**Agenda – Council – October 23, 2013**

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works – October 1, 2013**

**Item No. 2 Winnipeg Transit Smart Card Implementation and Related Policies**

STANDING COMMITTEE RECOMMENDATION:

On October 9, 2013, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works, and submitted the following to Council:

1. That with the exception of the cash fare, e-cash, ticket/e-ride fares and special use tokens, all other fare products and fees approved by Council on November 14, 2012 with an effective date of January 1, 2013, together with the changes listed below in items 2, 3 and 4, be exempt from the authority given to the Chief Financial Officer in sections 3 and 4 of the Fees and Charges By-law to increase fares and fees by the rate of inflation and to round fares and fees up or down, and instead are subject to the Winnipeg Transit Fare Model as outlined in Appendix 1.

2. That upon implementation of the smart card phase of the automated fare collection system, Winnipeg Transit retains the monthly pass product, in addition to the new 28-Day pass.

3. That Winnipeg Transit introduce a Full Fare and Reduced Fare Transit Token for use only by schools, school based programming, and social service agencies and that the token be priced the same as the ticket/e-ride.

4. That the Ecopass program offers both a Monthly Pass, and 28-Day pass, and the choice for one or the other be at the Employer's discretion.

5. That during the launch of the Automated Fare Collection System, Winnipeg Transit be authorized to provide incentives to the public to encourage more efficient timing and capacity for the distribution and registration of smart cards.

6. That during the launch period only, a $5.00 rebate of the initial smart card fee be provided to Transit cardholders, who both register their card with Winnipeg Transit, and use it on the bus within 90 days.

7. That all smart cards offering discounted fares based on classification be required to be registered, with proof of eligibility for the classification provided to Winnipeg Transit, and that this requirement be phased in after the initial launch period is completed.

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8. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works – October 1, 2013**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On October 9, 2013, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works, and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On October 1, 2013, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

# ADMINISTRATIVE REPORT

**Title:** ***Winnipeg Transit Smart Card Implementation and Related Policies***

**Critical Path:** **Standing Policy Committee on Infrastructure Renewal and Public Works – EPC – Council**

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| T. Yanchishyn | D. Wardrop | M. Ruta | D. Joshi<br>COO |

## RECOMMENDATIONS

1. That with the exception of the cash fare, e-cash, ticket/e-ride fares and special use tokens, all other fare products and fees approved by Council on November 14, 2012 with an effective date of January 1, 2013, together with the changes listed below in items 2, 3 and 4, be exempt from the authority given to the Chief Financial Officer in sections 3 and 4 of the Fees and Charges By-law to increase fares and fees by the rate of inflation and to round fares and fees up or down, and instead are subject to the Winnipeg Transit Fare Model as outlined in Appendix 1.

2. That upon implementation of the smart card phase of the automated fare collection system, Winnipeg Transit retains the monthly pass product, in addition to the new 28-Day pass.

3. That Winnipeg Transit introduce a Full Fare and Reduced Fare Transit Token for use only by schools, school based programming, and social service agencies and that the token be priced the same as the ticket/e-ride.

4. That the Ecopass program offers both a Monthly Pass, and 28-Day pass, and the choice for one or the other be at the Employer's discretion.

5. That during the launch of the Automated Fare Collection System, Winnipeg Transit be authorized to provide incentives to the public to encourage more efficient timing and capacity for the distribution and registration of smart cards.

6. That during the launch period only, a $5.00 rebate of the initial smart card fee be provided to Transit cardholders, who both register their card with Winnipeg Transit, and use it on the bus within 90 days.

7. That all smart cards offering discounted fares based on classification be required to be registered, with proof of eligibility for the classification provided to Winnipeg Transit, and that this requirement be phased in after the initial launch period is completed.

## REASON FOR THE REPORT

Changes to the Winnipeg Transit Fare Model and policies require Council approval.

## IMPLICATIONS OF THE RECOMMENDATIONS

The above recommendations will improve transit passengers' convenience provided for by the new fare collection system, while at the same time keeping costs in line through better control of the number of smart cards distributed to those that require them.

The financial Implication of offering a transit token has significant cost savings each year compared to the cost of the smart card product utilized for the 2-ride e-ticket. The smart card product for the 2-ride e-ticket is only utilized twice before being discarded and is estimated to cost approximately $420,000 per year. The transit tokens are expected to cost approximately $300,000 and have a useful life of 10 years or longer, resulting in an amortized cost of approximately $30,000 per year.

Smart card incentives are anticipated to cost $10,000 ($5,000 after provincial cost sharing), and these incentives are expected to assist in avoiding staffing requirements above what was expected while still providing satisfactory customer service.

Smart card rebates will be fully offset by the $5.00 fee collected from the passengers. The initial smart card purchases have been provided for as part of the Fare Collection System capital project so are not factored into the financial implication. If not all passengers register their cards, Winnipeg Transit will have revenue to offset some of the project costs from card sales.

## HISTORY

On November 14, 2012, Council approved a new fare model where all fares and fees, except the cash fare, were exempt from the Fees and Charges By-Law. Council also approved additional recommendations pertaining to the implementation of Transit's Automated Fare Collection System based on preliminary planning regarding the system functionality.

