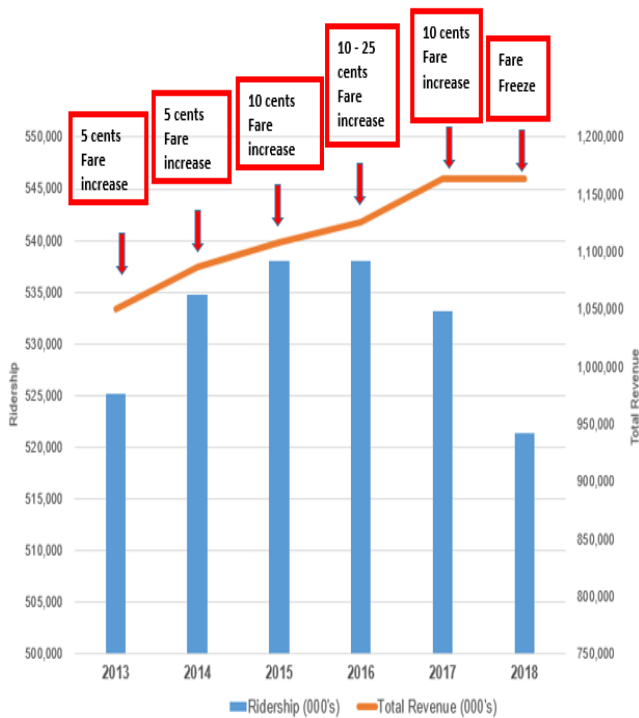


WHY THIS AUDIT MATTERS

Fare evasion causes a loss of revenue – every transit agency faces this challenge. TTC's revenue rose between 2013 and 2017, likely due in part to fare increases. However, TTC's yearly ridership numbers have declined since 2016. But because TTC calculates ridership based on the number of passengers who pay instead of the number of passengers who ride, it's possible that ridership only appears to be declining, while fare evasion is worsening. Reducing fare evasion may alleviate the need to raise fares.



BY THE NUMBERS

- **\$1.162B:** TTC's total conventional passenger revenue in 2018 (excludes Wheel-Trans)
- **5.4%:** System-wide TTC fare evasion rate assessed in this audit
- **\$64M:** Estimated 2018 revenue loss
- **56 subway riders** within 22 hours of inspections caught fraudulently using TTC Child PRESTO card
- **136 hours** spent observing with TTC Fare Inspectors over 6 weeks and reviewing security footage
- **1 percentage point** reduction in fare evasion = **\$11 million** in additional passenger revenue

WHAT WE FOUND

A – Overall Passenger Revenue Loss

We estimate that TTC lost at least **\$64M** in passenger revenue in **2018** due to:

- \$61M from fare evasion
- \$3M from malfunctioning Metrolinx equipment (TTC's analysis)

Additional revenue losses from malfunctioning TTC subway fare gates and unattended "crash gates" could not be determined during this phase of the audit, so the estimated \$64M annual loss is likely understated.

B – Fare Evasion Rates

System-wide 5.4%: streetcar 15.2%, bus 5.1%, subway 3.7%

The high fare evasion rate on streetcars could be due to its Proof-of-Payment policy where there is no interaction between passengers and streetcar drivers, as well as the multiple-door design of the new streetcars. The design and functionality of subway fare gates make illegal entry easier, particularly at automatic subway entrances without presence of TTC staff.

C – Fraudulent Use of Child PRESTO Cards

TTC's Child PRESTO card, which provides unlimited free rides, is vulnerable to fraudulent use by people older than 12. During our audit, TTC Fare Inspectors within a short time identified 56 subway riders and 22 bus riders fraudulently using Child PRESTO cards. And we did not come across ANY children aged 12 and under using the Child PRESTO cards. The key problems are: a lack of visual distinction from the regular PRESTO card, no display available to help drivers determine if the passenger is using a Child card, lack of controls over the issuance of the cards, and uncertainty in the deactivation of cards found to be used fraudulently.

D – Fare Inspection Program

There are many opportunities to improve the efficiency and effectiveness of TTC's fare inspection program, including:

- Conducting a cost-benefit analysis to determine an optimal mix of Transit Fare Inspectors vs. Transit Enforcement Officers
- Reviewing the authority and tools of Fare Inspectors to ensure they can carry out their duties in a safe and effective manner
- Improving scheduling to ensure adequate coverage of routes and time periods
- Increasing actual fare inspection time

HOW RECOMMENDATIONS WILL BENEFIT THE CITY

Implementing the **27 recommendations** will help TTC to reduce its fare evasion rate and increase passenger revenue. It will also help to improve the effectiveness and efficiency of its fare inspection program.