

MEETING DATE: October 20, 2004

SUBJECT: Review Of Weekly Pass And Other Fare Proposals

RECOMMENDATION

It is recommended that the Commission approve the following:

- The implementation of an adult weekly pass as outlined in this report, and
 - direct staff to include in the 2005 TTC Operating Budget the impacts of this weekly pass;
 - implement this Ridership Growth Strategy initiative subject to funding being approved through the City budget process (noting that from the time of funding approval it will take approximately six months to implement the weekly pass).
- The implementation of a combined senior/student weekly pass as outlined in this report, and
 - direct staff to include in the 2005 TTC Operating Budget the impacts of a weekly pass;
 - implement this initiative subject to funding being approved through the City budget process (noting that from the time of funding approval it will take approximately six months to implement this weekly pass).
- Extend the Sunday conditions of the Family/Group Pass (which enable up to 6 people, including 2 adults, to travel on the pass) to include both Saturdays and Sundays throughout the year, and
 - direct staff to include in the 2005 TTC Operating Budget the impacts of a extending the Sunday conditions of the Family Pass;
 - implement this change subject to funding for this initiative being approved through the City budget process.
- Staff be directed to provide an assessment of the Volume Incentive Pass (VIP) program and recommendation for the future of this program no later than June, 2005; and
- After an assessment has been completed of the impacts of the VIP program and the implementation of the weekly pass, undertake a review of other Ridership Growth Strategy fare initiatives (including the reduction of the student/senior trip multiple and the removal of the 9:30am time restriction on the Day Pass).

FUNDING

The implementation of an adult weekly pass is expected to have a net financial loss for the TTC of between \$3.3 million and \$3.9 million annually. If a senior/student weekly pass were implemented in addition to the adult pass, the combined senior/student pass is expected to require funding of approximately \$0.4 million to \$0.5 million annually. The extension of the Sunday conditions of the Day/Family pass to include Saturdays is expected to reduce fare revenues by between \$0.2 million and \$0.5 million.

BACKGROUND

At the June 18, 2003 Commission meeting, staff were asked to report on the feasibility of implementing a weekly pass. In May 2004, Chair Moscoe requested that staff report on the impact of reducing the student Metropass trip multiple from the current rate of approximately 66 times the student ticket price to 52 times the student ticket price. In response to this request, a memo was sent to all Commissioners on July 5, 2004 outlining these impacts (see Attachment A). At the July 14, 2004 Commission meeting, the July 5 memorandum was referred to staff for a report in October 2004 that would also include recommendations for other adjustments to fare media.

At the September 22, 2004 Commission meeting, staff was directed to include the following additional

information in the October 2004 report:

- Sunday Family Pass being extended to a weekend pass;
- One day pass be expanded to include use during rush hours; and
- Feasibility of replacing all paper tickets with cash fares and lowering the cash fare to \$2.00 to coincide with the introduction of the weekly pass.

In subsequent discussions with the Chair, it was agreed that the last item (i.e. replacement of paper tickets) could be addressed at a later Commission meeting.

This report deals with the remaining fare-related items.

DISCUSSION

The evaluation of fare initiatives should recognize that the fare structure of the TTC must be designed to provide the revenues necessary to meet the budget requirements of the system. At the same time, the fare structure should have options for the customer that provide a reasonable range of choice and pricing.

The TTC's current fare structure is required to provide sufficient revenues to meet the Commission's financial requirements after subsidy and expense levels are determined through the budget process. Potential changes to the fare structure need to be assessed carefully to ensure that the overall financial objectives of the Commission are met and that the risk to existing passenger revenues is minimized. This is particularly true for 2005 as there will be significant budget pressures on the TTC's operating budget even before the impacts of a new collective bargaining agreement are factored in.

Experience has demonstrated that once a new fare initiative has been introduced, it is difficult to remove it from the fare structure. For this reason, it is important to clearly understand the risks associated with new fare initiatives before implementation and to consider further alternatives only after the impacts of existing initiatives have been assessed. Currently the TTC is conducting a pilot for the Volume Incentive Green Pass (VIP) program. This program provides discounted monthly Metropasses to businesses and post-secondary institutions in return for a commitment to buy at least 50 passes per month for a period of one-year. The pilot will be completed in August 2005, by which time a decision will be required on the future direction of this program.

