YORK REGION TRANSIT
FARE RATE CHANGE 2004

The Transit Committee recommends:

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

2. **The fare structure identified in the following report, August 22, 2003, from the Commissioner of Transportation and Works as Option 3, outlined below, be endorsed for implementation effective January 4, 2004:**

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	22.90%	$1.90	$2.00	5.3	$ 201,702
ADULT CASH	43.30%	$2.25	$2.25	0.0	$ -
STUDENT TICKET	5.53%	$1.40	$1.40	0.0	$ -
STUDENT CASH	3.64%	$1.60	$1.60	0.0	$ -
CHILD CASH	0.64%	$1.00	$1.00	0.0	$ -
CHILD TICKET	0.38%	$1.00	$1.00	0.0	$ -
EXPRESS CASH	0.00%	$2.25	$2.50	11.1	$ -
EXPRESS TICKET	1.27%	$2.00	$2.25	12.5	$ 27,100
GTA WEEKLY PASS	9.56%	$1.84	$1.90	3.3	$ 50,960
STUDENT - 7 DAY PASS	0.89%	$1.30	$1.30	0.0	$ -
MULTIPASS	5.18%	$1.80	$1.85	2.8	$ 23,048
SENIOR CASH	1.00%	$1.25	$1.30	4.0	$ 4,429
SENIOR TICKET	1.17%	$1.10	$1.20	9.1	$ 10,167
SENIOR PASS	0.62%	$0.83	$0.88	6.1	$ 2,729
STUDENT - 5 DAY PASS	1.97%	$1.20	$1.25	4.2	$ 8,709
STUDENT - 5 DAY PASS SB	1.68%	$1.20	$0.85	(29.2)	-$ 59,485
GO TRAIN $0.25	0.26%	$1.68	$1.68	0.0	$ -
	% Increase (Weighted Average):			**2.09%**	**$ 269,359**

Shaded cells indicate YRT rates that are lower than current GTA average

1. RECOMMENDATION

It is recommended that:

1. The fare structure identified in the report as Option 4, outlined below, be endorsed for implementation effective January 4, 2004.

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	22.90%	$1.90	$2.00	5.3	$ 201,702
ADULT CASH	43.30%	$2.25	$2.25	0.0	$ -
STUDENT TICKET	5.53%	$1.40	$1.40	0.0	$ -
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STUDENT - 5 DAY PASS SB	1.68%	$1.20	$0.85	(29.2)	-$ 59,485
GO TRAIN $0.25	0.26%	$1.68	$2.00	19.4	$ 7,110
	% Increase (Weighted Average):			**2.14%**	**$ 276,469**

2. PURPOSE

The purpose of this report is to brief Transit Committee and Council on the status of York Region Transit's current fare structure and recommend a fare rate change in January of 2004.

3. BACKGROUND

As part of the development of the preliminary 2004 operating budget, York Region Transit (YRT) staff have estimated next year's farebox revenues and operating costs, thereby establishing a cost recovery target. The 2004 revenue estimates are based on current revenue distribution patterns coupled with next year's ridership forecasts. The operating costs consist primarily of service contractor charges and associated administration costs.

York Region staff have followed an annual fare structure review process which was endorsed by Regional Council in 2002. This process takes into consideration overall financial objectives, gauges market prices and consistency with other GTA transit fare structures, and maintains customer loyalty incentives.

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 for customers, YRT customer service staff, drivers, fare distribution agents and partner transit agencies. At a minimum, a lead time of approximately three months is required to implement a fare change effectively.

4. ANALYSIS AND OPTIONS

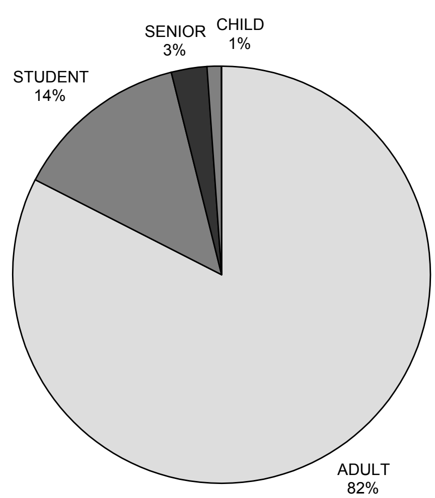
As part of the YRT Five Year Service Plan, a series of annual service improvements have been recommended. The Draft 2004 Annual Service Plan, endorsed by Transit Committee and Council in June 2003, details next year's service requirements in the context of the Five Year Service Plan. In conjunction with the increase in operating expenditures required to fund the proposed improvements, corresponding revenue targets have also been established. By the end of 2003, farebox revenues will amount to approximately $19.7 million or 97% of total transit revenues. The remaining revenues of about $600,000 are made up of bus and shelter advertising contracts. YRT's cost recovery ratio (r/c) for 2003 is projected to be 43%, and for 2004, 47%. By 2006, the r/c target is planned to increase even higher to 56%.

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 YRT fare structure with other GTA transit systems.

Approximately 82% 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 13%, while Seniors comprise of about 3% and Children just over 1%.

2003 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, particularly since the establishment of YRT. The increase in just the last year, 2002 over 2001, was a significant 28%.

