2
YORK REGION TRANSIT
2006 FARE RATE CHANGE

(Regional Council at its meeting on October 27, 2005, referred the following clause to private session and subsequently adopted in public session with the following recorded vote:

FOR: Barrow, Hogg, J.Jones, T. Jones, Scarpitti, Sherban, Wheeler, Young (8)
AGAINST: Jackson, Van Bynen, Ferri, Grossi, Heath (5)

The Joint Transit Committee and Rapid Transit Public/Private Partnership Steering Committee recommends the following:

1. The presentation by Mary Lou Johnston, Manager, Marketing and Customer Services, York Region Transit, regarding 2006 YRT fare increases be received; and

1. The recommendation contained in the following report October 11, 2005, from the Commissioner of Transportation and Works and the Vice President, York Region Rapid Transit Corporation, be adopted subject to the Proposed Senior Pass rate being amended to $1.33 so Option 3 now reads as follows:

Option 3

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.6%	$2.10	$2.20	4.8%	$ 436,669
ALL CASH	34.0%	$2.25	$2.50	11.1%	$ 972,864
STUDENT TICKET	6.5%	$1.50	$1.70	13.3%	$ 221,941
SENIOR/CHILD TICKET	2.5%	$1.20	$1.40	16.7%	$ 104,416
EXPRESS CASH	0.5%	$2.50	$2.75	10.0%	$ 13,370
EXPRESS TICKET	1.0%	$2.30	$2.50	8.7%	$ 21,755
GTA WEEKLY PASS	8.8%	$1.84	$1.84	0.0%	$ -
STUDENT PASS	1.5%	$1.30	$1.50	15.4%	$ 59,042
MULTIPASS	7.7%	$1.95	$2.00	2.6%	$ 52,991
SENIOR PASS	0.6%	$1.17	$1.33	14.0%	$ 20,033
GO SUBSIDY / SUPPLEMENT	2.3%	$2.08	$2.08	0.0%	$ -
GO STICKER PASS	0.1%	$2.08	$2.08	0.0%	$ -
	% Increase (Weighted Average):			**7.35%**	**$ 1,903,082**

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

1. RECOMMENDATION

It is recommended that:

1. The fare structure identified in the subject report as Option 3, outlined below, be endorsed for implementation effective January 2, 2006.

Option 3

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.6%	$2.10	$2.20	4.8%	$ 436,669
ALL CASH	34.0%	$2.25	$2.50	11.1%	$ 972,864
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GO STICKER PASS	0.1%	$2.08	$2.08	0.0%	$ -
	% Increase (Weighted Average):			**7.43%**	**$ 1,920,895**

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

2. PURPOSE

The purpose of this report is to advise Transit Committee and Council on the status of York Region Transit's (YRT and Viva) current fare structure and recommend a fare rate change for January 2006. The fare change would apply to YRT, Viva and Mobility Plus services.

3. BACKGROUND

York Region has made a significant investment in public transit over the past five years. Since amalgamation in 2001, the hours of revenue service for YRT have increased by an average of 16% per year. As a result, YRT will carry over 14 million passenger trips in 2005, an impressive 13% over the previous year or an additional 1.4 million new trips.

In September, history was made in York Region with the launch of Viva, the first rapid transit service of its kind in the country. It adopts the latest advancements in technology and combines them in a service that is innovative and user friendly. York Region set out to build a transit system that would set a new standard, not only for existing customers, but for an entire generation of new riders.

As Michael Roschlau, President and CEO, Canadian Urban Transportation Association stated on Tuesday September 6, 2005, “In this era of high gas prices, rising greenhouse gas emissions, increasing congestion, deteriorating air quality, the bold initiative taken by York Region is a critical step. Viva is a model because it integrates more elements of bus rapid transit than anywhere else in Canada.”

But providing a service that is frequent, flexible and comfortable has come at a significant cost to York Region. The Region has invested $80 million to build the Viva service, and is paying an additional $27 million in annual operating costs.

In order to balance the investment and associated costs to operate transit services, staff undertake an annual fare structure review that considers a number of variables. The review combines analysis of financial objectives (including cost recovery targets), market variables (e.g. service contractor rates, Consumer Price Index, etc.), consistency with other GTA transit fare structures, the timing of new services including service adjustments, and the introduction of customer loyalty programs.

Once a 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 fare equipment at Viva stations, terminals and fareboxes on conventional YRT buses, updating marketing materials and the development of a communications plan. The new fare structure is then communicated internally to YRT customer service staff, contracted service operators, fare distribution agents and partner transit agencies. A lead time of approximately two months is required to implement an effective fare change strategy.