The Transit department anticipates implementing the smart card portion of the Fare Collection System beginning in late 2013 and being phased in through early 2014.

**E-CASH, TICKET/E-RIDE and SPECIAL USE TOKENS**

The fare model approved in November 2012 included the provision that the e-cash, and the ticket/e-ride be determined based on a percentage of the cash fare rounded up to the nearest nickel. It is now recommended that cash, e-cash, ticket/e-ride and special use tokens, described fully below, increase by the same rate of inflation, to ensure a consistent application of the inflationary increase. If the original provision were kept, there would be some years that cash fares would increase while no other Transit fares would see an increase.

In order to see a consistent application of the inflationary increases, it is recommended to apply the inflationary increase through the fees and charges by-law to the above two fare categories in addition to the cash fare. An updated version of the Fare Model is provided in Appendix 1.

**MONTHLY PASS**

As discussed in a previous report, the monthly pass is an inefficient product as the number of the days in a month varies and will not take advantage of some of the benefits of the new fare collection system. For this reason a 28-Day pass has been approved as a more efficient product that offers consistent pricing month to month and the 28 days will not start counting down until the pass is first tapped on the farebox of a bus. However, in order to ease Transit passengers through the change to this new system, it is recommended to offer both products. In this way, passengers can choose to continue to purchase the monthly pass as they always have, while becoming comfortable with the smart cards. After a period of time, it is expected that most passengers will transition to the 28-Day pass.

**TOKENS**

Winnipeg Transit previously recommended utilizing a 2-ride e-ticket for schools and social service agencies, and investigating the possibility of utilizing a single agency to distribute the e-tickets at a reduced cost to social service agencies based on need.

Upon receiving input from these stakeholders (human service agencies), it has been determined that a 2-ride e-ticket will not satisfy the business needs of these agencies as they most often distribute tickets to various clientele one at a time. Issuing a one ride e-ticket is not cost effective due to the individual cost of the smart cards. Therefore, it is recommended that Transit tokens be introduced to satisfy those agencies and schools that issue tickets one at a time to their clients.

Transit tokens have numerous benefits over paper tickets:

- Maintains the benefits the new fareboxes provide to reduce counterfeiting because they can be minted with a secure coin signature which will be verifiable by the farebox (like a smart card).
- Will look just like money, and not identify passengers who have obtained transportation assistance from human service agencies.
- Is environmentally friendly as the tokens are reused month after month for 10 years or more.
- Satisfies stakeholders that require the ability to provide one ride at a time to their clients.
- Can be reproduced in the future with the identical coin signature.

In addition to schools, the following social service agency types will qualify to distribute tokens:

- Government agencies, i.e., the Public Trustee and Employment & Income Assistance
- Registered Charities
- Non-Profit organization or corporation which is organized for the purpose of social welfare as defined by the Canada Revenue Agency.

Tokens will only be sold in bulk orders, to agencies who have completed an application form and meet the above criteria.

**ECOPASS**

It is recommended to have both a monthly pass and a 28-Day pass available for employers to offer to their employees. The employer will choose one product for all of its employees. Having both available allows the employer to choose the level of administration they are willing to commit to the program,

where 28-Day passes may have higher administration with employee passes expiring on different days of the month. Maintaining the monthly pass for this program would ensure the level of administration required for the program would be the same or less than existing levels.

## SMART CARD INCENTIVES

Winnipeg Transit will be distributing approximately 250,000 smart cards to the public during a short period of time. Having this number of individuals frequenting retailers, Winnipeg Transit and possibly libraries and pools to obtain their cards during a short period of time may cause line ups. One way to manage the distribution of the cards is to transition the implementation by fare class or by fare product. This will enable staggered removal of the paper fare products from circulation. Winnipeg Transit will be monitoring the number of cards being distributed during the launch period and, if uptake is not sufficient to achieve smooth transition, incentives may be offered during certain times to boost the distribution.

Incentives to be offered would be limited to bus fare products, and would mostly include an offering such as transit passes. The fare product would be awarded to up to five individuals for each set time frame based on a random draw for those individuals that obtained and registered their smart card within the published time frame.

## REGISTRATION REBATE

Each smart card purchase carries a $5.00 fee required for cost recovery and inventory control. As it is in each passenger's best interest to register their smart card, Winnipeg Transit will provide a rebate of the $5.00 fee when the card is registered, as long as it is used on the bus within 90 days of purchase. The requirement to register the card minimizes the possibility of the individual obtaining a second card because they already have created an account with Winnipeg Transit. The requirement to use the card on the bus within 90 days will help control cards being obtained for children who may not use the bus for several years.

The launch period will end 30 days after the last paper fare product is removed from retailers.

## REQUIRED REGISTRATION

To assist bus operators in determining passengers' eligibility for Winnipeg Transit's discounted fare classes it is recommended that proof of eligibility be required to be presented to Winnipeg Transit upon receipt of a smart card for the discounted category. This requirement is consistent with other Transit Agencies across North America, as it helps reduce fare evasion and fare disputes on the bus.

