



STAFF REPORT ACTION REQUIRED

Toward a Policy Framework for Toronto Transit Fare Equity

Date:	June 17, 2014
To:	Executive Committee
From:	Executive Director, Social Development, Finance and Administration and Chief Customer Officer, Toronto Transit Commission
Wards:	All
Reference Number:	AFS #19627

SUMMARY

Equitable access to public transit has two core dimensions: service availability and service affordability.

Toronto is preparing for a future that includes expanded and enhanced public transit services. These initiatives will increase equitable access to transit, by making high quality transit available to more Torontonians.

In light of transit expansion developments that will improve availability, it is timely for the City of Toronto to prepare a complementary transit plan focused on affordability. A Policy Framework for Toronto Transit Fare Equity is needed so that when new transit services become available, they will also be affordable for lower income riders.

Over the past year, several reports have been adopted related to reducing the cost of public transit for low income residents and directing various City staff to review different mechanisms for achieving transit fare affordability. What has been missing to date is an overarching strategic policy framework to guide such analyses and lead to recommendations that are relevant to different City programs and can be jointly implemented. To respond effectively to recent directions, this report recommends the preparation of a formal City-wide policy framework for defining, funding, implementing, and evaluating transit affordability. A formal policy framework will clarify the assumptions, goals, and funding requirements for sustaining transit discounts for low income residents and thereby achieve transit fare equity for all Torontonians. Key considerations that should inform the design of this policy framework are described in this report.

RECOMMENDATIONS

The Executive Director, Social Development, Finance and Administration and the Chief Customer Officer, Toronto Transit Commission, recommend that:

1. City Council direct the Executive Director, Social Development, Finance and Administration, in partnership with the Chief Customer Officer and Deputy Chief Executive Officer, Toronto Transit Commission; the General Manager, Toronto Employment and Social Services; the Medical Officer of Health; and the Chief Planner and Executive Director, City Planning; the City Treasurer; and the Director, Financial Planning to develop a Policy Framework for Toronto Transit Fare Equity for consideration by the end of 2015; and
2. City Council forward this report to the Federal Ministers of: Employment and Social Development; Health; Transport; and Veterans' Affairs; and to the Ontario Ministers of: Children and Youth Services; Citizenship and Immigration; Community and Social Services; Economic Development, Trade and Employment; Education; Health and Long-Term Care; Training, Colleges, and Universities; Transportation; and Seniors Affairs; and to the President and Chief Executive Officer, Metrolinx.

Financial Impact

While there is no financial impact associated with the recommendations of this report, Council approval of the development of a formal policy framework for Toronto Transit Fare Equity will clarify assumptions; define goals; and ultimately identify any funding requirements for sustaining transit discounts for low income residents.

Council's consideration in late 2015 following the development of a Policy Framework for Toronto Transit Fare Equity will include identification and impact of the funding required to implement transit discounts, which will also take into consideration the City's User Fee Policy.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

EQUITY IMPACT STATEMENT

Equitable access to public transit has two dimensions: service availability and service affordability.

Currently, every Toronto Transit Commission (TTC) rider pays the same adult, senior, student, or child fare to use public transit, regardless of their ability to pay. Because everyone pays the same price, people living on a low income face disproportionate – inequitable – financial barriers to use the service, compared to other TTC riders. Achieving

transit fare equity will reduce this disproportionate financial barrier so that all Torontonians can afford to ride the TTC.

A Transit Fare Equity Policy Framework will complement Toronto's transit expansion plans to ensure that when new transit service becomes available, it will also be affordable for everyone to use.

