

Advancing Fare Integration

Date: October 16, 2017
To: Executive Committee
From: City Manager
Wards: All

SUMMARY

In July 2016, City Council considered a current state assessment of GO Transit fare policy and implications to ridership in Toronto (2016.EX16.1). The review outlined two proposals for Metrolinx's consideration in the development of the Greater Toronto and Hamilton Area (GTHA) Fare Integration Strategy in order to remove disincentives to short and medium distance trips on GO transit and support integration between transit services. First, reduce the base component and increase the distance component of GO fares; and second, extend the co-fare program (i.e. discount on double fares (GO-TTC))—currently offered to 905 transit agencies by Metrolinx—to TTC services. In July 2016, City Council also directed the City Manager to negotiate a discounted fare program with Metrolinx.

In September 2017, Metrolinx updated its board on the GHTA Fare Integration Strategy. Metrolinx's board endorsed a step-by-step strategy to advance the goal of fare integration across the GTHA with four potential elements:

- Discounts on double fares (GO-TTC)
- Discounts on double fares (905-TTC)
- Adjustments to GO's fare structure
- Fare Policy Harmonization

This report provides an update on Metrolinx's GTHA Fare Integration Strategy and provides the details of a proposed discount on double fares initiative between GO/Union Pearson Express (UP Express) and the TTC. A Term Sheet (Attachment 1) outlines the terms for an agreement between the City of Toronto, TTC and Metrolinx. The report recommends City Council adopt the Term Sheet (Attachment 1) and authorize the City Manager, in consultation with the CEO, TTC and the City Solicitor, to enter into an agreement with Metrolinx based on the terms outlined in Attachment 1. The report also provides an update on Metrolinx's GTHA Fare Integration Strategy and next steps.

This report was prepared in consultation with the Chief Executive Officer, Toronto Transit Commission.

RECOMMENDATIONS

The City Manager recommends,

1. City Council approve the GO/UP-TTC Discounted Fare Initiative Term Sheet (Attachment 1) and authorize the City Manager and the Chief Executive Officer, Toronto Transit Commission, in consultation with the City Solicitor, to enter into an agreement with Metrolinx based on the terms outlined in Attachment 1.

FINANCIAL IMPACT

Per the Term Sheet (Attachment 1), no financial impact is anticipated to the TTC or the City of Toronto as a result of implementing the GO/UP-TTC Discounted Fare Initiative. The annual (i.e. provincial fiscal year) provincial support will be based on actual GO/UP-TTC ridership using PRESTO, up to the agreed to support level, which is based on trips in both directions: GO/UP to TTC and TTC to GO/UP. The Provincial support level has been identified as \$7.15 million in Year 1 (2017-18), and \$18.4 million for Year 2 (2018-2019) and Year 3 (2019-2020).

The PRESTO technical solution applies the discount (or credit) to the second fare paid by the customer. The revenue impact to the TTC is only applicable on trips in which customers begin their combined journey on GO/UP and then are tapping onto the TTC. In the reverse, regular TTC prices are charged at the beginning of a customer journey and the discount is applied to the GO/UP fare (via a credit to the customer's PRESTO card) when the GO/UP trip is completed. TTC analysis shows that trips from GO/UP to TTC account for 53% of the total trips between the two agencies, which equates to approximately 2 million trips in the first partial year and 8 million trips for the subsequent two full years. This equates to revenue impacts to the TTC of \$3.2 million in Year 1 (2017-2018), \$11.52 million in Year 2 (2018-2019) and \$11.88 million in Year 3 (2019-2020).

The ridership and revenue forecast are based on the following assumptions:

- GO annual ridership from Metrolinx transaction data (2016 GO ridership was 66.8 million);
- Assumes 22% of GO rides will take advantage of the discount; based on 23% of GO passengers who also use TTC (from PRESTO records and 2011 Transportation Tomorrow Survey (TTC)) x 95% switching to PRESTO;
- PRESTO adoption rates will increase from 85% to 95% due to new discount, increasing support required by \$2.3 million, including consideration of fare concessions (senior and student fares);
- New ridership based on elasticity of -0.3 and existing average fare of \$10;
- Includes GO and TTC background ridership growth rate of 1.5%.

The TTC and Metrolinx will conduct quarterly reviews throughout the provincial fiscal year to project the year-end GO/UP-TTC ridership, based on actual PRESTO usage to-date. If it is found that the projection exceeds the provincial support, this will trigger a

review of the agreement. Based on mutual agreement from all parties, a review could result in either a revised discount, a continuation of the existing discount, or termination of the agreement. The Province will continue to reimburse the TTC for the discount until the agreement is terminated.

If a TTC fare increase occurs during the term of the agreement, the discount amount will be reviewed. If an agreement cannot be reached, the Province will continue to pay the agreed to discount amount set out in the Term Sheet. Customers tapping onto TTC from GO/UP will pay the new TTC fare less the discount.

