STAFF REPORT
ACTION REQUIRED

2016 Ridership Update

Date:	March 23, 2016
To:	TTC Board
From:	Chief Executive Officer

Summary

This report provides an update of TTC ridership results to the end of February 2016. This update is intended to inform the TTC Board of 2016 ridership variances from both the 2016 budget and the comparable 2015 actual and to summarize management actions that have been taken, and that are being considered, in order to mitigate current negative ridership trends.

Recommendations

It is recommended that the Board:

1. Receive this report for information.

2. Note the management actions that have been taken, and that are being considered, in order to mitigate current negative ridership trends and the resultant negative impact on the 2016 TTC Operating Budget.

Financial Summary

There are no financial impacts associated with this report.

Accessibility/Equity Matters

There are no accessibility or equity issues associated with this report.

Decision History

TTC ridership forecasts are a critical element in the establishment of annual TTC Operating Budgets. Given this importance, ridership results are monitored and reported on a daily basis to TTC senior management. Year-to-date results have not been encouraging and based on these results, management has already taken actions to better understand current ridership trends and to review actions that could be taken to mitigate negative ridership results for the remainder of 2016.

Issue Background

TTC ridership results are continually assessed from two perspectives – performance to the budget and growth relative to the prior-year actuals. In both cases, year-to-date results for 2016, as detailed in the following table, are below expectations:

(Millions)				**2016 Actual vs. 2016 Budget**		**2016 Actual vs. 2015 Actual**	
Period	**2016 Actual**	**2016 Budget**	**2015 Actual**	**#**	**%**	**#**	**%**
1	43.5	45.0	43.6	(1.5)	(3.3)	(0.1)	(0.2)
2	40.4	42.9	41.7	(2.5)	(5.8)	(1.3)	(3.1)
Y-t-d	**83.9**	**87.9**	**85.3**	**(4.0)**	**(4.6)**	**(1.4)**	**(1.6)**

Year-to-date to the end of Financial Period 2 (February 27), ridership is 4.0 million (4.6%) below budget and 1.4 million (1.6%) below the 2015 comparable actual. Of note is that the results for Period 2 were much worse than for Period 1. If this trend was to continue for the balance of the year, ridership could fall to between 530 to 535 million.

At this time, based on the above results and on an analysis of various factors that may influence ridership for the remainder of the year, it is estimated that 2016 year-end actual ridership could be in the range of 540 million. This would represent a variance of 13 million rides (-2.3%) from the 2016 budget of 553 million and a growth of only 2 million rides (+0.4%) over the 2015 year-end actual of 538 million (includes 4 million free Pan Am / Parapan Am Games rides). It is worth noting that budgeted service levels for 2016 are commensurate with 555 million rides.

These results will have a significant negative impact on the TTC Operating Budget. In recognition of this, management has undertaken various actions and is considering further actions in an effort to mitigate the negative budget impact.

Comments

The 2016 TTC and Wheel-Trans Operating Budgets board reports were approved by the TTC Budget Committee on November 9, 2015, and the TTC Board on November 23, 2015.

http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Budget/2015/November_9/Reports/2016_TTC-W-T_Op_Budgets.pdf

http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2015/November_23/Reports/2016_TTC_and_Wheel-Trans_Operating_Budgets_Report_Nov_23_201.pdf

The 2016 TTC Operating Budget includes a ridership budget of 555 million (subsequently 553 million including the effects of the approved 2016 fare increase), which was positioned as a “stretch” target. This was in recognition of four factors as originally outlined in the above-noted reports and further updated below. These factors are the main contributors to the current negative ridership trends.

2016 Ridership Base

The 2016 ridership budget of 555 million was set in the summer 2015 based on a 2015 projection, at that time, of 540 million rides. With the benefit of additional ridership results and updated economic data throughout 2015, the updated 2015 year-end ridership projections continued to decline throughout 2015. A projection of 535 to 537 million was included in the above-noted board report of November 23, 2015. The final year-end 2015 ridership was 538 million (including 4 million free Pan Am / Parapan Am Games rides). The following is a chronology of 2015 ridership projections as reported in the Chief Executive Officer’s Reports:

May 2015: 540M to 542M
July 2015: 538M to 540M (540M used as basis for 2015 budget)
October 2015: 537M
December 2015: 535M
January 2016: 534M
February 2016: 534M (confirmation) + 4M Pan Am / Parapan Am = 538M

The incremental changes to the 2015 year-end ridership projection will result in at least 2 million fewer rides in 2016. This is the difference between the 2015 ridership projection of 540 million rides that was used in the summer 2015 to formulate the 2016 ridership budget and the 2015 year-end actual of 538 million (including 4 million free Pan Am / Parapan Am Games rides).