DECISION HISTORY

Several reports have recently been adopted related to reducing the cost of public transit use for low income residents and directing various City staff to develop options for transit fare affordability prior to the implementation of the PRESTO smartcard system by the Toronto Transit Commission:

On March 25, 2013 the Board of Health adopted "Next Stop Health: Transit Access and Health Inequities in Toronto," directing staff to develop solutions for affordable transit, recommending allocating a portion of new funding for transit expansion to improve affordability; incorporating transit affordability for people on a low income into provincial policies; and ensuring that the Official Plan review and transit planning process improve transit availability in areas of the city with a high proportion of low income residents and lower transit availability. The report was subsequently referred to the Community Development and Recreation Committee which directed Social Development, Finance and Administration (SDFA), the Toronto Transit Commission (TTC), and Toronto Public Health (TPH) to work together on discounted fare options.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.HL20.3>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD20.6>

At its November 2013 meeting, the Toronto Transit Commission Board adopted the report, "Fare Policy - Requests for Fare Discounts," noting that the TTC did not have a mandate to specifically resolve broader issues of income distribution and would require funding solutions to implement fare concessions.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2013/November 18/Reports/TTC Fare Policy Requ.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2013/November%2018/Reports/TTC%20Fare%20Policy%20Requ.pdf)

On December 4, 2013, the Community Development and Recreation Committee adopted the report, "Providing Affordable TTC Fares for Low Income Riders," directing SDFA, TTC, TPH, City Planning, Toronto Employment and Social Services (TESS) and other relevant staff to craft specific proposals to make transit more affordable.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD25.13>

On January 29, 2014, Toronto City Council adopted the "2014 Capital and Operating Budgets," directing staff to report back on options for a fare media policy that addresses affordability.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX37.1>

Reports that address transit equity issues but are not exclusively focused on low income Torontonians are included in Appendix A.

ISSUE BACKGROUND

Public transit is an essential City service and a determinant of employability, good health, and social inclusion. This is particularly true for people living on a low income, who rely on public transit more than other residents. Achieving transit equity, by reducing the barriers to using TTC that are currently faced by low income residents, will help to advance the City's goals for economic prosperity and the well-being of all Torontonians.

Transit expansion will improve equity of access to the TTC by increasing service availability in lower income neighbourhoods.

Improving access to transit for people who need it most is an objective of transportation planning in the City of Toronto and the Greater Toronto and Hamilton Area. It is one of the few transit expansion goals that have consistent and broad stakeholder agreement.

Under Metrolinx's 2008 plan, *The Big Move*, areas targeted for improved transit availability include those with large populations of seniors and people living on a low income. In Toronto, the new transit projects currently approved for the city run through 15 of the City's newly designated 31 Neighbourhood Improvement Areas (NIAs) under the Toronto Strong Neighbourhoods Strategy 2020. Since NIAs have a higher than average proportion of low income residents, implementing the new lines in these areas will result in thousands of additional low income residents living closer to rapid transit.

Social equity is one of the eight evaluation criteria that are being used in “*Feeling Congested*,” the transportation component of the City's Official Plan review. This work is assessing 24 currently unfunded rapid transit proposals, in addition to projects that are already under construction or are approved. City Planning's social equity criterion acknowledges that all Torontonians need good access to work, school and other activities, and that providing transit accessibility is particularly important in areas with lower Neighbourhood Equity Scores.¹ Toronto Public Health is leading an initiative to develop an opportunity-based transit accessibility measure with other City Divisions in partnership with McMaster University.

The economic and societal value of investments in new transit infrastructure will not be realized if the expanded service is too costly for the people it is built to serve.

It is well documented that transit fares in Toronto are among the highest in North America. As the provincial government has continued to push the burden of public transit funding onto municipalities, TTC riders have seen fares increase well above the rate of inflation over the past fifteen years. Over the past decade, the “farebox recovery ratio” – the portion of the TTC operations paid for directly by riders through tokens and transit passes – has

