



To: Metrolinx Board of Directors
From: Robert Siddall
Chief Financial Officer
Date: December 5, 2012
Re: **Proposed Fare Increase**

Executive Summary

As part of the annual business plan process, fares for GO Transit are examined to determine if an increase is warranted. A fare increase of approximately 5% is being recommended at this time to meet the needs of our growing customer base and to ensure fiscal responsibility.

A number of factors were considered in order to determine the size of the increase:

The planned introduction of a number of service improvements for fiscal 2013/14 to respond to the growing customer demand in both rail and bus operations;

In several past years, fare increases have not always kept pace with cost escalations of GO Transit's key cost drivers, such as diesel fuel, hydro and major contract escalation; and

Sufficient funding is required to maintain the high levels of reliability and customer service that have been accomplished over the last number of years.

The fare increase is expected to allow GO Transit to continue to grow its ridership in 2013/14 and continue to achieve its on-time performance of 95 percent. Included in service improvements are additional trains and buses for select corridors to facilitate ridership growth and overcrowding.

Without this fare increase, GO Transit will not be able to move forward with the planned service improvements.

GO Transit has two major sources of operating revenue – customer fares and a Provincial subsidy. The fare increase assumes that the Provincial subsidy will remain at its current level of support. GO Transit has one of the best cost recovery ratios in the world at about 80 percent.

Because GO fares are based on a “fare by distance” approach, staff are proposing a 3-tiered increase which would see a larger increase for the longer distance rider than the short distance rider. This hybrid method was implemented last year and is better suited for the fare by distance approach. It also recognizes that a number of GO's key cost drivers, such as diesel fuel, are variable by distance travelled.

In conjunction with the fare increase, staff are proposing to increase the price differential between paper tickets (single ride and day pass) and fares paid via the PRESTO farecard. The premium on the paper tickets will rise from 7.5% to approximately 10%. This will encourage more GO users to migrate to the PRESTO card.

In order to increase the premium on paper tickets, base adult single fares will be increased as follows:

- a 35 cent increase on fares between \$4.50 and \$5.80
- a 45 cent increase on fares between \$5.81 and \$7.35
- a 55 cent increase on fares greater than \$7.35

In conjunction with the base fare increases, the discount for PRESTO card fare (adult) will be increased as outlined below. The net result will be an approximate 5% effective rate of increase for PRESTO adult fares.

- Rides 1 to 35 in the same month: discount increased from 7.5% to 8.75%
- Rides 36 to 40 in the same month: discount increased from 87.5% to 87.75%
- Rides 41+ in the same month: discount unchanged at 100%

For example, the current fare from Union Station to Oakville is \$6.86 for a single adult paper ticket, and \$6.34 for a PRESTO fare (applying the 7.5% PRESTO discount currently applicable to Rides 1-35 in a given month). If the proposed fare increase is implemented, after February 1, 2013, the fare from Union Station to Oakville will be \$7.30 for a single adult paper ticket, and \$6.66 for a PRESTO fare (applying the minimum 8.75% PRESTO discount that will be applicable to Rides 1-35 in a given month). In this example, the result of the proposed fare increase would be an increase of approximately 5% in the PRESTO fare (\$6.34 increased to \$6.66).

After taking into consideration the loyalty discount program and concession fares available on the PRESTO farecard, it is estimated the average increase will be approximately 31 cents per ride. The proposed effective date of the increase is February 1, 2013 and would generate an estimated \$20.2 million in additional revenue annually.

Recommendations

Resolved:

THAT effective February 1, 2013, By-law No. 2A be repealed and replaced it with By-Law No. 2A attached hereto in order to:

1. introduce a 3-tiered fare increase as follows:
 - a. a 35 cent increase on fares between \$4.50 and \$5.80

- b. a 45 cent increase on fares between \$5.81 and \$7.35
 - c. a 55 cent increase on fares greater than \$7.35;
2. delete the existing Tariff of Fares, and substitute in its place a new Tariff of Fares;
3. delete the existing Table of Fares; and
4. make other non-substantive changes to By-law 2A.

