TORONTO TRANSIT COMMISSION

REPORT NO.

MEETING DATE:September 12, 2007

SUBJECT: TTC Response To City Budget Crisis

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RECOMMENDATIONS

It is recommended that the Commission:

1. Receive the results of the public consultations, noting that the preferred funding alternatives were as follows:

- 54% said "raise taxes"
- 45% said "raise fares"; and
- 27% said "cut service"

2. Note that the previously estimated 2008 TTC budget shortfall of about $104 million has been reduced by $10 million to $94 million, as a result of (i) the TTC signing a long-term contract to bus diesel fuel at a fixed price ($7 million reduction in 2008) and (ii) the deferral on July 20, 2007 of the service budgeted to be added in the fall of 2007 and the delay in opening of Mount Dennis Garage to at least February 17, 2008 ($3 million reduction in 2008);

3. Approve the implementation of the 2007 and 2008 service, starting on February 17, 2008, that is required to maintain service at the approved long-standing service standards to ensure that crowding is maintained at "tolerable" levels, noting that

- 77 bus and streetcar routes – or almost half of the TTC's system – is operating with crowding in excess of the prescribed standards;

- the operation of bus and streetcar routes with overcrowding results in reduced quality of service to customers and a deterioration in reliability and regularity of service, because it takes people longer to get to/from the doors in crowded vehicles, so the buses and streetcars get delayed and become more prone to "bunching and gapping";

4. Implement the 2007 and 2008 Ridership Growth Strategy (RGS) service improvements at peak periods and off peak periods (full day service on surface routes to match subway service hours), and open Mount Dennis Garage, estimated at a cost of about $20+ million in 2008, provided funding is available;

5. Do not implement reductions to poor performing routes at this time. Staff will continue to review these routes should it prove necessary to eliminate some or all of them at a future date.

6. Implement an "across the board" 15¢ fare increase (15¢ on adult ticket/token fares and prorated for most others) in November 2007 and implement an additional change to monthly Metropasses equivalent to the cost of two additional adult ticket/token fares (about $4 per monthly pass) to generate about $39 million in net extra revenue. The new fare structure is detailed in Appendix B of this report;

7. Continue the other cost containment initiatives approved by the Commission on July 20, 2007, until further notice;

8. Note that the effect of all of the previous recommendations is to have reduced the TTC's 2008 budget shortfall from the previous $104 million to $55 million, if the RGS initiatives are operated and Mount Dennis Garage is opened, or to $35 million if they are not.

9. Take action to establish a long term sustainable funding strategy for transit. Such an arrangement would put an end to the current situation of the TTC lurching from year to year adding then cutting service due to uncertain operating funding availability;

10. Forward this report to the City of Toronto, the Greater Toronto Transportation Authority, the Province of Ontario, and the Government of Canada;

11. Forward this report to the adjacent municipalities and transit agencies, for information.

FUNDING

The 2008 high-level pro-forma budget, before considering the recommendations in this report, was as follows:

	2007	2008	Change
Expenses	$1,083 million	$1,211 million	$128 million
Revenues	$811 million	$835 million	$24 million
Subsidy	$272 million	$376 million	$104 million

The net $104 million increase is made up of $93 million for increased labour costs, health and dental cost increases, inflationary costs including items like diesel fuel and opening Mount Dennis Garage, and $35 million for additional service. Offsetting these amounts is $24 million in additional revenue (before a fare increase).

After incorporating the items recommended for approval in this report, the 2008 shortfall will have been reduced from $104 million down to $55 million (if the Ridership Growth Strategy initiatives are operated) or $35 million (if the RGS services are not operated and Mount Dennis Garage is not opened) as follows:

Previous estimated shortfall $104 million

Cost reductions (recommendation #2)($10) million

Fare increase (recommendation #6) ($39) million

$55 million

2007 and 2008 Ridership Growth

Strategy (rec. #4)   ($20) million

$35 million

It should be noted that the TTC's 2008 Operating Budget will be presented to the Commission on November 14, 2007 for final approval. That budget will incorporate any approvals made by the Commission at this meeting and will also include any other finalised figures resulting from the detailed budget review process the Commission is presently undergoing internally.

BACKGROUND

The City of Toronto is currently facing a financial crisis. It is projected that the City will have a funding shortfall, or deficit, next year of approximately $575 million.

The City Manager has directed that all agencies, boards, commissions, and departments reduce operating costs to help the City eliminate this financial deficit. The TTC, in particular, has been asked to reduce its operating costs by $100 million in 2008. This is equal to approximately 8% of the TTC's total operating budget, or approximately 37% of the current operating subsidy for the TTC.

