



Development of the 5-Year Fare Policy and 10-Year Fare Collection Outlook

Date: May 13, 2020
To: TTC Board
From: Chief Customer Officer

Summary

This report describes the proposed scope of work for two significant TTC policy documents: the 5-Year Fare Policy, and the 10-Year Fare Collection Outlook. Together, the fare policy and the fare collection outlook will review the TTC's current fare system, identify fare policy goals and future fare structures, consider industry best practices in fare collection, and develop a fare collection model guided by policy goals. This work is consistent with critical paths identified in the TTC's 2018-2022 Corporate Plan and includes the Board directed Fare Collection Request for Information (RFI) which will extensively review Canadian and international fare collection trends and best practices.

The 5-Year Fare Policy will explore the priority of different fare policy goals, and will examine fare structures from zero-fares all the way to full cost recovery. The 10-Year Fare Collection Outlook will be guided by the 5-Year Fare Policy, and will ensure that all customers are provided with a seamless and accessible way to pay fares, including integration with neighbouring transit agencies.

When the work is concluded in late 2021, the TTC will have a comprehensive fare policy that will guide the future of fare collection at the TTC.

The purpose of this report is to provide an overview of the scope of work of the 5-Year Fare Policy and 10-Year Fare Collection Outlook.

Recommendations

It is recommended that the TTC Board:

1. Endorse the scope of work for the 5-Year Fare Policy and 10-Year Fare Collection Outlook, with the final proposed strategy to be presented to the Board in Q4 2021.

Financial Summary

The 5-Year Fare Policy and the 10-Year Fare Collection Outlook will be completed by TTC staff with the support of external consultants with extensive expertise and background in the development of multi-year fare policies, fare collection models and applied to comparable transit agencies to the TTC. Specifically, the 2020 Operating Budget as approved by the TTC Board on December 16, 2019 and City Council on February 19, 2020, included \$1 million to retain these consultant services. In light of COVID-19, this work is expected to begin in September 2020, with an expected 2020 expenditure of \$0.340 million; \$0.170 million for each piece of work.

With a farebox recovery ratio of 67%, one of the highest in North America, fare revenue is of particular importance to the TTC. Due to the unforeseen COVID-19 pandemic, the TTC has experienced a significant drop in ridership having a major impact on revenue with a deficit of approximately \$90 million per month. The 5-Year Fare Policy and 10-Year Fare Collection outlook will adapt to these changing circumstances and will help the TTC and City of Toronto ensure fares appropriately reflect customer needs and encourage future ridership. The need to maintain alignment on fare policy goals, access and equity is at the forefront of this strategy, as well as the principles of the City's User Fee Policy. This work is timely as it will address the gaps in the current fare structure and the potential lasting impacts of COVID-19 on overall ridership.

The 5-Year Fare Policy will also support the TTC's move to multi-year financial planning by providing a longer term view of fare changes and guiding deliberations in the annual budget process.

The Interim Chief Financial Officer has reviewed the report and agrees with the financial impact information.

Equity/Accessibility Matters

The TTC is working towards making Toronto's transit system barrier-free by implementing changes which will make its services and facilities accessible to all our customers. The TTC strongly believes all customers should enjoy the freedom, independence and flexibility to travel anywhere on its transit system, regardless of individual ability. The TTC's commitment to providing reliable, safe, accessible and inclusive transit for all is at the forefront of its *2018-2022 Corporate Plan*. In addition, the current *2019-2023 TTC Multi-Year Accessibility Plan* describes the initiatives that will increase the number and geographic coverage of accessible transit services and facilities, as well as satisfy the Accessibility for Ontarians with Disabilities Act (AODA) requirements. Section 5.4.5 of the *Accessibility Plan* commits TTC to ensuring future fare payment solutions, including the current PRESTO system, are accessible.

The fare policy review will address various fare options, including ensuring all forms of fare media are readily available and accessible to customers. Understanding the current barriers or gaps in the system will help the TTC create fare policies and collection models that are equitable and address the needs of all customers and equity-seeking groups.

The TTC is working closely with the City of Toronto's Poverty Reduction Strategy Office to support the implementation of the *2019-2022 Poverty Reduction Strategy*. The TTC is also a member of the City's Fare Equity Steering Committee. Through these forums the TTC has heard that transit affordability and availability of fare media are concerns for many city residents. The TTC will continue to collaborate with these committees and consult with equity-seeking groups and the residents they represent. The TTC is committed to ensuring that an equity lens is a key component of the development of the fare policy and fare collection outlook.

