2
YORK REGION TRANSIT
2005 FARE RATE CHANGE

The Transit Committee recommends:

1. **The presentation by Irene McNeil, Manager, Service Planning, be received; and**

2. **The recommendations contained in the following report, August 26, 2004, from the Commissioner of Transportation and Works be adopted:**

1. RECOMMENDATIONS

It is recommended that:

1. The fare structure identified in the report as Option 4, outlined below, be endorsed for implementation effective January 2, 2005.

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.67%	$2.00	$2.10	5.00%	$ 335,358
ADULT CASH	30.01%	$2.25	$2.25	0.00%	$ -
STUDENT TICKET	5.77%	$1.40	$1.50	7.14%	$ 79,052
STUDENT CASH	3.19%	$1.60	$2.25	40.63%	$ 211,306
CHILD CASH	0.39%	$1.00	$2.25	125.00%	$ 44,354
CHILD TICKET	0.58%	$1.00	$1.20	20.00%	$ 20,881
SENIOR CASH	0.93%	$1.30	$2.25	73.08%	$ 92,629
SENIOR TICKET	1.26%	$1.20	$1.20	0.00%	$ -
EXPRESS CASH	0.29%	$2.50	$2.50	0.00%	$ -
EXPRESS TICKET	2.28%	$2.25	$2.30	2.30%	$ 10,253
GTA WEEKLY PASS	8.82%	$1.84	$1.91	3.80%	$ 65,431
STUDENT - 7 DAY PASS	1.50%	$1.30	$1.30	0.00%	$ -
STUDENT - 5 DAY PASS	0.92%	$1.25	$1.30	4.00%	$ 11,187
MULTIPASS	6.51%	$1.85	$1.95	5.41%	$ 67,945
SENIOR PASS	0.50%	$1.17	$1.17	0.00%	$ -
GO SUBSIDY / SUPPLEMENT	2.39%	$1.50 / $0.25	$1.58 / $0.50	18.86%	$ 82,049
	% Increase (Weighted Average):			**5.95%**	**$ 1,020,444**

2. The fare requirement for personal attendants on the York Region Transit Mobility Plus service be discontinued.

2. PURPOSE

The purpose of this report is to brief Transit Committee and Council on the status of York Region Transit's (YRT's) current fare structure and recommend a fare rate change in January of 2005 for both conventional and specialized transit services.

3. BACKGROUND

York Region Transit staff have developed an annual fare structure review process which takes into consideration a number of variables. The review combines analysis of financial objectives (including budgetary constraints), market variables (e.g. service contractor rates, Consumer Price Index, etc), consistency with other GTA transit fare structures and the potential effect on customer loyalty incentives.

Once the new fare structure is approved, the fare change process itself involves a number of steps including the printing of new fare media (tickets and passes), the re-programming of electronic fareboxes and the development of marketing/education campaigns. The new fare structure is then communicated internally to YRT customer service staff, contracted service operators, fare distribution agents and partner transit agencies. At a minimum, a lead time of approximately three months is required to implement an effective fare change strategy.

As part of the development of the preliminary 2005 operating budget, YRT staff have estimated next year's farebox revenues and operating costs for both conventional and specialized transit services, thereby establishing cost recovery targets for each. The 2005 revenue estimates are based on current revenue distribution patterns (January-May) coupled with next year's ridership forecasts. The operating costs consist primarily of service contractor charges and associated administration costs.

4. ANALYSIS AND OPTIONS

As part of the YRT Five Year Service Plans for both conventional and specialized transit services, overall strategies along with a series of annual service improvements have been recommended. The Annual Service Plans detail each year's service requirements in the context of the Five Year Service Plan. The Draft 2005 Annual Service Plan will be presented to Transit Committee in October. In conjunction with the increase in operating expenditures required to fund annual improvements, corresponding revenue targets are also established.

