



## **Advancing the 5-Year Fare Policy**

Date: February 10, 2022

To: TTC Board

From: Chief Strategy and Customer Officer (Acting)

### **Summary**

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At the May 2021 meeting, the Board approved seven fare policy goals as part of the 5-Year Fare Policy (please see Attachment 1 at the bottom of this report). These goals help define the TTC's vision to develop a fare policy reflective of customer needs, financial sustainability for the TTC, and provide the basis for screening future fare policy recommendations. Following this meeting, staff analyzed various fare options that looked at fare by distance, mode and zone, as well as several options ranging from free fares to full cost recovery, with the latter requiring customers to pay full operational costs of their trip. This analysis was completed to determine how to best add value for the customer and achieve fare integration. In addition, several consultations with key stakeholders and the public were conducted in parallel to better understand customer perspectives on the fare options being considered.

The purpose of this report is to provide a summary of the analysis, as well as the public consultation findings completed to date. This report will outline the emerging fare policy options for endorsement by the Board, which include fare capping and aligning concession prices between Fair Pass customers, Seniors and Youth (outlined in the Comments section of this report). The findings presented in this report will inform the final fare policy recommendations that will be brought to the Board for approval in May 2022.

### **Recommendations**

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It is recommended that the TTC Board:

1. Continue to support the TTC's existing fare structure, which includes the flat fare, free two-hour transfer across all modes and the Fair Pass and age-based discounts as the hallmarks of the TTC's fare policy;
2. Endorse in principle the opportunities related to fare capping and aligning concessions across Fair Pass, Seniors and Youth as detailed in the Comments section of this report to inform the final fare policy recommendations that will be presented to the Board for approval in May 2022; and

3. Direct staff to forward a copy of this report to the Ministry of Transportation to restart discussions on reintroducing the Discount Double Fare (DDF), the TTC-GO Transit co-fare to offset Line 3 closures.

## **Financial Summary**

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There are no immediate financial impacts arising from the adoption of the recommendations in this report. However, endorsing opportunities identified in this report will guide the TTC's approach to establishing new fare policies and may ultimately impact total passenger fare revenue, which represents 62% of the pre-pandemic funding sources for the TTC's conventional service.

All changes in fare policy will consider the benefits to be accrued to customers and ridership impacts while balancing the financial implications that may arise from revenue loss to ensure the TTC is meeting its key fare policy principles endorsed by the Board that ensure benefits to the customer as well as financial sustainability. A preliminary range of the two fare policy opportunities, included in the recommendation #2, are below.

The financial impact of fare capping will vary significantly depending on the specific parameters established. To provide an order of magnitude range, a fare cap at each concession group's current break-even trip rates (e.g. 48 trips per month for the Adult concession; 40 trips per month for Post-Secondary, etc.) generates an annual revenue loss of approximately \$17 million, based on pre-COVID ridership levels. A fare cap at 40 trips per month for all concession groups, generates an annual revenue loss of approximately \$78 million, based on pre-COVID ridership levels.

Notwithstanding the amounts noted above, fare capping has the flexibility to establish fare cap options for different customer groups that enables implementation while taking into consideration resultant revenue losses and financial affordability. It should also be noted that fare capping will reduce the predictability of TTC revenue streams due to monthly pass funds no longer being collected in full at the start of the month.

Aligning the Senior and Youth concessions with Fair Pass prices through a decrease of the Senior and Youth ePurse and monthly pass prices generates an approximate annual revenue loss of \$7 million, based on pre-COVID 2019 ridership levels.

The specific value of any change in fare revenue will vary based on the specific parameters ultimately established, and the implementation timeline for each opportunity under consideration. In recognition of the above, a fiscal lens will be applied in the development of the opportunities, and estimates will be refined for the planned May 2022 report to the Board.

The Chief Financial Officer has reviewed this report and agrees with the Financial Impact information.

## Equity/Accessibility Matters

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A cornerstone of the TTC's Corporate Plan 2018-2022 is accessibility, and as a proud leader in providing accessible public transit in the City of Toronto, we are committed to ensuring reliable, safe and inclusive transit services for all our customers. This is further supported by the ongoing work of the 5-Year Fare Policy, which has involved extensive review of the TTC's current fare structure and collection practices. A key component of the fare policy work stream is to identify and understand existing barriers relating to accessible and affordable transit, and recommend approaches that promote fare equity and access by addressing the needs of all customers, including those from equity-deserving groups.

The TTC is also a member of the City's Fare Equity Steering Committee, and through these forums the TTC has heard that transit affordability is a concern for many city residents. The TTC will continue to collaborate with these committees and conduct a final round of public consultations to ensure that an equity lens remains a key component of the final 5-Year Fare Policy.

