Agenda - Executive Policy Committee - December 7, 2005

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - December 1, 2005

Item No. 1 2006 Transit Fare Increase
File TT-2

STANDING COMMITTEE RECOMMENDATION:

On December 1, 2005, the Standing Policy Committee on Infrastructure Renewal and Public Works did not concur in the administrative recommendation contained in the report dated October 25, 2005, and submits the matter to Council.

Agenda - Executive Policy Committee - December 7, 2005

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - December 1, 2005

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On December 1, 2005, the Standing Policy Committee on Infrastructure Renewal and Public Works did not concur in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Re:	**2006 TRANSIT FARE INCREASE**
For submission to:	**Standing Policy Committee on Public Works**
Original report signed by:	**Dave Wardrop, Director of Transit**
Report date:	**October 25th, 2005**
Recommendation:	**That, effective January 1, 2006:** • **full and reduced cash fares be increased to $2.00; and** • **full and reduced ticket fares be increased by five cents and pass prices be increased proportionately.**

Report Summary

Key Issues:

- The department has submitted its draft 2006 to 2008 Financial Plan. In order to offset increasing costs and based on assumed Provincial and City funding, the department requires a fare increase.

- Council has adopted in principle the 2006 Current Estimates, which included a five cent fare increase to regular and reduced cash fares, along with proportionate increases in tickets and passes, effective January 1, 2006.

- The draft 2006 Current Estimates present a financial challenge for the City of Winnipeg. A fare increase alternative to consider is that in addition to the five cent fare increase referred to earlier, cash fares could be further increased to $2.00 for all categories.

- A similar attempt to eliminate the reduced cash fare in 1998 was met with negative reaction. A reduced cash fare was reintroduced in 1999 at an approximate discount of 20% from the full cash fare.

- Implementation of the recommendation will result in $1.69 million in additional passenger revenue for 2006.

Implications of the Recommendation:

General Implications

	None
	For the organization overall and/or for other departments
X	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment: All passengers of regular transit service and handi-transit service will be paying higher fares, effective January 1, 2006.

Policy implications

X	No
	Yes

Environmental implications

X	No
	Yes

Human resources implications

X	No
	Yes

Financial Implications

	Within approved current and/or capital budget
X	Current and/or capital budget adjustment required

Comment: The recommended fare increase is necessary to allow the department an opportunity to maintain service levels and reduce contributions otherwise required from the City of Winnipeg and Province of Manitoba.

Report

Reason for the report:

Transit fare adjustments require Council approval.

History:

On March 20, 1997, Council approved a cash fare effective January 1, 1998 that eliminated the reduced cash fare.

The City experienced opposition to the elimination of the reduced cash fare.

On December 16, 1998, Council approved reinstatement of a reduced cash fare, effective January 1, 1999. The reinstated reduced cash fare was significantly higher than that previously eliminated (a 20% discount from the full cash fare, rather than the previous 40% discount).