By the end of 2004, conventional farebox revenues will amount to approximately $25 million or 97% of total transit revenues. The remaining revenues of about $800,000 are made up of bus and shelter advertising contracts and a Provincial ridership bonus subsidy. YRT's cost recovery ratio (r/c) for 2004 is projected to be 48%. For 2005, the cost recovery, based on the first draft of the proposed operating budget, is estimated at 41%. This short-term drop in cost recovery can be directly attributed to the increased investment associated with the introduction of new transit services in 2005. For example, with the introduction of the new rapid transit services (September 2005), there is a need for improved and realigned local transit service to support and encourage ridership. In addition, expansion of services is being proposed for newly developing areas currently either without service or with very limited service levels.

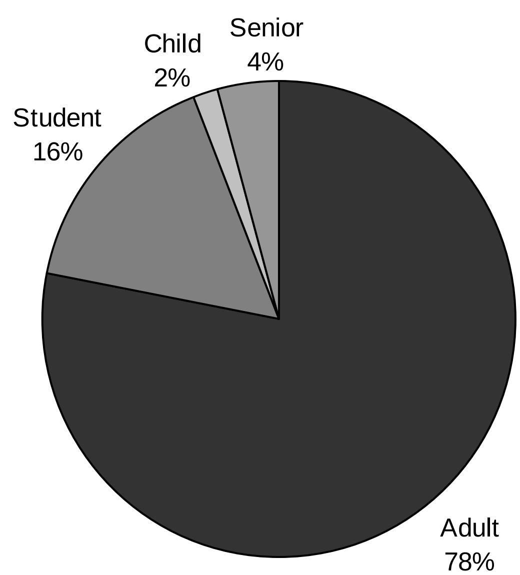
It should be noted that Mobility Plus costs per trip are approximately four times higher than on conventional transit. Mobility Plus revenues generally account for only 9%-10% of the overall operating cost. Due to the higher trip cost and nature of the service provided, Mobility Plus registrants are required to pay the Adult fare rate (no discount). However, staff are recommending that the requirement for personal attendants to pay a fare be discontinued. Many of the current registrants require the use of a mobility aid to use the service and some Mobility Plus registrants are required to be accompanied by an attendant. Since there is no additional charge for a mobility device, and since the attendant is required to be provided, staff are recommending the removal of this fare requirement.

4.1 Current Fare Structure

YRT fares consist of Adult, Student, Senior, Child and Express categories. These are then further categorized into cash and discounted ticket or pass options *Attachment 1* provides a complete list of fare categories and compares the current YRT fare structure with other GTA transit systems.

Approximately 78% of fares collected on the YRT system are in the Adult fare category (cash, tickets and passes). The Student category is the next largest at 16%, while Seniors comprise of about 4% and Children just over 2%.

2004 ESTIMATED RIDERSHIP DISTRIBUTION



4.2 Fare Change Criteria

As noted in *Attachment 1*, several of YRT's fare categories are below the GTA average. Also, over the past five years, transit fares in York Region have increased only marginally (averaging about 2% per year), while service levels have increased dramatically. For instance, revenue service hours have increased, on average, 22% per year since the amalgamation of local transit services in January, 2001.

In order to maintain a reasonable cost recovery ratio, it is recommended that annual fare rate increases take into account increased levels of service and associated costs. As such, a number of options have been developed that consider both the resulting revenue generation potential, as well as the associated ridership decreases. This relationship between fare increase and impact on ridership is referred to as the fare elasticity factor. For a system of YRT's size and complexity, a factor of -0.3 is reasonable, suggesting that for every 10% increase in fares a 3% loss in ridership can be expected.

4.3 Fare Change Options

YRT fares in the Student, Senior, Child and monthly pass categories, are currently below the GTA average. The Adult ticket and cash categories, at $2.00 and $2.25 respectively, are only marginally higher than the GTA average. For the purposes of the 2005 fare review, four options were developed and the associated revenue increases and ridership decreases considered. Table 1 summarizes the effect of each option.