Of the fare options presented in this report, fare capping and aligning concessions (defined in **Table 1** below) have been identified as options that will most optimally increase fare equity and affordability, while balancing financial sustainability at the TTC. The development of the Fare Collection Outlook also continues to be led by the findings of the fare policy work, which ensures that all forms of fare collection and fare media will be readily available and accessible to all customers.

## DECISION HISTORY

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At its 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

[https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2018/January-25/1\\_Corporate\\_Plan\\_2018-2022.pdf?rev=63202363aa374a8582225fbfa77c4e4b&hash=4DF212FA11F33564142524333B75223A](https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2018/January-25/1_Corporate_Plan_2018-2022.pdf?rev=63202363aa374a8582225fbfa77c4e4b&hash=4DF212FA11F33564142524333B75223A)

At its meeting 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.

[https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2019/October\\_24/Reports/Decisions/5\\_TTC\\_Revenue\\_Operations\\_Phase\\_Two\\_PRESTO\\_TTC\\_Fare\\_Equipment.pdf?rev=a6ed3b03fe214767a15bab3dd46e6351&hash=EE8E309FF487146C06829000F268DFA9](https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2019/October_24/Reports/Decisions/5_TTC_Revenue_Operations_Phase_Two_PRESTO_TTC_Fare_Equipment.pdf?rev=a6ed3b03fe214767a15bab3dd46e6351&hash=EE8E309FF487146C06829000F268DFA9)

At its 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.

[https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2019/December\\_12/Reports/16\\_5\\_Year\\_Service\\_Plan\\_and\\_10\\_Year\\_Outlook.pdf?rev=4d086939de0a4f00801b42b7f1eb4872&hash=BEC5AA8D57EFBB6E2EA3B835318FB15A](https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2019/December_12/Reports/16_5_Year_Service_Plan_and_10_Year_Outlook.pdf?rev=4d086939de0a4f00801b42b7f1eb4872&hash=BEC5AA8D57EFBB6E2EA3B835318FB15A)

At its meeting on May 13, 2020, the TTC Board considered a report detailing the proposed scope of work for two TTC policy documents: the 5-Year Fare Policy and the 10-Year Collection Outlook.

[https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2020/May\\_13/Reports/11\\_Development\\_of\\_the\\_5\\_Year\\_Fare\\_Policy\\_and\\_10\\_Year\\_Fare\\_Co.pdf?rev=dd38def05f324dbeafd6fdcb28a7fdf5&hash=ADAC7CC1781D68F46F5ED260F4D2875C](https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2020/May_13/Reports/11_Development_of_the_5_Year_Fare_Policy_and_10_Year_Fare_Co.pdf?rev=dd38def05f324dbeafd6fdcb28a7fdf5&hash=ADAC7CC1781D68F46F5ED260F4D2875C)

At its meeting on September 24, 2020, the TTC Board received an update on the PRESTO implementation achievements, the progress on the negotiations with Metrolinx on further improvements to the PRESTO system, how to achieve the remaining key milestones, and resetting the TTC's ongoing relationship with PRESTO.

[https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2020/September\\_24/Reports/4\\_PRESTO\\_Annual\\_Update.pdf?rev=c4cab57b5a3541f38d1f96809aa2d9b9&hash=2D2182EC8A8CC233C95217870355C94C](https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2020/September_24/Reports/4_PRESTO_Annual_Update.pdf?rev=c4cab57b5a3541f38d1f96809aa2d9b9&hash=2D2182EC8A8CC233C95217870355C94C)

At its meeting on February 10, 2021, the TTC Board received an update on the PRESTO implementation achievements, progress made since the last update in September 2020, and ongoing negotiations with Metrolinx on achieving the key remaining milestones. This report also provided a progress update on the development of the 5-Year Fare Policy and 10-Year Fare Collection Outlook.

[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2021/February\\_10/Reports/5\\_PRESTO\\_Fare\\_Policy\\_and\\_Collection\\_Strategy\\_Update.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2021/February_10/Reports/5_PRESTO_Fare_Policy_and_Collection_Strategy_Update.pdf)

At its meeting on May 12, 2021, the TTC Board received an update on the 5-Year Fare Policy and 10-Year Fare Collection Outlook. An analysis of the existing TTC fare policies and the findings from the fare collection RFI were presented. Seven strategic fare policy goals were approved, which have informed the technical analysis of several fare options. Staff were also directed to move forward with vendor demonstrations of Full System Integrators.