At its meeting of July 20, 2007, the Commission received a presentation by the Chief General Manager pertaining to possible cost-containment measures, and approved the following motions:

- That service additions planned for September 2007 to reduce overcrowding be deferred indefinitely.

- That the Mount Dennis Garage opening be postponed until at least January 2008.

- That the Commission meeting of August 29, 2007 be cancelled to allow staff time to prepare properly, and that a regular commission meeting be convened on September 12, 2007.

- That staff report back on all options for a fare increase to the next regular meeting of the Commission, including scenarios that minimise the impact on Metropass prices.

- That staff, in consultation with the Chair and Vice-chair, begin a community consultation and communication process, providing an interim report at the next regular Commission meeting on the following:

1. All options for a fare increase

2. Consultation with the affected communities on the reduction or elimination of service on the poorest-performing bus routes in the city, including the notification of local councillors of consultations within their wards

3. Mechanisms for the possible elimination of service on the Sheppard Subway

- Report back to the next regular Commission meeting on a strategy for minimising or eliminating layoffs, with specific reference to saving through attrition in the TTC workforce in the event that service cuts are made.

- Communicate to TTC Employees that the Commission prefers this option.

- That staff advise the City Manager of the identified opportunities and actions for cost containment, with updates as they become available

- That staff, using 1996 as the base year, report back at the next regular Commission meeting on each and every new position that has been added, including front-line, back-end, supervisor and management, with a business case analysis for each position.

- That staff be directed to conduct a study of the economic and environmental impact of service reductions and decreasing transit use.

- That the Chief General Manager be requested to report back on the potential impact of postponing the extension of the Spadina Subway.

- That the cost containment items noted on page 11 of the Chief General Manager’s presentation be implement immediately; and further that all Commission travel be cancelled for the balance of the year.

The requests for reports back on workforce changes and the Spadina Subway Extension are addressed in separate reports which are also on today’s agenda. This current report addresses the main requests pertaining to possible cost-containment measures, with particular emphasis on already-directed and possible additional service reductions and eliminations.

Our recommended approach to addressing the budget crisis is consistent with the results of the consultation process.

DISCUSSION

Over the last 10 years, TTC ridership has been steadily increasing after a period of ridership decline in the early and mid-1990s. Torontonians have been riding transit in increasing numbers, whether because of the increases in the price of fuel, or in response to concerns over greenhouse gases and climate change, or because they are individually recognizing the ride-and-go convenience of transit compared to the hassles of driving, traffic congestion, parking, and being “anchored” to a car. TTC ridership was projected to reach all time highs in 2007 and 2008. After more than two years of overcrowding on routes and the associated deterioration in service quality, the TTC had gone to extraordinary efforts to acquire the buses necessary, and to hire and train the employees necessary, to accommodate Toronto’s unabated appetite for more transit service. Progress was being made on implementing the Ridership Growth Strategy (RGS) of service increases and fare incentives. The Transit City plan, which calls for a network of new light rail lines across Toronto, was released earlier this year, and the Province of Ontario has committed funding to implement the plan. The TTC was to be a main driver in achieving the sustainable transportation objectives of both the Toronto Official Plan and the pro-transit strategic direction of the Greater Toronto Transportation Authority. All of these positive steps are now in serious jeopardy because of the requirement for the TTC to reduce its operating budget.

Service Improvements Planned for 2007

The Commission directive of July 20, 2007 to defer all service increases planned for implementation in the fall of 2007, has been implemented. The planned improvements were significant. In total, 303 service increases on 77 bus and streetcar routes were planned for the fall of 2007 and will now not be made. The routes with cancelled service increases are shown in Exhibit 1, attached. In total, 117 additional peak buses had been scheduled to be put into service in the fall of 2007.

In many cases, the service increases to reduce overcrowding had already been deferred for over two years, because there have been insufficient buses and Operators available since March, 2005 to operate the required service. Through the purchase of additional buses, increases in Operator hiring and training and the advancement of construction of the new Mount Dennis Bus Garage, each of which require long lead times, the TTC had finally positioned itself to add these long-awaited required services starting in the fall of 2007.

The failure for a third straight year to add this necessary service further worsens the daily travel experiences of existing TTC customers and deters new customers because of continued overcrowding. It will also worsen the reliability of service on many routes because it takes longer for customers to move in overcrowded buses and streetcars so the services fall further and further behind schedule, will suppress further ridership increases as customers avoid overcrowded and unreliable bus and streetcar service, and will cause some existing customers to stop using the TTC because of the poor service.

