

CITY OF HAMILTON

***PUBLIC WORKS DEPARTMENT
Transit Division***

Report to: Mayor and Members Committee of the Whole	Submitted by: Gerry Davis Acting General Manager Public Works Department
Date: November 8, 2007	Prepared by: Paul Thompson Extension 1862

SUBJECT: Consideration of a Transit Fare Increase (PW07152) - (City Wide)

RECOMMENDATION:

- (a) That the General Manager of Public Works be authorized and directed to implement a Transit fare increase effective January 1, 2008, as described in Table 1 of this report and inclusive of increases across all fare types other than the Senior Annual Bus Pass, such that an increase of \$0.10 in the average HSR fare is achieved;
- (b) That the General Manager of Public Works be authorized to direct DARTS to implement a \$0.10 increase in the price of its ticket fare, effective January 1, 2008;
- (c) That the General Manager of Public Works be authorized to direct DARTS to implement an integration of its fare structure with that of HSR, effective January 1, 2009;
- (d) That the General Manager of Public Works be directed to report back in the second quarter of 2008 with a recommended Policy for the automatic implementation of future fare increases based on a defined set of triggers, for the consideration of Council.

Gerry Davis
Acting General Manager
Public Works

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EXECUTIVE SUMMARY:

This report recommends a fare increase on January 1, 2008. Approval of the fare increase will result in: a Transit net levy for 2008 that meets Council's mandate of a maximum 3% increase; levy contribution to 2008 proposed service level enhancements contained in a companion report to be presented to Committee of the Whole in conjunction with this report; and revenue to address extraordinary Transit expense budget drivers. Council approval by November 30, 2007 is required to allow the necessary lead time for implementation on January 1, 2008.

Annual Transit fee increases are a key factor in the Transit industry towards ensuring the sustainability of Transit programs. Most municipalities incorporate an annual fare increase into their transit budgets to offset the rising cost of maintaining and enhancing service. This important step is preferred to foregoing service level expansions; drawing from reserves; deferring infrastructure investments; and most importantly service level reductions.

The option of limiting or otherwise forgoing fare increases through permanent transfers from the Provincial Gas Tax fund to offset levy increases, as has been available over the past four years, is no longer viable, as the Gas Tax fund is at the point of being fully committed.

The fare increase in Recommendation (a), outlined in Table 1 below, will permit the Transit related portion of the annual Public Works budget to be brought in at a levy increase consistent with Council's 3% maximum guidelines. The resulting growth in annual revenues will provide an offset against cost drivers unique to Transit programs, including Transit specific fleet insurance, 24/7 labour intensive operations and associated premiums, and higher technology lower emission low-floor accessible buses, as well as costs associated with energy volatility. The proposed fare increase(s) will maintain City of Hamilton Transit fares at or below the median and/or average for comparable Canadian municipalities.

Recommendation (a) to this report is expected to generate \$1.8M in additional fare revenues in 2008. The recommended approach is expected to initially slow the trend of annual ridership growth, but is not expected to have a negative impact on longer term ridership. It should be noted that the recommended approach includes a still to be negotiated increase in rate to the University/College Transit Pass program to raise the rate in Hamilton from the existing \$78.10 per 8 month term to a rate that is closer to the Canadian average in the range of \$110 to \$120, such rate increase to be subject to a projected phase-in period of 2 to 3 years.

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TABLE 1: Recommended Fare Increase

		2007 Approved Fare	2008 Proposed Fare	Change
Cash		\$2.25	\$2.40	\$0.15
Ticket	Adult	\$1.75	\$1.85	\$0.10
	Elementary / Secondary	\$1.40	\$1.50	\$0.10
Pass	Adult	\$71.00	\$79.00	\$8.00
	Elementary / Secondary	\$56.00	\$63.00	\$7.00
	Day	\$7.00	\$8.00	\$1.00
	Senior Annual	\$205.00	\$205.00	\$0.00
	University / College	\$71.50	\$95.00	\$23.50
	School Hour Only	\$225.00	\$230.00	\$5.00
Other	Programs including Columbia College, Hamilton Health Sciences, GO Integration, and Employee Commuter remain tied to values of the Adult and Elementary / Secondary passes or tickets.			
DARTS Fare		\$2.10	\$2.20	\$0.10
Overall changes to fare structure achieve a \$0.10 average fare increase; University / College rate shown is yet to be negotiated.				

Projected 2008 revenues are based on full annualization beginning with January 1, 2008. Should Council delay approval of the fare increase through referral to the general budget deliberation process, the Transit budget will be placed in a position of exceeding Council's budget development guidelines.