[https://ttc-cdn.azureedge.net/-/media/project/ttc/devproto/documents/home/public-meetings/board/2021/may-12/3\\_update\\_5\\_year\\_fare\\_policy\\_10\\_year\\_collection\\_outlook.pdf?sc\\_lang=en&rev=2c2b0f1c97064ff3b22c6491fcbce51b&hash=f779667f13971f3c7d11feafea42318b](https://ttc-cdn.azureedge.net/-/media/project/ttc/devproto/documents/home/public-meetings/board/2021/may-12/3_update_5_year_fare_policy_10_year_collection_outlook.pdf?sc_lang=en&rev=2c2b0f1c97064ff3b22c6491fcbce51b&hash=f779667f13971f3c7d11feafea42318b)

## ISSUE BACKGROUND

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**At the May 2021 meeting, the Board approved seven strategic fare policy goals that provide a framework based on principles that promote equity and affordability to inform future fare policy decision making.**

Over the past year, the TTC has been working on developing a 5-Year Fare Policy with the goal of making improvements to the current fare structure. The seven fare policy goals (found in **Attachment 1**) were developed by defining the objectives and priorities of the TTC's fare policies, assessing the existing fare structure and understanding perspectives from key stakeholders and customers. The endorsement of the seven strategic fare policy goals by the Board have provided the foundation for identifying and modelling various fare options, as well as the impacts they may have on customers, ridership and revenue. This report will provide an overview of these findings, as well as how the fare policy goals have shaped the recommended direction of the TTC's future fare policies.

## Comments

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**The TTC's flat fare, age-based discounts, Fair Pass program, two-hour transfer and free transfers between subway, buses and streetcars are hallmarks for equity, affordability and inclusion.**

A series of engagement sessions completed throughout the fare policy work include: online customer surveys, focus groups, external workshops and virtual town halls. The findings from these consultations have provided us with customer insights on the existing fare structure and we have learned that customers value the following:

- The flat fare, which promotes equity in our system because it allows them to make a continuous trip on any TTC service with just one transit fare;
- The two-hour transfer across all modes because it allows them to hop on and hop off to make additional free trips;
- The existing age-based and low-income discounts because they promote affordability in the system and support customers who rely on transit the most; and
- The existing fare structure, and customers indicated that any changes made need to work towards building greater equity and access into the system.

The feedback we received from customers along with the seven fare policy goals have provided the basis for evaluating potential fare structures at the TTC. A list of fare options reflective of these findings was developed, modelled and consulted on to determine the recommended direction of the 5-Year Fare Policy, which is outlined in the following sections of this report.

**Fare options ranging from full cost recovery to free fares, including fare by distance and zonal options, were analyzed to understand how to best improve customer value, ridership and revenue.**

As part of a fare options analysis, a list of 41 potential fare options ranging from free fares to full cost recovery where customers would pay a fare that covers the full operational costs were explored (can be found in **Attachment 2**). Three additional fare options, which included fare by zone, distance and mode, were also included as part of technical analysis because they were proposed as part of the Province’s fare options framework for advancing fare integration across the region. Customers have also stated that implementing these changes will lead to higher fares and make TTC ridership less affordable. This has negative implications for the equity and accessibility of the TTC’s fare structure, and therefore were not supported to move forward within the 5-Year Fare Policy.

Of the 41 fare options, 11 were selected for further analysis (**Table 1**). The previously approved seven strategic fare policy goals helped to guide the consultations and analysis of the options, which also helped us understand potential customer, ridership and revenue impacts.

**Table 1: Fare Options for Further Consideration**

	<b>Fare Option</b>	<b>Details</b>
1	Free Fares	<ul style="list-style-type: none"> <li>Offers customers free travel on all TTC services</li> </ul>
2	Full Cost Recovery	<ul style="list-style-type: none"> <li>Customers pay a fare that reflects full operational costs of the service – a significant increase from current fares</li> </ul>
3	Fare Capping	<ul style="list-style-type: none"> <li>Offers customers free travel after a specific number of trips in a pre-determined period of time (daily, weekly, monthly)</li> </ul>
4	Aligning concessions	<ul style="list-style-type: none"> <li>Aligning the fare price between Fair Pass, Seniors and Youth</li> </ul>
5	Removal of the cross-boundary double fare between TTC and York Region Transit (YRT)	<ul style="list-style-type: none"> <li>Allow customers to travel between TTC and YRT without having to pay a second fare within the two-hour transfer window</li> </ul>
6	Peak/Off-Peak Pricing	<ul style="list-style-type: none"> <li>Offer discounted fares based on time of day (a.m., midday, p.m.)</li> </ul>
7	Introduce a Group Travel Discount	<ul style="list-style-type: none"> <li>Offer discounted travel for customers travelling in groups</li> </ul>

	<b>Fare Option</b>	<b>Details</b>
8	Introduce a Transit-Based Loyalty Program	<ul style="list-style-type: none"> <li>• Offer loyalty discounts to frequent customers</li> </ul>
9	Reduce “Free Child” Age to Five (TTC Only)	<ul style="list-style-type: none"> <li>• Free travel for children under the age of five (current travel is free for children under the age of 12)</li> </ul>
10	Set the Senior Concession to 20% of Adult fare	<ul style="list-style-type: none"> <li>• Senior fare on PRESTO increases to \$2.56 from \$2.25</li> </ul>
11	Remove Senior Concession	<ul style="list-style-type: none"> <li>• Senior fare aligns with Adult fare of \$3.20 on PRESTO</li> </ul>

The intent of the analysis is to model a strategic policy, and not a detailed strategy, that presents an order of magnitude of the benefits that could be seen with each of the fare options. It is also important to note that the analysis makes an assumption that future travel behaviour will change and follow the same patterns as those observed historically with previous fare policy changes. Although these assumptions have broadly been accurate over time, the medium- to long-term impacts of the COVID-19 pandemic on customer travel behaviour and ridership levels is yet to be fully understood.

