

Making Life a Little Easier in TTC Fare Policy – A Lesson from Hamilton

C-5

Dear Chair Stintz and TTC Commissioners,

Submitted below for your consideration is an example of an approach from nearby Hamilton on how the financial demands of the transit system can be met while also looking after the riders that are the most affected by fare policy decisions; the Affordable Transit Pass Program. If customized for adoption in the Toronto context, this would see fare policy discussions going forward become much easier for everyone. Below is a request to commence discussion on the idea, so that it may be considered through staff in a future budget for implementation.

Problem: The Annual Operating Budget Reality

Every year, the TTC has projected operating expenses for the coming year that are higher than the current year wrapping up. This is to be expected: Labour agreement obligations (wages), fuel costs (diesel and electricity), shipping for parts and materials, all steadily go up on an annual basis. Complicating matters further, ridership continues to rise. While too much ridership is paradoxically a “nice problem to have,” rising ridership means a higher operating shortfall. As the TTC does not turn a profit, it costs the TTC money for each additional ride carried, and the required subsidy in turn gets pushed up with higher ridership. Recently, there has been increasing resistance to subsidy increases – but the money must come from somewhere.

Fare increases are the logical solution to dealing with this given the environment the TTC finds itself in, but this inevitably draws vocal opposition from the vulnerable segments of the population who worry about not being able to afford the resulting higher fares. This puts the TTC in an extremely uncomfortable position every year or two.

The result has been that the TTC is subsidizing all riders to satisfy the minority of riders that actually need the higher subsidy. While admirable in spirit, this hurts the TTC's ability to provide the service levels needed to keep up with the growing demand for transit in Toronto. On the north side of Steeles Ave, York Region Transit is currently charging a \$3.75 cash fare while the TTC is still charging a \$3.00 cash fare for a vastly superior quality of service – the TTC is underpricing the service it is offering, thereby forfeiting revenue it cannot afford to forfeit.

Opportunity: Hamilton Street Railway's Affordable Transit Pass Program

While the situation is what it is for the 2014 budget cycle, the TTC could have a discussion initiated now so that it may have better options available in future operating budgets.

The Hamilton Street Railway (HSR) has among its fare media menu a subsidized transit pass for those that need it. This pass is half the cost of the regular monthly adult transit pass for HSR service. **However, the cost of the pass does not come out of HSR's operating budget.**

HSR operates at arm's length from the City of Hamilton, like the TTC operates at arm's length from the City of Toronto. While the TTC sets fare policy, social policy is to be handled by the

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City of Toronto. The City of Hamilton is the enabling partner for HSR to make this subsidized transit pass possible to offer, as the pass is actually administered jointly. The City of Hamilton administers the means-testing eligibility for the pass, while HSR sells the pass to those who offer confirmation of eligibility provided by the City of Hamilton. Eligibility is valid for six months at a time. Through this process, the City of Hamilton knows how many passes are eligible to be purchased and can budget accordingly for the subsidized passes sold by HSR. The City of Hamilton pays HSR the other half the cost of the transit pass, so HSR is actually receiving a full adult pass value on its books for each subsidized pass sold. **HSR therefore does not take a loss on its operating budget from the subsidized passes.**

If a similar system were offered through a partnership between the City of Toronto and the TTC, there would be an immediate reduction in the cost of transit passes to those who struggle the most to pay TTC fares. Additionally, each future fare increase would only be half the absolute value of increase to those eligible for the subsidized pass.

While there will always be some opposition to fare hikes, opposition to fare hikes going forward would be expected to be much less with the availability of a subsidized pass as described above.

Other Considerations:

There are questions that will need to be answered as a Toronto version of Hamilton's Affordable Transit Pass Program is developed. Some examples of such questions are below:

- Should such passes be weekly (e.g. at the cost of one quarter of a metropass) or monthly?
- At what locations will these passes be offered? (HSR sells them at only one location)
- At what locations can eligibility applications be submitted?
- What is the marketing strategy so those that need the subsidized pass know about it?
- How are extra-fare services administered under this program? (i.e. Cross-boundary trips)
- Eligibility of non-Toronto residents that are TTC riders and meet the criteria for the pass?

Request:

Given the above, the TTC is encouraged to initiate discussion with the City Manager and the Chief Financial Officer on emulating the Affordable Transit Pass Program offered by Hamilton Street Railway and the City of Hamilton for use on the TTC system using a means-tested eligibility criteria administered by the City of Toronto, to provide sufficient flexibility in TTC fare policy that could lessen the longer-term City of Toronto subsidy requirements from future TTC operating budgets.

More information on Hamilton's Affordable Transit Pass Program can be found at the following:
<http://www.hamilton.ca/HealthandSocialServices/SocialServices/SupportPrograms/AffordableTransitPass.htm>

Thank you for your consideration of the above.

Sincerely,

Karl Junkin