

**CITY OF HAMILTON**

***PUBLIC WORKS DEPARTMENT  
Transit Division***

<b>Report to:</b> Mayor and Members Committee of the Whole	<b>Submitted by:</b> Chris Murray Acting General Manager Public Works Department
<b>Date:</b> February 21, 2007	<b>Prepared by:</b> Don Hull Extension 1860 Paul Thompson Extension 1862

**SUBJECT: Consideration of a Transit Fare Increase (PW07031) - (City Wide)**

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**RECOMMENDATION:**

- (a) That the General Manager of Public Works be authorized and directed to implement a Transit fare increase effective upon the direction of Council and as described in Option 1 of Table 1 contained in the Financial Section of this report; such fare increase to include a \$0.15 per trip increase in cash fares; a \$0.10 per trip increase in ticket fares; a \$6.00 per month increase in monthly passes or equivalent programs (average \$0.10 per trip); a \$40 increase (\$0.10 average per trip) in the Senior Annual Bus Pass program; and an increase of \$0.10 in the ticket fare for DARTS to \$2.20;
- (b) That the General Manager of Public Works be authorized and directed to fund any shortfall from unrealized annualization of the recommended fare increase that may result from delayed implementation in 2007 from Transit Working Fund Reserve Dept ID 112405;

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- (c) That the General Manager of Public Works be authorized and directed to implement further Transit fare increases, effective on January 1, 2008, 2009, 2010 respectively, as recommended below:

	Cash Fare	Ticket Fare	Monthly Pass or Equivalent Program	Senior Annual Pass	Ticket Fare DARTS
2008	\$0.10 per trip	\$0.10 per trip	\$6.00/month	\$40	\$0.10 per trip
2009	\$0.10 per trip	\$0.10 per trip	\$6.00/month	\$40	\$0.10 per trip
2010	\$0.05 per trip	\$0.05 per trip	\$3.00/month	\$20	\$0.05 per trip

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Chris Murray  
Acting General Manager  
Public Works

**EXECUTIVE SUMMARY:**

Annual Transit fee increases are key to ensuring the sustainability of Transit programs in Hamilton (HSR & ATS) for the foreseeable future. Most municipalities incorporate a reasonable annual fare increase into their transit budgets to offset the rising cost of maintaining service. This important step is preferred to foregoing service level expansions; drawing from reserves; deferring infrastructure investments; and most importantly service level reductions.

The Transit program has historically consistently achieved a 99.9% service delivered to service scheduled performance rating. Over the last few years there has been a decline in “on-time” reliability as service expansion has not kept up with increased service demands resulting in an increase in the number of complaints from Transit users related to missed service, crowded buses and “pass-bys” due to full buses. If left unaddressed the discretionary transit user will choose a more reliable alternative. Further, campaigns to attract Transit users in compliance with Council’s Ridership Growth strategy will only serve to exacerbate the current unacceptable level of service quality.

The decision to forgo fare increases over the past three years and supplement with permanent transfers from the Provincial Gas Tax fund to achieve a desired levy is at a point of critical concern. The continuation of this practice will fully exhaust the gas tax reserve leaving Council with no option to address continuing and growing demands for service level growth in both transit programs without extraordinary levy increases.

The fare increase(s), as detailed in Recommendations (a) and (c), will permit bringing the Transit related portion of the annual Public Works budget in at a levy increase consistent with other City programs. The resulting growth in annual revenues will also provide an offset against cost drivers unique to Transit programs and historically included: energy price volatility; Transit specific fleet insurance; 24/7 labour intensive

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operations and associated premiums; traffic calming initiatives; and bus parts for higher technology low-floor accessible and low emission buses. Options to Recommendation (a) are listed in Table 1 of this report.

Calculation of the revenues is based on full annualization beginning with January 1, 2007. Recommendation (b) of this report proposes that any unrealized revenues that result from the delay in approval by Council through the budget deliberation process be offset through the use of Transit working fund reserve. As noted in Table 1, Recommendation (a) to this report is expected to generate \$1.1M in additional fare revenues in 2007. Recommendation (c) to this report is expected to generate further incremental fare revenues in the range of \$2.3M to \$2.8M over the 2007 to 2010 period.

The last fare increase in the Transit programs was 2003 for conventional transit (HSR) and 1996 for specialized transit (ATS/D.A.R.T.S.).