Examples of the overcrowding that will continue because of the deferral of these service increases can be found throughout Toronto. The 196 YORK UNIVERSITY ROCKET has had steadily-increasing ridership: as far back as early 2006, ridership in the afternoon peak period had already reached an average of 59 people per bus, over the established crowding standards for buses. The 29 DUFFERIN bus route requires additional service at most times of the week. During the afternoon peak period, there are approximately 61 people per bus, well above the applicable crowding standards and, even in the late evening from Monday to Friday, the average is 48 passengers per bus, well in excess of the off-peak crowding standards. On the 100 FLEMINGDON PARK bus route, ridership counts in the fall of 2006 showed that, in the late evening, from Monday to Friday, there was an average of 50 people per bus, while on Sunday evenings, there were approximately 65 people per bus, a level of crowding well worse than one would expect or tolerate during peak periods. As a customer recently wrote in a complaint to the TTC about the route: *"The service provided on the 100 FLEMINGDON PARK route on Sunday nights is intolerable. The buses at that time of night are full to the doors, and in some cases, leaving passengers still waiting at the station. This is not the only occurrence of this problem, as it happens every night, but is worse on weekend evenings/late evenings."* These comments are typical of the complaints about overcrowded service that have been received in increasing numbers in the last two years.

Under the current Commission directive, staff will take no action to address any of these and the many other overcrowding situations. However, if the Commission wants to retain, at a minimum, the customer base it currently has, then the Commission should increase fares and use the revenues from such an increase to implement the additional service and capacity necessary to keep crowding within the approved standards. A decision by the Commission by mid-October, 2007 would allow implementation of these improvements on February 17, 2008. The fare increase required to support these service improvements is described later in this report.

The concurrent decision by the Commission, at its meeting of July 20, 2007, to also defer the Ridership Growth Strategy peak period service increases – which were budgeted for implementation in the fall of 2007 – will fail to deliver long-promised service increases that were specifically designed to improve service and attract more people to the TTC. The Ridership Growth Strategy was approved by the Commission in 2003. A number of resulting service and fare improvements were introduced in 2004-2006. It took until 2007 before the peak period service increases could be planned for introduction on bus routes, because it was necessary to purchase 100 additional buses, hire and train sufficient employees, and build an additional bus garage to relieve overcrowding at the existing six garages and to accommodate a larger bus fleet. The RGS peak period increases would have reduced the planned maximum crowding levels on all bus routes by 10 per cent.

The RGS peak-period service increases would have immediately introduced a significant improvement in service across the TTC network, on the busiest routes, at the busiest times of travel. Service would operate more frequently on the busy routes, bringing service levels closer to those of the 1980s and early 1990s when the TTC ridership was at its height; service would operate more reliably, because buses wouldn't face as many delays due to overcrowding and long boarding times; and overall, ridership would continue to increase as existing customers would use the service more often, because of the more-frequent service, and new customers would be attracted to the TTC by the improved service.

The provision of more peak-period capacity and more-reliable service is a key component of both Toronto's Official Plan and the GTTA's strategic direction to establish greater passenger-carrying capacity in the GTA and to, thereby, reduce traffic congestion, greenhouse gases, and pollution. There are clear economic and environmental benefits to proceeding with these improvements. This service should be introduced in 2008 if funds are made available.

Not Opening Mount Dennis Garage

The Commission approved the construction of the new Mount Dennis bus garage in October 2004. The garage was scheduled to open in the fall of 2007. At its meeting of July 20, 2007, the Commission directed that the opening of the garage be delayed until at least 2008. This will reduce budgeted operating costs in 2007 by up to $2 million and, if the garage were to not open in 2008 either, this would reduce projected operating costs by $7 million in 2008 (the costs of opening Mount Dennis Garage are included in the costs of adding the Ridership Growth Strategy service in Recommendation 4., above).

The new garage is required for the introduction of substantially increased peak-period services, and especially for the introduction of the planned Ridership Growth Strategy peak period service. The current six TTC bus garages have been operating over their rated capacity for several years. The number of buses planned to be in service was to increase by 117 in 2007, and a further 41 for increased ridership in 2008, for a total of 158 additional buses in service in 2007 and 2008. It is not possible to operate this larger bus fleet with the six existing garages; the additional capacity provided by the new garage will be required for these service increases to proceed.

New Accessible and Bike-Rack Services Will Be Delayed

Deferral of the opening of Mount Dennis Garage will impair staff's ability to introduce accessible and bike-rack bus service on new routes. All of the approximately 410 new buses being delivered in 2007 and 2008 will be low-floor accessible buses, and will have bike racks. The introduction of new accessible service and new bike-rack service was to progress simultaneously, starting in the fall of 2007. More than 20 new accessible routes had been planned to be introduced in November 2007, when Mount Dennis Garage was to open, with additional routes to be made accessible in stages throughout 2008. The selection of these new accessible routes is a fairly complicated process which must take into account, among other things, connectivity to accessible subway stations, the percentage of senior citizens using the routes, the concentration of Wheel-Trans registrants in a route's market area, requests from customers, and the ability to move these buses between their designated routes and their home garage in an efficient way. As a result of the decision to delay the opening of the new Mount Dennis Garage, a revised accessibility and bike-rack plan will be developed by staff, and new accessible service and bike rack service will be introduced later in 2008.