As part of the development of the preliminary 2006 operating budget, staff have estimated next year’s farebox revenues and operating costs for YRT, Viva and Mobility Plus services, thereby establishing a combined cost recovery target for conventional YRT service and Viva, and a cost recovery target for Mobility Plus services. The 2006 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

In order to meet the transportation, and more specifically, transit goals of York Region, YRT staff develop a Five Year Service Plan. The Plan is the basis for growth and expansion of transit services over the next five years. A new Five Year Service Plan will be presented to Transit Committee later this year. Within the context of the Five Year Plan, an Annual Service Plan is produced which formulates the basis for the following year’s planning activities and budget. In conjunction with any increase in operating expenditures required to fund annual improvements outlined in the service plan, corresponding revenue targets are also established.

By the end of 2005, conventional farebox revenues will amount to approximately $30 million or 94% of total transit revenues. The remaining revenues of about $1.8 million are made up of bus and shelter advertising contracts, charters and other non-fare revenue. YRT's and Viva's combined cost recovery ratio (r/c) for 2005 is projected to be 42.5%. For 2006, the cost recovery, based on the first draft of the proposed operating budget, is estimated at 38% without any fare increase, or 40% should other options be implemented. This drop in cost recovery can be directly attributed to the substantial investment the Region has made in the Viva rapid transit services, along with substantial increases in YRT contractor costs.

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. Currently, Mobility Plus customers use only the Adult fare category for travel.

4.1 Current Fare Structure

YRT fares consist of Adult, Student, a combined 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.

Currently on YRT, approximately 33% of trips are cash, and 67% are tickets and passes. The move to a flat cash fare in 2005 increased the number of customers using discounted tickets and passes for travel as they offered a substantial savings for loyal customers.

4.1.1 Fare Zone System

YRT operates on a two-zone system for conventional service and a three-zone system for Mobility Plus. The zone system was adopted by Regional Council in 2002 and implemented on Mobility Plus in 2003. With YRT conventional transit services, the zone system was introduced in September 2005 (Yonge Route 98 North service). When Viva is extended north to Newmarket on November 20, 2005, the two-zone fare will also be implemented on the Yonge Street Blue line. The dividing line between the two zones is actually a band between Bloomington Road and King Road. The area between the two roads, including the Viva stations located at Bloomington Road and King Road, and the YRT service routes to Seneca King Campus and within Oak Ridges, are included in both zones.

Trips that cross the band are two-zone trips and require a cash supplement of $1.00 or a two-zone ticket or pass. This additional charge helps to ensure that frequent transit service can be provided to the residents of Aurora, Newmarket and the northern municipalities, where the population base is smaller. It is estimated that the additional

$1.00 supplement for two-zone travel will generate an additional $1,000,000 in revenue for 2006.

4.2 Fare Change Criteria

In order to recommend an effective fare change, a number of variables need to be considered. The criteria used for this report include analysis of financial objectives (including cost recovery targets), market variables (eg. service contractor rates, Consumer Price Index, etc), consistency with other GTA transit fare structures and the introduction of customer loyalty programs. From this analysis, a number of options have been developed that consider both the resulting revenue generation potential, as well as any associated ridership decreases. This relationship between fare increases 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.

4.2.1 GTA Fare Comparison

As shown in *Attachment 1*, several of YRT's fare categories are below the GTA average. YRT fares in the Student and Senior/Child ticket and pass categories, are currently below the GTA average. The Adult cash and pass categories, at $2.25 and $78 respectively, are only marginally below the GTA average.

4.2.2 Cost Recovery Targets

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 cost increases. The introduction of Viva has added an additional $27 million in operating costs. Although new ridership is expected, the cost recovery for Viva in 2006 is projected to be only 53%. Marketing and communication programs will be a critical factor in educating the public on the benefits of public transit and generating new riders to meet and exceed ridership targets, and improve the overall cost recovery. Fare options outlined in this report have taken into account the additional costs associated with the introduction of Viva.

4.2.3 Fuel Prices

If gas prices do not level off, they also will have a significant impact on the operating costs for YRT/Viva. Existing YRT contracts have fuel escalation clauses which require the Region to compensate contractors for increases in fuel costs. For 2005, YRT projects a payment of $1,600,000 in fuel escalation charges to three out of four operational divisions. Should fuel prices remain at a $1.00/litre, YRT could potentially pay $3,400,000 in fuel escalation charges in 2006. This reflects the new payment to one additional operational division (Miller) which did not previously have a fuel escalation provision. In order to manage the additional costs and the overall cost recovery, high fuel prices have been considered as fare increase options were developed.

4.2.4 Customer Incentive Fare Programs

From a marketing perspective, YRT staff review existing discounted as well as new fare options for different market segments to generate new riders or encourage riders to travel more often. In 2004, Regional Council approved the Volume Incentive Pass Program on a pilot basis. This program allows business to receive a 15% discount on transit passes for their employees based on a minimum purchase commitment of 15 passes per month over a one year period. Staff are working with local Transportation Management Associations (TMAs) to encourage businesses to participate in the program. The introduction of Viva will present another incentive for businesses to register for this program. Staff will be reporting back to Transit Committee on the results of the pilot program in 2006.