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 provides short term relief from the burden of a fare increase, the near term outcome of this practice if it is continued will be the complete exhaustion of the Provincial Gas Tax revenue which is intended to support service expansion and ridership growth. The impact of decisions made to date are as follows:

- At Dec 31, 2006 the permanent ongoing operating and capital funding committed is \$4.366M or 47% of 2006 Provincial Gas Tax allocation;
- At Dec 31, 2007 the estimated permanent ongoing operating and capital funding committed is \$7.926M or 70% of 2007 estimated Provincial Gas Tax allocation (this includes additional \$1.5M for 12-year bus life cycle, \$150K for Artic Buses, \$1.116M for enhancements, \$750K for operating budget revenue and \$45K for inflation);
- At Dec 31, 2008 the estimated permanent ongoing operating and capital funding committed is \$9.543M or 84% of 2008 estimated Provincial Gas Tax allocation (this includes additional \$1.5M for replacement of expansion buses and \$117K for inflation and excludes any 2008 Service Level Enhancements).

The Transit program relies on Provincial Gas Tax funding for all of its non-fleet capital and all fleet capital for replacement of expansion fleet. At 100% commitment of Provincial Gas Tax to ongoing expenditures, there would be no funding for non-fleet capital.

Council's reluctance to raise fares reflects 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. The aforementioned fare increase is expected to initially reduce overall annual trips by approximately 2.5% (or 550,000 trips) in 2007 and by a further 3-5% by 2010. Many of those impacted by the fare increase likely fall into this marginalized segment of our community and therefore should not be expected to shoulder the full brunt of the decision to make Transit sustainable.

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Further to the above point, Council had directed staff to prepare for their consideration responses to a number of recommendations from the Advisory Committee for Persons with Disabilities and the Seniors Advisory Committee during the 2007 budget deliberations. Discussion on each of the recommendations is provided in the Appendix.

As stated, staff recommends that action on these items be examined in concert with other similar community needs as part of a comprehensive Social Inclusion Policy that will guide the City Of Hamilton in its future policies, programs, and other activities. Ownership of this initiative is cross departmental but with lead from Community Services staff.

**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.

Financial

Transit programs have a long history of established performance measurements. Industry comparisons that are relevant to financial and service performance are provided in the Appendix, Table A. As indicated, early 2006 analysis compared Hamilton to 14 other Canadian municipalities ranging in population from 400,000 to 1,000,000. Selecting this population range places Hamilton right on the median population. The results indicate Hamilton maintains good cost control. From a fare perspective Hamilton presently ranks 10% to 15% lower than the average and median fares elsewhere.

Notwithstanding the aforementioned, costs unique to the Transit industry continue to rise faster than new revenue generated from new ridership and cost mitigation initiatives. These include: energy price volatility; Transit specific fleet insurance; 24/7 labour intensive operations and associated premiums; traffic calming initiatives; and bus parts for higher technology low-floor accessible and low emission buses.

The last fare increase in the conventional transit (HSR) was 2003 and for specialized transit (D.A.R.T.S.) was 1996. Fare increases to the DARTS program have been frozen to allow the Adult Cash fare for HSR to harmonize with the DARTS ticket price. Fare discounts are not available to DARTS clients. Harmonization of fare policy between conventional and specialized transit programs has been a strategic focus of advocates for the disabled.

In each of the past three budget cycles, the net levy for Transit has been mitigated through means that Staff view as placing the sustainability of the Transit programs at risk over the mid and long term if continued. Since 2004, the Transit contribution to Capital through the Operating Budget, in the order of \$1M, for all non-fleet Capital was eliminated, in preference of funding all future Transit non-fleet capital and fleet capital expansion through Provincial Gas Tax revenue. In 2005 and 2006 respectively, Council elected to transfer \$1,476,690 and an additional \$300,000 from the Provincial Gas Tax revenue reserve on a permanent basis, while foregoing a fare increase, to assist in

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arriving at their desired levy for the Transit program. Further, due to the very large proportion of revenues relative to expenditures in the Transit program, in the order of 50%, makes comparison of the transit net levy to that of most other City programs inequitable. In years where there are no fare increases, and Transit expenditure increases are comparable to other City programs, the Transit net levy can be in the order of 100% higher as illustrated in Appendix Table D.

With the \$750,000 transfer from the Gas Tax reserve included in the 2007 budget submission, the total permanent commitment diverted from service growth to levy mitigation would be \$2.5 million or 22% of the transfer of \$11.3 million for 2007.