The fare increase for specialized transit (DARTS) set out in Recommendation (b) will generate about \$40,000 in additional revenues, which will offset a small percentage of the levy increase requested by DARTS to perform service at a level comparable to that delivered in 2007. Recommendation (c) will bring the Transit program into alignment with the standards for specialized transit which are expected to be introduced by the Province under the Accessibility for Ontarians with Disabilities Act legislation early in 2008, and should provide a measure of mitigation for DARTS passengers.

BACKGROUND:

The information/recommendations contained within this report have City wide implications and relate to matters/facilities/programming/property within the entire City.

Transit Mission - For the benefit of the general public, we provide access to the community and GTA municipalities through an affordable and environmentally advantageous public transportation alternative that is safe, reliable, convenient and professionally delivered.

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The Transit program has financial, social and environmental impacts on the community.

Financial

As previously reported in 2007, analysis comparing Hamilton to 14 other Canadian municipalities ranging in population from 400,000 to 1,000,000 ranks Hamilton 10% to 15% lower on average and median fares than elsewhere. In statistical comparisons, Hamilton continues to exhibit a good record of containing operating costs, but costs specific to the Transit industry continue to rise faster than new revenue generated from new ridership and cost mitigation initiatives. These costs include energy price volatility; Transit specific fleet insurance; 24/7 labour intensive operations and associated premiums; and for higher technology low-floor accessible and low emission buses.

The last fare increase for HSR was in June 2007, that increase being \$0.15 on cash, \$0.05 on tickets, and \$6.00 on monthly passes. For specialized transit (DARTS), the last fare increase was in 1996. Fare increases to the DARTS program had been frozen to allow the DARTS ticket price to harmonize with the Adult cash fare for HSR, but the DARTS fare is now below that level. Fare discounts are not currently available to DARTS clients. Harmonization of fare policy between conventional and specialized transit programs, as put forward in Recommendation (c) to this report, has been a focus of proposed legislation under the AODA, and needs to be addressed within the near term.

Since the restoration of Provincial assistance for Transit via the Provincial Gas Tax agreement with the City, Council has supported a combination of transfers from the Provincial Gas Tax revenue account and levy increases to arrive at a desired levy for the Transit programs. While this application of Provincial Gas Tax revenues has provided short term relief from the burden of a fare increase, the near term outcome of this practice has been the substantially complete commitment of the Provincial Gas Tax revenue which is intended to support service expansion and ridership growth. The permanent funding committed at the time of this report is \$9.343M or 82% of the total ongoing Provincial Gas Tax allocation. Investment of Provincial Gas Tax in fare increase avoidance while other municipalities have invested in service levels improvements has had the further detriment of reducing the annual Provincial Gas Tax transfer to Hamilton as the allocation is directly tied to Ridership growth arising out of investment in new services.

On September 15, 2007, Council's Transit Master Plan Steering Committee held a five-year service enhancement plan workshop. The workshop identified some \$10M in desired service level enhancements for this period, with the understanding that there is less than \$2M remaining in the Provincial Gas Tax Reserve.

Social

Transit fare structures have historically been designed to promote ridership and reward frequent use in recognition of Council's desire to balance the amount the user pays with user satisfaction, and further, to ensure the service is accessible to high need populations. Table 2 below illustrates that fare discounts for seniors, students and children amount to some \$4.2 million from the comparable regular fare, based on 2008 recommended fares.

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TABLE 2: Projected 2008 Trip Subsidy through Fare Discounts

		Average Regular Fare	Average Concession Fare	Concession Value per Trip	Annual Value of Concession
Ticket	Regular	\$ 1.85			
	Elementary / Secondary		\$ 1.50	\$ (0.35)	\$ (522,000)
Pass	Regular	\$ 1.41			
	Elementary / Secondary Pass		\$ 1.13	\$ (0.29)	\$ (473,000)
	Senior Annual Pass		\$ 0.53	\$ (0.88)	\$ (1,449,000)
	University Transit Pass		\$ 0.80	\$ (0.61)	\$ (1,549,000)
	Columbia College Pass		\$ 0.79	\$ (0.62)	\$ (132,000)
	School Hour Pass		\$ 1.18	\$ (0.23)	\$ (82,000)
All					\$ (4,207,000)

Council's reluctance in past years to raise fares has reflected its concern for the substantial number of people in this community that live at or below the poverty line and depend on transit for employment, medical and other basic societal functions. Many of those impacted by fare increases likely fall into this marginalized segment of our community. Staff recommends that any mitigation of those impacts be examined in concert with other similar community needs as part of a comprehensive set of social policies or programs, including those dealing with affordability that will guide staff in the future. Ownership of such an initiative is cross-departmental but will necessarily be lead by Community Services staff; the issues are primarily around ability to pay for those groups noted above, and are beyond the scope of consideration of Transit sustainability.

