

To: Metrolinx Board of Directors
From: Leslie Woo
Chief Planning Officer
Date: October 26, 2017
Re: **GO/UP–TTC Discounted Double Fare**

Executive Summary

Terms have been reached for a proposed agreement between Metrolinx, the City of Toronto and the TTC to implement a Discounted Double Fare (DDF) between GO/UP and TTC. The GO/UP-TTC DDF as proposed would permit PRESTO customers making trips combining the TTC and GO/UP to pay the equivalent of \$1.50 for the TTC leg of their journey.

These terms were approved by the TTC on October 16, including a recommendation authorizing the TTC CEO to enter into an agreement. The terms will be presented to City of Toronto Council (via Executive Committee) for approval later this month. Subject to final approval and execution of an agreement, discounts are planned to take effect in January 2018.

Recommendation

That this report be received for information.

Background

Through work conducted by Metrolinx on Regional Fare Integration, the existing double fare for trips combining GO /UP with the TTC has been identified as one of several key barriers to customers making integrated use of the transit network. The Metrolinx Board at its meeting of September 14th 2017, asked staff to move forward with a step-by-step approach to addressing these immediate barriers while continuing to work towards a longer-term integrated fare structure for the region. Fare integration will help optimize the significant infrastructure and service investments that the province is making in the GTHA transit network including the GO Regional Express Rail (RER) program and the Toronto-York Spadina Subway Extension (TYSSE).

Currently, customers using both GO/UP and the TTC on a single trip must pay two separate fares for each leg of their trip. There are approximately 50,000 such trips made per weekday, of which it can be estimated approximately two-thirds are made using PRESTO and one-third using cash and legacy media. GO/UP-TTC transfers occur at 22 GO train stations and bus terminals (including three GO/UP integrated stations) across Toronto.

Given that the TTC is the largest municipal transit agency in the GTHA, the requirement of paying two fares creates a major barrier to seamless travel in the region. Reducing the total fare amount paid by customers will incent other GTHA residents to consider different travel options that combine GO/UP and the TTC, potentially changing behaviour and growing transit use.

The Province has approved funding up to the amount of \$7.15M in 2017-18, and \$18.4M in each of 2018-19 and 2019-20 to support this initiative, offsetting foregone revenue for both Metrolinx and the TTC. This is more than 40% greater than the combined total of approximately \$13M in foregone revenue for 12 other municipal transit service providers with analogous discount arrangements.

In order to ensure as much consistency as possible across the region, PRESTO will deliver the GO/UP-TTC discount in largely the same manner as arrangements that have been in place for many years for other GTHA municipal transit systems. Discounts will be available to customers making trips combining the TTC and GO/UP services using the PRESTO e-purse (“pay as you go”) function. Customers will pay the equivalent of \$1.50 for the TTC leg of their journey.

Highlights of the Agreement

Metrolinx and MTO have been working with the City of Toronto and TTC to finalize the terms that will govern the parameters associated with the initiative. The terms to implement these discounts are attached as Appendix 1. The TTC Board on October 16, 2017 approved the terms including a recommendation authorizing the TTC CEO to enter into an agreement. The terms and a recommendation authorizing the City Manager to enter into an agreement will be presented to Executive Committee on October 24, 2017. The matter will be presented to Council on November 7, 2017, subject to the actions of the Executive Committee. Once approved, these discounts are planned to take effect in January 2018.

Projections of discount beneficiaries have been developed that account for the current transfer volumes using PRESTO, and induced demand from the fare discount itself. These suggest that uptake will stay within the initially available funding envelope. Metrolinx will be monitoring program uptake and associated funding levels required in order to ensure there are sufficient funds needed to continue the program. If program monitoring and forecasting indicate the potential for insufficient funds, Metrolinx will be required to work with the province, TTC and City and take appropriate action.

While increases in demand will require additional funding, they may also help increase GO/UP/TTC ridership and generate new revenue. Metrolinx will be monitoring potential increases in ridership and revenue in order to try and better understand the impacts of the program.