Social/Health

Council's Official Plan advocates that the public transit system should be affordable, efficient, convenient, and accessible stressing easy access to activity areas.

Transit users are generally tolerant of reasonable fare increases so long as the service quality is viewed as providing value for the money. They gauge value on service supply and performance based on a personal assessment of a variety of variables described in Appendix, Table A.

Increased Transit demand (HSR and D.A.R.T.S.) in the absence of corresponding increases in service hours has also precipitated a sustained pressure from Bus Operators and the community in general to increase the transit system capacity. In 2005, Council responded by dedicating \$956,000 in provincial gas tax revenue to address the Operators concerns, \$250,000 to address capacity shortfall in the Gore Park to McMaster corridor and \$1,292,000 to improve the Accessible Transit Services (ATS) program (D.A.R.T.S.).

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. Appendix Table C illustrates that fare discounts for seniors, students and children amount to some \$3.5 million from the comparable regular fare.

While Council has traditionally provided subsidized transit fares to particular groups in the community referenced above and the Community Services Department has purchased bus tickets and passes on behalf of eligible clients through a number of social service programs, many other high need residents of Hamilton do not currently have access to subsidized transit fares.

As reported to Council during the 2006 Budget deliberations, Hamilton has the highest rate of poverty in the Province of Ontario. Almost 20 per cent of Hamilton's population or 95,650 residents live in households with incomes below the poverty line. While some of these residents are in all likelihood eligible for the subsidized transit fares referenced above, many currently are not. Individuals and families living in poverty in Hamilton are often in the position of deciding between paying the rent or buying food. After paying for food, housing, clothing, and other expenses including heat, hydro, medications etc. little or no money is available to pay for transportation.

Affordable transportation is a significant barrier for people living in poverty to get to and from work. If left unaddressed, increasing transit fares will make it even more difficult for low income individuals in Hamilton to access employment and educational

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opportunities, health/medical services, other community services or supports, and the ability to participate in community life and to maintain their social networks. Calgary, Ottawa and Edmonton have been identified as being in some form of development of transit fare subsidy programs for low income residents that require public transit to access the community.

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. Details concerning the environmental benefits of public transit are well documented and are elaborated on in the Appendix.

**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 (see Appendix, Table B).

Table 1 of this report sets out four options that have varying impacts on levy mitigation, from the base approach as recommended within this report, shown as Option 1, to a full mitigation of the transit levy impact as illustrated by Option 4. Implementation of recommendations (a) and (c) to this report regarding proposed fare increases in both 2007 and through 2010 will achieve an average fare in Hamilton that is generally comparable to the median of fares noted in Appendix, Table B.

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 is currently defining a 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:**

In preparation of the 2007 Transit budget, four fare options were prepared, with increasing revenue potential and associated ridership impacts, as illustrated in Table 1 contained in the Financial Section of this report. There is an industry accepted "fare elasticity formula" used to estimate the ridership loss associated with a fare increase. In

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estimating revenue increases and ridership decreases, staff utilizes this formula in combination with experience and historical results to arrive at a forecast. While fare forecasts have proven generally reliable over the past few years, it must be noted that as the magnitude of the fare increase goes up, beyond five or ten cents, the resulting estimates move from “reliable forecast” to “best guess”, as would be the case with Options 3 and 4. It should also be noted that calculated loss of ridership can prove to be a short term impact, with good potential for later recovery of lost riders, dependent on the magnitude of the fare increase that is implemented.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**TABLE 1: 2007 FARE OPTIONS Recommendation (a) Option 1**

		Cash Fare	Adult Ticket	Adult Pass	Elementary / Secondary Ticket	Elementary / Secondary Pass	Senior Annual Pass	DARTS Ticket	Revenue Change *	Ridership Change *
Hamilton	Current Fare	\$ 2.10	\$ 1.70	\$ 65.00	\$ 1.35	\$ 50.00	\$ 205.00	\$ 2.10		
	Fare Option 1	\$ 2.25	\$ 1.80	\$ 71.00	\$ 1.45	\$ 56.00	\$ 245.00	\$ 2.20	\$ 1,100,000	(550,000)
	Fare Option 2	\$ 2.50	\$ 1.80	\$ 71.00	\$ 1.45	\$ 56.00	\$ 245.00	\$ 2.20	\$ 1,600,000	(700,000)
	Fare Option 3	\$ 2.50	\$ 1.90	\$ 76.00	\$ 1.60	\$ 61.00	\$ 280.00	\$ 2.30	\$ 2,500,000	(1,150,000)
	Fare Option 4	\$ 2.75	\$ 2.00	\$ 80.00	\$ 1.75	\$ 60.00	\$ 320.00	\$ 2.40	\$ 3,550,000	(1,650,000)
Canadian Municipalities over 400K POP	Median Fare	\$ 2.50	\$ 1.96	\$ 1.45	\$ 70.00	\$ 47.58				
	Average Fare	\$ 2.47	\$ 1.97	\$ 1.51	\$ 73.66	\$ 55.63				
	Hamilton's Rank (of 14)	13	13	9	9	6				
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.										