Environmental

Public transit can play an important role in helping Canada meet its commitments to reduce greenhouse gas (GHG) emissions. Canada's transit industry and millions of individual Canadians believe that there are real opportunities to improve our quality of life and spur innovation. When people choose transit instead of a car, they produce a much smaller amount of GHG emissions. Public transit also offers a host of secondary benefits, like better urban air quality, that add to its appeal as a tool to help environmental targets.

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Canada's transportation sector emitted 27 percent of national GHG emissions in 1997. About 30 percent of transportation emissions, or 8 percent of national emissions, were from urban passenger travel. But public transit - despite getting millions of Canadians where they need to go each day - caused less than 0.3 percent of our national GHG emissions.

People who travel by public transit create 65 percent fewer GHG emissions than if they travel by car. Even if someone opts for transit just two days out of five, their GHG emissions will be cut by 25 percent. If walking or biking is added to the mix, the reductions are even more significant. Bottom-line, when millions of people make the decision to get out of cars and onto transit it leads to a sizable net reduction in GHG emissions.

Public transit is a potent weapon in our battle against climate change; it also helps combat other forms of air pollution, including smog. Without a doubt, this is one of the main reasons that 92 percent of urban Canadians think public transit makes their community a better, healthier place to live. Air pollution has a substantial impact on public health, killing more Canadians than traffic collisions, breast cancer or prostate cancer. Most Canadians are exposed to harmful levels of air pollutants, and about 20 percent have a respiratory problem such as asthma or chronic obstructive pulmonary disease. In Ontario alone, air pollution is estimated to cause 1,900 premature deaths and more than \$10 billion in economic costs each year. While transit's biggest contribution to urban air quality is to help people get around without a car, Canadian transit operators are also working to reduce emissions from their own operations.

ANALYSIS/RATIONALE:

Staff regularly review fare structures in place at other comparable Ontario and Canadian municipalities providing public transit. Hamilton presently ranks low in fare cost when compared to most Canadian and Ontario municipalities with populations greater than 400,000, being 10% to 15% lower than the average and median fares elsewhere, as set out in Table 3 below. Implementation of Recommendation (a) to this report regarding the proposed fare increase in 2008 will achieve an average fare in Hamilton that moves towards better comparability with the current median of fares noted.

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TABLE 3: Comparison to POP1 Municipalities

		Cash Fare	Adult Ticket	Adult Pass	Elementary / Secondary Ticket	Elementary / Secondary Pass	Senior Annual Pass	DARTS Ticket	Projected Revenue Change	Projected HSR Average Fare
Hamilton	Current 2007 Fare	\$ 2.25	\$ 1.75	\$ 71.00	\$ 1.40	\$ 56.00	\$ 205.00	\$ 2.10		\$ 1.39
	Recommended 2008 Fares	\$ 2.40	\$ 1.85	\$ 79.00	\$ 1.50	\$ 63.00	\$ 205.00	\$ 2.20	\$ 1,800,000	\$ 1.50
Ontario Municipalities over 400K POP	2007 Median Fare	\$ 2.75	\$ 2.20	\$ 88.50	\$ 1.80	\$ 71.50				
	2007 Average Fare	\$ 2.66	\$ 2.09	\$ 84.50	\$ 1.78	\$ 71.75				
	Hamilton's Rank (of 8)	8	7	7	7	7				
Canadian Municipalities over 400K POP	2007 Median Fare	\$ 2.50	\$ 2.03	\$ 72.13	\$ 1.53	\$ 53.25				
	2007 Average Fare	\$ 2.54	\$ 2.05	\$ 77.26	\$ 1.62	\$ 59.59				
	Hamilton's Rank (of 14)	11	13	9	10	7				
NOTE 1: Fare levels outside of Ontario may be impacted by Provincial/Federal funding not available to Hamilton and other Ontario municipalities.										
NOTE 2: Hamilton is on the low end of population and service hours per capita among Canadian POP 1 (400,000 >) municipalities, and may be unable to sustain fare levels comparable to those in major urban centres, or areas with high rates of growth.										