TTC, the City of Toronto or Metrolinx can terminate the agreement for any reason with at least 90 days of written notice. The TTC, the City of Toronto or other parties will not be under any obligation to pay any expenses or costs associated to another party's decision to terminate the agreement. However, any potential costs associated with reversing the PRESTO technology requirements will be cost-shared between Metrolinx and TTC. The estimated cost to be shared is currently \$500,000 and the parties will discuss the details of the cost-share at a future date.

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

DECISION HISTORY

In July 2016, City Council directed the City Manager to negotiate a co-fare program (GO/UP-TTC Discounted Fare Initiative) with Metrolinx, for existing GO Transit routes currently operating in Toronto. The report also outlined two measures for Metrolinx's consideration in the development of the GTHA Fare Integration strategy. First, reduce the base component and increase the distance component of GO fares to remove the disincentive to short distance trips; and second, extend the GO Transit co-fare option offered to 905 transit agencies to TTC services.

Link: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.1>

Attachment 7: Fare Policy- Current State Assessment

<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94625.pdf>

In November 2016, City Council adopted a Summary Term Sheet for a cost-sharing agreement with the Province of Ontario on a range of transit initiatives, including SmartTrack (EX19.1). One of the conditions in the Summary Term Sheet states that "fare setting for SmartTrack service will be combined with the broader Provincial GO Transit regional fare integration framework, and consider the fare related requests from the City made in July 2016 per EX16.1" (see above).

Link: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX19.1>

ISSUE BACKGROUND

Over the past two years, Metrolinx and the nine GTHA municipal transit agencies, including the TTC, have been working towards fare integration. Discussions have

focused on technical analysis and the development of a draft business case, led by Metrolinx consultants. There have been a number of reports to the Metrolinx Board over that time period. See the following link for previous Metrolinx reports:
<http://www.metrolinx.com/en/regionalplanning/fareintegration/default.aspx>

City of Toronto: Fare Policy Assessment

In July 2016, City and TTC staff included a current state assessment of GO Transit fare policy in the report EX16.1, "Developing Toronto's Transit Network Plan to 2031". In the report, City and TTC staff identified three key fare policy challenges that should be addressed on GO Transit:

- GO Transit's distance-based fare structure makes short trips substantially more expensive (on a per-kilometre basis) due to the relatively high base and low distance components of the fare. This fare structure creates a barrier to using GO Transit in Toronto, where trips are relatively short.
- There is no discounted fare option for transfers between GO Transit and TTC services (which is available for transfers with 905 transit agencies); riders are required to pay two full fares when using both GO and TTC, reducing opportunities for riders to make integrated trips using both systems.
- GO Transit has stations within or in very close proximity to half of the City's Neighbourhood Improvement Areas, most of which are not served by existing rapid transit lines. Improving the affordability of GO Transit fares represents an opportunity to increase rapid transit access for low-income residents.

The report identified two key measures for Metrolinx's consideration:

- Reduce GO Transit's base fare component and increase the distance component, which is an option under assessment in the GTHA Fare Integration study.
- Provide riders using transit in Toronto with the same GO Transit discounted fare option on the TTC offered to riders starting trips in the 905. This would allow transit riders to make use of GO Transit for integrated journeys without paying two full fares.

The implementation of these two key measures is an important step towards improving the utilization of GO services within Toronto and enabling greater integration between the TTC and GO systems. For further information see EX.16.1 Attachment 7, "Fare Policy- Current State Assessment":

<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94625.pdf>

Metrolinx GTHA Fare Integration Strategy Update

In September 2017, the Metrolinx Board received an update on the GTHA Fare Integration Strategy (see Attachment 2). The Metrolinx draft business case found that concepts making greater use of fare-by-distance would better achieve a transformational strategic vision for fare integration in the GTHA compared to modifying

the existing fare structure. However, implementing fare-by-distance across the GTHA requires long timeframes and significant change for customers and transit providers.

The Metrolinx report also noted that while work continues towards transformational change, Metrolinx and GTHA transit agencies continue to make independent fare policy decisions that lead to greater inconsistency between agencies. Therefore, at its September board meeting, Metrolinx endorsed a step-by-step strategy that includes limited modifications to the status quo over the next few years while working towards broader GTHA fare integration. The TTC has been a part of the development of the strategy and supports it. The strategy includes the following potential steps, which are described in more detail below:

- Discounts on double fares (GO-TTC)
- Discounts on double fares (905-TTC)
- Adjustments to GO's fare structure
- Fare Policy Harmonization

Discounts on Double Fares (GO-TTC)

There is currently no discounted fare available to customers transferring between GO/UP Express and the TTC, resulting in two full fares. Discounts already exist for trips combining GO Transit with other GTHA municipal transit agencies, as illustrated in Table 1. There are approximately 50,000 trips per weekday between GO/UP Express and the TTC. Transfers can readily occur at 22 GO train stations and bus terminals (three of which are integrated with UP Express) located across Toronto. The combined cost of travel using both GO/UP and TTC is a barrier to GTHA fare integration and discourages use of GO services within the city.