The Commission Request for More Cost-Reduction Options

At its meeting of July 20, 2007, the Commission requested staff to identify additional cost-reduction opportunities. Staff have identified such opportunities as set out below:

Service to Accommodate Ridership Increases Forecast for 2008

The draft 2008 Service Budget included significant additional service at peak and off-peak times that would be required to meet the projected increase in ridership throughout the year. This additional service, which includes 41 additional peak vehicles and approximately 57,000 annual hours of service, is similar in scale to the service increases for increasing ridership that were budgeted for 2007, but were deferred. The additional service in 2008 is required because ridership is projected to increase to over 470 million annual trips. The additional service is required to keep crowding levels at peak times and at off-peak times from exceeding the Commission-approved crowding standards. The service is budgeted to be added throughout 2008; the actual service increases would be scheduled only if and when warranted by passenger counts. If ridership does not increase and routes do not become overcrowded, then the service would not be added.

If the budgeted 2008 service increases for overcrowding were to be eliminated from the 2008 budget, the cost savings would be $13 million in 2008. This cost-reducing option is not recommended for implementation; failure to add this service, when required by increasing crowding, would negatively affect transit customers. Routes would continue to be overcrowded, as they have been for much of the last three years. Service reliability would decline, as busy routes would continue to fall behind schedule as a result of overcrowded buses and streetcars. Some customers who ride the overcrowded routes would stop using the TTC, and potential ridership growth would not be realised as fewer new customers would choose to use transit because of the poor service. It is very expensive and difficult to attract back existing customers who decide that they no longer wish to use transit for their travel. If the Commission wants to retain, at a minimum, the customer base it currently has, and to accommodate the ridership increases projected for 2008 as a result of Toronto's economic growth, then the Commission should increase fares and use the revenues from such an increase to implement the additional service and capacity necessary to keep crowding within the approved standards.

Ridership Growth Strategy Off-Peak Service Improvements Planned for 2008

An important second phase of the Ridership Growth Strategy in 2008 was to be the full-time operation of all TTC bus and streetcar routes throughout the system. These changes were intended to bring predictable and reliable TTC service to all Toronto neighbourhoods. Transit would become a viable travel option for more people because it would be available throughout the day and evening, thus making transit available for the majority of travel needs. This widespread availability of transit service would make all of Toronto a "Transit City".

When fully implemented, substantially all bus and streetcar routes would operate from about 6:00 a.m. to 1:00 a.m., every day. If the RGS off-peak increases which were budgeted for implementation in 2008 were to be removed from the 2008 budget, the cost savings would be $7.3 million in 2008. This service should continue to be included in the 2008 budget if we can afford to do so.

Services with Poor Financial Performance

Every year, TTC staff evaluate the ridership and financial performance of all TTC bus and streetcar routes, comparing them to the Commission-approved financial criteria. For every period of service on every bus or streetcar route in the TTC system, the change in ridership per dollar of net cost change is calculated. This is the number of customers who would no longer use the TTC for each dollar of net cost savings if the service were removed. Research on customers' behaviour has shown that the ridership effects of eliminating service or raising fares balance at 0.23 customers gained or lost per dollar spent or saved. This standard was developed in the mid-1990s, and has been re-evaluated several times since then. Compared to the use of a simple ridership/cost ratio, or a comparison of passenger boardings per unit of service operated, the current standard is a more-sophisticated way of determining the financial performance of routes, as it takes into consideration available route alternatives, passenger behaviour, and the projected ridership loss from making specific service cut decisions.

The latest financial evaluation, using ridership and service data from 2006 and 2007, identifies 52 routes that have one or more periods of service during which the financial performance does not meet the TTC's standard value of 0.23 change in customers per dollar of net cost change. The entire list is attached as Appendix A, and is shown on the map in Exhibit 2.

If all of the poor-performing routes and services were to be eliminated, 37 routes or parts of routes would be eliminated entirely, and 16 routes would no longer operate at certain times of the week. There are 12 million trips made each year by TTC customers on these services. Eliminating these services is projected to reduce annual TTC ridership by approximately 1.3 million trips. These possible service cuts would reduce TTC annual net direct operating costs by approximately $13 million (or $11 million if implemented in February 2008); this includes lost fare revenue from the lost ridership.