**The evaluation of the fare options was undertaken based on historical travel patterns, which indicate likely changes to revenue and ridership.**

Where sufficient data were available, scenarios were tested using the GTA model to project revenue and ridership changes that may occur in response to three behavioural impacts:

1. Will the new fare policy lead to existing customers changing their route choice?
2. Will overall demand change in response to the new fare policy?
3. Will the policy change travel patterns and destination choice?

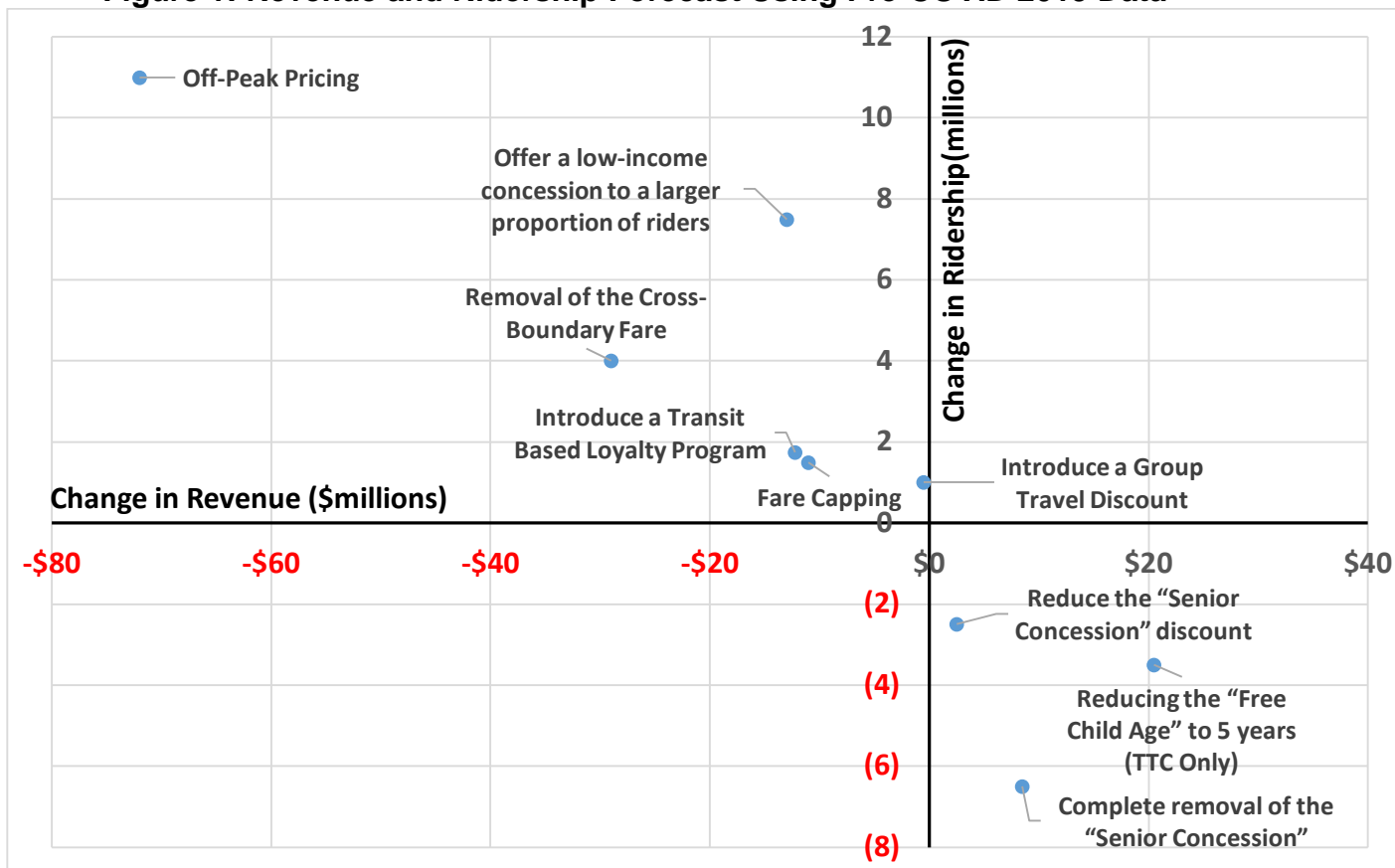
Where data was insufficient, the modelling approach:

- Estimated the size of the current ridership likely to be impacted by a policy change;
- Made an assumption about the sensitivity to the price change; and
- Estimated the potential impact on ridership and revenue.

