

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: February 29, 2012

SUBJECT: METROPASS PROGRAMS – UPDATE

INFORMATION

RECOMMENDATION

It is recommended that the Commission receive the following information updates on the Volume Incentive Program (VIP) and Metropass Discount Plan (MDP) programs:

1. Staff has communicated with university and college administrations in the City of Toronto to re-iterate to them that the administration of the VIP Program can be extended to include all university and college faculty, staff, full-time students, and part-time students; and,
2. Staff has implemented changes to VIP and MDP programs in order to streamline administrative, operational, and revenue collection logistics and enable immediate pass price increases when future fare increases are implemented.

FUNDING

There are no funding impacts associated with this report.

BACKGROUND

VIP Program Communications

At its meeting of March 1, 2011, the Commission approved amending the eligibility criteria for the Post-Secondary Student Metropass program to remove part-time students. The following related motions carried:

1. *To re-iterate that part-time students are eligible to purchase VIP Discounted Passes through their institutions if the institution is a VIP enrolled organization; and*
2. *That the TTC Chief General Manager be requested to communicate with University and College administrations concerning extending the administration of the VIP program for the benefit of their staff and part-time student populations, just as major employers have opted to do across the city, and to report back on this effort.*

VIP and MDP Contract Changes

The VIP program enables organizations or institutions to make bulk purchases of TTC Adult Metropasses at a discount rate off the price of a regular Adult Metropass (\$126). Approximately 94 organizations are currently registered with the VIP program. Based on monthly purchase volumes, three discounted prices are available: \$113.50 (50 to 249 passes purchased), \$112.50 (250 to 499 passes purchased), and \$111.50 (500 or more passes purchased). Each organization is responsible for its own VIP program administration and promotion. In 2011, approximately 580,000 passes were purchased through the VIP program. Prior to the introduction of the Post Secondary monthly pass, VIP sales in 2010 were approximately 737,000.

The MDP program enables individual customers to purchase TTC Adult and Senior/Student monthly Metropasses at discount rates off the price of regular Metropasses (Adult - \$115.50 vs. \$126; Senior/Student - \$93.50 vs. \$104). In 2011, approximately 47,000 customers were registered with the MDP program. The TTC administers the program, which includes processing MDP application forms, debiting customer bank accounts, and mailing monthly passes to each customer. In 2011, approximately 525,000 passes were purchased through the MDP program.

Contract provisions for the VIP and MDP programs have restricted the Commission's ability to immediately apply price increases to the VIP and MDP pass programs with minimal administrative, operational, and revenue collection effort and within a reasonable amount of time after the implementation of a fare increase.

DISCUSSION**VIP Program Communications**

Staff has written to all post-secondary institutions in the city of Toronto that participate in the VIP Metropass Program, indicating to them that all faculty, staff, full-time students, and part-time students are eligible to purchase discounted Adult Metropasses through the VIP Metropass Program. For part-time students, awareness of this purchasing option is particularly relevant because in lieu of being eligible to purchase Post-Secondary Metropasses (\$104), they can still obtain a discount off the cost of a regular Adult Metropass (\$126) by purchasing passes through the VIP Metropass Program (\$111.50 to \$113.50).

VIP and MDP Contract Changes

In conjunction with the fare increase that was implemented on January 1, 2012, staff exercised options in the VIP contract that enabled the TTC to remove the requirements to provide minimum notification periods, price increases only on contract anniversary month, and price guarantees. All VIP program participants have been notified of the contract changes, which will be phased in throughout 2012.

Effective January 2012, the new terms and conditions of the MDP program will apply to all new MDP participants. These new terms and conditions also remove the requirements to provide minimum notification periods, price increases only on contract anniversary month, and price guarantees. The TTC has had the ability to impose a fare increase immediately beyond the first year for MDP program participants; however, to encourage Metropass purchases and use, it marketed a price guarantee beyond the first year. Given the financial constraints facing the City of Toronto and the TTC today, the Commission can no longer afford to offer the price guarantee.

Commensurate with fare increases at or beyond January 1, 2013, and regardless of the timing and frequency of future fare increases, the TTC will apply price increases immediately and simultaneously to all VIP and MDP participants. Incremental revenue from pass price increases previously achieved over a period of up to two calendar years will now be achieved within one calendar year. Based on current sales volumes and 2012 price increases, the changes to VIP and MDP contracts will result in accelerated, but not additional, revenue of approximately \$1 million for each of the VIP and MDP programs.

JUSTIFICATION

The communication to university and college administrations promotes awareness of the availability of discounted Metropasses through the VIP Metropass Program to all faculty, staff, full-time students, and part-time students.

The changes to the VIP and MDP programs minimize administrative, operational, and revenue collection logistics involved in implementing fare increases and ensures accelerated, but not additional, revenue is achieved.

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