This potential cost-reduction option is not recommended for implementation; eliminating these services would be inconsistent with the results of the public consultation process and would bring considerable hardship to many current TTC customers, as they would be forced to walk farther, wait longer, take a longer and more round-about route, make additional transfers, or stop using transit altogether. Eliminating service on this scale was last done in the mid-1990s, and coincided with a substantial drop in overall TTC ridership. The effects of major service eliminations and reductions, especially when combined with substantial fare increases, are well known. Declining ridership, declining revenue, and upward pressure on subsidies all contribute to the classic "downward spiral", similar to that experienced by the TTC in the 1990s. The Ridership Growth Strategy was specifically intended to reverse the effects of that period. A decision to eliminate the poor-performing routes would undermine the objectives of the Strategy. It would require many years to re-attract the customers who would find alternative ways to travel when the services are eliminated, even if funding were to become available, at a later date, to restore the services.

Options Examined But Which Would Not Achieve Net Cost Reductions

<u>Eliminating or Cutting Back Rapid Transit Services</u>

Rapid transit service is the backbone of transit in Toronto. Approximately 65 per cent of TTC customers use the subway for part of their trip. Customers enjoy the speed, comfort, and reliability of subway service, compared to bus and streetcar operations in mixed traffic on the road network. A considerable number of TTC customers would not use public transit if the subway was not available to them. In the 53 years that the TTC has operated subways, a recommendation has never before been made to close parts of the rapid transit network. Indeed, permanent closures of functioning and well-used rapid transit lines are almost unheard of in the transit industry. The closure of a functioning, well-used rapid transit line would be an unprecedented step that would cause long-term harm to the transit system, to transit customers, and to the quality of life in Toronto.

The Commission suggested closing the Sheppard Subway, as a possible cost-reduction measure. Staff have evaluated this proposal in detail, and have also evaluated the closure of the Scarborough RT and the Spadina Subway, north of St Clair West Station. These two other proposals have been evaluated because they have similar ridership to the Sheppard Subway. Full closure of these lines, as well as closure only during the late evenings and only on weekends, has been evaluated.

In most cases, there would be virtually no short-term savings resulting from the closure of any of these rapid transit services. Ridership on all three lines is high enough that the replacement bus service required to replace the subway is so great that the operating cost savings from closing the subway would be less than the increase in operating costs for the replacement bus service.

Closing the Sheppard Subway and the Spadina Subway north of St Clair West Station on weekends is projected to produce a small annual operating cost savings, between approximately $200,000 and $330,000 per line. Given the relatively small cost savings, and the considerable inconvenience that would be caused to customers, this is not recommended.

Current average weekday ridership on the Sheppard Subway is 43,000 customer-trips, or approximately 13.2 million rides per year. Ridership on the Sheppard Subway has increased since it opened, and ridership along the Sheppard Subway corridor from Don Mills Station to Sheppard-Yonge Station is now approximately three times higher than in 2001, the last full year of bus operation. If the Sheppard Subway were to be closed, the TTC would lose approximately 1.5 million rides per year, over the medium term, as customers would stop using transit because of the longer travel time, less comfortable ride, and reduced service reliability. Similar effects would be felt by customers if the Scarborough RT or Spadina Subway were to be closed. The number of customers that would be lost to the TTC would be approximately 1.4-million per year if the Scarborough RT were closed, and approximately 2.1-million per year of the Spadina Subway were to be closed.

Staff have also evaluated ending all subway and RT service earlier in the evening, when ridership is lower. Two scenarios were examined – ending all service at approximately 11:30 p.m., and at 12:30

a.m. As with the other proposals to close parts of the rapid transit network, closure of the entire rapid transit network at 11:30 p.m. or 12:30 a.m. would not result in short-term operating cost savings, because of the large number of buses required to replace the service provided by the subway.

Public Consultation

Commission policy, established in the mid-1990s after the last major round of route eliminations, is to carry out public consultation about possible route eliminations. As directed by the Commission at its meeting of July 20, 2007, the first step of this consultation was launched in late August 2007. The TTC conducted a survey with its riders and the general public to obtain feedback on various alternatives to address the funding shortfall. The survey was conducted from August 27 to September 10, and was available to respondents in both electronic and hard copy format. The survey was accompanied by a brochure explaining the dynamics of the financial situation faced by the City and the TTC, and provided a framework for riders to provide their feedback. The brochure was available on all TTC vehicles, was handed out by TTC staff, Commissioners, Councillors, the Budget Chief and the Mayor at subway stations, shopping malls, and post-secondary institutions, and was promoted by vehicle and station advertising, through the Metro free newspaper, and public address announcements at all subway stations, and with media announcements. Summarized below are preliminary results for key survey elements based on data that had been collected, as of September 7. The results will be updated with data from the second week of the survey and a detailed presentation of the full results will be available at the September 12 meeting.

