



## Briefing Note

October 5, 2012

### **Challenges and Issues facing the Toronto Transit Commission**

#### **Background**

At its meeting of September 12, 2012, the City of Toronto Civic Appointments Committee requested a briefing note from the Toronto Transit Commission outlining the various challenges and issues facing the Toronto Transit Commission that committee members could use to guide them through the interview process for citizen members of the TTC board.

This briefing note touches upon the various short- to long-term issues, challenges, but also opportunities, as identified by TTC staff.

#### Funding – Operating and Capital

The TTC receives subsidy from the City of Toronto and the Province of Ontario in order to fund its operations.

Provincial assistance is linked to specific projects, eg new low-floor streetcars and new rolling stock for the Yonge/University/Spadina Line.

The TTC relies on operating subsidy from the City as the cost of every ride is outweighed by the revenue that it generates. In these tough times, exponential increases in subsidy are unlikely so the TTC must balance its books through increased efficiency and increased contribution from riders in the form of fares. For 2013, the City subsidy will be flat-lined so a fare increase equal to the level of inflation has been recommended and approved.

This still leaves a gap of about \$10 million to be found through a combination of efficiency measures including limited contracting out of non-core activities and further reductions in management and administrative costs.

A key challenge for the TTC is to continue to find efficiencies, while in 2013, limiting fare increases to the rate of inflation.

Capital budgets face similar pressures. The TTC strategy is to prioritize State of Good Repair (SOGR) above system expansion. To do otherwise risks build-up of a further back log of critical renewal/maintenance work that in turn jeopardizes system reliability and, potentially, safety.

The TTC base capital submission for 2013-2022 contains about \$600 million of currently unfunded projects that are deemed critical and/or mandated by policy.

In the medium- to long-term, the key challenge is to achieve stabilized, adequate, guaranteed funding for the TTC to enable better planning and to allow for system renewal and expansion.

### Customer Service

In recent years, the TTC has suffered from a poor reputation for customer service, not least because of a run of high profile incidents that have portrayed the Commission in a bad light.

The TTC has always put great emphasis on system and individual safety and while this remains the priority, it is recognized that customer service needs to be given greater attention.

To tackle this, a number of initiatives have been undertaken:

- Establishment of a Customer Service Panel to identify improvement opportunities
- Recruitment of a Chief Customer Officer to deliver Panel recommendations
- Re-organization around a customer-centric business improvement model
- Establishment of a Customer Liaison Panel
- CEO led focus on “Quick Wins” to demonstrate impetus and a readiness to change.

The big challenge will be to maintain momentum on such initiatives and improvements against a backdrop of increasing fiscal pressures.

### Modernization/Culture Change

The new TTC CEO has called for a top to bottom modernization of the TTC over the next five years. This needs to address renewal of equipment, systems and procedures as well as embrace of a more modern, business-like approach.

The biggest challenge, however, will be to transform the company culture from a production led, traditional transit provider into a modern, customer-focused, dynamic business. This will require a shift from a very hierarchal, traditional but obsolete management style to one that embraces change and excels at customer-led thinking. Similarly, relations with the workforce and their union representatives need to be vastly improved in order to move away from the status quo.

### System Expansion and New Vehicles

The TTC has a number of expansion and capacity improvements under way including:

- Extension of the Spadina Line to Vaughan
- Working with Metrolinx and delivery of four new LRT lines including conversion of the near-obsolete Scarborough Rapid Transit line
- Construction of an additional platform at Union Station
- Roll-out of high capacity Toronto Rocket trains on the Yonge/University/Spadina Line

- Roll-out of Automatic Train Control on the YUS line to increase line capacity through upgraded signalling
- Ongoing station development programs
- Introduction of 150 articulated buses to increase capacity and efficiency
- Introduction of an all low-floor, high capacity streetcar fleet to replace the aging existing vehicles.

Challenges will include integration of these new vehicles and lines into the existing network. Longer term, there is a pressing need for more subway capacity in the city, particularly to provide relief for the Yonge line.

### Ridership Growth

Already the third largest transit system in North America, the TTC continues to attract ever more riders.

From a milestone of 500 million riders in late 2011, the TTC's annual ridership is now expected to hit 528 million rides in 2013.

This is, of course, a measure of success. But in order to comply with existing ridership loading standards, further service needs to be added to keep up with demand. This has a lead time to deliver and implications for future operating and capital costs.

New capacity and new vehicles are being added to accommodate this growth (see above).

### PRESTO Fare Card

The TTC is working with the Province, Metrolinx and other GTA operators to introduce a smart card based fares system. The goal is to have this substantially completed by mid-2015 (in time for the Pan Am Games).

The challenge is to design and cut over to a smart card system that will need to be overlaid onto an existing well understood, if archaic token and transfer, flat fare arrangement.

Notwithstanding the logistical effort needed to convert stations and vehicles to accept the new cards, the TTC will have the added challenge of developing business rules that will enable the user interface to be as simple as possible but that also safeguards revenue and is compatible with other PRESTO users.

The TTC needs to be assured that the new system will be reliable and practical before cut-over can be authorized.

### Accountability

The TTC has suffered from a perception that its dealings were less than transparent and that there was no concept of individual or corporate accountability.

The new CEO has set about tackling this with a series of initiatives that demonstrate a change in approach.

These include:

- Development of a TTC Vision, Mission and Values
- Development of a high-level TTC performance scorecard and 25 high-level Key Performance Indicators
- An emerging five year Strategic Plan built around a suite of Business Goals
- Introduction of Executive level “challenge meetings” to hold individual Executives accountable for delivery in their respective areas

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