The question of how best to achieve the appropriate mix of fare recovery and taxpayer support is not answered only through comparison to other municipalities, but also through clear community objectives. The Transit Master Plan Steering Committee has defined a 5-year plan for Transit that will achieve service and ridership growth, and yet the available funds that might support that growth have been diminished over the past few years when allocated to offset necessary growth in fares. Passengers seek not only the lowest price that can be supported by the community, but value in service levels that meet their needs, which can only be sustained by appropriate fare levels. Too often consideration of fare increases is limited to the negative impacts that are associated with potential for temporary loss of ridership and further hardship on low-income residents who depend on Transit. Appropriate regular increases in fares such as those recommended in this report serve to enhance the overall value of the service to the community, and will allow consideration by Council of service improvements that will address deficiencies such as Hamilton's relatively low service and ridership per capita ratios.

ALTERNATIVES FOR CONSIDERATION:

Council could defer consideration of this report to the 2008 budget deliberations, thus delaying the proposed January 1, 2008 implementation date. Such a deferral would significantly affect the increased revenues that might be expected, with offset being required from other revenue sources such as reserves.

Council could also reduce the overall fare increase, or mitigate it entirely through a higher levy allocation to Transit than the City guidelines, with an ongoing impact on the Transit programs revenue to cost ratio and limiting of opportunities for direction of funding to the maintenance of growth initiatives. Reduction in the proposed fare increase from an average \$0.10 increase in 2008 to an average \$0.05 increase will push the Transit levy requirement beyond the 3% target set by Council.

Staff does not recommend or support either of the above alternatives, as they are not consistent with financial and operational objectives of the City and the Transit program.

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FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Implementation of the recommendation will generate an estimated \$1,800,000 in new net revenue for the HSR program (over and above any new revenue included in the 2008 base budget due to program growth in 2007 and annualizing of the 2007 fare increase).

Implementation of the recommendation will generate \$40,000 in new fare revenue for the DARTS program through the increase in ticket fare from \$2.10 to \$2.20. As demand for the DARTS program continues to exceed supply, there would be no means of measuring the passenger trip implications other than to forecast that demand would continue to exceed supply irrespective of the fare increase.

Critical approval timeframes include lead time required to complete necessary implementation fare increase activities that include depletion of current fare media inventory, replacement with new inventory, and provision of appropriate notice to the broader transit customers. An approval of the Recommendations by November 30, 2007, will allow staff sufficient time to implement the increase on January 1, 2008. As well, there are notification period requirements embedded in various Bus Pass programs that must be met, which will be achieved through a November ratification of a fare increase.

There are no staffing or legal implications associated with the recommendations.

POLICIES AFFECTING PROPOSAL:

A cornerstone of the Public Works Strategic Plan (2008) is to provide Public Works programs that adhere to the principle of sound financial management for the long haul. This is achieved by delivering Public Works programs according to approved service levels with budgets that match. The recommendations in this Report achieve Council objectives regarding program cost increases, while implementing fare increases that maintain fares in Hamilton at or below the average for similar sized Canadian municipalities.

The recommendations contained in this report are complementary to the Official Plan and Vision 2020. Vision 2020 advocates the balance of economic, environmental and social sustainability, the three legged stool. Fare increases (user pay) support the financial sustainability aspects of Vision 2020, and further support raising transit ridership to 100 trips per capita by allowing dedication of Gas Tax and increased levy funding to service enhancements.

RELEVANT CONSULTATION:

Public Works and Finance & Corporate Services staff was involved in the preparation of the report. Finance & Corporate Services support fare increases to the degree that the Transit program needs sufficient fare revenues to be financially sustainable and also to be consistent with year-over-year levy increase expectations of other City programs. Community Services staff was also consulted, as Transit fare increases have impacts of current and anticipated programs related to marginalized segments of the community.

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CITY STRATEGIC COMMITMENT:

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. **Yes** **No**

Ensuring that funds available through Gas Tax are available to support Transit enhancements ensures that participation in community life is enhanced for all Hamiltonians. Costs of the Transit programs are appropriately distributed between the general rate payer and the transit user in proportions determined by Council through its fare policy.

Environmental Well-Being is enhanced. **Yes** **No**

Strengthening the financial and operational capability of Transit promotes greater community use, with the accompanying environmental benefits of reducing the use of other vehicle options.

Economic Well-Being is enhanced. **Yes** **No**

Transit programs might otherwise not be sustainable at current service levels if not for fare increases when net levy impacts exceed Council's goals.

Does the option you are recommending create value across all three bottom lines?

Yes **No**

Financial and overall transit sustainability is positive.

Do the options you are recommending make Hamilton a City of choice for high performance public servants? **Yes** **No**

Appropriate funding of the Transit program attracts, and assists with retention of, high performing public servants.