**Customer benefits and financial sustainability are inversely related, resulting in fare options that show increased customer benefits also costing more to the TTC.**

The results of the fare options analysis indicated that there is no fare option that scores high against all seven fare policy goals. **Figure 1** shows the preliminary revenue and ridership forecasts for each of the fare options analyzed and are intended to only be directional in nature, to allow for preliminary option comparability.

**Figure 1: Revenue and Ridership Forecast Using Pre-COVID 2019 Data**



\*Free fares and full cost recovery at extreme ends fell off grid due to substantial change in revenue and ridership loss

**Free travel has some impact on ridership and public transit mode share within the city of Toronto.**

The analysis showed that offering free fares and full cost recovery fares fall at two extreme ends:

- Free transit is expected to attract approximately 75 million new trips per year across the TTC and YRT (15% of pre-COVID ridership) and has a potential revenue impact requiring more than \$1 billion. This indicates that new fare options or free fares alone will not generate significant ridership gains compared to the financial impact that would be seen.
- Fares set at full cost recovery reduce ridership by more than 60million rides between TTC and YRT and have a direct negative impact on customers who rely on transit the most because of the significant increase in fares.

When considering the impacts of the fare options on public transit mode share in the City of Toronto, the impacts of implementing free travel for TTC customers was further understood. In 2019 (pre-COVID), public transit mode share was at 54% and offering free travel increased this only by 4%. The remaining fare options also had minimal impacts; for example, off-peak pricing increased transit mode share by only 1%. This analysis indicates that we have reached our "peak" transit mode share in the City and



other external factors (e.g. highway tolls) would need to be considered to see any further increases.

**The TTC continues to have ongoing conversations with the Province regarding double fares between agencies and achieving regional fare integration.**

The findings from the technical analysis and public consultations suggest that removing the double fare at the TTC and YRT boundaries will have a positive impact on customers; therefore, it scored well against most of the fare policy goals. However, removing double fares between agencies scored poorly against the financial sustainability policy goal because of the significant subsidy that would be required to implement. Due to this funding gap, we have removed this option from the 5-Year Fare Policy, but continue conversations with the Province on achieving regional fare integration.

As a step towards removing and discounting double fares between transit agencies, we are recommending that discussions with the Province be restarted to re-introduce the Discount Double Fare (DDF), TTC-GO Transit co-fare. This program, funded by the Province and previously approved by the Board in October 2017, provided a discount for customers transferring between TTC and GO Transit services. The Province ended this program in March 2020 due to lack of funding.

The DDF TTC-GO Transit co-fare program was a positive advancement towards achieving regional fare integration and if reinstated, moves toward achieving TTC's Integration policy goal. It would promote affordability by reducing the cost of cross-boundary travel and would retain the fare structure currently in place. Restarting conversations with the Province regarding DDF will help the TTC make the case for reinstating the program, as well as future advancements towards achieving regional fare integration with YRT and the other 905 transit agencies.

Having an agreement with GO Transit will also help to offset the challenges with closing Line 3 Scarborough, which will result in customers losing access to rapid transit in fall 2023. Reintroducing DDF for all customers transferring between TTC and GO Transit services would provide additional customer benefits to Scarborough residents who could use GO services at a more affordable cost once Line 3 is no longer available. This will allow customers to continue to have access to affordable rapid transit and an efficient way to travel within the city.

**Of the remaining fare options analyzed, those that negatively impacted or showed minimal benefits to customers were also removed from further consideration.**

Of the fare options analyzed, reducing free Child fares for those under five, or reducing or eliminating the existing Seniors' concessions are the only options that increase revenue, aside from a full cost recovery fare. We have heard from customers that the current age-based concessions are considered a success and need to be maintained when identifying areas for improvement in the fare structure. Given that Child fares and Senior concessions are an integral element of fare equity/accessibility, we have removed these options from further consideration.

The following options, which have negative impacts to financial sustainability, and minimal benefits to customers, have also been removed from further consideration:

- Peak/Off Peak pricing was thought to benefit lower-income customers and seniors who do not necessarily travel during peak periods. It was assumed that a shift in demand from peak to off-peak periods would increase capacity during peak periods. However, based on customer engagement findings, we found that this policy would penalize customers who ride during the peak period and would likely not change travel behaviour.
- Group travel discounts and Loyalty programs showed small benefits as well as smaller costs to the TTC. However, there was not significant uptake of either of these options from customer engagement findings. There was also some confusion about how these policies differ from fare capping, or why it could not be re-applied as an overall discount to all fares.

