovery ratio falls below the industry average, which is approximately 46%, based on Canadian Urban Transit Association statistics. Cost-saving possibilities are currently under review.

Recognizing the positive ridership trend, the volatility of the market place, and new programs which may test customer loyalty or revenue generation, YRT/Viva does not recommend a fare increase or service cuts at this time

The working assumptions for the 2011 budget preparations are:

- Ridership will continue to increase to 21 million annual revenue riders.
- Expenditures supporting ongoing capital programs will be capitalized.
- Best practises will be employed to improve service reliability.
- Strategic service modifications will be instituted, whereby capacity needs meet demand requirements, not necessarily just subsidy-identified.

YRT/Viva will be better positioned in January 2011 to assess its future funding requirements. At that time, the possibility of a fare increase and service cuts can be reviewed.

5. FINANCIAL IMPLICATIONS

The financial implications arising from this report will be presented as part of the 2011 Proposed Business Plan and Budget.

6. LOCAL MUNICIPAL IMPACT

York Region Transit is committed to its on-going efforts to improve service in all of the local municipalities within the Region.

7. CONCLUSION

Service-related improvements implemented so far in 2010 are having a positive effect on service delivery performance. From February to June 2010, trips departing on-time have increased by 5%, with all services averaging an 80% on-time departure level. Staff feel this has helped build ridership with 2010 trending towards the highest ridership for YRT/Viva combined since amalgamation. It is anticipated that ridership will reach 20.1 million opposed to the previously projected number of just under 20 million revenue boardings. These initiatives will continue for the balance of 2010 and into 2011, until the 2011 Business Plan and Budget is approved.

With respect to fare rates for 2011, ongoing business planning has identified an need to balance our growing customer loyalty with the realities of service challenges on the ground. Therefore, it is recommended that no fare increase be implemented on January 1, 2011, and a decision be deferred until the 2011 budget process has been completed.

For more information on this report, please contact Rick Leary, General Manager, at Ext. 5625 or Paul Tobin, Manager, Finance and Budget, at Ext. 5691.

The Senior Management Group has reviewed this report.