TTC Public Consultation Survey Preliminary Results

Number of respondents: approximately 17,400

Percent who are City of Toronto residents: 87%

Daily users of TTC: 69% (Toronto residents)

Metropass users: 47% (Toronto residents)

No access to other modes of transportation: 62% (Toronto residents)

Impact of service cuts:

Switch To	Toronto Residents	905 Residents
Driving	29%	44%

Riding with someone else	12%	12%
Continue to use TTC	59%	42%

Impact of fare increase:

Switch To	Toronto Residents	905 Residents
Driving	15%	21%
Riding with someone else	10%	12%
Continue to use TTC	75%	69%

Preferred funding alternative:

	Toronto Residents	905 Residents
Raise taxes	54%	54%
Raise fares	45%	44%
Cut service	27%	30%

The preliminary results from the questions on both potential switching behaviour and preferred funding alternative, indicates that riders and the general public do not want to see reductions to service but, instead, would support an increase in taxes or an increase in fares to address the funding shortfall.

Possible Fare Increase Scenarios

Since 2005, the Commission has approved two fare increases.

In March 2005, adult tickets/tokens were increased by $0.10, and adult cash fares were increased by $0.25, while the price of the Metropass was held constant. Fares for senior/students and children were increased on a pro-rata basis.

In April 2006, adult tickets/tokens were again increased by $0.10, and adult cash fares were increased by $0.25, while the increase on the Metropass was limited to $1.00. Pro-rata increases were also applied to senior/student and child fares.

This fare increase strategy, along with other events (including the introduction of transferability and the federal transit tax credit), has contributed to ridership growth since 2005. This was the expected outcome, as the main features of this fare strategy were part of the Ridership Growth Strategy, approved by the Commission in 2003. The fare changes have also resulted in a significant shift in the mix of fare media used by TTC riders. Over the last two years, use of cash fares has declined from 16% to 9% of total rides, while Metropass usage has increased from 32% to 45%. Overall, this has reduced the average fare paid by TTC customers, and has reduced the amount of additional fare revenue that results from increases in ridership.

Fare revenue from Metropass users on a percentage basis has increased significantly less than the growth in the number of Metropass revenue passengers. During this period, the number of trips a rider must take on a Metropass in a month to “break-even” from an economic perspective has declined from the historic rate of 52 trips to only 40 trips - this means that a rider only has to use the Metropass to go back and forth to work during the week to make it more economical than using single fares. Diary studies on Metropass usage by riders confirms that the average monthly trip rate is declining due to the fact the riders who are now switching to Metropasses from cash or ticket/token usage do not need to make as many trips for the switch to make financial sense for them. Any future steps that would further reduce the Metropass trip rate (or increase the other fare types on a relative basis) would continue this trend and are not recommended.

During 2007, although ridership is approximately 2.5% higher than budget (as of August 4, 2007), the higher-than-forecast shift to Metropass usage has resulted in the average fare being 2.3% below the budget over the same period. The net effect is that the TTC is taking approximately $1 million in additional fare revenue from ridership that is approximately 6.5 million rides higher than forecast.

As requested by the Commission, a number of fare increase scenarios for 2007 have been evaluated and are summarized below. All calculations for 2007 assume the implementation of the fare increase on November 4, 2007. In order for a fare increase to happen in early November, a decision must be made by the Commission no later than September 12, 2007.

<u>Standard Fare Increase</u>

This is the traditional fare increase approach where the increase to the ticket/token fare is applied “across the board” to all fares and no special treatment is provided to any specific fare media type. The fare revenue and ridership impacts from a variety of ticket/token fares increases are provided below.

Adult Ticket/Token Fare Increase Scenarios – "Across the board fare increase"		
	In 2007	Annual
$0.10 fare increase to Adult tickets/tokens Equivalent 5% increase to all other fares		
Revenue change ($million)	$3 million	$20 million
Ridership change (million customer-trips)	(1 million)	(4 million)
$0.15 fare increase to Adult tickets/tokens Equivalent 7% increase to all other fares		
Revenue change ($million)	$5 million	$29 million
Ridership change (million customer-trips)	(1 million)	(6 million)
$0.20 fare increase to Adult tickets/tokens Equivalent 10% increase to all other fares		
Revenue change ($million)	$6 million	$37 million
Ridership change (million customer-trips)	(1 million)	(8 million)
$0.25 fare increase to Adult tickets/tokens Equivalent 12% increase to all other fares		
Revenue change ($million)	$7 million	$45 million
Ridership change (million customer-trips)	(2 million)	(11 million)

This type of fare increase would yield between $20 million and $45 million in incremental fare revenue on an annual basis, although it should be noted that the level of uncertainty associated with revenue estimates increases significantly with the size of the proposed fare increase.