**Fare capping and harmonizing concessions are two fare options that provide the TTC with the opportunity to improve the existing fare structure and monitor incremental change over a five-year period to understand their impacts.**

The following options showed some revenue loss to the TTC, but would provide maximum customer benefits. They were also highly supported by customers:

1. Fare capping.
2. Aligning concessions between Fair Pass, Seniors and Youth.

These fare options:

- Make customer-centric and equitable improvements to the existing structure;
- Can be implemented incrementally to help maintain financial sustainability; and
- Modernize and create transformational change at the TTC.

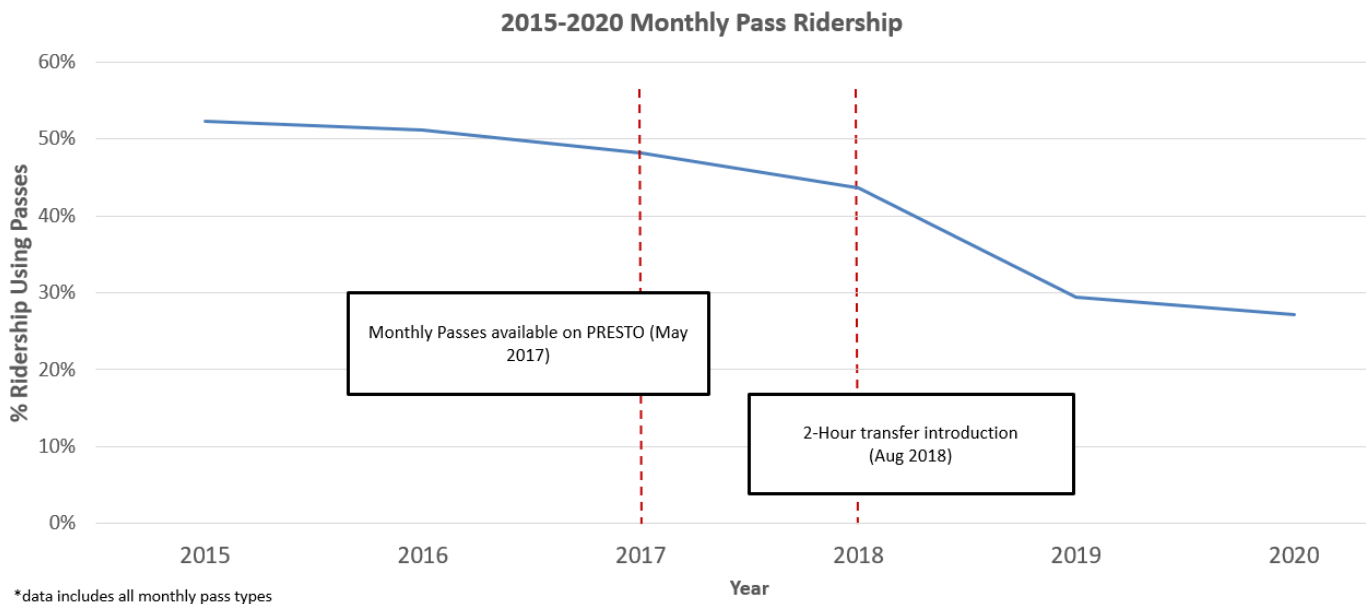
**The incremental benefits of the TTC's existing monthly passes have diminished, and fare capping will better address customer needs.**

Prior to the monthly pass being offered on PRESTO and the implementation of the two-hour transfer, the TTC's former Metropass was very popular and had a high adoption rate across all customer groups, with 50% of customers using Metropasses as of late 2015. The Metropass was initially introduced for frequent customers who wanted the added value of being able to make unlimited discretionary trips without having to pay an additional fare. In 2017, Metropass transitioned to PRESTO Monthly Passes and after the implementation of the two-hour transfer in 2018, there was a significant decline in monthly pass users (**Figure 2**).

After the migration to PRESTO, the benefit of making free discretionary trips was now covered by the two-hour transfer window. There was a decline in monthly pass sales because it was no longer beneficial to pay full price for a pass upfront, when customers had a better option to pay the PRESTO single fare and use the two-hour transfer

window to make their discretionary trips. This option provided customers with the same benefits that the Metropass offered, but at a lower cost.

**Figure 2: Trends in Monthly Pass Ridership (Pre-COVID)**



**We have heard that reducing monthly pass prices may make them a more attractive option. However the analysis has revealed that fares alone will not encourage increased ridership.**

In addition to the sensitivity analysis of customer ridership trends and the impacts of PRESTO and the two-hour transfer, the TTC Board requested that staff explore the impacts of a \$100 monthly pass. The ridership revenue impacts of a \$100 pass are detailed below:

Overall annual impacts of a \$100 monthly pass across all concessions (using 2019 pre-COVID ridership):

- Approximately (\$107 million) loss from pass revenue;
- Approximately (\$68 million) loss from customers switching from ePurse to monthly pass; and
- Total: Approximately (\$175 million) annual loss.