Table 1. GO - GTHA Transit Agency Fare Discount

| GTHA Transit Agency | PRESTO Adult fare | Fare Charged Incl. Discount | Discount |
|---------------------|-------------------|-----------------------------|----------|
| Brampton | \$2.95 | \$0.80 | (\$2.15) |
| Burlington | \$3.50 | \$0.70 | (\$2.80) |
| Durham | \$3.10 | \$0.80 | (\$2.30) |
| Hamilton | \$2.30 | \$0.60 | (\$1.70) |
| Milton | \$3.50 (cash) | \$0.70 | (\$2.80) |
| Mississauga | \$3.00 | \$0.80 | (\$2.20) |
| Oakville | \$2.95 | \$0.75 | (\$2.20) |
| York Region | \$3.63 | \$1.00 | (\$2.63) |

Discounts on Double Fares (905-TTC)

There are no discounted fares for customers travelling between 905 transit agencies and the TTC, also resulting in two full fares. However, a two-hour time-based transfer does exist between Brampton, Durham, Mississauga, Oakville, Burlington and Hamilton transit agencies allowing for seamless, one-fare travel between municipalities. Customers using PRESTO can tap onto one transit system and can transfer onto another transit agency's system without being charged again.

Providing discounts for GO-TTC and 905-TTC customers would encourage more cross-boundary ridership and the use of multiple transit systems.

Adjustments to GO's Fare Structure

GO Transit currently uses a modified fare-by-distance fare structure in which customers are charged a base price plus a variable price based on distance travelled, with the distance approximated using zones. Currently, trips on GO within the city of Toronto are priced significantly higher than comparable trips on the TTC, thereby discouraging short and medium-length trips on GO within Toronto. Amending the GO fare structure to address this issue will encourage more ridership within Toronto on GO Transit.

Fare Policy Harmonization

GO Transit and GTHA transit agencies independently make decisions related to their fare policies that can lead to greater inconsistency between agencies and may make GTHA fare integration harder to achieve. Concessions, transfers/stopover rules and fare products should be harmonized to simplify rules for customers travelling between GTHA transit systems.

Next Steps:

In September 2017, the Metrolinx Board requested the Metrolinx Chief Planning Official to report to the December 14, 2017 Board on implementation of the step-by step strategy outlined above. The Board also directed Metrolinx to engage the public and key stakeholders (including municipal elected officials) on advancing the step-by-step strategy and post the consultant's Draft GTHA Fare Structure Preliminary Business Case.

Metrolinx has advised they will consult the public on fare integration in the context of its broader consultations on its draft Regional Transportation Plan. Metrolinx also intends to consult with elected officials and senior staff across the GTHA. City staff will work with Metrolinx to develop an approach to engaging City of Toronto officials.

"GTHA Fare Integration Draft Preliminary Business Case, Steer Davies Gleave (SDG)", September 14, 2017:

<http://www.metrolinx.com/en/regionalplanning/fareintegration/20170914%20Draft%20-%20GTHA%20Fare%20Integration%20Preliminary%20Business%20Case.pdf>

COMMENTS

The step-by-step strategies are early measures towards achieving broader fare integration. The Province and Metrolinx in late summer 2017 came forward with a proposal to the City and TTC to implement discounts on double fares (GO-TTC). The City and TTC recommend City Council and the TTC Board accept the proposal as one step towards achieving broader fare integration goals across the transit network.

Discounts on Double Fares (GO-TTC)

A Term Sheet (Attachment 1) developed by the Province, City, Metrolinx and TTC outlines the proposed terms of an agreement for the implementation of a discounted fare initiative between GO/UP Express and the TTC. The Term Sheet requires approval by City Council and the TTC Board. A report has been prepared by the CEO, TTC and will be considered by the TTC Board on October 16, 2017.

The following is a summary of the program details outlined in Attachment 1 of this report:

- Three-year program (early January 2018 to March 31, 2020); program can be extended at end of the term.
- Discount is available to PRESTO customers, using ePurse, transferring between GO/UP Express and TTC, within TTC/GO transfer windows.
- TTC Monthly and Metropass Discount Plan (MDP) passes on PRESTO are currently ineligible for the discount. The current PRESTO system does not support credits when the connecting trips are made using passes, which is the same for all GTHA transit agencies. The City and TTC has asked Metrolinx to consider this change in the future.
- The GO/UP-TTC co-fare discount will replace the pilot GO/TTC fare integration programs at Rouge Hill and the Exhibition/ Danforth sticker pilot.
- In the event a customer takes a continuous journey that combines the TTC, GO and a second municipal transit agency that has a discount arrangement with GO, fare discounts will be cumulative.