From a customer perspective, the current fare structure of the TTC has been established to provide a range of choices for the customer that provides different costs per trip depending on the level of "commitment" an individual is willing to make to the TTC. For example, while the cost per trip for a single adult trip is \$2.25, individuals who purchase 10 tickets/tokens at a time can travel for \$1.90 per trip, or, if they purchase a monthly Metropass, for an average of \$1.41 per trip (see Attachment B). Potential changes to the fare structure should be consistent with this pricing approach.

The Ridership Growth Strategy provides a further context for the consideration of new fare initiatives. This document provides a plan to grow ridership based on considerations related to both improvements to service and the introduction of alternative fare pricing and new fare initiatives. The Ridership Growth Strategy recognized that there was a cost to "growing" ridership, and the alternatives were evaluated based on an approach that assessed the dollars invested per new trip generated. The report also highlighted the importance of ensuring that service improvements were implemented to enhance the capacity of the system, and ensure the system was capable of handling any ridership growth that would occur through the fare and service initiatives.

Three of the four fare initiatives that staff have been asked to review in this report were included in the

Ridership Growth Strategy: (i) implementing a weekly pass; (ii) reducing senior/student Metropass trip multiple; and (iii) eliminating the 9:30a.m. weekday time restriction on the Day Pass. Each of these initiatives will be reviewed below based on information in the Ridership Growth Strategy and any further details that have been gathered subsequently (See Attachment C).

There are a number of other considerations that must be acknowledged in the evaluation of new fare media. These include:

- New pieces of fare media add to the existing range of tickets, tokens, passes and badges that collectors and operators must recognize in determining whether a tendered fare is acceptable;
- There is a greater risk to implementing more than one change to the fare structure at a time due to the uncertainty associated with how customers will react to multiple changes; and
- The potential risk of increased counterfeiting/fraud with the introduction of new fare media.

Implementing an Adult Weekly Pass

The Ridership Growth Strategy (RGS) recommended implementing an adult weekly pass in Year Three of the program. While the adult weekly pass was comparable to other RGS fare initiatives in terms of dollars spent per ride gained, it was allocated to Year Three because of potential issues related to the administration of the program.

There are three reasons that may justify moving this initiative earlier in the RGS program:

- A detailed assessment of the administration of the weekly pass has shown that while there will be challenges with the distribution, collection and tracking of pass sales, these concerns should be manageable with some added resources (see Attachment D);
- Expectations that the cost of an adult Metropass will exceed \$100 after the next fare increase, and the need for a more affordable fare alternative to “fill the gap” between the ticket/token and the monthly pass; and
- Once approval has been received to implement the pass, it will take approximately six months to procure the pass.

If the TTC were to implement an adult weekly pass, it would be in addition to the current fare structure and would replace the Special Period Weekly Pass (available during Christmas and March breaks). The weekly pass would be similar to the current GTA Weekly Pass in that it would be valid Monday to Sunday, have a magnetic stripe to provide access through turnstiles and unstaffed entrances, but would not provide access to commuter parking lots. These lots are already close to capacity and pass access should be reserved for monthly Metropass purchasers only.

Similar to the monthly Metropass, the weekly pass would not be transferable and would require a photo ID. It is proposed that the weekly pass would initially be available for sale at collector’s booths and pass vending machines that are to be tested in the subway system. When it can be demonstrated that this distribution network can operate smoothly, consideration will be given to including ticket agents in the sales network. There are separate issues that will need to be resolved to include ticket agents, including an increase in overall program costs of approximately \$0.2 million annually.

The overall financial impact of an adult weekly pass will be dependent on three main factors:

- Changes to fare revenues;
- Production costs for the pass; and

- Added ongoing expenses to distribute, collect and track pass sales.

