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YORK REGION TRANSIT
2009 FARE RATE CHANGE

The Transit Committee recommends the following:

1. **The presentation by Paul Tobin, Manager Finance – Transit, be received;**

2. **The recommendations contained in the following report, September 24, 2008, from the Commissioner of Transportation Services, be replaced with the following recommendation:**

   1. **The proposed fare structure summarized below and identified in this report as Option 2 be endorsed for implementation effective January 1, 2009.**

• **Adult – 10 tickets**	**$ 26.00**
• **All Cash**	**$ 3.25**
• **Student – 10 tickets**	**$ 19.00**
• **Senior/Child – 10 tickets**	**$ 15.00**
• **Express Cash**	**$ 3.50**
• **Express – 10 tickets**	**$ 32.50**
• **GTA Weekly Pass**	**$ 47.00**
• **Student Monthly Pass**	**$ 75.00**
• **Multipass**	**$ 105.00**
• **Senior/Child Pass**	**$ 46.00**
• **Express Pass**	**$ 125.00**
• **GO Sticker Pass**	**$ .50**

1. RECOMMENDATIONS

It is recommended that:

1. The proposed fare structure summarized below and identified in this report as Option 3 be endorsed for implementation effective January 1, 2009.

• Adult – 10 tickets	$ 26.00
• Student – 10 tickets	$ 19.00
• Senior/Child – 10 tickets	$ 15.00
• Express Cash	$ 3.50
• Express – 10 tickets	$ 32.50
• Student Monthly Pass	$ 75.00
• Multipass	$105.00

- Senior\Child Pass $ 46.00
- Express Pass $125.00

2. All other fare categories remain at 2008 values.

2. PURPOSE

This report advises Regional Council of the status of the current transit fare structure in York Region and outlines a recommended fare rate change for January 2009. The proposed change would apply to all transit 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 18.2 million revenue passenger trips in 2007 with a projection of about 20.2 million trips in 2008.

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 2009 budget, staff estimate revenues and operating costs and establish preliminary cost recovery figures. This is based on current revenue distribution patterns and projected 2009 ridership.

4. ANALYSIS AND OPTIONS

The comparison to other GTA agencies indicates that some of our categories are well below the GTA average, while others are just above

It should be noted that YRT is usually first to consider fare rate changes each year, primarily due to the timing of our annual budget cycle, which begins much earlier than that of other GTA transit systems.

During 2008, fuel costs have increased substantially and are projected to be about $5 million dollars over budget by the end of the year. This one factor alone is placing tremendous pressure on YRT with both the annual budget process and achieving the existing revenue/cost ratio target.

During the first half of 2008, a shift towards the purchase of monthly passes has continued. This is primarily due to the introduction of the federal transit tax credit, which went into effect on July 1, 2006. This shift also reflects the impact of higher consumer fuel costs and the increased net value of the passes when the tax credit component is included.

There has been a continued reduction in users paying the full cash fare

Previously, as many as 50% of trips were being paid as full cash fares. This has decreased over the past two years and is now between 35 and 40%. As more tickets and passes are now being purchased, a reduction in overall revenues has resulted.

A number of variables are considered when fares are reviewed

The variables considered for this report include financial objectives (such as cost recovery targets), cost pressures (service contractor rates, including fuel costs) and CPI increases), new service proposals contained in PLAN09, consistency with other GTA transit systems and the availability of discounts for regular customers (see *Attachment 1*).

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.

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

Increases in fuel prices, insurance and contractor rates place pressure on costs

Projections for 2008 indicate that approximately $46-48 million will be generated in fare revenues, resulting in a conventional system (YRT and Viva) cost recovery (R/C) ratio of about 38%. In 2009, budget costs will rise primarily due to significantly increased fuel costs as well as insurance and contractor rate increases.

Contractor rates will increase in 2009 by CPI, but the rise in price for diesel fuel has greatly increased financial pressure when compared to either the 2007 or 2008 budgets. Fuel costs alone are forecast to exceed budget values by about $5 million in 2008.

The new services contained in PLAN09 add approximately $7.9 million to YRT contractor costs. Revenues have been assumed to recover about 25% of this in the first year of service.

Annual fare rate adjustments and ridership growth, combined with measured service improvements and the implementation of cost mitigation measures, will eventually 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. Staff estimates indicate that an interim target of 40% cost recovery from fare revenues by 2012 is attainable.

Three different fare change options were developed

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 Regional Council in June is partly the result of lower than expected average fares caused by changes in usage patterns. This issue is addressed in the options presented, including realigning fares more closely with our GTA counterparts. In addition, the costs associated with the proposed new service hours in PLAN09 have been included in the R/C ratio estimates shown in the summary comparison below.