Table 1
Fare Change Options

Summary of Fare Change Options	Resulting New Revenue	% Increase (Weighted Avg)	Resulting R/C
Base No Increases - Ridership Growth Only.	$3,390,000	0%	41.2%
Option 1 Limit Average Increase to CPI (2.3%), Eliminate 5-day Student Pass, and Re-Align Child/Senior Fares.	$597,733	3.09%	42.1%
Option 2 Option 1 (Limit Avg Increase to CPI, Eliminate 5-day Student Pass, and Re-Align Child/Senior Fares) **plus** Re-Align Multipass Discount.	$631,302	3.26%	42.1%
Option 3 Option 2 (Limit Avg Increase to CPI, Eliminate 5-day Student Pass, Re-Align Child/Senior & Multipass Discount) **plus** Flat Cash Rate $2.25.	$959,611	5.61%	42.6%
Option 4 Option 3 (Limit Avg Increase to CPI, Eliminate 5-day Student Pass, Re-Align Child/Senior & Multipass Discount, and Flat Cash Rate $2.25) **plus** GO Train supplement $0.50.	$1,020,444	5.95%	42.7%

4.3.1 Option 1

Option 1 limits the average overall fare increase to just slightly above the CPI rate (2.3%) and eliminates the 5-day Student Pass. Currently, there is only a marginal difference in price between the 5-day and 7-day Student Passes ($2). Therefore, since there is spare capacity on the transit system on weekends, students will be encouraged to purchase the 7-day pass with little or no additional operating costs expected. In addition, Option 1 simply adjusts fares to better reflect the GTA average while maintaining consistency with the other YRT fare categories and related discount ranges. Also, by re-aligning the Child and Senior fares (i.e. making them the same), one less fare category simplifies the overall fare structure. In addition to the revenues generated by conventional transit services, this option would result in approximately $35,000 in new revenues for Mobility Plus services.

Table 2
Option 1

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.67%	$2.00	$2.10	5.00%	$ 335,358
ADULT CASH	30.01%	$2.25	$2.25	0.00%	$ -
STUDENT TICKET	5.77%	$1.40	$1.50	7.14%	$ 79,052
STUDENT CASH	3.19%	$1.60	$1.60	0.00%	$ -
CHILD CASH	0.39%	$1.00	$1.30	30.00%	$ 19,980
CHILD TICKET	0.58%	$1.00	$1.20	20.00%	$ 20,881
SENIOR CASH	0.93%	$1.30	$1.30	0.00%	$ -
SENIOR TICKET	1.26%	$1.20	$1.20	0.00%	$ -
EXPRESS CASH	0.29%	$2.50	$2.50	0.00%	$ -
EXPRESS TICKET	2.28%	$2.25	$2.30	2.30%	$ 10,253
GTA WEEKLY PASS	8.82%	$1.84	$1.91	3.80%	$ 65,431
STUDENT - 7 DAY PASS	1.50%	$1.30	$1.30	0.00%	$ -
STUDENT - 5 DAY PASS	0.92%	$1.25	$1.30	4.00%	$ 11,187
MULTIPASS	6.51%	$1.85	$1.90	2.70%	$ 34,375
SENIOR PASS	0.50%	$1.17	$1.17	0.00%	$ -
GO SUBSIDY / SUPPLEMENT	2.39%	$1.50 / $0.25	$1.58 / $0.25	4.57%	$ 21,215
	% Increase (Weighted Average):			**3.09%**	**$ 597,733**

Shaded Cells Indicate YRT Fares that are Lower than Current GTA Average.

4.3.2 Option 2

Option 2 includes all of the Option 1 changes but, in addition, moves the Adult Multipass fare from $1.85 to $1.95, or from $74 to $78 (monthly pass price). However, even with the Multipass at $1.95 per trip, there would still be a 13% discount over the cash rate. Option 2 increases revenues by another $34,000.

As noted earlier, Option 2 would also result in approximately $35,000 in new revenues for Mobility Plus services.