AND FURTHER THAT the Chairman and Secretary be authorized to sign the By-law.

Background

According to Subsection 8.1(3) of the *Metrolinx Act, 2006*, S.O. 2006, c.16 (the "Act"), the Board is required to pass by-laws to establish the fares that will be charged for transit services. Before passing any by-law changing the fares, the Act requires Metrolinx to hold a meeting of the Board open to the public (Subsection 11(3)) and to provide written notice to the Minister of Transportation (the "Minister") (Subsection 8.1(4)). In accordance with the Act, Metrolinx has advised the Minister of its intent to introduce a fare increase, effective February 1, 2013.

The attached by-law will repeal the existing By-law No. 2A and become the new By-law No. 2A. The new By-law No. 2A incorporates a revised Tariff of Fares that sets out the authorized fares for each of the more than 1,000 possible origin/destination zone pairs within the GO Transit service area. The new By-law No. 2A also deletes the existing Table of Fares, which currently sets out the prices of monthly passes and other discontinued passes and tickets. Finally, the new By-law No. 2A includes some additional non-substantive changes intended to clarify the language of the By-law and eliminate provisions that are no longer relevant as a result of previously approved changes (for example, deleting certain provisions relating to group passes and other discounts since these special rates are now described on Metrolinx's public website in accordance with Section 2.3 of By-law 2A).

Attachments

1. Draft By-law No. 2A (*Tariff of Fares available for viewing at Board meeting*)
2. Tracked changes version of Draft By-law No. 2A illustrating the proposed changes to the existing bylaw

Respectfully submitted,

Robert Siddall
Chief Financial Officer

BY-LAW NO. 2A

METROLINX (the "Corporation")

A by-law to establish the fares that shall be charged for transit services and establish the approximate routes, locations and frequencies of the transit services provided

BE IT ENACTED as a by-law of the Corporation as follows:

By-law No. 2A of the Corporation is hereby repealed and the by-law contained herein shall become the by-law of the Corporation with respect to the subject matter contained herein.

1. DEFINITIONS

1.1 In this by-law and in all other by-laws of the Corporation, unless the context otherwise requires:

- (a) "Child" means a person who is six (6) years of age or more but has not yet reached thirteen (13) years of age;
- (b) "Minor" means a person who has not yet reached six (6) years of age;
- (c) "Tariff of Fares" means the Tariff of Fares attached hereto, approved by the Board of Directors the 5th day of December, 2012 with effect as of February 1, 2013 pursuant to Subsection 8.1(3) of the *Metrolinx Act, 2006* S.O. 2006, Chapter 16.

2. FARES

Fares to be charged

available to the public

2.1 The Tariff of Fares may be read by members of the public at the head office of the Corporation during regular business hours and on the Corporation's public website (www.gotransit.com).

one-way ride base fare

2.2 Except as otherwise provided in this by-law, the amount to be paid for a single one-way ride on a transit system operated by or for the Corporation is the applicable amount set out in the Tariff of Fares for travel between enumerated zones.

special fares

2.3 The Corporation may establish special fares for:

- (a) passengers that qualify as children, students or senior citizens;
- (b) package trips provided that the portion of the special fare applicable to transportation is not less than 77% of the regular fare otherwise provided in this by-law;
- (c) multi ride or volume discounts for passengers or groups of passengers

applying to a limited or unlimited number of rides per ticket occurring within a specified time period;

- (d) discounted marketing programs or loyalty programs;
- (e) encouraging additional commuter ridership;
- (f) promoting special or seasonal events; or
- (g) promoting and/or implementing new or revised programs, services or technologies.

The Corporation reserves the right to change, modify or cancel such special fares as necessary. Information on such special fares shall be published on the Corporation's public website (www.gotransit.com).