¹ As part of Toronto Strong Neighbourhoods 2020, the City developed a Neighbourhood Equity Score for each of Toronto's 140 social planning neighbourhoods using the 15 Urban HEART indicators of neighbourhood equity across five areas. By combining these indicators, the Score can be used to compare how neighbourhoods in Toronto are faring relative to each other in terms of overall equity of outcomes. A lower Score means that the neighbourhood faces more inequities and has poorer outcomes, and a higher score means that a neighbourhood faces fewer inequities and has better outcome. 31 neighbourhoods currently have Scores below benchmark and are designated as Neighbourhood Improvement Areas for coordinated investment.

increased steadily and is now close to 80%. There are few cities in the world that place so much of the cost of transit operation directly on riders. Research reported by Toronto Public Health and others demonstrates that people living on a low income are hardest hit by the high cost of public transit in Toronto: as a proportion of monthly minimum wage, the TTC metropass is among the least affordable in Canada (calculations based on 2009 data).

Current TTC fare discounts are not directly linked to income or financial need.

The TTC has always offered fare accommodations, although eligibility has changed over the years. Currently, fare discounts are available for the following rider groups: seniors, students, children, and a fare waiver for support persons accompanying a person with a disability. The support person fare waiver was introduced in January 2013 as a provincial requirement under the Accessibility for Ontarians with Disabilities Act (AODA). In 2013, TTC issued 36 million discounted student and senior single-trip tickets, and 900,000 discounted metropasses.

None of these fare concessions is directly linked to income or financial need. Every TTC rider pays the same adult, senior, student, or child fare public transit, regardless of their ability to pay. Because everyone pays the same price, people living on a low income face disproportionate – inequitable – financial barriers to use the service, compared to other riders.

The City provides some transit supports to low income residents on a program-by-program basis.

To help low income individuals access City services, some City programs provide single-use TTC tickets or tokens. For example, Streets to Homes provides TTC tokens to help people travel to emergency shelters during Extreme Cold Alerts. The City's program-by-program approach to providing transit fare support was confirmed in 2006 by the Community Services Committee (now the Community Development and Recreation Committee). For 2013, the City's expenditure on TTC tokens and tickets for program participants was \$1.85M. In addition, Toronto Employment and Social Services administers an Employment Related Expense (ERE) transportation benefit to 10, 000 clients of Ontario Works and the Ontario Disability Support Program who are participating in an employment activity. The program benefits are cost-shared with the Province of Ontario and will be fully uploaded to the Province by 2018.

In the absence of a coordinated policy framework focused on achieving fare equity for low income transit riders, these program-level measures are critical for City staff to meet program mandates by ensuring residents can access and benefit from employment, social services, and public health programs.

COMMENTS

Unaffordable transit for low income Torontonians is by no means a new policy concern. The issue has been reviewed on a number of occasions by Standing Committees, the Toronto Transit Commission Board, the Toronto Board of Health and City Council. Although various fare reduction models have recently been proposed for different City staff

to evaluate, a corporate-wide strategic policy framework that defines the goals of transit affordability in Toronto and presents clear criteria for measuring the effectiveness of different models in achieving these goals has not been developed. Absent such a framework, the relative benefits and risks of different transit fare discounts are difficult to assess from a cross-corporate perspective. The lack of a Council-approved policy framework for transit fare affordability has also meant that funding agreements with different sectors and orders of government have not been formally considered.

A City-wide Policy Framework for Toronto Transit Fare Equity

In April 2014, Social Development, Finance and Administration, the Toronto Transit Commission, Toronto Public Health, Toronto Employment and Social Services, and City Planning established an interdivisional Joint Steering Committee to develop a viable and effective approach to achieving transit affordability for low income Torontonians. This is the first time that these City Agencies, Boards, Commissions, and Divisions have formally collaborated to address this issue. With Council direction, they will work together to develop a City-wide Policy Framework for Toronto Transit Fare Equity, guided by the considerations explained below.