Decision History

At their meeting on December 12, 2019, the TTC Board considered a report entitled the 5-Year Service Plan & 10-Year Outlook, which identified service-related improvements to public transit in the City of Toronto between 2020-2024 and beyond.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2019/December 12/Reports/16 5 Year Service Plan and 10 Year Outlook.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2019/December%2012/Reports/16%205%20Year%20Service%20Plan%20and%2010%20Year%20Outlook.pdf)

On October 24, 2019, the Board moved a motion to complete a Fare Collection Request for Information (RFI). The RFI will help the TTC determine new service providers and technologies, including open payment, being used by transit properties worldwide. The intent is to provide customers with a modern, efficient and customer focused fare collection system.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2019/October 24/Reports/Decisions/5 TTC Revenue Operations Phase Two PRESTO TTC Fare Equipment.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2019/October%2024/Reports/Decisions/5%20TTC%20Revenue%20Operations%20Phase%20Two%20PRESTO%20TTC%20Fare%20Equipment.pdf)

On June 12, 2019, the TTC Board was given an update on PRESTO. The report identified that gaps remain the 2012 Master Agreement that prevent the TTC from fully migrating to PRESTO. Significant progress has been made since 2012, but not enough to realize the full vision of the agreement between TTC and Metrolinx.

2019 PRESTO Board Report – June 2019

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2019/June 12/Reports/15 PRESTO Implementation Update June 2019 updated.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2019/June%2012/Reports/15%20PRESTO%20Implementation%20Update%20June%202019%20updated.pdf)

At their meeting on January 25, 2018, the TTC Board considered and adopted, with amendments, the TTC Corporate Plan. This plan highlights the need to develop a fare strategy and connect the region by achieving broader fare integration. The TTC will also need to ensure that it keeps up with the changing technologies and strides in modernization as outlined by Critical Path 5 in the plan.

TTC Corporate Plan: Advancing to the Next Level – 2018-2020 & Beyond

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2018/January 25/Reports/Decisions/1 TTC Corporate Plan 2018-2022 Decision.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2018/January%2025/Reports/Decisions/1%20TTC%20Corporate%20Plan%202018-2022%20Decision.pdf)

Issue Background

Past approaches to fare policy and fare collection have evolved over time, with technology often leading the development of policies.

Since 2012, the TTC has had an agreement with Metrolinx for the PRESTO fare card system, with the contract ending in 2027. The agreement also has an option to extend for one additional year at Metrolinx's discretion and an additional four years by mutual agreement. The implementation of this system was based on existing fare structures and fare collection models. The TTC did not have a comprehensive fare strategy that had clearly-defined goals, which over time has showed some limitations in addressing customer needs. There have also been delays in implementing critical functionalities, including open payments, that have further limited customer fare choices and the implementation of new fare policies.

The TTC is continuing to work with PRESTO in the interim on upgrades and modernizing the TTC's fare collection system, including the implementation of open payments. However major changes or new developments to fare collection must be informed by the work being completed on the 5-Year Fare Policy and 10-Year Fare Collection Outlook. It is imperative that future fare policy goals are clearly identified through this strategy development, and from key stakeholder discussions. It is also crucial to consider the implications that the current circumstances with COVID-19 may have on future fare policy goals and collection approaches. Customers may change transit behaviours as a result of the pandemic and it is important for TTC to understand those changes to encourage current and future ridership on the system.

The strategy development is critical to ensure we understand the differentiated needs of our customers in the current state; set prioritized goals; achieve those goals by developing or improving a collection model that is modernized and driven by policy; and consider the changing behaviours and perspectives of all TTC customers.

Comments

Overall mandate

The mandate of the 5-Year Fare Policy and 10-Year Fare Collection Outlook is to understand the gaps in the current system and find opportunities for improvement in the fare structure, policies and collection practices. This is particularly important when planning for the future in response to the impacts of the COVID-19 pandemic and the potential lasting effects on the overall future of transit.

The 5-Year Fare Policy and 10-Year Fare Collection Outlook will guide all aspects of future TTC fare policy and fare collection. The 5-Year Fare Policy will review the current fare structure, and will consider all fare options to determine fare policy goals. The 10-Year Fare Collection Outlook will conduct a review of the current fare collection model and determine any gaps that exist between the identified policy goals and the current

system. The current fare collection model will be improved or redesigned to ensure that it is flexible to meet the identified policy goals, as well as reflect industry best practices.

