

Charter Rates

Meeting Date: August 27, 2008

Subject: Charter Rates

Recommendation

It is recommended that the Commission receive this report for information noting that charter rates will be increased by 20% in September, 2008 with a further increase as required in July, 2009 pending the results of the 2008 charter operation.

Funding

There are no funding implications associated with this report.

Background

A report titled "Staff Response to Commission Inquiry – Operation of TTC Heritage Streetcars" was submitted to the January 23, 2008 Commission meeting. Following discussion of this report, Vice-Chair Joe Mihevc requested that staff report on Charter Rates with a view to finding a balance between affordability and cost-recovery.

This report provides information on bus and streetcar charter rates.

Discussion

In accordance with Commission policy, charter service constitutes a transportation service tailored to the needs of a specific group and excludes others. Because of this, rates are developed recognizing that no part of the subsidies provided for regular services will be allocated to the operation of charter service. Accordingly, charter rates are set with the intention of recovering full costs (all operating costs including the capital cost of vehicles and related facilities) plus a nominal return of 10%. In addition, it should be noted that charters are operated during off-peak hours when vehicles are more readily available and there is no adverse impact on regular service operation.

Because of significant losses incurred from charter operation, TTC embarked on a multi-year plan to increase charter rates in an attempt to comply with policy: 15% in each of 2005 and 2006 and 20% in each of 2007 and 2008. The volume of charters has also declined by approximately 17% (from 236 to 195) between 2005 and 2007. Despite these substantial rate increases, operating results for 2007 charter operations (see table below) show that a total of 165 regular bus charters were operated at a loss of approximately \$56,800, a further loss of \$5,100 was incurred from the operation of 15 regular

street car charters. In addition, the operation of 15 Heritage streetcar charters resulted in a loss of approximately \$48,300. In total, a loss of \$110,200 was incurred from the operation of 195 charters.

Table – 2007 Charter Operating Results

	Bus	Regular Streetcar	Heritage Streetcar	Total # of Charters
# Charters	165	15	15	195
Revenues	\$104,200	\$12,900	\$15,300	\$132,400
Expenses incl. Mark-up	\$161,000	\$18,000	\$63,600	\$242,600
Loss	\$56,800	\$5,100	\$48,300	\$110,200

Justification

Projected results for 2009, assuming the same mix of charters as in 2007, show that rate increases of approximately 41% and 24% would need to be applied to regular bus and streetcar charter rates respectively, in order to comply with current policy. In order to minimize the impact on charter customers, we intend to implement the increase in two stages – a 20% increase in September, 2008 with a further increase to be implemented in July 2009 pending results of the 2008 charter operation (as indicated under Recommendation). It is anticipated that these two increases will bring the profitability of charters closer to policy guidelines. These increases will also be applied to the Heritage streetcar charters, but would still leave this group with a substantial loss.

August 8, 2008

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