The magnitude of these factors will vary depending on the number of passes sold, which is directly influenced by the price of the weekly pass relative to other fare media.

Based on the TTC's practice of providing a higher discount per trip for a greater "commitment" to the TTC, the price of the weekly pass should be higher than the *weekly equivalent* of the monthly Metropass (i.e. approximately 12 times the adult ticket/token price). If the adult weekly pass were priced at the same trip multiple as the Special Period Weekly Pass (i.e. 15 times the adult ticket/token rate), it is estimated that the overall financial impact to the TTC would range from \$3.3 million to \$3.9 million annually (see Attachment D). This is consistent with the estimate that was included in the Ridership Growth Strategy. Ridership gains would be approximately 1.7 million annually.

Overall, there is little doubt that the introduction of a weekly pass would benefit TTC customers by requiring a lower cash outlay on a weekly basis. This may be particularly important if the price of the monthly Metropass exceeds \$100 after the next fare increase. Customers would also have a broader range of fare media that may provide a better match to their individual travel needs. Another positive impact of a weekly pass is that it would encourage higher ridership on the TTC.

However, these benefits need to be weighed against the financial costs to the TTC. To reduce the financial risk to the TTC, an adult weekly pass should be priced at no less than 15 times the adult ticket/token rate. Even at this price, the financial impact for the TTC ranges from \$3.3 million annually to \$3.9 million annually. The affordability of this initiative must be reviewed within the context of the overall budget process to assess the costs and benefits relative to other programs and initiatives the TTC is undertaking.

Therefore, as with other Ridership Growth Strategy initiatives, it is recommended that the adult weekly pass be included in the TTC's 2005 operating budget, but only implemented once it has been approved through the budget process. It is important to note that because of the long lead time required to procure these types of passes, it would take approximately six months from the time of funding approval to actual implementation of the adult weekly pass.

Implementing a Senior/Student Weekly Pass

A senior/student weekly pass was *not* an initiative included in the Ridership Growth Strategy. However, if the TTC were to implement a weekly pass for adults, it is likely there would be demands for a similar pass for seniors and students. From an equity perspective and similar to adults, a senior/student weekly pass would provide more options to concession fare users that may make taking transit more affordable.

From an operational perspective, a weekly pass for adults and a weekly pass for seniors and students would increase the number of fare media that operators and collectors are required to scrutinize, and it also would increase the challenges with the distribution, sales and revenue collection processes.

For these reasons, if a weekly pass is implemented for seniors and students, it is recommended that this be a combined pass. The features would be identical to the adult weekly pass in terms of validity period, access to system and sales locations. As with the adult pass, the senior/student pass would be priced higher than the *weekly equivalent* of the monthly senior and student Metropasses (i.e. 15 times the senior/student ticket rate). At a price of 18 times the senior/student ticket rate, it is estimated that the overall financial impact to the TTC would range from \$0.4 million to \$0.5 million annually. Ridership gains would be up to 0.2 million rides annually. It is important to note that the estimated financial impacts assume improvements to the fare distribution and collection network have already been implemented for the adult weekly pass. If an adult weekly pass was not implemented, and only a

senior/student weekly pass was introduced, the financial impacts for the senior/student pass would increase by approximately \$0.2 million annually.

Consistent with the adult weekly pass, the costs and benefits of the senior/student pass should be reviewed during the TTC's budget process. It is therefore recommended that the senior/student weekly pass be included in the 2005 operating budget, but only implemented once it has been approved through the budget process. As with the adult pass, it will take approximately six months from the time of funding approval to actual implementation of the senior/student pass.

Reducing Senior/Student Metropass Trip Multiple

Attachment A summarizes the impacts of reducing the senior and student Metropass trip multiple from the current rate of 66 times the senior/student ticket price to 52 times the ticket price. This is *not* an RGS initiative but, as noted in the Attachment, a reduction of the trip multiple from 66 to 60 times the ticket price was included in the RGS. The annual impact of reducing the trip multiple by six trips is estimated at \$1.2 million annually, with an annual ridership impact of 0.6 million.