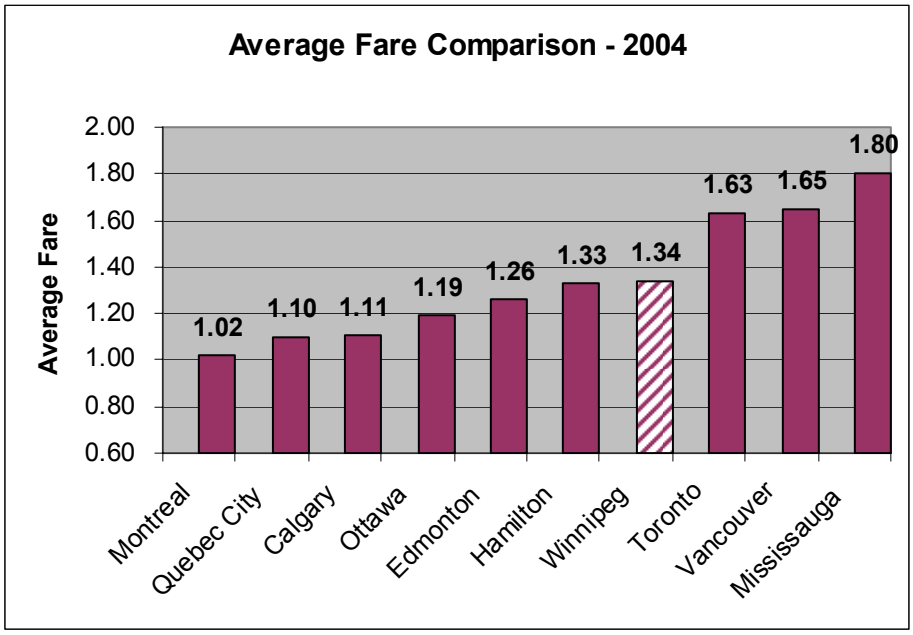
On March 22, 2005, Council adopted in principle the 2006 Current Estimates Projection, which included a five cent fare increase to regular and reduced cash fares, along with proportionate increases in tickets and passes.

On July 19, 2005, the department submitted its draft 2006 Current Estimates. The draft Current Estimates proposed fare increases consistent with that noted in the previous paragraph. The submission included an option to consider an additional increase whereby all cash fares would be $2.00.

Discussion:

Comparing Fare Structures

The following chart provides a comparison of average fares collected in 2004 by systems comparable to Winnipeg Transit:



While cash fares and tickets tend to be on the lower end of the scale, the department's monthly pass is higher when compared to other large systems.

Additional comparisons of fares with the same cities are made in Appendix 1.

Draft Current Estimate Background

The Transit Department receives its operating funding from three sources – system generated (transit fares, advertising, etc.), the Province of Manitoba and The City of Winnipeg. The draft 2006 Current Estimates consider anticipated cost increases for salaries and wages (negotiated increases), handi-transit services, contributions to the Transit Bus Replacement Reserve and diesel fuel. The Provincial operating grant has been assumed to be consistent with that anticipated for 2005.

As part of the 2006 to 2008 Budget Submission, all departments were requested to submit Mill Rate Reduction Initiatives (MRRI's). These are initiatives designed to address the presently projected shortfalls in the three-year operating budget. One of the MRRI's submitted by the department recommended considering raising all cash

fares to $2.00. All other fares would be raised as if the cash fare was only raised five cents.

Increased Cash Fares

In implementing this alternative, the fare structure will be as shown below in the "Proposed January 1, 2006" column:

		Current	Proposed January 1, 2006	% Change	Adopted in Principle
Full Fare – Regular					
	Cash	$1.85	$2.00	8.1%	$1.90
	Ticket (sheet of 10)	18.00	18.50	2.8%	18.50
	Weekday pass	16.20	16.65	2.8%	16.65
	SuperPass	18.00	18.50	2.8%	18.50
	Monthly pass	69.30	71.25	2.8%	71.25
Post-secondary monthly pass		55.45	57.00	2.8%	57.00
Handi-transit	Cash	1.85	2.00	8.1%	1.90
	Ticket (sheet of 10)	18.00	18.50	2.8%	18.50
	Monthly pass	69.30	71.25	2.8%	71.25
Reduced Fare – Regular	Cash	1.55	2.00	29.0%	1.60
	Ticket (sheet of 10)	12.00	12.50	4.2%	12.50
	SuperPass	12.00	12.50	4.2%	12.50
	Monthly pass	46.20	48.15	4.2%	48.15
Senior Fare – Regular	Cash	1.55	2.00	29.0%	1.60
	Ticket (sheet of ten)	9.00	9.30	3.3%	9.30
	SuperPass	9.00	9.30	3.3%	9.30
	Monthly pass	34.65	35.65	2.8%	35.65

Implications

It is estimated that this would result in $1.69 million in passenger revenue for the department. This is $500,000 higher than the revenue that would be derived from a five cent fare increase to regular and reduced fares, as adopted in principle last year in the 2006 Current Estimates. The estimate anticipates some loss in ridership in the reduced

and senior's categories. Generally speaking, cash fare users of the system tend to be less price sensitive. However, passengers on limited or fixed income would be impacted by this proposal. This would include children, students and seniors.