**Status Quo**

Status Quo would be expected to continue to generate modest Ridership growth in the Transit program estimated at between 1-2% per year, with associated fare revenue growth in the order of magnitude of \$125,000/year, exclusive of planned service level expansion. This approach will, however, generate extraordinary levy increases for the Transit program, historically viewed as unacceptable.

**Option 1**

Implementation of Option 1 will generate an estimated \$1,060,000 in new net revenue for the HSR program (over and above any new revenue included in the 2007 budget due to ridership growth in 2006) and result in an estimated initial loss of 550,000 passenger trips annually.

Implementation of Option 1 will generate \$40,000 in new fare revenue for the D.A.R.T.S. program through the increase in ticket fare from \$2.10 to \$2.20. As demand for the D.A.R.T.S. 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.

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Option 2

Implementation of Option 2 will generate an estimated \$1,560,000 in new net revenue for the HSR program and result in an estimated initial loss of 700,000 passenger trips annually.

Implementation of Option 2 will generate \$40,000 in new fare revenue for the D.A.R.T.S. program through the increase in ticket fare from \$2.10 to \$2.20.

Option 3

Implementation of Option 3 will generate an estimated \$2,420,000 in new net revenue for the HSR program and result in an estimated initial loss of 1,150,000 passenger trips annually.

Implementation of Option 3 will generate \$80,000 in new fare revenue for the D.A.R.T.S. program through the increase in ticket fare from \$2.10 to \$2.30.

Option 4

Implementation of Option 4 will generate an estimated \$3,430,000 in new net revenue for the HSR program and result in an estimated initial loss of 1,650,000 passenger trips annually.

Implementation of Option 4 will generate \$120,000 in new fare revenue for the D.A.R.T.S. program through the increase in ticket fare from \$2.10 to \$2.40.

All Options have been prepared based on a January 1 implementation, or annualized impact. For the Transit program to recover the fully annualized revenue in the current year, it will be necessary for Council to direct staff to offset the shortfall from the reserve identified in recommendation (b) of this report.

Critical approval timeframes include notification period requirements embedded in various Bus Pass programs. There is a February 28, 2007 notification deadline for a September 1 fare increase to University Transit Pass programs, and an effective deadline of March 15 to implement a May 1 increase to renewing Senior Annual pass holders. In addition, some lead time is required to complete necessary implementation activities that include depletion of current fare media inventory, replacement with new inventory, and provision of appropriate notice to the broader transit customers.

There are no staffing implications associated with the recommendations.

There are no legal implications associated with the recommendations.

**POLICIES AFFECTING PROPOSAL:**

The recommendation contained in this report is both complementary and contradictory with different aspects of 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. On the contrary, the Official Plan and Vision 2020 advocate raising transit ridership to 100 trips per capita and increasing the reliance on the tax base to support public transit in support of the social and environmental objectives of the two plans. In addition, the annual Customer Satisfaction survey undertaken by HSR staff indicates a user

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tolerance for fare increases that are in line with reasonable cost of living increases at constant service levels and sustained service reliability.

**RELEVANT CONSULTATION:**

Public Works, Community Services, 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 has serious concerns with isolating low income residents from access to the community instigated by a transit fare increase.

**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

Participation in community life is accessible to all Hamiltonians.

Costs of the Transit programs are distributed between the general rate payer and the transit user in proportions determined by Council through its fare policy. Transit fare increases beyond the level of affordability of captive user impedes access to the community. Costs of program increases are ultimately passed on to the residents either through fees for services, rent or taxes. Council's fare policy determines the burden/affordability threshold to be carried by the service user versus distributing the cost out over the broader tax base.