As noted earlier in this report, making multiple changes to the fare structure that affect the pricing of fare media for a particular rider market increases the financial risk to the TTC. This is because of the uncertainty associated with consumer reaction to multiple changes in the pricing structure. On this basis, should a weekly pass be implemented for seniors and students, it is recommended that consideration of reducing the Metropass trip multiple for seniors and students only occur after the actual impacts of the new weekly pass have been assessed. At that time, the estimated financial impacts would need to be revised based on the shifts that have occurred between fare media within the senior and student ridership markets. This approach is consistent with the overall RGS strategy, which spread fare initiatives over a multi-year period to allow for such follow-up analysis to occur.

Eliminating the 9:30 a.m. Weekday Time Restriction on the Day Pass

Day Passes are currently valid from Monday to Friday only after 9:30 a.m. The elimination of this time restriction to allow for the Day Pass to be used prior to 9:30 a.m. on weekdays was included in the RGS. The financial impact of this initiative was estimated to be \$0.8 million annually with a ridership gain of 0.4 million annually.

The weekday commuter market is the population that will likely be most influenced by the discounts available through the VIP program, the introduction of the adult weekly pass and the elimination of the 9:30 a.m. time restriction of the Day Pass. For all the reasons cited earlier in this report, it is recommended that consideration of eliminating the 9:30 a.m. restriction should only occur after an assessment has been completed of the actual impacts of both the VIP program and the adult weekly pass.

Extending the Family/Group Pass from Sunday to Include Saturdays

The Day Pass is currently valid all-day Saturday for one person and provides unlimited travel on the TTC. On Sundays and statutory holidays, the same pass provides unlimited travel all day for a group of up to six people (maximum of two adults). The suggested proposal would involve extending Sunday rules to include Saturday.

This proposal was not included in the RGS, but it does focus on an opportunity that exists to encourage added ridership for a weekend market that would include both tourists and residents travelling to special events and locations throughout Toronto. This added ridership would not place an added burden on the system, since there is excess carrying capacity available on weekends.

Extending the Sunday conditions of the Family/Group Pass to include Saturdays would not conflict with other fare initiatives. This is because the primary benefit is to encourage group travel on Saturdays and Sundays, rather than individual travel throughout the week. There is also a benefit to simplifying the rules for the pass, and having one set of conditions that applies for the entire weekend.

An alternative would be to introduce a separate weekend pass. However, this approach would add a new piece of fare media that would have some impacts on the distribution and collection processes for fare media, and would also increase the number of fare media that collectors and operators need to recognize. From a customer perspective, a weekend pass would require a commitment for two days of travel rather than the flexibility of purchasing individual Family/Group passes that matched their travel demands.

Extending the Sunday conditions of the Family/Group pass to Saturday could be accomplished using existing fare media and simply requires a change to operating procedures. In fact, there are five Saturdays during the year that already have the Sunday conditions extended to them; these are the Saturdays during the Christmas and March Break Family/Group pass promotion and the Saturday of the Celebrate Toronto Street Festival weekend.

The financial impacts of extending the Sunday conditions to Saturday are estimated to include a revenue loss from \$0.2 million to \$0.5 million annually, with a ridership benefit of 0.1 million to 0.3 million. As with all other fare initiatives, this proposal should be reviewed during the 2005 operating budget process. This initiative could be implemented within one month of receiving funding approval.

JUSTIFICATION

The proposal to implement the adult weekly pass will provide TTC customers with a more affordable alternative between the ticket/token and the monthly Metropass. There is justification to move this program earlier in the overall Ridership Growth Strategy since its cost per new ride generated compares favourably with other phase one initiatives.

Providing a weekly pass for seniors and students was not included in the Ridership Growth Strategy. However, it is reasonable to extend this fare alternative to concession fare users for many of the same reasons that apply to the adult market. The senior/student weekly pass also compares favourably to other phase one initiatives in the Ridership Growth Strategy.

Extending the Sunday conditions of the Family/Group pass to include Saturdays simplifies the operating rules for the pass and provides an incentive for customers to travel on the TTC during a period when extra capacity is available on the system.