Key Considerations

The Policy Framework for Toronto Transit Fare Equity should:

1. Advance the City's strategic goals for city building, social development, and economic vitality;
2. Reflect the expertise and perspectives of stakeholders from across the City of Toronto and beyond;
3. Provide a business model for analyzing the financial impact of transit affordability and present the real costs of transit discounts for low income residents;
4. Equip the City to build the necessary intergovernmental, regional, and other partnership agreements to finance affordable, equitable transit fares;
5. Ensure that low income Torontonians benefit from planned transit fare harmonization in the Greater Toronto and Hamilton Area (GTHA);
6. Leverage the technical capabilities of the PRESTO smartcard fare system for implementing fare discounts; and
7. Set out a systematic, evidence-based process for achieving transit affordability, including objectives, criteria, and a transparent process for measuring and reporting on the effectiveness of transit discount models.

1. Advance the City's strategic goals for city building, social development, and economic vitality.

Establishing equitable, affordable transit access in Toronto is consistent with the City's mission to provide high quality and affordable services that respond to the needs of communities. The Policy Framework for Transit Fare Equity will be designed to support the City's current City Building, Social Development, and Economic Vitality objectives as described in the City's Strategic Plan; the Vision Statement on Access, Equity, and Diversity; and the City of Toronto Strategic Actions Report for 2013-2018.

In particular, transit equity initiatives will be designed so as to demonstrably advance the goals of recent related strategic policies of the City. These include the Toronto Strong Neighbourhoods Strategy 2020, where Council has directed staff to develop better measures of transit equity and to work to improve transit access in the designated Neighbourhood Improvement Areas. The Toronto Seniors' Strategy, adopted in spring 2013, also has a focus on transit equity for low income seniors across the city. More affordable transit for low income riders supports TPH's Strategic Plan, *A Healthy City for All*. It is an example of what the City can pursue through its forthcoming Poverty Reduction Framework. It also aligns with *Feeling Congested*, the transportation component of the City's Official Plan review, which includes social equity among its eight evaluation criteria for proposed and current transit projects.

2. Reflect the expertise and perspectives of stakeholders from across the City of Toronto and beyond.

Affordable, equitable transit is a cross-cutting health and social and economic inclusion goal that requires interdivisional and intergovernmental cooperation. The cost of TTC fares impacts residents' opportunities for education, employment, health, safety, civic engagement, and child development. It affects TTC ridership levels and budgets, harmonization with other GTHA transit providers, and it is relevant for transportation planning and the flow of traffic and people in public spaces. Therefore, a realistic Policy Framework for Toronto Transit Fare Equity needs to be relevant to and reflective of the perspectives and mandates of multiple City Agencies, Boards, Commissions, and Divisions, other levels of government, and community and business stakeholders.

The Joint Steering Committee for transit affordability represents a new forum for local stakeholder consultations and for interdivisional exchange of technical information and policy knowledge related to transit fare reduction models. It is also essential for the Provincial and Federal Governments to be engaged, including ministries and departments responsible for economic development, education, employment and social services, health, immigration, and transportation sectors. Finally, the experience of other jurisdictions should also inform the Policy Framework. A Canadian jurisdictional review and a forthcoming international jurisdictional review of transit fare affordability mechanisms, both led by Toronto Public Health, will advance these efforts.

3. Provide a business model for analyzing the financial impact of transit affordability and present the real costs of transit discounts for low income residents.

To measure and compare the real financial implications of different transit affordability options a business model is required that takes into consideration cross-corporate objectives for transit affordability and potential trade-offs. Absent such a model, the relative financial benefits and costs of transit discounts, including phased-in approaches, have been difficult to assess. This model will be developed as part of the policy framework and will enable reporting out on the financial impacts of recommended transit fare discount options, starting with the 2017 budget cycle. This timing will coincide with the implementation of the PRESTO smartcard fare system throughout the TTC and provides a window for the City to build relevant funding partnerships as described below.

4. Equip the City to build the necessary intergovernmental, regional, and other partnership agreements to finance affordable, equitable transit fares.