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

Increased transit fares lead to reduced transit use resulting in a negative environmental impact. Most transit users are accepting of reasonable annual fare increases. Choice users however, will elect to abandon transit if the fare increase is not perceived as being in balance with quality and value for the money.

**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 outcome overall is positive. There is a negative impact on Council's social and environmental goals.

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

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**Appendix**

Transit Performance

Transit programs have a long history of established performance measurements. Industry comparisons that are relevant to financial and service performance. As indicated, early 2006 analysis compared Hamilton to 14 other Canadian municipalities ranging in population from 300,000 to 1,000,000. Selecting this population range places Hamilton right on the median population. Table A below illustrates this analysis:

**TABLE A: PERFORMANCE MEASURES**

Performance measure	Hamilton (Rank 7 <sup>th</sup> )	Performance Indication
HSR Revenue/Cost ratio - 57%	5 <sup>th</sup>	These financial measures illustrate good cost control, particularly in view of lower average fare with Hamilton on the median of investment in Transit.
Municipal cost/capita - \$56	7 <sup>th</sup>	
Net cost/trip - \$1.04	12 <sup>th</sup>	
Average fare - \$1.33	6 <sup>th</sup>	These service level measures illustrate a lower average fare and lower service hours driving a lower than average transit use.
Service hours/capita - 1.43	9 <sup>th</sup>	
Passenger trips/capita – 47	11 <sup>th</sup>	
Passenger trips/hour -33	9 <sup>th</sup>	

Table B below sets out the base fares in place at the 14 Canadian municipalities with populations greater than 400,000.

Hamilton presently ranks low in fare cost when compared to most Canadian and Ontario municipalities, being 10% to 15% lower than the average and median fares elsewhere.

Most Ontario municipalities implemented fare increases in 2006 and are planning to in 2007 (as they had previously in 2005) in spite of increasing Gas Tax subsidies from the Province, as a means of dealing with expenditure increases, unique to Transit programs, that are far in excess of the general rate of inflation.

**TABLE B: CURRENT FARES AT SELECTED CANADIAN MUNICIPALITIES**

Municipality with 400,000 > Population	Effective Date	Cash Fare	Adult Ticket	Student Ticket	Adult Monthly Pass	Student Monthly Pass
Brampton	July '06	\$2.50	\$2.10	\$1.95	\$92.00	\$86.00
Calgary	January '07	\$2.25	\$1.95	\$1.30	\$75.00	\$47.00
Durham	November '06	\$2.50	\$2.38	\$2.20	\$87.50	\$75.00
Edmonton	February '07	\$2.50	\$2.10	\$1.85	\$59.00	\$42.00
Hamilton	April '03	\$2.10	\$1.70	\$1.30	\$65.00	\$50.00
Mississauga	January '07	\$2.50	\$2.10	\$1.95	\$92.00	\$86.00
Montreal	January '07	\$2.75	\$1.96	\$1.04	\$65.00	\$35.00
Ottawa	January '07	\$3.00	\$1.90	\$1.90	\$71.25	\$58.25
Quebec	March '06	\$2.50	\$2.25	\$1.50	\$65.00	\$43.65
Toronto	April '06	\$2.75	\$2.10	\$1.40	\$99.75	\$83.75
Vancouver	January '05	\$2.25	\$1.80	\$1.50	\$69.00	\$40.00
Waterloo Region	July '06	\$2.25	\$1.55	\$1.30	\$57.00	\$47.00
Winnipeg	January '06	\$2.00	\$1.85	\$1.25	\$71.25	\$48.15
York Region	January '07	\$2.75	\$2.30	\$1.70	\$85.00	\$65.00

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<b>Municipality with 400,000 &gt; Population</b>	<b>Effective Date</b>	<b>Cash Fare</b>	<b>Adult Ticket</b>	<b>Student Ticket</b>	<b>Adult Monthly Pass</b>	<b>Student Monthly Pass</b>
Canadian Median Fare		\$2.50	\$1.96	\$1.45	\$70.00	\$47.58
Canadian Average Fare		\$2.47	\$1.97	\$1.51	\$73.66	\$55.63
Ontario Median Fare		\$2.50	\$2.03	\$1.55	\$78.13	\$61.63
Ontario Average Fare		\$2.54	\$1.96	\$1.59	\$79.00	\$65.38
Hamilton		\$2.10	\$1.70	\$1.30	\$65.00	\$50.00
Hamilton's Rank (of 14)		13	13	9	9	6

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 POP1 (400,000+) municipalities and may be unable to sustain fare levels comparable to those in major urban centres or those with high rates of growth.