In addition to this, YRT/Viva will be introducing a loyalty card program early in 2006. This program is designed to encourage the trial use of transit services and increase occasional usage of the system. It will also generate additional ridership, increase brand awareness and offer additional value to customers. By displaying their loyalty cards, customers will receive participating merchant discounts (e.g. free coffee at Tim Horton's) and accumulate points towards discounts on YRT/Viva fare media. This program will be operated by a third party contractor who will offer program and points management, web and call centre fare media sales, and database reporting of the program. This program will operate at no cost to the Region. Staff will report back further on this program in early 2006.

4.3 Fare Change Options

YRT fares in the Student and Senior/Child ticket and pass categories, are currently below the GTA average. The Adult cash and pass categories, at $2.25 and $78 respectively, are only marginally below the GTA average. For the purposes of the 2006 fare review, three 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 fare increase-ridership growth only.	$9,300,000	0%	38.1%
Option 1 • Align Student and Senior/Child tickets & passes with GTA average.	$423,247	1.68%	38.5%

Option 2 • Align Student and Senior/Child tickets & passes with GTA average. • Increase the flat cash rate to $2.50. • Adjust the Adult ticket, Express cash and ticket to reflect cash increase.	$1,867,904	7.23%	39.87%
Option 3 - Recommended • Align Student and Senior/Child tickets & passes with GTA average. • Increase the flat cash rate to $2.50. • Adjust the Adult ticket, Express cash and ticket to reflect cash increase. • Adjust the adult monthly pass.	$1,920,895	7.43%	39.92%

4.3.1 Option 1

Option 1 takes into consideration only those fare categories that are below the GTA average while maintaining consistency with the other YRT fare categories and related discount ranges. Adjustments were made to the Student ticket and pass and the Senior/Child ticket and pass categories. This change represents only a 1.68% fare increase with additional annual net revenue of $423,247.

Table 2
Option 1

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.6%	$2.10	$2.10	0.0%	$ -
ALL CASH	34.0%	$2.25	$2.25	0.0%	$ -
STUDENT TICKET	6.5%	$1.50	$1.70	13.3%	$ 221,941
SENIOR/CHILD TICKET	2.5%	$1.20	$1.40	16.7%	$ 104,416
EXPRESS CASH	0.5%	$2.50	$2.50	0.0%	$ -
EXPRESS TICKET	1.0%	$2.30	$2.30	0.0%	$ -
GTA WEEKLY PASS	8.8%	$1.84	$1.84	0.0%	$ -
STUDENT PASS	1.5%	$1.30	$1.50	15.4%	$ 59,042
MULTIPASS	7.7%	$1.95	$1.95	0.0%	$ -
SENIOR PASS	0.6%	$1.17	$1.50	28.2%	$ 37,847
GO SUBSIDY / SUPPLEMENT	2.3%	$2.08	$2.08	0.0%	$ -
GO STICKER PASS	0.1%	$2.08	$2.08	0.0%	$ -
	% Increase (Weighted Average):			**1.68%**	**$ 423,247**

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, increases the flat cash rate from $2.25 to $2.50. As a result of the flat cash increase, adjustments were also made to the Adult ticket to ensure a proportionately accurate discount. Adjustments were also made to the Express cash and ticket categories. Express services are considered a premium service and, therefore, the fares are set slightly higher that the current Adult fares. Given that a large proportion (33%) of current riders use cash payment, adjustments to this category have a substantial impact on the percentage fare increase and additional revenues. This option represents a 7.23% fare increase and generates an additional $1,867,904 in revenue. Customers will still be able to avail themselves of discounted tickets and pass options when purchasing multiple fare media.

Table 3
Option 2

Fare Category	Distribution	Current	Proposed	% Increase	Net Annual Revenue Increase
ADULT TICKET	34.6%	$2.10	$2.20	4.8%	$ 436,669
ALL CASH	34.0%	$2.25	$2.50	11.1%	$ 972,864
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	% Increase (Weighted Average):			**7.23%**	**$ 1,867,904**

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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 an increase in the Adult monthly pass from $78 to $80 per month. This strategy would continue to promote the purchase of tickets and passes, thus encouraging transit loyalty and increased transit use. Option 3 represents a 7.43% fare increase which generates an additional $1,920,895 in revenue.

Table 4
Option 3

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4.3.4 Comments

Following a detailed review of the various options and their resulting impacts in terms of the fare change criteria mentioned earlier, it is recommended that Option 3 be endorsed. Option 3 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. A summary of the three options are available in *Attachment 2*.

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 $423,247 to a maximum of $1,920,895 in additional farebox revenue next year. The recommended Option 3 represents an approximate 7.43% weighted average increase in fares, which partially covers the anticipated cost of new service improvements while still maintaining a reasonable fare structure for customers.

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 3 be endorsed to take effect January 2, 2006.

The Senior Management Group has reviewed this report.

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