- Minors*
- 2.4 Minors may ride free of charge. No Minor may ride on the transit system unaccompanied.
- more than one Minor*
- 2.5 Notwithstanding Section 2.4, where an adult passenger is accompanied by more than one Minor (excluding infants under the age of 12 months), the adult shall pay, in addition to his own fare, the full Child's fare prescribed in the Tariff of Fares on behalf of each additional Minor.
- passengers over 13 years of age*
- 2.6 The fare payable by a passenger 13 years of age or over is the fare that would be payable by an adult passenger as determined under Section 2.2.
- police officers exempt*
- 2.7 No fare is required to be paid by a police officer as defined in Section 2 of the *Police Services Act*, R.S.O. 1990, Chapter P.15 or a police officer of the Royal Canadian Mounted Police who is in possession of the official identification issued by the police services engaging such officer. For greater certainty, the benefit of this provision does not extend to any special constable, First Nations Constable, by-law enforcement officer, or any auxiliary or civilian member of a police force.
- veterans*
- 2.8 On days that are for National or Provincial recognition of war veterans, no fare is required to be paid by: (i) a war veteran and any person accompanying him or her; or (ii) the immediate family of a deceased veteran, provided that such individual is carrying something that identifies his or her relation to the deceased veteran, including an identification card or service papers.
- passengers with disabilities*
- 2.9 If a proper authority is satisfied that a passenger has a disability that hinders his or her ability to travel alone, the passenger may purchase a ticket at the rate for that passenger as set out in the Tariff of Fares, that is endorsed by the proper authority as a party ticket for the carriage of both the passenger and an attendant accompanying him or her.
- premium fare*
- 2.10 Where more than one transit service is provided between two places by the Corporation, a local transit system, or a combination thereof, the Corporation may charge on any such service operated by it a premium fare and the amount of the premium fare shall be set out on the Corporation's public website (www.gotransit.com).

*Premium Fare
Niagara Falls*

2.11 For excursion trips that have an origin or destination or any combination thereof within the Niagara Falls service area, the Corporation may charge in addition to the fare set out in the Tariff of Fares, a premium fare up to a maximum of \$3.00 per single one-way fare.

refunds

2.12 No refunds of fares shall be made except in accordance with Metrolinx fare refund administrative policy, as amended from time to time, and as posted on the Corporation's website.

3. TARIFF OF FARES

3.1 Tariff of Fares is as appended to this by-law.

4. ROUTES AND SCHEDULES

schedules

5.1 The Corporation's Board of Directors may establish the approximate location, routes and frequencies of the transit services provided.

*available on
Internet*

5.2 The approximate location, routes and frequencies of the transit services provided by the Corporation shall be as published in any schedule whether in paper or electronic form. The official version shall be the version as published on the Corporation's public web site from time to time (www.gotransit.com).

rights reserved

5.3 The Corporation reserves the right to change, modify or deviate from any posted schedule as necessary.

The foregoing by-law is hereby enacted as a by-law of the Corporation by the Board of Directors this 5th day of December, 2012 pursuant to Subsection 8.1(3) of the *Metrolinx Act, 2006* S.O. 2006, Chapter 16.