Social/Health

Council's Official Plan advocates that the public transit system should be affordable, efficient, convenient, and accessible stressing easy access to activity areas.

Transit users are generally tolerant of reasonable fare increases so long as the service quality is viewed as providing value for the money. They gauge value on service supply and performance based on a personal assessment of:

- Accessibility - is the service located within Council prescribed travel distance standards at the trip origin and destination?
- Convenience - does the service operate with sufficient frequency to render it preferable over alternate means of transportation?
- Availability - is the service available at the hours required?
- Reliability - is the service delivered to the published schedules?
- Affordability - can the citizens who require the service afford it?
- Accommodation - does the service accommodate citizens with special needs?
- Adequacy - is there a range of services customized to the unique needs of the community?
- Achievement - are the citizens satisfied with the service?
- Safe - do the citizens of the community feel safe when using the service?

There has been a consistent recurring theme among user responses for priority to be given to higher service levels; more frequent service and longer service duration. Transit users want the bus to arrive reliably and at the scheduled time. The Transit program has historically consistently achieved a 99.9% service delivered to service scheduled performance rating. Over the last few years there has been a decline in "on-time" reliability as service expansion has not kept up with increased service demands resulting in an increase in the number of complaints from Transit users related to missed service, crowded buses and "pass-bys" due to full buses.

Increased Transit demand (HSR and D.A.R.T.S.) in the absence of corresponding increases in service hours has also precipitated a sustained pressure from Bus Operators and the community in general to increase the transit system capacity. In 2006, Council responded by

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dedicating \$956,000 in provincial gas tax revenue to address the Operators concerns, \$250,000 to address capacity shortfall in the Gore Park to McMaster corridor and \$1,290,000 to improve the Accessible Transit Services (ATS) program (D.A.R.T.S.).

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 C below illustrates that fare discounts for seniors, students and children amount to some \$3.5 million from the comparable regular fare.

**TABLE C: CONCESSION FARES**

		Average Regular Fare	Average Concession Fare	Concession Value per Trip	Annual Value of Concession
Ticket	Regular	\$1.80			
	Elementary / Secondary		\$1.45	(\$0.35)	(\$530,000)
Pass	Regular	\$1.27			
	Elementary / Secondary		\$1.00	(\$0.27)	(\$450,000)
	Senior Annual Pass		\$0.60	(\$0.67)	(\$1,120,000)
	University Transit Pass		\$0.71	(\$0.56)	(\$1,250,000)
	Columbia College Pass		\$0.83	(\$0.44)	(\$110,000)
	School Hour Pass		\$1.14	(\$0.13)	(\$40,000)
All					(\$3,500,000)

While Council has traditionally provided subsidized transit fares to particular groups in the community referenced above and the Community Services Department has purchased bus tickets and passes on behalf of eligible clients through a number of social service programs, many other high need residents of Hamilton do not currently have access to subsidized transit fares.

As reported to Council during the 2006 Budget deliberations, Hamilton has the highest rate of poverty in the Province of Ontario. Almost 20 per cent of Hamilton's population or 95,650 residents live in households with incomes below the poverty line. These residents live below the Low Income Cut-Off (LICO) developed by Statistics Canada. Some groups in our community experience disproportionately high levels of poverty. Of the 95,650 residents in Hamilton living below the LICO, 26% are working poor, 22% are children, 17% are seniors, 8% are on social assistance and considered 'job ready', 15% are on social assistance with barriers to employment, and 8% have no income source period. While some of these residents are in all likelihood eligible for the subsidized transit fares referenced above, many currently are not. Individuals and families living in poverty in Hamilton are often in the position of deciding between paying the rent or buying food. After paying for food, housing, clothing, and other expenses including heat, hydro, medications etc. little or no money is available to pay for transportation.

Affordable transportation is a significant barrier for people living in poverty to get to and from work. Increasing transit fares will make it even more difficult for low income individuals in Hamilton to access employment and educational opportunities, as well as health/medical

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services and other community services or supports. Additionally, an increase to transit fares will impact on the ability of low income individuals to participate in community life and to maintain their social networks (i.e. participate in recreation, social, volunteer, cultural and other activities). Access to affordable transportation can help achieve social inclusion and contribute to the well being of those Hamilton residents living in poverty. Calgary, Ottawa and Edmonton have been identified as being in some form of development of transit fare subsidy programs for low income residents that require public transit to access the community.