While these initiatives will be beneficial for customers and will stimulate added ridership for the TTC, the financial impacts of these must be evaluated within the context of the TTC's overall budget requirements. It is therefore reasonable to include these fare initiatives in the 2005 operating budget, but only proceed with implementation subject to their approval through the City's budget process.

An assessment should be completed on the impacts of the proposed fare initiatives before consideration is given to implementing further changes to the fare structure. This is necessary because of the significant pressures on the TTC's budget for 2005, and the need to minimize the risks to overall passenger revenues.

October 5, 2004

3-58-58

ATTACHMENT A

TORONTO TRANSIT COMMISSION

**TO Chair Howard Moscoe
Vice-Chair Joe Mihevc
Commissioner Brian Ashton
Commissioner Bas Balkissoon
Commissioner Sandra Bussin
Commissioner Adam Giambrone
Commissioner Peter Li Preti
Mayor David Miller
Commissioner David Shiner**

FROM Richard C. Ducharme

DATE July 5, 2004

SUBJECT Student Pass Trip Rate Multiple Reduction

Staff was requested to report on the impact of reducing the Student Metropass trip multiple from the current rate of approximately 66 times the student ticket price to 52 times the student ticket price. Currently the regular Student Metropass is priced at \$83.25 which would be reduced to \$65.00 if the trip multiple was reduced to 52. The Adult Metropass is currently priced at 52 times the adult ticket/token price (\$98.75).

At the present time, student and senior fares are priced the same. Pass prices for senior and students were different until June 1996 at which time the trip rates and prices were harmonized. At that time the student pass price was reduced from a trip multiple of 78 to match the senior rate and remove the inequity in pricing between the two groups. The senior and student trip multiples were originally set higher than the adult trip multiple because it was determined that this was the level that was affordable in the context of the overall fare structure.

Reduction of both the Senior and Student Metropass trip multiple was examined in the Ridership Growth Strategy, and the impact of reducing the trip multiple by 2, 4 and 6 trips for seniors and students was estimated. The annual impact of reducing the trip multiple by 6 trips was estimated at that time at (\$1.2M) including both reduced fare revenue and increased production costs. The annual ridership impact was estimated at 600,000 rides.

Based on current information, it is estimated that if only the Student Metropass trip rate was reduced to 52 times the ticket price, it would have a financial impact of (\$2.0M) annually, with a ridership gain of 600,000. However, this would reintroduce the inequity in terms of

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student and senior fare pricing and would likely lead to numerous complaints and negative publicity for the TTC. If the price of both the Senior and Student Metropasses were reduced to a trip multiple of 52, the annual impacts would be (\$3.0M) in terms of fare revenue with a corresponding ridership gain of 900,000 rides.

Staff does not recommend that differential pricing be put into effect for Senior and Student Metropasses. If differential pricing is reintroduced, it is likely that strong opposition will be raised by the group that does not receive the benefit. Staff intends to follow the approach developed in the Ridership Growth Strategy and will consider the reduction of the senior and student trip multiple from 66 trips to 60 trips at the time of the next fare increase. This fare option will be evaluated in comparison to other fare options and assessed within the context of the TTC's overall budget.