Two limited-scale fare integration pilot projects in the City of Toronto will be terminated upon the launch of the GO-TTC DDF:

- Special transfer rules between GO and TTC at **Rouge Hill** GO station for those traveling to/from University of Toronto Scarborough Campus using TTC bus route 38 - Highland Creek. This arrangement currently applies to approximately 30 daily trips on average.
- The existing **Danforth/Exhibition GO-TTC sticker pilot** program offers TTC Metropass holders the option to purchase a pass sticker for \$60/month that enables unlimited travel on GO between Danforth, Union and Exhibition stations. There are currently fewer than 100 customers purchasing the sticker each month, and it would become significantly less attractive following the launch of DDF which will offer a similar level of fare discount without the need to pay up front for a period pass.

Implementation

PRESTO is currently working with TTC to complete the necessary development to implement the GO/UP-TTC DDF initiative. Although the initiative leverages PRESTO functionality that has been in place since launch in the "905" area, staff wish to ensure this solution works seamlessly with TTC-unique hardware.

A fully integrated communications and marketing plan is being developed in partnership with the TTC to drive awareness of the program and encourage customer uptake. A variety of measures to drive awareness amongst existing and potential customers are planned to be in market leading up to and following the DDF effective date.

Respectfully submitted,

Leslie Woo
Chief Planning Officer

Attachments:
Appendix 1 - GO/UP-TTC Discounted Fare Initiative Draft Term Sheet

**APPENDIX 1 - GO/UP-TTC DISCOUNTED FARE INITIATIVE:
DRAFT TERM SHEET
For Discussion Purposes Only.**

No binding obligation shall exist until a subsequent written agreement has been executed by the parties.

Item	Issue	Term
1.	Term	<ul style="list-style-type: none"> From effective date to March 31, 2020 Optional renewal beyond this period with both parties agreeing
2.	Base Fare Discount	<ul style="list-style-type: none"> Only PRESTO cardholders using ePurse are eligible Customers tapping on to TTC from GO/UP within the PRESTO system GO/UP transfer window will pay TTC the Discounted Fare as set out in Schedule A and TTC will be reimbursed by Metrolinx (per customer) the Discount for these rides as set out in Schedule A. Customers tapping on to GO/UP from TTC within the PRESTO system TTC transfer window will receive a Credit off of their GO/UP fare based on their concession as set out in Schedule B. All customer payment scenarios will be outlined in a "TTC-Metrolinx Co-fare PRESTO Business Requirements Document" (BRD).
3.	PRESTO Commission	The TTC will continue to be responsible for payment of PRESTO commissions based on the Current TTC Fare, as specified in Schedule A
4.	Other Fare Integration Policies	This initiative will replace the City/TTC fare integration pilot program at Rouge Hill, and the Exhibition/Danforth TTC Metropass/GO sticker pilot.
5.	Reimbursement of Discount	The total value of Discounts (in accordance with Schedule A) payable to TTC each month shall be paid to TTC within 30 days of that month's end.
6.	Initiative Annual Provincial Support	<ul style="list-style-type: none"> The total amount of provincial support for the initiative (both the Discount payable to the TTC, and the credits set out in Schedule B) will be based upon actual GO/UP-TTC ridership using PRESTO and will be up to \$7.15M in 2017-18, and \$18.4M in each of 2018-19 and 2019-20. During each provincial fiscal year there will be quarterly reviews at which time a projection of the year end will be made based on actual PRESTO usage to-date for the initiative. Should the forecast exceed the year end provincial support for that fiscal year it will trigger a review of the agreement as set out under item 12 by the Steering Committee identified in item #11. If a mutually satisfactory revised agreement is not reached, it would require termination of the agreement in accordance with item #13. Until the agreement is terminated the TTC will continue to be reimbursed the Discounts under item #5.
7.	Operating and Maintenance Costs	Subject to item 8 below, Metrolinx and TTC will not be responsible for any of each other's operating and maintenance costs that may be required to support this initiative
8.	PRESTO Implementation Costs	<ul style="list-style-type: none"> Metrolinx will assume responsibility for the costs associated with the PRESTO implementation of the TTC-Metrolinx Co-fare BRD requirements PRESTO costs required to reverse the implementation should the initiative end or be terminated will be cost-shared between Metrolinx and the TTC. The Steering Committee will further discuss the appropriate cost share formula between the parties should the program be terminated. As of October, 2017, the estimated cost associated with reversing the implementation on PRESTO is \$500,000.
9.	Branding and Marketing Strategy and Costs	<ul style="list-style-type: none"> Metrolinx and the TTC will develop a joint branding and communications strategy to support the initiative Metrolinx and the TTC will be independently responsible for their respective costs associated with communicating/marketing of the initiative