A formal policy framework and business case will provide the terms for the City to pursue appropriate partnership agreements to support affordable transit in Toronto. In 2013, the TTC Board confirmed that it is beyond the mandate and expertise of the TTC to effectively resolve broader social and community issues related to income distribution. Under current funding arrangements for the TTC, new fare concessions – which would likely be a part of the proposed Toronto Transit Fare Equity Strategy – could only be implemented if the TTC was compensated for the associated revenue loss. This is to prevent downloading of the cost to the other TTC riders through fare increases and/or reduced services.

This perspective is consistent with the experience of other transit providers that have implemented fare reductions for low income riders. In other jurisdictions, fare discounts are almost always paid for through the municipal tax base or intergovernmental cost-sharing agreements. Reducing financial barriers to using public transit cannot be left to the transit operator alone to achieve.

For example, in the United Kingdom, transit concessions have been funded through employment programs and social services programs for seniors and veterans that are paid for by municipal, regional, and/or national levels of government. A 2012 Canadian jurisdictional review of municipal transit affordability initiatives found that all seven of the programs reviewed were funded from the municipal tax base (special/reserve funds), with a couple of exceptions: discount transit pass programs in Hamilton and Waterloo were augmented by contributions from the Province of Ontario. The provinces of Saskatchewan and British Columbia operate discount transit pass programs for low income residents cross-provincially. In both cases, the provincial government works in collaboration with local transit authorities to administer the programs.² Similar funding relationships to establish transit affordability mechanisms in Toronto with different sectors and levels of government, or with other potential funding partners such as employers or charitable organizations, have not been pursued to date.

5. Ensure that low income Torontonians benefit from planned transit fare harmonization in the Greater Toronto and Hamilton Area (GTHA).

A formal policy framework for transit fare equity will also strengthen Toronto's participation in regional discussions related to transit fares. In 2008, Metrolinx released *The Big Move*, a 25 year, \$50 billion plan aimed at expanding and integrating transportation on a regional basis. One of the plan's priorities is the establishment of a regional integrated transit fare system. In the short term, this involves implementation of the PRESTO smartcard fare system (described below), which has been funded by Metrolinx. In the longer term, this involves the more complex task of operationalizing Metrolinx's expectation of fare harmonization across the region, which has not been funded. The regional integrated transit fare system is viewed as one of the nine priorities that will have “the largest and most transformational impacts on the GTHA transportation system.” Low

² Dempster, B., & Tucs, E. (2012). *A Jurisdictional Review of Canadian Initiatives to Improve Affordability of Public Transit for People Living on a Low Income*. Waterloo, ON: The Civics Research Co-operative.

income residents across the region should share in the benefits of fare integration and fare harmonization. Currently, transit fare concessions for low income residents are being implemented in various parts of the Greater Toronto and Hamilton Area (GTHA). It is important to ensure that fare concessions for low income Torontonians are included as part of the broader regional fare harmonization process. Establishing a clear City of Toronto policy perspective on this issue is a necessary step toward achieving this objective.

6. Leverage the technical capabilities of the PRESTO smartcard fare system for implementing fare discounts.

While it cannot be the responsibility of the TTC to be the primary funder of transit fare equity for low income Torontonians, it will fall to the TTC to handle the technical aspects of processing reduced fares onsite at stations and on vehicles. TTC has observed that its current fare media (e.g. pre-paid metropasses, tickets, tokens, or cash fares) cannot readily be sold at different price points.

New opportunities are emerging with the introduction of the electronic, reloadable, PRESTO smartcard fare technology, which will be fully implemented across TTC stations and vehicles by 2017. Smartcard technology will allow for a wide range of fare pricing options that could not be accommodated previously. For example, fare prices may be linked to travel time, peak/off peak hours, distance, or vehicle type (e.g. bus, streetcar, subway). Moreover, the PRESTO cards could also be linked to a low income rider's registration in a discount transit fare program funded by the City or through a partnership with an external organization. Such an approach has enabled a proliferation of transit discount programs for different population groups (e.g. for apprentices, jobseekers, veterans, seniors) in cities in the United Kingdom. Toronto can learn from those models as well as from discount transit models that have been implemented in Canada.