Economic Growth

The TTC uses Conference Board of Canada (CBoC) economic forecasts for the Toronto Census Metropolitan Area (CMA) to help establish its ridership forecasts. Two indices are used – GDP growth and employment growth. As noted in the table below, the last three CBoC forecasts indicate uniform GDP growth forecasts; however, there has been a sharp reduction in forecasted employment growth from 1.9% to 1.0%:

Forecast	Release Date	GDP	Employment
Spring 2015	May 2015	+3.2%	+2.5%
Autumn 2015	October 2015	+2.8%	+1.9%
Winter 2016	March 2016	+2.8%	+1.0%

The sharp decline in the employment forecast is very significant because historically, employment has been the single best predictor of TTC ridership.

The above forecasts are for the Toronto CMA. Additional data available from the City staff indicate that City of Toronto employment growth for 2016 may be lower than the latest 1% forecast from the CBoC for the broader Toronto CMA. Based on the latest data available, slowing/declining employment growth could result in a decrease in the range of 2 million rides throughout 2016.

Metropass Sales Trends

Metropass sales trends are a good indicator of ridership trends. Of note is that monthly sales of the Adult-based (Regular, VIP, MDP, Post-Secondary) Metropass, which account for about 90% of total Metropass sales and 47% of customer journeys, declined modestly in 2014 and much more sharply in 2015. There may be various reasons for this decline, including the fact that the pass price multiple was increased on the Adult Regular Metropass in each of the fare increases in 2014 and 2015.

Metropass prices were frozen for 2016 and it was anticipated that this action would help to reverse the sales decline. January 2016 sales declined 6% year-over-year; however, final February/ interim March sales declined only 2%. Overall, Metropass sales trends can still be described as sluggish so far in 2016. Final March/April sales will be critical to review as they will provide a strong indication of sales trends for the remainder of 2016. If current sales trends continue and a rebound in sales does not occur, this will result in a significant loss in rides. Specifically, the Adult Regular Metropass is priced to be the equivalent of 49 token rides (42 after the federal income tax credit); however, Metropass users take approximately 73 rides per month. Each lost Metropass sale, therefore, results in a loss of more than 20 rides. The total estimated loss in 2016 could be in the range of 3 million rides.

Service Enhancements

Another main component of 2016 ridership is the 8 million new rides that were anticipated to be gained as a result of the service enhancements that were approved for 2015 and 2016. Given the nature of customer travel patterns/behavior, it is possible that some of the anticipated gains will not immediately occur due to the fact that there may be a lag effect before customers become fully acquainted with the enhancements and adjust their transit habits accordingly. The overall impact could be in the range of 3 million fewer rides in 2016.

Taken together, changes in the 2016 ridership base, slowing employment growth, declining Adult-based Metropass sales, and delayed achievement of new ridership from service enhancements could result in approximately 8 to 13 million fewer rides in 2016, which corresponds to a 2016 year-end ridership in the order of 540 million.

Management Actions Taken

As noted above, ridership results are continually monitored by senior management. When the ridership results for Period 2 began to be reported and were measurably worse than for Period 1, an inter-disciplinary Ridership Sub-Committee was formed in early February to immediately review the results and to begin formulating possible actions required to address the negative trends.

Activities to-date have included an examination of the following:

- Daily, modal, weather-related trends in the year-to-date ridership results;
- Adult Metropass sales trends against pass price increases in 2014 and 2015;
- Possible streetcar Proof-of-Payment (PoP) fare evasion impacts;
- Free rides for children age 12 and under;
- Riding counts to assess passenger volumes on vehicles as compared to fares paid;
- City economic indicators, particularly employment, which historically has been the single best predictor of TTC ridership;
- Current low gasoline prices;
- Ridesharing services; and
- TTC commuter parking lot usage.