Fare Payment Scenario #1: GO/UP Express to TTC

A customer will be charged the full GO fare and pay a discounted \$1.50 fare when tapping on to the TTC. TTC concession customers—students/youth and seniors—will also pay a discounted \$1.50 fare. Table 2 illustrates discounts for users transferring from GO/UP Express to TTC.

Table 2. Discounted TTC fare paid when tapping on to TTC

| PRESTO ePurse | GO/UP Fare* First Trip | TTC Fare paid minus Discount Second Trip | Discount | Combined Fare |
|---|---------------------------|--|----------|------------------|
| Adult | \$10.00 | \$1.50 | (\$1.50) | \$11.50 |
| Post-Secondary | \$9.00 | \$1.50 | (\$1.50) | \$10.50 |
| Student/Youth | \$9.00 | \$1.50 | (\$0.55) | \$10.50 |
| Senior | \$5.00 | \$1.50 | (\$0.55) | \$6.50 |
| Child | \$5.00 | \$0 | N/A | \$5.00 |
| Adult with TTC Monthly Pass on PRESTO (includes MDP) | \$10.00 | N/A – TTC Monthly Pass | \$0 | \$10.00 |
| Senior with TTC Monthly Pass on PRESTO (includes MDP) | \$5.00 | N/A – TTC Monthly Pass | \$0 | \$5.00 |

* GO/UP fare for illustration purposes only

Fare Payment Scenario #2: TTC to GO/UP Express

A customer will be charged the full TTC fare and receive a credit on their GO/UP fare, equivalent to the TTC discount: Adults \$1.50, Concession \$0.55. The discount will be received when tapping-off at their GO destination, as illustrated in Table 3.

Table 3. Credit applied when tapping off GO/UP Express

| PRESTO ePurse | TTC Fare First Trip | GO/UP Fare Paid incl. credit* Second Trip | Credit | Combined Fare |
|----------------|------------------------|---|----------|------------------|
| Adult | \$3.00 | \$10.00 | (\$1.50) | \$11.50 |
| Post-Secondary | \$3.00 | \$9.00 | (\$1.50) | \$10.50 |
| Student/Youth | \$2.05 | \$9.00 | (\$0.55) | \$10.50 |
| Senior | \$2.05 | \$5.00 | (\$0.55) | \$6.50 |
| Child | \$0 | \$5.00 | N/A | \$5.00 |

| PRESTO ePurse | TTC Fare First Trip | GO/UP Fare Paid incl. credit* Second Trip | Credit | Combined Fare |
|---|------------------------|---|--------|---------------|
| Adult with TTC Monthly Pass on PRESTO (includes MDP) | N/A – TTC Monthly Pass | \$10.00 | \$0 | \$10.00 |
| Senior with TTC Monthly Pass on PRESTO (includes MDP) | N/A – TTC Monthly Pass | \$5.00 | \$0 | \$5.00 |

* GO/UP fare for illustration purposes only

Summary

The proposed initiative supports TTC's efforts to increase ridership and will encourage a modest ridership increase of approximately 350,000 rides per year. The implementation of this discount also responds in part to the July 2016 request of City Council and is a step towards addressing broader fare integration goals.

The City and TTC will continue to work with Metrolinx as further due diligence is completed on the long-term vision for GTHA fare integration. The City of Toronto and the TTC are key partners in enabling regional fare integration, given that the TTC system currently comprises 85% of the region's transit ridership. The TTC also currently maintains a cost-recovery rate of almost 70% from the fare box, the highest of the region's municipal service providers and higher than other major transit agencies in North America. It is therefore imperative that fare integration work for Toronto residents and transit users. The City and TTC will continue to undertake further due diligence to understand potential financial, operational and end-user impacts as Metrolinx advances fare integration analysis.

Regional fare integration and seamless travel between transit systems is an important policy goal. Utilizing the GO Transit system more effectively within Toronto to serve residents and transit users is key to addressing issues of mobility, access in underserved areas, and choice. The City and TTC will continue to engage with Metrolinx in the development of the GTHA Fare Integration Strategy.

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SIGNATURE

Peter Wallace
City Manager

ATTACHMENTS

Attachment 1 – GO/UP-TTC Discounted Fare Initiative Term Sheet
Attachment 2 – Metrolinx Update on GTHA Fare Integration, also available at
http://www.metrolinx.com/en/docs/pdf/board_agenda/20170914/20170914_BoardMtg_GTHAFare_Report_EN.pdf