In comparing our cash fares to other large systems in Canada, charging $2.00 is not unreasonable. The minimum full fare outside of Winnipeg is $2.00. For children, students and seniors, a $2.00 fare will be in the mid to upper end – see Appendix 1.

The revenue impact analysis also assumes that there will be some shifting by users from cash to tickets and passes. This will result in an ongoing commitment to using the system and make it a more likely transportation mode of choice.

Another implication to be considered is public reaction. When Council eliminated the reduced cash fare in 1998, it resulted in negative public reaction. As a result, a reduced cash fare was reintroduced in 1999. In spite of discounts being available to users in the form of tickets and passes, the higher initial cash outlay to purchase these presents an obstacle to some users.

Finally, having only one cash fare will simplify the fare structure somewhat. For customers, it represents a single priced cash fare for all age categories. For operations, this will eliminate one area of fare dispute.

Implementation Delay

For information purposes, every month that the recommended fare increase is delayed will cost the City approximately $165,000. The department's draft 2006 Current Estimates do not provide for this.

Financial Impact Statement — Date: October 20, 2005

Project Name: 2006 Transit Fare Increase — **First Year of Program** 2006

	2006	2007	2008	2009	2010
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	1,690,000	1,690,000	1,690,000	1,690,000	1,690,000
Net Cost/(Benefit)	$ (1,690,000)	$ (1,690,000)	$ (1,690,000)	$ (1,690,000)	$ (1,690,000)
Less: Existing Budget Amounts	(1,190,000)	(1,190,000)	N/A	N/A	N/A
Net Budget Adjustment Required	$ (500,000)	$ (500,000)	N/A	N/A	N/A

Additional Comments: The recommended 2006 Transit fare increase will provide an estimated additional $1,690,000 in passenger revenue. The Current Estimates for 2006 and 2007 have not yet been approved.