In addition, ridership results in the Greater Toronto Area (GTA) were analyzed and are summarized in the following table:

GTHA TRANSIT AGENCY ANNUAL GROWTH RATES - 2013 TO 2015

	Annual Ridership (Millions)				Annual Growth (%)			3-Year Growth (%)
Agency	2012	2013	2014	2015	2013	2014	2015	2013 to 2015
TTC	514.01	525.19	534.82	537.60	2.2%	1.8%	0.5%	4.6%
Brampton	18.36	19.41	20.41	21.18	5.7%	5.2%	3.8%	15.4%
Burlington	2.25	2.21	2.04	1.95	-1.8%	-7.7%	-4.4%	-13.3%
Durham	10.30	10.63	10.79	10.31	3.2%	1.5%	-4.4%	0.1%
Hamilton	21.80	21.82	22.25	21.86	0.1%	2.0%	-1.8%	0.3%
Mississauga	34.76	35.79	36.61	37.46	3.0%	2.3%	2.3%	7.8%
Oakville	2.91	2.96	3.01	2.83	1.7%	1.7%	-6.0%	-2.7%
York Region	22.16	22.71	22.45	22.12	2.5%	-1.1%	-1.5%	-0.2%
Go Transit	64.95	62.49	65.22	65.78	-3.8%	4.4%	0.9%	1.3%

positive growth   growth < 1% +/-   negative growth

These results indicate that at a local level, the current negative ridership trends are not unique to the TTC. Most agencies that are not expanding their service network declined in 2015 at a higher rate than for TTC.

Similar trends are also occurring across Canada. As of Q3 2015, ridership had declined at the following agencies: Calgary -0.3%, Edmonton -0.3%, Ottawa -1%, Montreal -2%, Vancouver -1%.

<u>Conclusions</u>

Based on an analysis of all of the factors and trends discussed above, the following conclusions are noted:

- Observed ridership has decreased and this is consistent with the year-over-year decrease in revenue ridership;
- The implementation of PoP on the streetcar network has not resulted in a surge of fare evasion; however, opportunities for fare evasion have increased, but fare inspection rates of 4% to 5% are ensuring that evasion rates are in the range of 2% - an industry standard;
- Post-Secondary Metropass sales continue to grow with no corresponding increase in either post-secondary enrollment or TTC Photo ID sales;
- The decline in Adult Metropass sales may be explained by price increases in 2014 and 2015 and this will be confirmed when pass sales data for March and April become available;
- The impact of low gasoline prices and ridesharing is difficult to quantify; however, both factors are generally seen by GTA transit agencies as contributors to declining ridership;
- The consensus opinion from GTA transit agencies is that the main driver of ridership is economic growth, in particular, employment growth, which is beyond the control of transit agencies and could potentially have a long-lasting impact on ridership growth; and
- If current trends persist, TTC's current service levels may be higher than is required to accommodate future ridership.

<u>Actions under Consideration</u>

Based on a 2016 ridership projection in the range of 540 million, the resultant impact on the 2016 TTC Operating Budget will be substantial - the fare revenue budget shortfall could be in the neighbourhood of $30 million. It needs to be recognized that the expense reductions of $10 million in non-labour costs, a further $5 million reduction imposed by the City, and the reductions factored into the 2016 TTC Operating Budget for lower diesel fuel and employee benefits costs has, in large measure, eliminated the possibility that this revenue shortfall can be absorbed. Alternatively, future actions that may be required in order to offset these losses include, but are not necessarily limited to, the following:

- Monitor Metropass sales to determine if sales trends improve once the full-year impact of the March 2015 fare increase ends;
- A freeze on further service additions until it can be determined if the year-to-date ridership results are only temporary or more indicative of a lasting trend;

- Expense reductions that would be achieved from across-the-board service reductions in 2016 and 2017;
- Draw from the TTC Fare Stabilization Fund (which has a balance estimated at approximately $15 million);
- Additional operating subsidy from the City; and
- A review of action that can be taken to ensure only children age 12 and under are riding free.

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