7. Set out a systematic, transparent, and evidence-based process for measuring the impacts of transit affordability, including objectives, measurement criteria, and a mechanism for reporting regularly on outcomes.

The Policy Framework will include a monitoring and measurement strategy for assessing the impact of making transit more affordable and equitable in Toronto, based on published research and best practices from other jurisdictions identified in the Toronto Public Health reviews. Outcomes will be measured against objectives defined in the Framework through stakeholder consultation, and in particular, the City's strategic policy goals for City Building, Social Development, and Economic Vitality.

Next Steps

With Council direction, the Joint Steering Committee representing Social Development, Finance and Administration, the Toronto Transit Commission, Toronto Public Health, Toronto Employment and Social Services, City Planning, the City Treasurer, and the Director, Financial Planning, will prepare and implement a workplan to design the Policy Framework for Toronto Transit Fare Equity with a report back by the end of 2015.

Deliverables will include: strategic objectives and performance measures for a transit fare equity policy; consultation with community stakeholders, City of Toronto divisions, and

potential funding partners; proposed eligibility criteria for program participants; development and review of transit fare reduction options for low income residents based on stakeholder consultations and evidence review; and a cost projections model, inclusive of costs for transit discounts as well as program implementation and administration. A completed Policy Framework will present financial impacts for the 2017 budget cycle, to coincide with implementation of PRESTO throughout the TTC. This will include recommendations for transit discount models, associated financial impacts, and financing mechanisms, including partnerships.

CONTACT

Denise Andrea Campbell
Director, Social Policy, Analysis and Research
Social Development,
Finance & Administration
T: 416-392-8614
E: dcampbe6@toronto.ca

Kelly Murphy
Policy Development Officer
Social Development, Finance &
Finance & Administration
T: 416-338-8368
E: kmurphy@toronto.ca

SIGNATURE

Chris Brillinger
Executive Director
Social Development, Finance &
Administration

Chris Upfold
Chief Customer Officer and Deputy
Chief Executive Officer
Toronto Transit Commission

ATTACHMENTS

Appendix A: Recent Committee Reports Related to Transit Equity Issues

Appendix A: Recent Committee Reports Related to Transit Equity Issues

Toronto Strong Neighbourhoods Strategy 2020 - Recommended Neighbourhood Improvement Areas report, adopted by Council in April 2014.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.CD27.5>

The Toronto Seniors Strategy, adopted by Council in May 2013.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD20.1>

Toronto Youth Equity Strategy adopted by Council in February 2014.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.CD26.2>

Toronto Newcomer Strategy, adopted by Council in February 2013

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD18.7>

Integrated Accessibility Standards Regulation, Section 38, Fares, Support Person report, deferred indefinitely by Executive Committee in March 2014.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX39.9>

Eliminating Fares for Support Persons Travelling with a Person with Disabilities: AODA Legislative Requirement report adopted by Toronto Transit Commission Board in November 2013.

http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2013/November_18/Reports/Decisions/3b_TTC_Fare_Policy_Requests_for_Fare_Discounts.pdf

Time-Based Transfers – Update report, adopted by the Toronto Transit Commission Board in January 2014.

http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2014/January_28/Reports/Time_Based_Transfers.pdf

Creating a Healthier Toronto through the Official Plan: 2013 Update report, adopted by Board of Health in December 2013.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.HL27.4>

Creating a Healthier Toronto through the Official Plan, adopted by Board of Health in September 2012. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.HL16.1>

Transportation Priorities and Investment for a Healthy Toronto, adopted by the Board of Health in March 2013.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.HL20.2>

Transportation Priorities and Investment for a Healthy Toronto – Update report, adopted by the Board of Health in April 2013.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.HL21.8>