The categories requiring registration for the discounted categories are:
Reduced Fare (Age 6-16, High School 17-21 with ID)
Post-Secondary Students
Senior (Over 65)

As the number of smart cards to be distributed to these categories is in excess of 100,000 cards, it is not feasible to verify eligibility and register everyone during the launch period without creating significant lineups, backlogs and dissatisfaction. Therefore it is recommended that this requirement be phased in after the launch period is completed. Winnipeg Transit will provide reminder messaging to the public of any date where the registration requirement will be enforced.

## FINANCIAL IMPACT

**Financial Impact Statement** **Date:** September 23, 2013

**Project Name:** **First Year of Program** **2013**

Winnipeg Transit Smart Card Implementation and Related Policies

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ 300,000 | $ - | $ - | $ - | $ - |
| Less: Existing Budgeted Costs | 300,000 | - | - | - | - |
| 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 | | $ 10,000 | $ - | $ - | $ - |
| Less: Incremental Revenue/Recovery | | 5,000 | - | - | - |
| Net Cost/(Benefit) | $ - | $ 5,000 | $ - | $ - | $ - |
| Less: Existing Budget Amounts | | 5,000 | - | - | - |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:**

· Transit tokens are anticipated to cost approximately $300,000 and will be paid for out of the capital project and have a useful life of 10 years or longer.

· Smart Card Incentives will cost no more than $10,000 ($5,000 after provincial cost sharing)

· Registration Rebates will be fully offset by the smart card fee collected at time of purchase.

original signed by Tanis Yanchishyn, CA

Manager of Finance and Administration

## CONSULTATION

**In preparing this report there was consultation with:**

## SUBMITTED BY

| | |
|---|---|
| Department | Transit |
| Division | Finance and Administration |
| Prepared by: | Tanis Yanchishyn, Manager of Finance & Administration |
| Date: | September 23, 2013 |
| File No. | |

**APPENDIX 1**

# Winnipeg Transit
## Fare Model

| | Reloadable Card | One Time Loadable Card | Effective | All relationships are applied and then rounded up or down to the nearest nickel as appropriate<br>Fare Model |
|---|---|---|---|---|
| **Single Journey** | | | | |
| Cash | | | January 1, 2013 | Adjusted annually by inflation per the Fees and Charges By-Law 196/2008 |
| E-cash (stored on the card) | ✓ | | Upon implementation of Smart Card System | Adjusted annually by inflation per the Fees and Charges By-Law 196/2008 |
| E-ride (stored on a card)<br>Token (not available for seniors)<br>Ticket under old system | ✓ | | January 1, 2013 | Adult & Reduced = Adjusted annually by inflation per the Fees and Charges By-Law 196/2008<br>Seniors = 50% of adult e-ride fare |
| **Time passes** | | | | |
| 24 Hour - E-Pass | ✓ | | Upon implementation of Smart Card System | 3.7 x e-ride price<br>Seniors = 50% of adult fare |
| | | ✓ | Upon implementation of Smart Card System | 3.7 x full fare e-ride fare |
| 3 Day E-Pass | ✓ | | Upon implementation of Smart Card System | 7.5 x e-ride price<br>Seniors = 50% of adult fare |
| | | ✓ | Upon implementation of Smart Card System | 7.5 x full fare e-ride fare |
| 5 Day E-Pass | ✓ | | January 1, 2013 | 9 x e- ride fare<br>Seniors = 50% of adult fare |
| 7 Day E-Pass | ✓ | | January 1, 2013 | 10 x e- ride fare<br>Seniors = 50% of adult fare |
| 14 Day E-Pass | ✓ | | Upon implementation of Smart Card System | 18.5 x e-ride fare<br>Seniors = 50% of adult fare |
| 21 Day E-Pass | ✓ | | Upon implementation of Smart Card System | 27.5 x e-ride fare<br>Seniors = 50% of adult fare |
| 28 Day E-Pass | ✓ | | Upon implementation of Smart Card System | 35.5 x e-ride fare (PSS x 80%)<br>Seniors = 50% of adult fare |
| **Period passes** | | | | |
| Monthly Pass | ✓ | | January 1, 2013 | 38.5 x e-ride fare<br>Seniors = 50% of adult fare |
| Semester Pass (4 months) | ✓ | | Upon implementation of Smart Card System | 38.5 x e-ride fare x 3.4 x 80% |
| Annual Pass | ✓ | | Upon implementation of Smart Card System | 13-28 day passes, for price of 12<br>Seniors = 50% of adult fare |
| **Other** | | | | |
| E-ticket - 2 ride | | ✓ | Upon implementation of Smart Card System | 2.33 x reloadable card e-ride fare |
| E-ticket - 6 ride | | ✓ | Upon implementation of Smart Card System | 6 x full fare e-cash fare |
| E-ticket - 10 ride | | ✓ | Upon implementation of Smart Card System | 10 x full fare e-cash fare |

Until the smart card system is operational, all pricing calculated from a value of an e-ride will be calculated from the value of a ticket.