The fare policy is being developed to guide the TTC's fare system over the next five years. This period has been selected so that a new fare structure can be introduced and evaluated over a relatively short period of time. Towards the end of the five-year period, the policy goals of the fare system will be re-evaluated, and any changes to policy or implementation can then be identified and implemented. The fare collection strategy is being developed as an outlook that spans 10 years. This longer period reflects the time remaining on the current agreement with Metrolinx and the time that it takes to implement new collection technologies. It will also allow the fare collection system to be designed to be flexible and adaptable as fare technologies advance.

Regional collaboration

The TTC is committed to collaborating with its 905 transit partners as a part of the fare policy and collection strategy. The TTC already operates a number of cross-boundary services, including the Line 1 subway extension into York Region. The TTC has, and will continue to engage in discussions with neighbouring transit agencies and with Metrolinx to address fare integration.

York Region Transit (YRT) has expressed direct interest in collaborating with the TTC, with a goal towards achieving fare and service integration between both agencies. This will be studied as part of the fare policy work. The TTC will also continue to engage with other neighbouring 905 partners, including Brampton Transit, MiWay and Durham Region Transit, and GO transit. This collaboration will inform the development of fare policy goals and objectives, and will help take a step towards achieving broader fare and service integration across the region.

Consultation

The TTC will consult widely in the development of the fare policy and collection strategies. Consultations will be carried out with many groups as part of the review. The consultations will seek input, share emerging ideas, and gauge support and acceptance of any new fare policy goals. In Q2 2021, staff will bring an update to the Board, on these consultations as part of the overall project update.

Key stakeholders that will be engaged throughout the duration of the policy and collection strategy work include:

- TTC Board members
- City of Toronto, including the Poverty Reduction Office and Transit Fare Equity Forum Members
- Public Consultations
- Metrolinx/PRESTO
- 905 Transit Partners (York Region Transit, MiWay, Brampton Transit, Durham Region Transit, GO Transit)
- Social Service Agencies
- Equity Seeking Groups

- TTC Advisory Committee on Accessible Transit (ACAT)

Timeline

The 5-year Fare Policy & 10-Year Collection Strategy will take approximately one year to complete. The process to procure consultants to assist TTC staff in preparing the fare policy and collection strategies are under way with the timing to award a contract extended in light of delays related to COVID-19. Work on the two projects is planned to begin in September of 2020, once the consultants are on board.

Both pieces of work will begin at the same time and will be carried out in parallel, with the fare policy work providing primary guidance and direction to the development of the fare collection outlook. The staggered approach of the phases identified below and outlined in Appendix 3 are designed to first understand the current state and identify gaps and potential improvements to the current fare structure and collection model. Staff will then be able to build on these goals to develop a comprehensive fare policy. Once the direction and relative priorities of fare policy goals have been identified, fare collection models can begin to be developed in parallel. Identified approaches will be guided by the identified policy goals and the information derived from the fare collection RFI.

Staff will report to the Board mid-way through the project to provide an update in Q2 2021. The recommended 5-Year Fare Policy and 10-Year Fare Collection Outlook will be before the Board in October 2021.

5-Year Fare Policy – Overall Scope

The key objective of the 5-Year Fare Policy is to develop a comprehensive fare policy while considering all fare options, and identifying policy goals through market research, industry best practices, and stakeholder engagement.

The 5-Year Fare Policy will explore all fare options ranging from zero-fare to full-cost recovery. The work will identify and establish the relative priorities of policy goals, such as equity, affordability, revenue, and ridership. It will also identify constraints and opportunities in the current fare structure that influence fare policy decision making. All TTC fare policies, some of which date back decades will be reconsidered. This approach is consistent with the City's User Fee Policy's principles.

The work will be carried out in three phases. The first phase will be a situation analysis, and is planned to take three months. The situation analysis will identify any gaps in the current fare structure, and identify existing conditions, perspectives and best practices in order to inform the development of future fare media, structure and pricing models. The review will include the affordability and access to fares, choice and flexibility in fare options, the overall customer experience, the range of policy goals that could be met, and potential changes to revenue, ridership and service levels.

The second phase will chart out the future direction phase, and this work will take five months. This phase will establish a fare policy statement, based on the findings of the

situation analysis. The identified range of policy goals will be prioritized and weighted (based on, but not limited to, affordability; equity; fare integration; revenue; and ridership) and any gaps between current practices and the established goals will be highlighted and addressed. The public and key stakeholders will also be engaged at this stage to gain perspectives on the established policy goals.