In order to maintain a reasonable cost recovery ratio, it is recommended that fare rate increases take into account the increased level of services. 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 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 3% increase in fares a 1% 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 $1.90 and $2.25 respectively, are only marginally higher than the GTA average. For the purposes of the 2004 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
Option 1 Increase Express category to reflect premium service; Increase MultiPass to mirror other adult fare rates; Increase senior rates to be closer to GTA average	$16,700	0.57%	46%
Option 2 Includes all Option 1 increases plus Adult ticket increased to $2	$218,400	1.77%	47%
Option 3 Includes all Option 2 increases plus GTA Pass increased to $1.90/trip	$269,400	2.09%	47%
Option 4 Includes all Option 3 increases but increases GO shuttle to $0.50	$276,500	2.14%	47%

4.3.1 Option 1

Option 1 provides for only a minor increase in revenue and is simply an adjustment to better reflect the GTA average and maintain consistency with the other YRT fare categories.

Option 1

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	22.90%	$1.90	$1.90	0.0	$ -
ADULT CASH	43.30%	$2.25	$2.25	0.0	$ -
STUDENT TICKET	5.53%	$1.40	$1.40	0.0	$ -
STUDENT CASH	3.64%	$1.60	$1.60	0.0	$ -
CHILD CASH	0.64%	$1.00	$1.00	0.0	$ -
CHILD TICKET	0.38%	$1.00	$1.00	0.0	$ -
EXPRESS CASH	0.00%	$2.25	$2.50	11.1	$ -
EXPRESS TICKET	1.27%	$2.00	$2.25	12.5	$ 27,100
GTA WEEKLY PASS	9.56%	$1.84	$1.84	0.0	$ -
STUDENT - 7 DAY PASS	0.89%	$1.30	$1.30	0.0	$ -
MULTIPASS	5.18%	$1.80	$1.85	2.8	$ 23,048
SENIOR CASH	1.00%	$1.25	$1.30	4.0	$ 4,429
SENIOR TICKET	1.17%	$1.10	$1.20	9.1	$ 10,167
SENIOR PASS	0.62%	$0.83	$0.88	6.1	$ 2,729
STUDENT - 5 DAY PASS	1.97%	$1.20	$1.25	4.2	$ 8,709
STUDENT - 5 DAY PASS SB	1.68%	$1.20	$0.85	(29.2)	-$ 59,485
GO TRAIN $0.25	0.26%	$1.68	$1.68	0.0	$ -
	% Increase (Weighted Average):			**0.57%**	**$ 16,697**

Shaded cells indicate YRT rates that are lower than current GTA average

4.3.2 Option 2

Option 2 includes all of the Option 1 increases but, in addition, moves the Adult ticket from $1.90 to $2.00. Since the Adult ticket is the second most common fare media in use (the first being Adult cash), the additional revenue generated increases by over $200,000. However, even with the Adult ticket at $2.00, there would still be an 11% discount over the cash rate.

Option 2

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	22.90%	$1.90	$2.00	5.3	$ 201,702
ADULT CASH	43.30%	$2.25	$2.25	0.0	$ -
STUDENT TICKET	5.53%	$1.40	$1.40	0.0	$ -
STUDENT CASH	3.64%	$1.60	$1.60	0.0	$ -
CHILD CASH	0.64%	$1.00	$1.00	0.0	$ -
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STUDENT - 5 DAY PASS SB	1.68%	$1.20	$0.85	(29.2)	-$ 59,485
GO TRAIN $0.25	0.26%	$1.68	$1.68	0.0	$ -
	% Increase (Weighted Average):			**1.77%**	**$ 218,399**

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4.3.3 Option 3

Option 3 includes all of the changes noted in Options 1 and 2, but also includes the GTA Pass increase which is likely to occur as part of the annual GTA transit system's fare review process. Option 3 increases revenues by another $50,000.

Option 3

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	22.90%	$1.90	$2.00	5.3	$ 201,702
ADULT CASH	43.30%	$2.25	$2.25	0.0	$ -
STUDENT TICKET	5.53%	$1.40	$1.40	0.0	$ -
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GTA WEEKLY PASS	9.56%	$1.84	$1.90	3.3	$ 50,960
STUDENT - 7 DAY PASS	0.89%	$1.30	$1.30	0.0	$ -
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GO TRAIN $0.25	0.26%	$1.68	$1.68	0.0	$ -
	% Increase (Weighted Average):			**2.09%**	**$ 269,359**

Shaded cells indicate YRT rates 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, GO Transit reimburses local transit systems for 75% of the remaining fare portion). By increasing the shuttle co-payment to $0.50, $7,000 of additional annual revenue can be expected. It should also be noted that York Region commuters are the only ones paying $0.25; all other GTA transit systems currently charge $0.50. Overall, the percentage increase associated with this option is consistent with the increase in the Consumer Price Index.

Option 4

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	22.90%	$1.90	$2.00	5.3	$ 201,702
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GO TRAIN $0.25	0.26%	$1.68	$2.00	19.4	$ 7,110
	% Increase (Weighted Average):			**2.14%**	**$ 276,469**

Shaded cells indicate YRT rates that are lower than current GTA average

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 maintains customer loyalty incentives. It should also be noted that the Draft YRT 2004 Service Plan includes approximately $4 million of service improvements. While the Option 4 fare structure change represents a 2% increase, the resulting new revenues only marginally cover the proposed additional operating expenditures.

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. Securing adequate funding for future needs has been considered in this report.

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 $16,700 to a maximum of $276,500 additional farebox revenue next year. Option 4 represents an approximate 2.14% increase which is consistent with the consumer price index (CPI) increase expected next year.

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 identified for the annual review of the YRT 2004 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 4, 2004.

The Senior Management Group has reviewed this report.

(A copy of the attachment referred to in the foregoing is included with this report and is also on file in the Office of the Regional Clerk.)