J. Robert S. Prichard, Chair

Mary E. Martin, Secretary

c/s



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Proposed Fare Increase

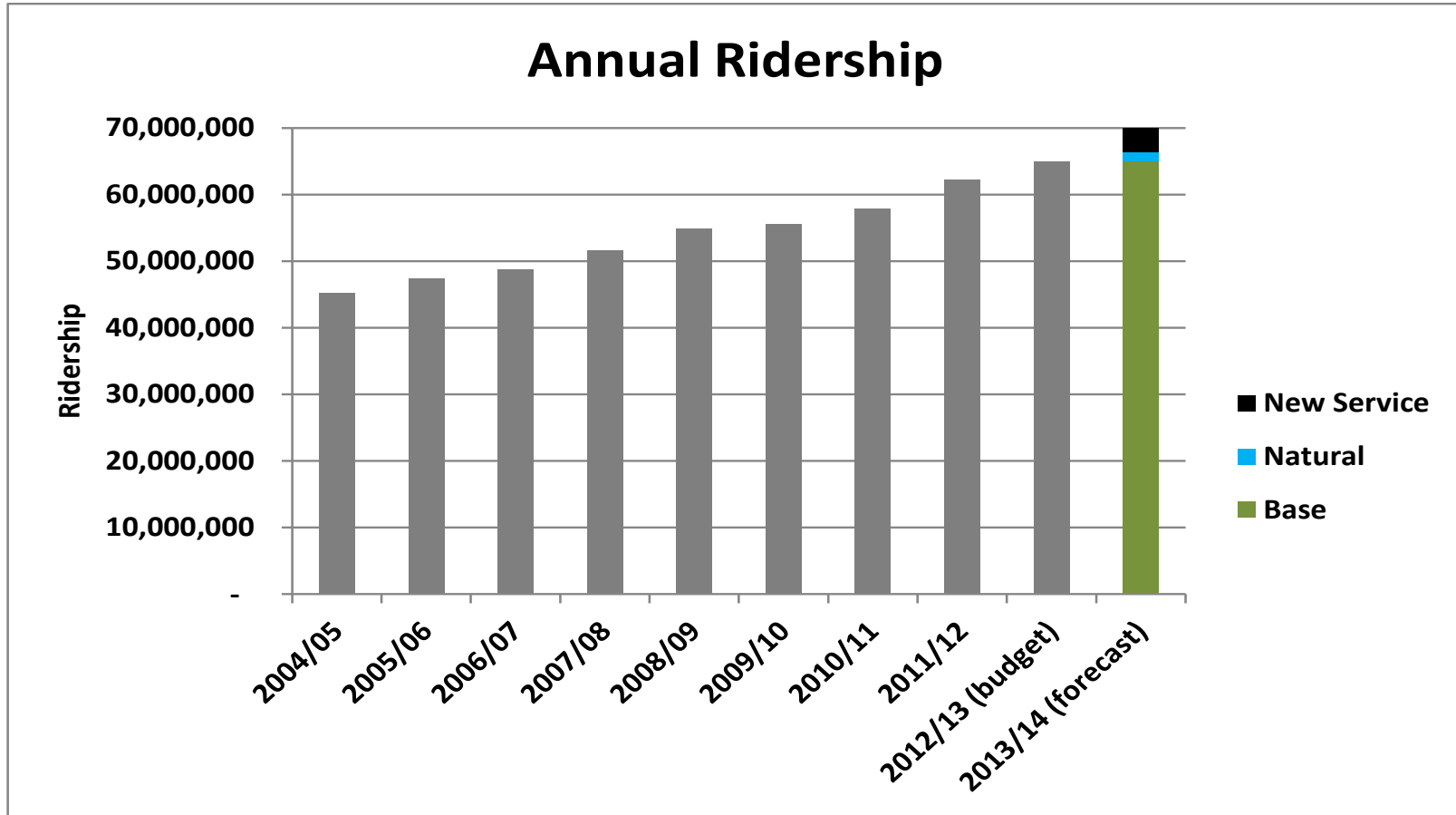
Presentation to Board of Directors

December 5, 2012

Robert Siddall, CA
Chief Financial Officer

www.metrolinx.com

GO Transit Ridership



2012/13 Service Growth

- Additional shoulder-peak trips on Stouffville, Richmond Hill and Lakeshore rail corridors
- Additional 12-car trains to relieve crowding
- Extension of Lakeshore West service from Burlington to Aldershot
- Additional bus service on selected corridors to handle ridership growth exceeding 10%
- Additional trips to Oshawa, Stouffville, Barrie bus service
- Additional trips to Waterloo, Guelph and York University bus service

Fare Increase Needed to Support GO's 13/14 Planned Service Growth

Other Considerations

- GO Transit has, for the most part, increased fares annually
- This is intended to provide for moderate fare increases as costs and service increase, as opposed to more irregular but larger fare increases
- GO Transit has experienced unprecedented ridership growth, but growth alone will not be sufficient to manage cost escalations and the costs of new initiatives
- Given the provincial fiscal context, a fare increase is necessary to balance the need for additional service with our cost structure