To be revenue neutral, the TTC would require a minimum of 71 million net new fare paying rides.

While this is an attractive option because of the reduced cost, the analysis on monthly pass sales and ridership shows that the concept of monthly passes is no longer meeting customer needs and do not promote ridership. Prior to the pandemic, there was already a decrease in monthly pass sales due to the introduction of PRESTO and two-hour transfer. We recognize that customers want flexible fare options that can accommodate their changing travel behaviours (likely due to the pandemic), which may not return to pre-COVID frequency. New fare options need to be accessible and affordable, requires

minimal effort of the part of the customer, provide the flexibility to accommodate changing travel patterns and not have to pre-plan at the beginning of each month.

**Fare capping is a solution that can be initiated in place of the existing monthly passes as it has become clear that they are no longer meeting customer needs.**

Fare capping is a simple and accessible option that supports the ability to pay and maximizes customer benefits without having to make changes to the existing policies. It has become clear that monthly passes are no longer meeting customer needs and fare capping has the ability to retain a monthly option that customers want.

It is also important to note that although the analysis showed increased customer benefits that can be achieved with fare capping, there is a cost that comes to the TTC because the revenue of the upfront cost of monthly passes would be eliminated. To address this, fare capping has the flexibility to set fare caps for different customer groups to maintain financial sustainability while still providing enhanced customer benefits. This could include setting fare caps that mimic current monthly pass thresholds to lessen the financial impacts and gradually lower the fare cap over time. It will also allow the TTC to set fare caps reflective of more accurate travel data (post-COVID), including determining which travel windows are most appropriate (daily, weekly, monthly). Lastly, implementing fare capping would modernize the fare structure at the TTC and align with peer transit agencies who have already implemented it in their fare structure (e.g. YRT Fare Capping for the Transit Assistance Program (TAP)).

Fare capping is being recommended as a solution because:

- It retains the existing fare structure that customers appreciate and consider successful;
- It is more equitable and affordable than the previous fare model because it removes the current burden of requiring customers to pay full price for a pass upfront;
- It provides assurance that customers will never exceed their monthly budgets because they will not exceed the fare cap;
- It would allow customers to have flexibility when they travel and not have to pre-plan or purchase passes and potentially encourage more ridership;
- It improves accessibility as it eliminates the requirement of “opting in” on the part of the customer (making it automatically available to all customers);
- It provides the TTC with the flexibility to phase in fare caps at different levels for different customer groups, while helping to maintain financial sustainability within the organization; and
- It creates a modernized fare structure and transformational change that will set up the TTC for future fare policy decision making.

**Aligning concessions among Fair Pass, Seniors and Youth will create a simpler and more equitable fare structure.**

Aligning concessions among Fair Pass customers, Seniors and Youth would create a fare structure with two fare categories: 1) Regular Fare and 2) Discounted Fare (**Table 2**).

**Table 2: Aligned Fare Prices Among Fair Pass, Seniors and Youth – Potential Fare Structure**

1. Regular Fare	2. Discounted Fare
<ul style="list-style-type: none"> <li>• Adults</li> </ul>	<ul style="list-style-type: none"> <li>• Fair Pass Customers</li> <li>• Seniors</li> <li>• Youth</li> </ul>

The proposed structure would create a more equitable option for Seniors and Youth who are currently paying a higher fare than Fair Pass customers. It was identified through the analysis that there are some customers in the former demographic group who would meet the income eligibility requirements of the Fair Pass Program, but are not currently eligible because the program is only being offered to low-income adults. Over time, the gap between the current Senior and Youth concession and the Fair Pass discount could be minimized, creating alignment across all customers who receive a discount on fares. This structure will allow the TTC to provide a more affordable solution to all customers, as well as remain aligned with the messages we heard from customers to uphold the current concessions and discounts being offered.

**Final reporting on the 5-Year Fare Policy will be brought to the Board in May 2022 for approval to move forward with fare policy recommendations and an implementation plan over a five-year period.**

Once endorsement is received on the direction of fare capping and aligning concessions among Fair Pass, Seniors and Youth, we will continue to analyze the impacts of these fare options to further understand the overall impacts to customers, ridership and revenue. A final report with fare policy recommendations and a proposed critical path for implementation will be brought to the Board for approval in May 2022. The final report will also include the findings from the last round of public consultations on customer perspectives as they relate to fare capping and aligning concessions.

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**Signature**

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Scott Haskill  
 Chief Strategy and Customer Officer (Acting)

## **Attachments**

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Attachment 1 – Board Approved Fare Policy Goals

Attachment 2 – Developing a list of Fare Options for Consideration

## Attachment 1: Board Approved Fare Policy Goals

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### CUSTOMER

#### Affordability & Equity

The cost of public transit should reflect customers' ability to pay, minimizing cost as a barrier to travel wherever possible.