The final phase will be the development of the 5-Year Fare Policy, planned to take four months. The objective of this phase is a policy document that outlines the preferred fare structure, fare media offerings, and fare pricing. The goal is to establish a fare policy that achieves the established goals identified in Phase 2. The 5-Year Fare Policy will also include an implementation plan with action steps for the next five years; a forecast of revenue and ridership impacts, as well as capital and operating budgets; and a monitoring and evaluation framework to ensure all established goals are being achieved.

Further detail of the scope of work is attached as Appendix 1: 5-Year Fare Policy Proposed Scope of Work.

10-Year Fare Collection Outlook – Overall Scope

The key objective of the 10-Year Fare Collection Outlook is to develop a fare collection outlook over a 10-year period that will achieve the identified policy goals and objectives.

The development of the 10-Year Fare Collection Outlook will follow the direction provided by the 5-Year Fare Policy. During the review of the current fare collection model, research will be undertaken to understand industry trends and best practices. The fare collection review will also conduct a thorough mapping and analysis of potential fare collection approaches to develop a model that meets the identified policy goals and objectives. It will also review the current model and identify any improvements that can be made to achieve policy goals.

The scope of work for this review will be completed in three phases. The first phase will be a situation analysis of transit fare collection, and will take four months. An extensive review will be undertaken of Canadian and international trends on fare collection and industry best practice, through a Request for Information as directed by the Board at its October 24, 2019 meeting. A situation analysis will be completed to understand the current fare collection model, which will be compared against the findings of the industry review. This information will be used to develop a framework for requirements for a new fare collection model.

The second phase will determine the future direction of fare collection, and will be conducted over four months. This work will be guided by policy goals from the fare policy work, and will identify, develop and evaluate fare collection options and fare revenue controls. The range of options will incorporate the findings from the situation analysis to ensure that the strategy will be a policy-led and modernized model based on industry best practices.

The final phase will be the development of the fare collection outlook, and will take four months. The objective will be to produce a modernized fare collection approach based on industry best practices, while also achieving TTC's policy goals and objectives. The model will be accompanied by actionable short- and long-term recommendations for implementation, and will be technologically flexible in implementing policy changes over a 10-year period. A timeline and requirements for all long-term recommendations will be established.

Further detail of the scope of work is attached as Appendix 2: 10-Year Fare Collection Outlook Proposed Scope of Work.

Contact

Kathleen Llewellyn-Thomas, Chief Customer Officer
kathleen.llewellyn-thomas@ttc.ca

Signature



Kathleen Llewellyn-Thomas, P.Eng.
Chief Customer Officer

Attachments

Appendix 1: 5-Year Fare Policy Proposed Scope of Work
Appendix 2: 10-Year Fare Collection Outlook Proposed Scope of Work
Appendix 3: Project Timeline

Appendix 1: 5-Year Fare Policy Proposed Scope of Work

The key objective is to develop a comprehensive fare policy while considering all fare options, and identifying policy goals through market research, peer reviews and stakeholder engagement.

The 5-Year Fare Policy will explore all fare options ranging from zero-fare to full-cost recovery. The work will identify and establish the relative priorities of policy goals (e.g. equity, affordability, ridership, etc.). It will also identify constraints (e.g. funding, technology, etc.) and opportunities in the current fare structure that influence fare policy decision making. All TTC fare policies and fare collection practises, some of which date back almost 100 years, will be reconsidered.

Scope of Work & Deliverables

The scope of work will be carried out in three phases.

Phase 1: Situation Analysis (3 Months)

The objective of the situation analysis is to identify any gaps in the current fare structure. This phase will identify existing conditions, perspectives and best practices in order to inform the development of future fare media, structure and pricing models. The situation analysis will include a review of (but not limited to) the following:

- Affordability and access to fares
- Ability and affordability for cross boundary travel
- Choice and flexibility in fare options to meet individual needs
- Overall customer experience
- Revenue and ridership
- Other (as identified through consultations with key stakeholders)

The situation analysis will also include:

- A peer and best practice review identifying gaps and opportunities in the current models compared against identified transit agencies (Canadian and international).
- A range of fare policy goals identified through consultations and identification of gaps in the current fare structure.
- A gap analysis identifying any current constraints hindering TTC from integrating fares with 905 partners.
- Perspectives on policy objectives from key stakeholders and market research.
- Identification of any improvements to current governance structures.

Phase 2: Future Direction (5 Months)

The objective of this phase is to establish a fare policy statement by leveraging the findings of the situation analysis (phase 1). The identified range of policy goals will be prioritized and weighted (based on affordability, equity, fare integration, revenue, ridership, etc.) and any gaps between current practices and the established goals will

be highlighted and addressed. The public and key stakeholders will also be engaged to gain perspectives on the established policy goals.