Item	Issue	Term
10	Annual Monitoring and Reporting	Annual performance metrics and other measures related to the tracking/monitoring and other outcomes of the initiative will be developed jointly by Metrolinx and the TTC.
11	Metrolinx, TTC, City of Toronto, MTO Steering Committee	The parties agree to establish a committee comprised of the Senior Management Representatives of Metrolinx, MTO, City of Toronto and the TTC for the purposes of maintaining close and ongoing ties regarding the matters set out in this Agreement, and communicating with each other, within a reasonable amount of time, regarding significant matters affecting the initiative
12	Triggers for Review of Agreement	<p>During the term of the agreement, the following items will be considered triggers for a review of the agreement:</p> <ul style="list-style-type: none"> • Broader GTHA fare integration strategy: If, before March 31, 2020 a GTHA regional fare integration strategy is implemented then the agreement would be re-opened. • TTC fare increase: If the TTC introduces a fare increase during the term of the agreement then the Discount (as set out in Schedule A) amount under the initiative will be revisited and if an agreement is not reached, Metrolinx will continue to pay the Discount amount in Schedule A and customers tapping on to TTC from GO/UP within the GO/UP transfer window will be required to pay the adjusted “Discounted Fare” which shall be calculated as the then new TTC fare amount less the Discount amount as outlined in Schedule A. • The Discount payable to the TTC and credits given to GO/UP riders under this initiative is forecast, based on ridership and revenue analysis, to exceed the provincial funding support specified in item #6 above in any provincial fiscal year
13	Termination	<ul style="list-style-type: none"> • Either party may terminate the agreement for any reason whatsoever upon at least ninety (90) days formal written notice to the other party following discussions by the Steering Committee. • Either party may terminate the Agreement for the other party’s default on 60 days’ notice • Upon termination of the Agreement and subject to item No. 9 above, neither party shall be under any obligation to share in any expense or cost incurred by the other party caused by termination.
14	Integrity and Fraud	The Agreement will contain covenants relating to the prevention of fraud and maintenance of the integrity of the initiative
15	Signatories	<ul style="list-style-type: none"> • Agreement to be signed by the City of Toronto, TTC and Metrolinx

Schedule A – Fare Payment Scenarios per customer*

#	Direction	Concession	Current TTC Fare	Discounted Fare	Discount
1	GO/UP to TTC	Adult	\$3.00	\$1.50	\$1.50
2	GO/UP to TTC	Senior/Student/ Youth	\$2.05	\$1.50	\$0.55

*This table identifies three scenarios. For a comprehensive overview of all scenarios, consult the “TTC-Metrolinx Co-fare” PRESTO BRD.

Schedule B –Fare Payment Scenarios per customer*

#	Direction	Concession	Credit
1	TTC to GO/UP	Adult	\$1.50
2	TTC to GO/UP	Senior/Student/ Youth	\$0.55

* This table identifies two scenarios. For a comprehensive overview of all scenarios, consult the “TTC-Metrolinx Co-fare” PRESTO BRD.