Chief General Manager

3-16-16

ATTACHMENT C

Ridership Growth Strategy – Group 1 Investments

	New Ridership	Annual Operating Costs			Capital Costs		Total Annual Subsidy
		Costs	Revenue	Subsidy	Project Total	Annual Over 10 Years	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Service Proposals:							
	2.84	\$9.2	\$4.4	\$4.7	\$60.0	\$6.0	\$10.7
1. Improve peak service	2.28	\$12.0	\$3.5	\$8.4	\$0.0	\$0.0	\$8.4
2. Improve off peak service on major routes	12.33	\$0.0	\$0.0	\$0.0	\$300.0	\$30.0	\$30.0
3. Upgrade to surface rapid transit on six "Avenues" in 10 years	0.99	\$1.0	\$2.2	-\$1.1	\$18.2	\$1.8	\$0.7
4. Surface commuter parking expansion	0.60	\$0.2	\$0.9	-\$0.8	\$5.0	\$0.5	-\$0.3
5. Expand Traffic Signal Priority program							
Fare Proposals:							
1. Discount Metropass by \$5.00	2.00	\$0.1	-\$9.0	\$9.1	\$0.0	\$0.0	\$9.1
2. Remove 9:30 a.m. restriction on Day Pass	0.40	\$0.1	-\$0.7	\$0.8	\$0.0	\$0.0	\$0.8
3. Senior/Student Day Pass	0.60	\$0.1	-\$0.8	\$0.9	\$0.0	\$0.0	\$0.9
4. Reduce Senior/Student Metropass trip rate by six	0.60	\$0.0	-\$1.2	\$1.2	\$0.0	\$0.0	\$1.2
5. VIP Green Pass	1.40	\$0.1	-\$2.6	\$2.7	\$0.0	\$0.0	\$2.7

Total of Group 1 Investments	24.04	\$22.7	-\$3.2	\$26.0	\$383.2	\$38.3	\$64.3
Average Annual Subsidy per New Passenger	\$2.67						

ATTACHMENT C cont'd

Ridership Growth Strategy – Group 2 Investments

	New Ridership	Annual Operating Costs			Capital Costs		Total Annual Subsidy
		Costs	Revenue	Subsidy	Project Total	Annual Over 10 Years	
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Service Proposals:							
	2.88	\$20.1	\$4.5	\$15.6	\$0.0	\$0.0	\$15.6
6. Full service on all routes from 6:00 a.m. to 1:00 a.m.	2.73	\$19.1	\$4.2	\$14.8	\$0.0	\$0.0	\$14.8
	3.49	\$0.0	\$0.0	\$0.0	\$150.0	\$15.0	\$15.0
	5.76	\$2.6	\$8.9	-\$6.3	\$120.0	\$7.8	\$1.5
7. Maximum of 20-minute service on all routes							
8. Upgrade to surface rapid transit on three additional "Avenues"							
9. Expand capacity of Scarborough RT (convert to Mark II assumed)							
Fare Proposals:							
6. Weekly Pass *	2.40	\$1.0	-\$2.6	\$3.6	\$0.0	\$0.0	\$3.6
7. Overall Fare Reduction - minus \$0.10 adult ticket/token pro-rated	3.60	\$0.0	-\$20.2	\$20.2	\$0.0	\$0.0	\$20.2
Total of Group 2 Investments	20.86	\$42.8	-\$5.2	\$48.0	\$270.0	\$22.8	\$70.8
Total of Group 1	44.90	\$65.5	-\$8.4	\$73.9	\$653.2	\$61.1	\$135.0

and Group 2 Investments							
Average Annual Subsidy per New Passenger	\$3.39						

* Recommended to be moved from Group 2 Investments to Group 1 Investments.

ATTACHMENT D:

ADULT WEEKLY PASS – ESTIMATED ANNUAL FINANCIAL LOSS

	Estimated Annual Impacts (\$millions) For Adult Weekly Pass Priced at		
	14x Adult ticket/token	15x Adult ticket/token	16x Adult ticket/token
Revenue Reductions	\$3.2 - \$3.6	\$2.3 - \$2.6	\$1.6 - \$1.7
Production Costs for Pass	\$1.1 - \$1.3	\$0.8 - \$1.0	\$0.5 - \$0.7
Other Ongoing Expenses *	\$0.2 - \$0.3	\$0.2 - \$0.3	\$0.2
TOTAL ANNUAL FINANCIAL LOSS	\$4.5 - \$5.2	\$3.3 - \$3.9	\$2.3 – 2.6
Annual Sales of Pass (millions)	1.7	1.2	0.8
Annual Additional Rides (millions)	2.2	1.7	1.1

*These costs include weekly passes being sold at collector booths and pass vending machines in the subway system. To extend the sales network to ticket agents would increase ongoing expenses by approximately \$0.2 million.