A progressive approach to fares

- A progressive approach to fares supports regional transit consistent with the Growth Plan and the Big Move
- Fare increases that reflect this approach are applied based on the distance travelled and provide a fair choice for riders in all parts of the GTHA
- A flat increase disproportionately impacts shorter trips
- Over the past 7 months, GO has been phasing-out the old fare media with the elimination of 2-rides and 10-rides. Monthly passes will be discontinued in January
- In conjunction with fare increase we propose to increase the price differential between paper tickets (single ride and day pass). The premium on a paper ticket will rise from 7.5% to approx. 10%

Recommended Fare Increase Approach

A Blended Approach based on distanced travelled

- Increase the premium on Adult single ride paper tickets. Apply a flat rate increase of \$0.35, \$0.45 and \$0.55 as follows:

\$4.50 - \$5.80	increase of \$0.35	covers 24 stations, mostly short distance
\$5.81 - \$7.35	increase of \$0.45	covers 17 stations, inclusive of Clarkson, Oakville, Erindale, Pickering
above \$7.35	increase of \$0.55	covers 17 stations, inclusive of Bradford, Georgetown, Burlington
- Increase the PRESTO fare discount for rides 1 to 35 in a month from 7.5% to 8.75%. Increase the PRESTO fare discount for rides 36 to 40 in a month from 87.5% to 87.75%.
- The net increase on a PRESTO card ride will average approx. 5%
- Implementation date: February 1, 2013

Sample of Fare Increase

Station	Current Adult Single Ticket	Current Adult PRESTO fare*	Proposed Adult Single Ticket	Proposed Adult PRESTO fare**
Union - CNE	\$ 4.50	\$4.16	\$4.85	\$ 4.43
Union - Oakville	\$ 6.85	\$6.34	\$7.30	\$ 6.66
Union - Barrie	\$11.35	\$10.50	\$11.90	\$10.86
Union - Georgetown	\$ 8.90	\$8.23	\$9.45	\$ 8.62
Union – Rouge Hill	\$ 5.55	\$5.13	\$5.90	\$ 5.38
Union - Meadowvale	\$ 7.30	\$6.75	\$7.75	\$ 7.07

* Applying the current 7.5% PRESTO discount applicable to rides 1-35 in a given month

** Applying the proposed 8.75% PRESTO discount applicable to rides 1-35 in a given month

Comparison of fare increases to cost driver increases

- Fare increases over the past several years have not always kept pace with escalation in costs
- Between 2010-2013, fares will increase 1.36% (compounded annual growth rate), while costs would increase 2.42%
- The following table compares the rate of growth in fare increases with respect to Metrolinx' key operating expenses that are driven by contracts or by the market

Average Annual Escalation Rate from 2010-2013 (2013 forecast)

Period	Average Fare	Diesel	Labour	Hydro	Contracts	CPI - other expenses	Weighted Average
2010-2013 (2013 forecast)	1.36%	6.78%	2.42%	7.32%	3.00%	-1.10%	2.42%

Notes:

- 1) Average fare escalation should there be no fare increase in 2013.
- 2) Diesel fuel price escalation data source - U.S. Energy Information Administration.
- 3) Hydro price escalation data source - Hydro-Ontario Energy Board.
- 4) CPI data source - Statistics Canada.
- 5) Contracts - primary contracted costs include those with Bombardier for rail services and maintenance costs for train facilities, and stations.

Estimated Financial Impact

- After taking into consideration concessions and discounts, it is estimated that the effective average increase will be \$0.31 per ride
- On an annual basis, additional revenue is estimated at \$20.2 M
- The incremental cost of operating a full year of the 12/13 service improvements together with the 13/14 new service is approximately \$18.4 million

Summary

- A fare increase is required in order to implement the increased services that are being proposed
- GO's costs, such as fuel, are increasing and a fare increase will help to offset these cost increases
- PRESTO is the way to go to continue to enjoy significant discount rates for frequent adult and student passengers



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Thank you



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