In the course of the 2006 Budget deliberations, Council considered the following recommendations from the Accessibility Committee for Person's with Disabilities (ACPD) and the Senior's Advisory Committee (SAC) and referred them back to Staff to provide additional information prior to the 2007 budget deliberations:

**Advisory Committee for Person's with Disabilities (ACPD)**

- (i) "That Council for the City of Hamilton direct staff to explore the feasibility of implementing transit fares based on the ability to pay."

Respecting fare policy based on the ability to pay, staff has surveyed a number of medium and large Transit service providers in Canada. There seem to be very few Transit programs in Canada that have such a policy.

In July 2006, Ottawa instituted a one year pilot project providing low income persons with disabilities (i.e. those receiving ODSP benefits) a rate similar to seniors for travel on OC Transpo buses, but this does not provide a general focus on low income residents ability to pay, such as is being sought by the ACPD. This pilot is still in progress.

In August 2005, Calgary implemented a Low-Income Monthly Transit Pass, based on a family income lower than 75% of the low Income Cut Off set by the Federal Government, or to receipt of AISH benefits (Assured Income for the Severely Handicapped). The rate set by Calgary for the pass is \$37.50 monthly, or 50% of the regular monthly pass price and the pass is not transferable between family members. There is a fairly stringent enrolment and administrative process which is carried out by the Transit division. This program is noted as "unfunded but approved to December 2007, subject to further approval of Council".

Edmonton Transit offers a similar program to that in Calgary for recipients of AISH benefits (Assured Income for the Severely Handicapped).

Action on the ability to pay, deep discount and service enhancement ideas are best examined in concert with other similar community needs as part of a comprehensive Social Inclusion Policy that will guide the City Of Hamilton in its future policies, programs, and other activities. Ownership of this initiative is cross departmental but with lead from Community Services staff.

- (ii) "That Council direct staff to investigate the social, environmental and health care related implications of transit fare increases."

Staff was unable to source any research or any industry experience linking fare increases to a measurable social, environmental or health care implication.

**Seniors Advisory Committee (SAC)**

- (iii) "That Council for the City of Hamilton consider the plight of fixed income seniors, many of whom are dependent upon the bus transportation for day to day travel, and reduce the cost of the Seniors Annual Pass from the current \$205.00 per year to a fixed cost of \$100.00 per year."

While no doubt a good ridership growth initiative, this recommendation would have a negative impact on fare revenue. At a reduction in fare of just more than 50%, lost revenue would be in the order of \$500K on annual Seniors Annual pass revenue of \$1M.

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In and around 1992, then Regional Council considered and adopted the current Annual Pass program structure and price based on the advice of the community, with the recognition that the annual price should initially be set at \$75, with annual increases of \$10 to \$15 over a 5 to 7 year phase-in, subject to further general increases. The current annual price of \$205 is consistent with the adopted approach, and continues to represent more than a 50% discount over that price paid by other Transit riders. This deep discount fare offering for Senior's is provided in very few Canadian municipalities.

- (iv) "That Council direct staff to explore the application of increased beltline services, for the City of Hamilton, in consultation with the Seniors Advisory Committee."

The Transit Master Plan Steering Committee (TMPSC) recently considered an exhaustive list of outstanding service enhancement proposals for the Transit program and is in the process of submitting a recommendation to Council on short and medium term enhancement for the transit programs. The Seniors Advisory Committee has a permanent member on the Transit Steering Committee. Increased beltline services were not considered a priority at this time.

- (v) "That Council for the City of Hamilton direct staff to explore the feasibility of free ridership for seniors during the off peak hours of 10:00 am to 3:00 pm in consultation with the Seniors Advisory Committee."

Staff has surveyed all of the medium and large Transit service providers in Canada and there does not appear to be any Transit service providers in this category offering free fares to seniors.

Such a policy would no doubt have a positive impact on ridership, however it would be impossible to quantify this impact in advance of implementation. Staff would have to conduct before and after ridership surveys to estimate the growth impact. The observations of staff are that the majority of trips taken by seniors currently occur during the period being recommended for free fares. There may be some question as to sufficiency of current off-peak service on major routes should there be any substantial increase in the volume of trips made by seniors during these periods.