Table 3
Option 2

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.67%	$2.00	$2.10	5.00%	$ 335,358
ADULT CASH	30.01%	$2.25	$2.25	0.00%	$ -
STUDENT TICKET	5.77%	$1.40	$1.50	7.14%	$ 79,052
STUDENT CASH	3.19%	$1.60	$1.60	0.00%	$ -
CHILD CASH	0.39%	$1.00	$1.30	30.00%	$ 19,980
CHILD TICKET	0.58%	$1.00	$1.20	20.00%	$ 20,881
SENIOR CASH	0.93%	$1.30	$1.30	0.00%	$ -
SENIOR TICKET	1.26%	$1.20	$1.20	0.00%	$ -
EXPRESS CASH	0.29%	$2.50	$2.50	0.00%	$ -
EXPRESS TICKET	2.28%	$2.25	$2.30	2.30%	$ 10,253
GTA WEEKLY PASS	8.82%	$1.84	$1.91	3.80%	$ 65,431
STUDENT - 7 DAY PASS	1.50%	$1.30	$1.30	0.00%	$ -
STUDENT - 5 DAY PASS	0.92%	$1.25	$1.30	4.00%	$ 11,187
MULTIPASS	6.51%	$1.85	$1.95	5.41%	$ 67,945
SENIOR PASS	0.50%	$1.17	$1.17	0.00%	$ -
GO SUBSIDY / SUPPLEMENT	2.39%	$1.50 / $0.25	$1.58 / $0.25	4.57%	$ 21,215
	% Increase (Weighted Average):			**3.26%**	**$ 631,302**

Shaded Cells Indicate YRT Fares that are Lower than Current GTA Average.

4.3.3 Option 3

Option 3 includes all of the changes noted in Options 1 and 2, but also includes the introduction of a flat cash rate of $2.25. This flat rate would apply to Adult, Student, Senior and Child cash fares. This flat cash fare structure is already in place in several other GTA transit systems including Mississauga, Brampton and Hamilton. Although this rate change poses a significant one-time increase, passengers would still be able to avail themselves of discounted ticket and pass options when purchasing multiple fare media. This strategy would further promote the purchase of multiple fare media (thus encouraging higher transit use) and significantly simplifies the fare structure. It is estimated that Option 3 would increase revenues by another $330,000. Again, as noted earlier, this plan would result in approximately $35,000 in new revenues for Mobility Plus services.

Table 4
Option 3

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.67%	$2.00	$2.10	5.00%	$ 335,358
ADULT CASH	30.01%	$2.25	$2.25	0.00%	$ -
STUDENT TICKET	5.77%	$1.40	$1.50	7.14%	$ 79,052
STUDENT CASH	3.19%	$1.60	$2.25	40.63%	$ 211,306
CHILD CASH	0.39%	$1.00	$2.25	125.00%	$ 44,354
CHILD TICKET	0.58%	$1.00	$1.20	20.00%	$ 20,881
SENIOR CASH	0.93%	$1.30	$2.25	73.08%	$ 92,629
SENIOR TICKET	1.26%	$1.20	$1.20	0.00%	$ -
EXPRESS CASH	0.29%	$2.50	$2.50	0.00%	$ -
EXPRESS TICKET	2.28%	$2.25	$2.30	2.30%	$ 10,253
GTA WEEKLY PASS	8.82%	$1.84	$1.91	3.80%	$ 65,431
STUDENT - 7 DAY PASS	1.50%	$1.30	$1.30	0.00%	$ -
STUDENT - 5 DAY PASS	0.92%	$1.25	$1.30	4.00%	$ 11,187
MULTIPASS	6.51%	$1.85	$1.95	5.41%	$ 67,945
SENIOR PASS	0.50%	$1.17	$1.17	0.00%	$ -
GO SUBSIDY / SUPPLEMENT	2.39%	$1.50 / $0.25	$1.58 / $0.25	4.57%	$ 21,215
	% Increase (Weighted Average):			**5.61%**	**$ 959,611**

Shaded Cells Indicate YRT Fares that are Lower than Current GTA Average.