Phase 2 will include the following as part of the future direction of the fare policy:

- A fare policy statement reflecting the identified fare policy goals.
- Evaluation criteria to inform and assess the prioritized and weighted policy options being considered.
- A full accounting review of identified fare levels from the established policy goals.
- A gap analysis identifying constraints between the established policy goals and the current fare structure.
- Short- and long-term constraints related to fare related to fare integration with 905 partners.
- Perspectives on policy goals from engaging key stakeholders, and market research with customers and the broader public.

Phase 3: Development of the 5-Year Fare Policy (4 Months)

The objective of this phase is to culminate in a 5-Year Fare Policy that outlines the preferred fare structure, fare media offerings and fare pricing based on the review of the situation analysis in Phase 1. The goal is to establish a fare policy that achieves the established policy goals identified in Phase 2. The 5-Year Fare Policy will include:

- An implementation plan with action steps for the next 5 years.
- A forecast of revenue and ridership impacts, service levels as well as changes to projected operating and capital budgets.
- A monitoring and evaluation framework to ensure all established goals are being achieved.

Appendix 2: 10-Year Fare Collection Outlook

The key objective is to develop a fare collection outlook over a 10-year period, to achieve the identified policy goals and objectives.

The development of the 10-Year Fare Collection Outlook will follow the direction provided by the 5-Year Fare Policy. During the review of the current fare collection model, research will be undertaken to understand industry trends and best practices. The fare collection review will also conduct a thorough mapping and analysis of potential fare collection approaches to develop a model that meets the identified policy goals and objectives. It will also review the current model and identify any improvements that can be made to achieve policy goals.

Scope of Work & Deliverables

The scope of work for this review will be completed in, (but not limited to) the following three phases:

Phase 1: Request for Information (RFI) & Situation Analysis (4 Months)

In this phase, the Consultant will immediately develop and issue a RFI to understand Canadian and international trends on fare collection and industry best practices. At the same time, a situation analysis will be completed to understand the current fare collection model, which will be compared against the findings of the RFI. The RFI and situation analysis will include a review of (but not limited to) the following:

- Developing an open payment system.
- Review of cash acceptance and impacts
- Flexibility in technological requirements, future infrastructure expansion and implementing fare policy changes.
- Opportunities for cost savings with the current collection model.
- Providing an improved customer experience.
- Gap analysis between TTC's current model by identifying strengths, weaknesses, longevity and adaptability, and comparing against the findings from the RFI and a peer-review of other transit agencies (Canadian and international).

The situation analysis (Phase 1) findings from the fare policy work will provide information on the benefits, gaps and constraints that customers are feeling today with TTC's current fare structure and collection model. These findings will be leveraged to understand the situation analysis of the current fare collection model, and develop a framework for requirements for a new model (technological, mobile apps, open payments, etc.).

Phase 2: Future Direction (4 Months)

The objective of this phase is to leverage the established policy goals from the fare policy work (the preferred fare structure, fare media offerings, and pricing) to identify, develop and evaluate fare collection options with revenue controls. The range of fare collection options will also incorporate the findings from the RFI and situation analysis

(phase 1) and tie them both together to ensure we are developing a policy-led and modernized model based on industry best practices. The fare collection options will be developed by incorporating the following:

- A thorough analysis and process map for each option as it compares against industry best practices.
- A gap analysis of the current model against the proposed options to identify potential impacts and constraints that may hinder achieving fare policy goals.
- Ensuring all options meet the standards of the Canadian payment landscape industry.
- Engaging internal and external stakeholders to assess their perspectives on the options.

Phase 3: Development of the 10-Year Fare Collection Outlook (4 Months)

The objective of this phase is to culminate in a modernized fare collection approach based on industry best practices, while also achieving TTC's fare policy goals and objectives. The model will be accompanied by actionable short- and long-term recommendations for implementation, and will be technologically flexible in implementing fare policy changes over a 10-year period. A timeline and requirements for all long-term recommendations will be established.

The 10-Year Fare Collection Outlook will include the following:

- First moves – “quick wins” that can be implemented immediately within the existing constraints (e.g. funding, technology, etc.).
- An Implementation plan detailing actions steps for a 10-year outlook.
- An evaluation and monitoring framework to ensure strategic outcomes are achieved (policy goals, modernized system, etc.).
- A summary of public and stakeholder engagement on their perspectives of the preferred model.
- Organizational roles and responsibilities for the effective implementation and governance of the model over a 10-year period.

Appendix 3: Project Timeline