It is also impossible to estimate the impact on revenue of such a decision with any sense of reliability. Again, before and after measures of revenue change would be required to estimate the impact. The majority of fare revenue from seniors is currently thought to be derived from the Senior Annual Pass program; the 2007 budgeted revenue for this program is \$1M. Should Council adopt a policy of free off-peak fares for seniors, the worst case scenario is therefore in the order of \$1M. Discount off-peak fares have been tried in other municipalities and have led to substantive conflict between the Operators and the affected program arising from users wanting to stretch the window of eligibility.

It is also worth noting that during the discussion and adoption of the current Senior Annual Pass program, focus groups were initiated with seniors organizations throughout the Region, who recommended that:

- i. There is a strong need for a heavily discounted fare among a large percentage of seniors who are on a fixed income;
- ii. Seniors do not wish to be restricted in their travel patterns by an "unreasonable" i.e. regular fare payment in the peak periods, and that free off peak fares would not be of use to many seniors who must travel during peak hours should seniors be required to pay regular fare rates in the peak, as would be the case if the senior Annual Pass was discontinued as an adjunct to the free peak travel concept;
- iii. Seniors do not wish to be a burden to taxpayers and only wish a "fair" price, with a price that reflects their concern with the levy impacts of programs;

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- iv. The preferred method of fare payment among seniors is an annual photo identification pass, as monthly passes, coin or tickets are difficult and inconvenient. The payment of fares in the peak through a medium other than the Senior Annual Pass could prove problematic for many seniors.
- (vi) "That Council direct staff to explore the possibility of seniors, age 85 and over; receiving a gold bus pass to allow for free transportation at all times in the City of Hamilton in consultation with the Seniors Advisory Committee."

As above, Staff does not have the demographic information on Senior's age 85 and over using the Transit service, although the number would be expected to be relatively low in view of the Taxi Scrip and DARTS programs within the Accessible Transit Services (Specialized transit program) that most seniors age 85 and over would qualify. The impact of lost revenue or increased ridership from introduction of such a policy would be marginal in relation to the overall fare revenue for the Transit program. Such a program may serve to encourage seniors currently using the more expensive DARTS and Taxi Scrip programs to transition to the Conventional Transit program (HSR) where there would be off-peak capacity at no additional cost.

It may be summarized that the current offering of a Senior Annual Pass for use on HSR, along with other programs such as DARTS and Taxi Scrip which are widely used by seniors with disabilities, represent a high level of value to seniors in the community which is comparable to or better than that offered in other Ontario municipalities. Further, the question of the appropriate levels of fare subsidies as applied to Seniors or other groups is one that might be better dealt with through consideration under a comprehensive Social Inclusion Policy that will guide the City Of Hamilton in its future policies, programs, and other activities. Ownership of this initiative is cross departmental but with lead from Community Services staff.

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.

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

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biggest contribution to urban air quality is to help people get around without a car, Canadian transit companies are also working to reduce emissions from their own operations.

**TABLE D: Net levy impact of Fare/No Fare Increase**

	<i>Expenditure Only Inflationary Increases</i>						<i>Expenditure &amp; Revenue Inflationary Increases</i>					
	<b>(Million)</b>				<b>(Million)</b>		<b>% Incr.</b>	<b>(Million)</b>			<b>% Incr.</b>	
Yr. 1 2004 Expenditures	\$70.00	+	5%	=	\$73.50	5.0%	\$70.00	+	5%	=	\$73.50	5.0%
Revenue	(\$35.00)	+	0%		(\$35.00)	0.0%	(\$35.00)	+	5%		(\$36.75)	5.0%
Net Levy	\$35.00				\$38.50	10.0%	\$35.00				\$36.75	5.0%
Yr. 2 2005 Expenditures	\$73.50	+	5%	=	\$77.18	5.0%	\$73.50	+	5%	=	\$77.18	5.0%
Revenue	(\$35.00)	+	0%		(\$35.00)	0.0%	(\$36.75)	+	5%		(\$38.59)	5.0%
Net Levy	\$38.50				\$42.18	9.5%	\$36.75				\$38.59	5.0%
Yr. 3 2006 Expenditures	\$77.18	+	5%	=	\$81.03	5.0%	\$77.18	+	5%	=	\$81.03	5.0%
Revenue	(\$35.00)	+	0%		(\$35.00)	0.0%	(\$38.59)	+	5%		(\$40.52)	5.0%
Net Levy	\$42.18				\$46.03	9.1%	\$38.59				\$40.52	5.0%