4.3.4 Option 4

Option 4 takes into account all changes noted earlier, but also considers increasing the GO shuttle co-payment from the current $0.25 to $0.50. This minimum co-payment encourages inter-regional commuters to take local transit instead of driving/parking their vehicles at GO rail stations. In addition to the $0.25, through local rail fare integration agreements, GO Transit reimburses local transit systems for 75% of the remaining fare portion. By increasing the shuttle co-payment to $0.50, $60,000 of additional annual revenue can be expected. It should also be noted that York Region commuters are the only local commuters paying $0.25; all other GTA transit systems currently charge $0.50. Again, in addition to the conventional revenues generated, Option 4 would result in approximately $35,000 in new revenues for Mobility Plus services.

Table 5
Option 4

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.67%	$2.00	$2.10	5.00%	$ **335,358**
ADULT CASH	30.01%	$2.25	$2.25	0.00%	$ **-**
STUDENT TICKET	5.77%	$1.40	$1.50	7.14%	$ **79,052**
STUDENT CASH	3.19%	$1.60	$2.25	40.63%	$ **211,306**
CHILD CASH	0.39%	$1.00	$2.25	125.00%	$ **44,354**
CHILD TICKET	0.58%	$1.00	$1.20	20.00%	$ **20,881**
SENIOR CASH	0.93%	$1.30	$2.25	73.08%	$ **92,629**
SENIOR TICKET	1.26%	$1.20	$1.20	0.00%	$ **-**
EXPRESS CASH	0.29%	$2.50	$2.50	0.00%	$ **-**
EXPRESS TICKET	2.28%	$2.25	$2.30	2.30%	$ **10,253**
GTA WEEKLY PASS	8.82%	$1.84	$1.91	3.80%	$ **65,431**
STUDENT - 7 DAY PASS	1.50%	$1.30	$1.30	0.00%	$ **-**
STUDENT - 5 DAY PASS	0.92%	$1.25	$1.30	4.00%	$ **11,187**
MULTIPASS	6.51%	$1.85	$1.95	5.41%	$ **67,945**
SENIOR PASS	0.50%	$1.17	$1.17	0.00%	$ **-**
GO SUBSIDY / SUPPLEMENT	2.39%	$1.50 / $0.25	$1.58 / $0.50	18.86%	$ **82,049**
	% Increase (Weighted Average):			**5.95%**	**$ 1,020,444**

Shaded Cells Indicate YRT Fares that are Lower than Current GTA Average.

4.3.5 Comments

Following a detailed review of the various options and their resulting impacts in terms of the various criteria mentioned earlier, it is recommended that Option 4 be endorsed. Option 4 meets the objectives established as part of the fare structure review process including financial sustainability and market price matching, while at the same time maintaining customer loyalty incentives.

It should also be noted that the first draft of YRT’s 2005 Service Plan includes approximately $7 million of service improvements (not including direct rapid transit investment/costs estimated at approximately $8 million in 2005). While the Option 4 fare structure change represents a 5.95% average increase, the resulting new revenues still only cover a small portion of the additional operating expenditures proposed for 2005.

4.4 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 the securement of adequate funding for future needs. The recommendations of this report are consistent with the intent of the goal statement and support the direction of the identified action area.

5. FINANCIAL IMPLICATIONS

As indicated in the various options, a fare rate change could generate a minimum of $598,000 to a maximum of $1,020,400 in additional farebox revenue next year. The recommended Option 4 represents an approximate 5.95% weighted average increase in fares, which is above the expected CPI rate, but only partially covers the proposed cost of new service improvements.

The impact of removing the fare charged for a Mobility Plus registrant’s personal attendant is estimated at approximately $30,000 in lost revenue or less than one-half of one percent of overall operating budget revenues.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact associated with this report.

7. CONCLUSION

As noted earlier in the report, several criteria have been considered for the annual review of the YRT 2005 fare structure. Achieving a reasonable cost recovery target, maintaining a sustainable rate of return, maintaining discount options for regular customers and ensuring GTA-wide consistency are all important factors to consider. All of these criteria were fully reviewed and, as a result, it is recommended that Option 4 be endorsed to take effect January 2, 2005.

The Senior Management Group has reviewed this report.

(A copy of the attachment referred to in this Clause is included with this report and is also on file in the Regional Clerk’s office.)