

MEETING DATE: June 22, 2005

SUBJECT: TTC Volume Incentive Pass (VIP) Green Pass Pilot Program Assessment

RECOMMENDATION

It is recommended that the Commission approve the implementation of a permanent TTC VIP Green Pass Program starting in September, 2005.

FUNDING

Based on the continued participation of existing organizations and a conservative growth factor (5% to 10%) to reflect additional participants in the program, it is estimated in 2006 that the VIP Green Pass Program will result in a net loss in the range of \$1.9 million to \$2.2 million with an associated increase in ridership in the range of 3.2 million to 4.2 million. The estimated impact will be included in the 2006 revenue and ridership budgets. The impact in future years will be determined by the number of participants and accompanying volume of Metropass purchases.

BACKGROUND

At the November 2002 meeting, the Commission approved the implementation of a VIP Green Pass pilot program for a test period of one year. The pilot was initially limited to 12 participants and was intended to assess interest from both business organizations and other institutions such as hospitals and post-secondary schools, as well as estimate the revenue and ridership impacts. The VIP Green Pass Pilot Program was included as one of the fare proposals recommended in the Ridership Growth Strategy.

In June 2003, the Fairmont Royal York Hotel was the first organization to join the VIP pilot followed shortly by the University of Toronto Students Administrative Council. The "sign-up" of these participants and accompanying media coverage increased interest in the VIP Green Pass program significantly. At the August 2003 meeting, the Commission extended the VIP Green Pass pilot program to September 2005 and increased the allowable number of pilot participants from 12 to 30. Staff was directed at the October 2004 meeting to provide an assessment of the VIP pilot program and a recommendation for the future of the program by June 2005.

DISCUSSION

The VIP Green Pass pilot program allows organizations to purchase discounted adult Metropasses based on a minimum monthly purchase of 50 Metropasses for a period of at least one year. The pilot offers participants three price discounts (10%, 11% and 12%) based on the number of passes purchased per month (50 to 249, 250 to 499 and 500+).

The framework of the VIP pilot program provides for the fair equitable treatment of all interested and qualified parties who wish to commit to the volume purchase of TTC Metropasses for a one-year period. The VIP guidelines clearly identify the parameters of the program, and allow organizations to determine their interest in participating based on identified rules. The current approach is also beneficial for the TTC, because it eliminates the requirement for the TTC to negotiate separate arrangements with a variety of organizations. Separate arrangements are difficult to manage and could be perceived as inequitable, an issue that is eliminated with the standard guidelines that the pilot is based on.

The VIP pilot is structured such that TTC activities are focused on the delivery of Metropasses and

the collection/processing of fees and charges. Participants are responsible for all program administration, but the terms and conditions of the program are flexible enough to allow the participants to establish their own internal programs to promote, distribute and administer the Metropasses that best fit their needs. Participants are allowed, if they choose, to provide their employees/students a further discount on the price of the Metropass.

Since the start of the VIP pilot, 283 organizations have expressed an interest in receiving material on the program, and staff has made formal presentations to 97 groups. Currently there are 25 participants in the VIP pilot program: 9 post-secondary institutions, 3 health care organizations and 13 private corporations. Sales volumes have increased consistently since the beginning of the pilot, and VIP sales for 2005 are now estimated at 220,000 Metropasses.

Based on data gathered from surveys completed with the participants, it is estimated that the impact of the VIP Pilot Program in 2005 was an increase in ridership of 3.1 million to 4.1 million with an accompanying net loss in the range of \$1.7 million to \$1.9 million. A total of approximately 3,800 responses from VIP participants were collected from four surveys conducted during the pilot. The key findings are highlighted below and a summary of the results is provided in Attachment A. During the pilot, there was a distinct difference between post-secondary and public/private participants in terms of fare media switching and increase in ridership after joining the VIP Program. Future surveys of participants will continue to monitor these key measures as these items have a direct link to revenue and ridership impacts.

Feedback received from participants during the pilot was very positive, and all expressed support for the continuation of the VIP Program on a permanent basis.

	<u>Post-Secondary</u>	<u>Public/Private</u>
Fare Used Prior to VIP (Existing Riders)		
- Metropass/MDP	17%	49%
- Non-Pass	83%	51%
Reasons For Buying VIP		
- Cost	75%	73%
- Convenience	20%	15%
- Other	5%	12%
New Users to TTC	3%	3%
Additional Weekly Trips With VIP	4.2	0.5

Staff has assessed the impact of making the VIP Green Pass Program permanent in terms of internal staffing requirements and administrative processes. The TTC will be implementing a new Fare Media Management System in late 2005 which will include a module necessary to manage VIP activities. Until the new system is available, staff will manage the VIP Program by working within the constraints of existing applications. Assuming a modest program growth in 2006 (not including participation by the City of Toronto), no additional workforce is required next year. Future workforce requirements will be reviewed as required to ensure the necessary staffing is in place to allow the Program to run smoothly, and customers receive the appropriate level of service. Staff is currently addressing some minor internal administrative issues related to providing the participant the maximum benefit from the program, as well as improving internal efficiencies. All of these issues can be resolved before September.

Based on the continued participation of existing organizations and conservative growth in the volume of Metropasses purchased (5% to 10%) reflecting new participants in the program, it is estimated in 2006 that the VIP Green Pass Program will result in a net loss in the range of \$1.9 million to \$2.2 million with an associated increase in ridership in the range of 3.2 million to 4.2 million. The estimated impact will be included in the 2006 revenue and ridership budgets.

If the recommendation is approved, the following VIP Green Pass Program activities will be completed prior to the September 2005 launch date:

- Issue news release immediately following approval to announce the establishment of the VIP Green Pass Program on a permanent basis beginning in September 2005;
- Prepare a joint letter from the TTC Chair and Mayor to be sent to GTA MP's and MPP's encouraging their agencies, boards and commissions to follow the City of Toronto's lead in joining the VIP Program;
- Refine internal processes/systems as required;
- Refine Program rules and guidelines as required;
- Prepare updated Marketing Plan and materials including list of potential partners to assist in rollout. Marketing material will include a business to business brochure and updated website; and
- Approach potential partners (Board of Trade, Union, Labour organization etc.) to determine interest in participating in a co-campaign.

JUSTIFICATION

The TTC VIP Green Pass Pilot Program has been a success as shown by the increasing sales volume over the life of the pilot, and the positive feedback provided by participants. The financial impact to the TTC has been lower than originally estimated and the ridership gains from pilot show that this program is a very cost effective way of generating new ridership. With the establishment of a permanent VIP Green Pass Program and associated formal marketing plan, the VIP Program will continue to expand in terms of new participants and volume of Metropasses sold.

June 8, 2005

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