Table 1
Fare Change Options

Summary of Fare Change Options	Resulting New Revenue	% Increase (Weighted Avg)	Resulting R/C Estimate
Base No fare increase – ridership growth only.	$1,211,550	0%	36.3%
Option 1 Increase tickets and passes to the GTA average plus increase Express tickets and passes.	$1,067,000	8.17%	37.1%
Option 2 Increase all tickets and passes and increase the cash fare to $3.25.	$4,259,000	9.21%	39.5%
Option 3 - Recommended Increase all tickets and passes but hold the cash fare at $3.00.	$2,699,000	9.16%	38.2%

Note: base new revenue amount is expected within the existing fare structure. Individual new revenue amounts associated with each of the 3 options are incremental to the base amount.

Third option is recommended in attempt to balance fiscal needs and cash fare position relative to peer GTA systems

The primary justification for the recommendation of option 3 from the table above is that YRT already has the highest cash fare amongst its GTA peer systems. Even though the result is a lower R/C ratio than option 2, it would be extremely difficult to recommend a structure where the YRT cash fare would be $0.50 higher than most other GTA transit systems. It should be noted though, that while no other GTA transit agency has finalized their 2009 fare rates, several are apparently considering an increase in their cash fare to the $3.00 level.

Table 2 provides a GTA comparison of Student and Senior/Child fare categories. It should be noted that due to exclusion from price increases during recent years, both categories have fallen well below most GTA agencies and the GTA average as well.

Table 2
GTA Student & Senior/Child Fare Comparison (at July 1, 2008)

Agency	Student Ticket	Student Monthly Pass	Senior Ticket	Child Ticket	Senior/Child Monthly Pass
YRT	$1.70	$65.00	$1.40	$1.40	$42.00
TTC	$1.50	$91.25	$1.50	$0.50	$91.25
Mississauga	$2.15	$93.00	$1.60	$1.60	$39.00
Brampton	$2.15	$90.00	$1.40	$2.15	$44.00
Oakville	$1.90	$50.00	$1.55	$1.90	$45.00
Burlington	$1.60	$64.00	$1.60	$1.30	$49.00
Hamilton	$1.50	$63.00	$1.85	$1.40	$79.00
Durham	$2.38	$80.00	$1.75	$1.75	$38.00
Average Fare	$1.86	$74.53	$1.58	$1.50	$53.41

Table 3 (also found in attachment 2) outlines the details by fare category for the proposed fare increase for 2009.

Table 3
Option 3 – Increase all tickets and passes but not cash fare

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue
Adult – 10 Tickets	25.0%	$ 24.00	$ 26.00	8.3%	$1,000,000
All Cash	39.0%	$ 3.00	$ 3.00	0.0%	-
Student- 10 Tickets	6.0%	$ 17.00	$ 19.00	11.8%	$ 340,000
Senior/Child – 10 Tickets	2.0%	$ 14.00	$ 15.00	7.1%	$ 69,000
Express Cash	1.0%	$ 3.25	$ 3.50	7.7%	$ 37,000
Express – 10 Tickets	1.0%	$ 30.00	$ 32.50	8.3%	$ 40,000
GTA Weekly Pass	4.0%	$ 47.00	$ 47.00	0.0%	-
Student Pass	5.0%	$ 65.00	$ 75.00	15.4%	$ 370,000
Multipass	15.0%	$ 95.00	$105.00	10.5%	$ 756,000
Senior Pass	1.0%	$ 42.00	$ 46.00	9.5%	$ 45,000
Express Pass	1.0%	$115.00	$125.00	8.7%	$ 42,000
GO Sticker Pass	0.0%	$ 0.50	$ 0.50	0.0%	-
% Increase (Weighted Average)				**9.16%**	**$2,699,000**

Note: Shaded cells indicate Fare Increases

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 3 is estimated to generate an additional $2.7 million in revenues for 2009. This, combined with the ridership growth associated with the proposed new services for 2009, will maintain the revenue/cost ratio for next year at about 38%.

With increasingly unpredictable fuel costs, increasing insurance and contractor costs it has become a significant challenge to reach even a 40% revenue/cost ratio.

Staff project are that over the next five to seven years, the ratio could be further improved to over 42%. However, this is well below the established goal of attaining a 50% cost recovery. In light of current realities, that target may need to be reconsidered.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact associated with this report.

7. CONCLUSION

The fare structure is an important component of the Region's transit services. A balance between providing discounted fare options for frequent users, having relative consistency with other GTA providers and contributing towards a reasonable cost recovery for taxpayers, needs to be found.

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 for implementation on January 1, 2009.

For more information on this report, please contact Paul Tobin, Manager, Finance – Transit (ext. 5691), in the Transit Branch of the Transportation Services Department.

The Senior Management Group has reviewed this report.

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