Special Additional "Catch-Up" Price Increase for Metropasses

Since 2003, the price of the Metropass has been held essentially constant, increasing only $1.00 (1%). Over the same time period, tickets and tokens have been increased twice and have risen from $1.90 to $2.10 (11%). In addition to the price freezes, there have been a number of other benefits that have been introduced, which have made the Metropass more attractive and economical and, in so doing, has reduced the number of trips a Metropass holder has to take each month to "break even". These benefits include the introduction of transferability and the implementation of the federal tax credit. With the exception of the federal tax credit, these benefits were part of the Ridership Growth Strategy.

For the first 20 years the Metropass was sold, the price was set equivalent to 52 adult ticket/token rides. The freezing of the price of Metropasses, coupled with these new user and taxation benefits means that a Metropass holder need only take 40 trips per month to “break even”, which is a real “bargain” for travel on the TTC. Metropass riders have seen a “savings” of $15 per month in their costs of transit travel since 2003, while ticket and tokens users have been faced with increases of over 10%.

In light of the financial crisis which both the City and the TTC are now facing, and given that Metropass users have been “protected” from fare increases for almost five years, it would be reasonable and equitable to add a “catch-up” in the price of a Metropass, on top of the across-the-board fare increase which is being recommended, so that Metropass users bear some more of the financial burden which all TTC users must pay. In particular, the price of a Metropass should be increased by an additional $4.00, over and above the recommended across-the-board fare increase, bringing the proposed new cost of a Metropass to $111.00. Based on the current volume of Metropass users, it is estimated that, on an annual basis, this will result in net additional annual fare revenue to the TTC of $10 million. This additional revenue, like that from the recommended general fare increase, would be used to help pay for the additional service required to accommodate both currently-observed overcrowding and the additional overcrowding which is projected to occur in 2008 from Toronto’s economic growth. This recommendation, like that of the general fare increase, is consistent with the public consultation finding that customers would be willing to pay more to receive better service.

The fare elasticities used to develop the revenue and ridership impacts outlined above are based on estimated rider reaction to price increases only, and do not attempt to estimate the potential combined impact of other significant events that could happen at the same time. It is likely that a combination of two or more negative events, such as a fare increase at the same as time as a service cut, will result in reductions larger than would be forecast for each event individually. Although there is no historical data available that is completely comparable, the TTC experience in the 1990s is a valuable lesson in what could happen.

During this period, there were multiple occasions where fares were increased at the same time that service reductions were implemented. In all instances, the actual drop in ridership was significantly higher than what was forecast for either a fare increase or service reduction independently. In the early 1990s, there were two instances where the TTC lost more than 20 million riders annually in years where both a fare increase and service cuts were put into effect. The expected impact of these two events was in the range of 10 million rides or less. This reduction in ridership resulted in the TTC generating less incremental fare revenue than forecast and meant the TTC was not able to achieve its’ financial objectives for the strategy that had been implemented. In terms of today’s environment, where both a fare increase and service cuts are being considered, great efforts must be made not to simply sum together the estimated effect of each event and forecast this total as the potential impact to the TTC because this will most likely be significantly understated.

The fare increase scenarios outlined above deal only with a potential increase for 2007. There exists the opportunity for the Commission to consider a multi-year strategy whereby a policy framework is implemented that provides for reasonable, regular, and predictable annual fares increases. These increases would demonstrate to all parties involved in the funding of transit growth that the riders of the system are contributing in a meaningful way to its financial sustainability.

SUMMARY

Given the current challenges for the City of Toronto to fund increased operating costs for improved service capacity, the Commission should take the action necessary to generate at least enough new revenue to implement the improvements needed to ensure that all TTC services operate at crowding no worse than the approved vehicle crowding standards. To do this, the Commission should approve the implementation of a $0.15 across-the-board (applicable to all fare media, including Metropasses) fare increase, and an additional special “catch-up” price increase for Metropasses, as described above, to become effective on November 4, 2007. The public consultation on taxes, fares, and services indicates that customers will be willing to pay more if they know they will be getting better service in return.

Action should also be taken to establish a long term sustainable funding strategy for transit. Such an arrangement would put an end to the current situation of the TTC lurching from year to year adding then cutting service due to uncertain operating funding availability.