#### Simplicity & Accessibility

The customer proposition should be easily understood by all users. Customers should be confident that they will be charged an appropriate fare for their journey. Advancements in technology should not leave customers behind.

#### Integration

Travel around the Toronto and York regions should be as intuitive as possible, regardless of the operator of the services that customers decide to use.

#### Mode of Choice

Public transit is a key part of a livable city and should be the favoured mode for a variety of journeys. Encourage existing customer loyalty and new markets to use public transportation.

### COMMUNITY

#### Maximizing Benefits

Fares should stimulate growth in demand where and when there is sufficient capacity to accommodate it and enable greater access to destinations.

#### Collaboration & Transparency

The process of establishing fares will be conducted publicly to ensure agency accountability and enhance public trust. Rationale for policy should be clear to customers. Data will be publicly owned and used for planning, monitoring and reporting.

### FINANCIAL

#### Financial Sustainability

The Fare Policy and all aspects of its implementation should ensure fiscal sustainability and improve resiliency so that customers and the public may maximize the service benefits they receive.

## Attachment 2: Developing a list of Fare Options for Consideration

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### A long list of fare options incorporated the following activities:

1. Relevance to the fare policy goals
2. TTC and YRT current state summary findings
3. Stakeholder and public engagement findings
4. Review of peer agency fare strategies
5. Assessment of fare pricing ranging from free fares to full cost recovery
6. Equity, affordability and financial sustainability lenses
7. Internal Stakeholder feedback

### Fare Policy Option Categories

A total of 41 fare options were considered. Some of these could be combined to form a single option.

<p><b>Baseline (3 options)</b> current system, TTC-YRT fare integration and free transit for all</p>	<p><b>Service based (2 options)</b> fare is charged based on the type of service or mode used (e.g., express bus vs local bus, or subway).</p>	<p><b>Zone based (3 options)</b> fare is charged based on the number of geographic fare zones that are traversed in a given trip.</p>	<p><b>Distance based (2 options)</b> fare is charged based on the distance travelled between the origin and destination stations or stops.</p>	<p><b>Time based (6 options)</b> fare is charged based on the total time of a journey.</p>	<p><b>Product based (16 options)</b> provides discounts or variable fares based on frequency of travel or type of travel (e.g., time of day, fare capping, loyalty programs, and group travel).</p>	<p><b>Concessionary (9 options)</b> fares are discounted for certain groups.</p>
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### Service-Based Options Ranked Poorly Due to:



#### Affordability & Equity

TTC and YRT systems are integrated across modes, with local transit feeding higher order transit. Alternative local routes are not always reasonable compared to subway or other higher order services.



#### Maximizing Benefits

Discourages transfers that spread demand across the system; current system has been designed to encourage transfers.



#### Collaboration & Transparency

Low public and political acceptability to create a hierarchy of modes that previously did not exist.



## Zone-Based Options Ranked Poorly Due to:



### Affordability & Equity

Increases fares for people who are already traveling long distances on the transit network, with many lower-income communities being located in Toronto's inner suburbs.



### Maximizing Benefits

This system increases fares to key employment areas for the average users



### Simplicity & Accessibility

Significantly increases complexity of the system, and it may require users to tap on/tap off to calculate trip cost – slowing service.

## Distance-Based and Time-Based Options Ranked Poorly Due to:



### Affordability & Equity

Penalizes low-income riders who are traveling longer distances, with many lower-income communities being located in Toronto's inner suburbs.



### Maximizing Benefits

Reduces job accessibility for users living further from major employment areas, by increasing cost of trips that already have a long travel time. Impact varies based on employment hub (Toronto CBD, Pearson, Markham Centre).



### Collaboration & Transparency

May have low public and political acceptability to increase fares for users that are already traveling long distances.



### Simplicity & Accessibility

Requires a tap on/tap off – slowing service - or paying ahead of time for a specific journey – increasing complexity for customers.

## Other Options Excluded from the Short List:

### Carnet products

Excluded in favour of fare capping, which allows customers to pay as they go to reach the discount.

The requirement to pay upfront with a carnet product could compromise ability to pay, and therefore did not perform well for affordability and equity.

### Peak/inter-peak/off-peak pricing

Excluded in favour of peak/off-peak pricing, which was viewed as a simpler model that improves the readability of the system for users.

## **Final List of Fare Policy Options for Consideration**

1. Free Travel for All
2. Full Cost Recovery
3. Removal of the Cross-Boundary Fare
4. Fare Capping
5. Off-Peak Pricing
6. Review of Concessions
  - *Reducing the “Free Child Age” to five years*
  - *Reduce the “Senior Concession” discount*
  - *Complete removal of the “Senior Concession”*
  - *Aligning concessions between Fair Pass, Seniors and Youth*
7. Introduce a Group Travel Discount
8. Introduce a Transit-Based Loyalty Program