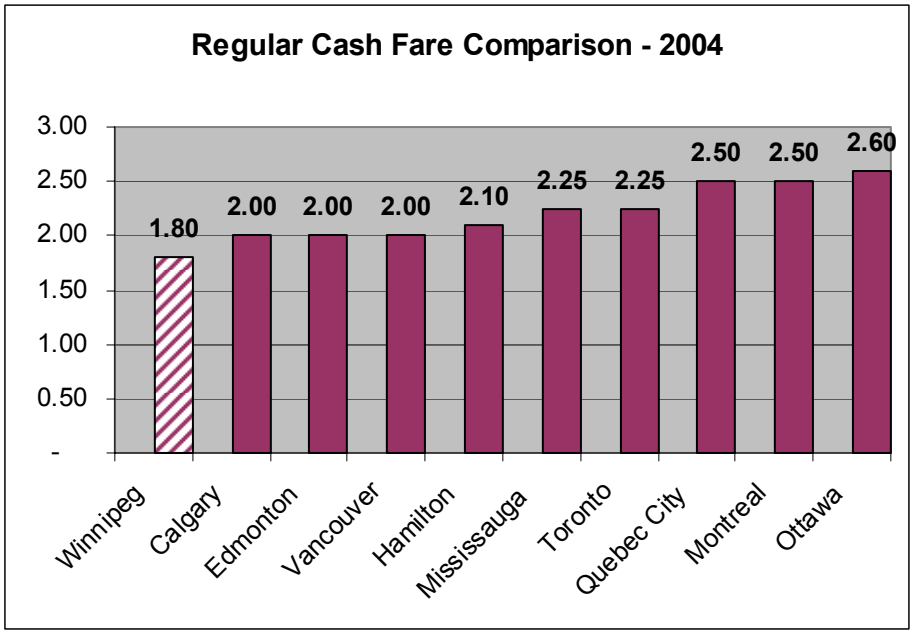
Original Signed by Paul D. Olafson

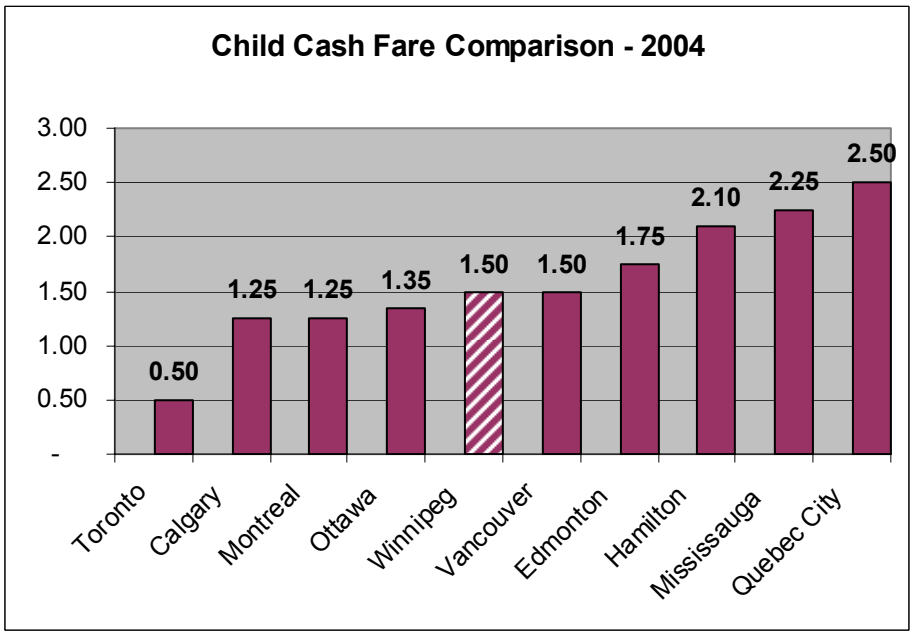
Manager of Finance & Administration

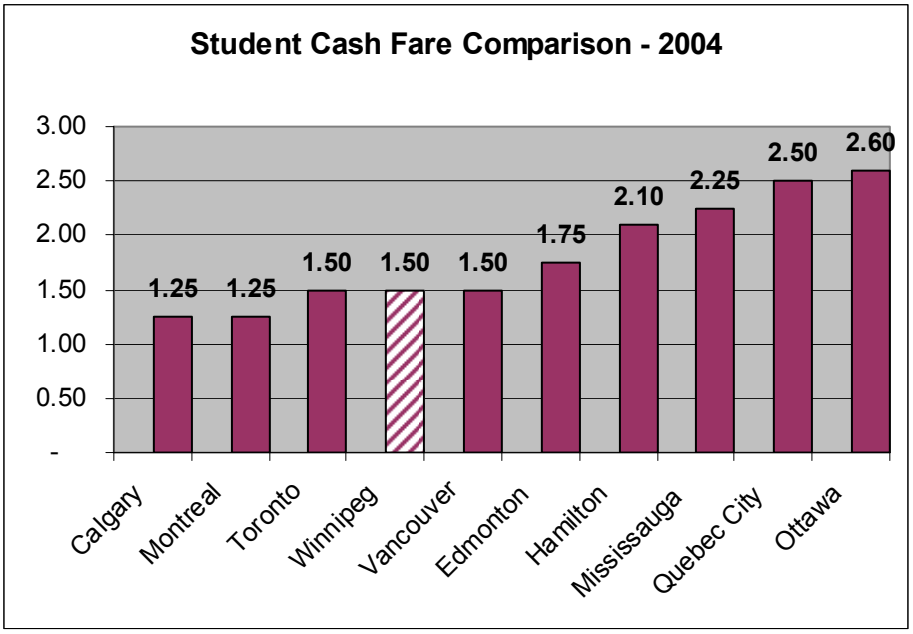
IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY: N/A