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August 7, 2007

11-31-80/57

Attachments:Exhibits 1 and 2

Appendices A and B

Appendix A –Possible TTC routes or services that could be eliminated

in 2008

This is a list of potential TTC surface route service cuts, as a result of the City of Toronto's request to reduce the TTC budget. The services listed here have been identified through the TTC's annual financial evaluation as services that do not meet the minimum financial standard. Fifty-two of the TTC's 167 bus and streetcar routes are on this list. Thirty-seven routes or parts of routes would be eliminated entirely, and 16 routes would no longer operate at certain times of the week. There are 12 million trips made each year by TTC customers on the services listed here. Eliminating these services is projected to reduce annual TTC ridership by approximately 1.3 million trips. These possible service cuts would reduce TTC annual net direct operating costs by approximately $13 million.

<u>These services would be eliminated at all times:</u>

5 AVENUE RD

160 BATHURST NORTH

8 BROADVIEW

120 CALVINGTON

42A CUMMER – East of Kennedy Road

127 DAVENPORT

105 DUFFERIN NORTH

26 DUPONT

32D EGLINTON WEST – On Emmett Avenue

139 FINCH EAST

33 FOREST HILL

135 GERRARD

14 GLENCAIRN

169 HUNTINGWOOD

107C/D/F KEELE NORTH – Via Bakersfield Street

30 LAMBTON – On High Park Avenue

52C LAWRENCE WEST – Via Benton Road/Culford Road

162 LAWRENCE-DONWAY

59C MAPLE LEAF – Via Benton Road/Culford Road

132 MILNER

74 MT PLEASANT

167 PHARMACY NORTH

80 QUEENSWAY – East of Humber Loop

109 RANEE – North of Lawrence West Station

73B ROYAL YORK – On LaRose Avenue

76B ROYAL YORK SOUTH – On Grand Avenue

86D SCARBOROUGH – Via Beechgrove Drive

85 SHEPPARD EAST – Between Don Mills Station and Sheppard-Yonge Station

115 SILVER HILLS

10 VAN HORNE

224 VICTORIA PARK NORTH

69 WARDEN SOUTH – Clockwise via Birchmount Road

55 WARREN PARK

90 VAUGHAN – West of Oakwood Avenue

98 WILLOWDALE-SENLAC

96C WILSON – On Thistledown Boulevard and Tandridge Crescent

97 YONGE

Service would be eliminated on these routes as described below:

61 AVENUE RD NORTH – No service after 7 p.m. Mon-Fri. No service Sat/Sun/hol.

11 BAYVIEW – No off-peak service north of Sheppard Ave. No service north of Sunnybrook after 1:00 pm. Mon.-Fri. or after 7:00 pm. Sat/Sun/hol.

83 JONES – No service after 7 p.m.

52 LAWRENCE WEST – No service west of Scarlett Rd after 10 p.m. Sat/Sun/hol

130 MIDDLEFIELD – No service 9 a.m. to 3 p.m. Mon-Fri. No service Sundays.

62 MORTIMER – No off-peak service. Would operate Mon-Fri rush hours only.

103 MT PLEASANT NORTH – No off-peak service. Would operate Mon-Fri rush hours only.

65 PARLIAMENT – No service after 7 p.m.

67 PHARMACY – No service after 7 p.m. Saturdays. No service Sun/hol.

48 RATHBURN – No service after 7 p.m.

82 ROSEDALE – No off-peak service. Would operate Mon-Fri rush hours only.

78 ST ANDREWS – No off-peak service. Would operate Mon-Fri rush hours only.

24A VICTORIA PARK – No service west of Consumers Rd 9 a.m. to 3 p.m. Mon-Fri.

112C WEST MALL – No service north of Eglinton Ave 9 a.m. to 3 p.m. Mon-Fri.

165 WESTON RD NORTH – No service north of Finch Ave after 7 p.m. Sun/hol.

91 WOODBINE – No service north of St. Clair Avenue after 7 p.m. Mon-Fri or Sat/Sun/hol.

Appendix B –Recommended fares, November 2007

	CURRENT	NEW
Adult		
Cash	$2.75	$2.75
Ticket/Token	$2.10	$2.25
Metropass	$99.75	$111.00
Metropass Discount Plan	$91.50	$102.00
Weekly Pass	$30.00	$32.25
Senior/Student		
Cash	$1.85	$1.85
Ticket	$1.40	$1.50
Metropass	$83.75	$92.75
Metropass Discount Plan	$76.75	$85.00
Weekly Pass	$23.75	$25.50
Child		
Cash	$0.70	$0.70
Ticket	$0.47	$0.50

New fares effective for November 2007 Metropasses and November 4, 2007 for all other fare media.