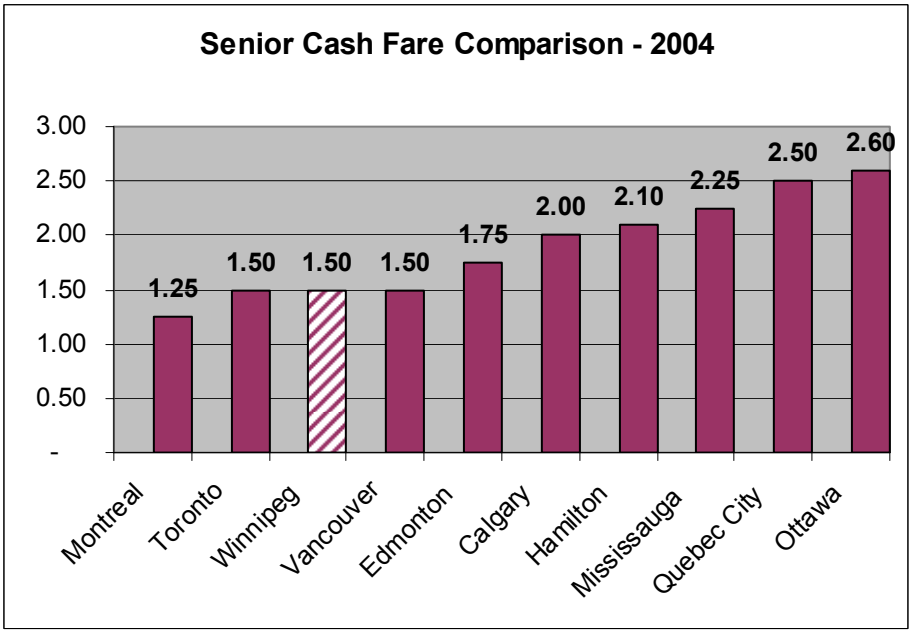
This Report Submitted By:
Department: Transit Department
Division: Finance and Administration
Prepared by: Paul D. Olafson, CA, Manager of Finance and Administration

APPENDIX 1


Regular Cash Fare Comparison - 2004
3.00
2.50
2.00
1.50
1.00
0.50
-
1.80
2.00
2.00
2.00
2.10
2.25
2.25
2.50
2.50
2.60
Winnipeg
Calgary
Edmonton
Vancouver
Hamilton
Mississauga
Toronto
Quebec City
Montreal
Ottawa


Child Cash Fare Comparison - 2004
3.00
2.50
2.00
1.50
1.00
0.50
-
0.50
1.25
1.25
1.35
1.50
1.50
1.75
2.10
2.25
2.50
Toronto
Calgary
Montreal
Ottawa
Winnipeg
Vancouver
Edmonton
Hamilton
Mississauga
Quebec City


Student Cash Fare Comparison - 2004
3.00
2.50
2.00
1.50
1.00
0.50
-
1.25
1.25
1.50
1.50
1.50
1.75
2.10
2.25
2.50
2.60
Calgary
Montreal
Toronto
Winnipeg
Vancouver
Edmonton
Hamilton
Mississauga
Quebec City
Ottawa


Senior Cash Fare Comparison - 2004
3.00
2.50
2.00
1.50
1.00
0.50
-
1.25
1.50
1.50
1.50
1.75
2.00
2.10
2.25
2.50
2.60
Montreal
Toronto
Winnipeg
Vancouver
Edmonton
Calgary
Hamilton
Mississauga
Quebec City
Ottawa