



Proposed Fare Increase
Presentation to the Board of Directors
January 9, 2012

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Chief Financial Officer





Overview

❑ Fare pricing

- Metrolinx (GO Transit prior to 2008) has for the most part increased fares annually
- This is intended to provide for moderate fare increases as costs and service increases, as opposed to more irregular but larger fare increases
- Over the past 11 year period, fare increases have not kept pace with cost escalations of Metrolinx's key cost drivers
- Metrolinx 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

Comparison of fare increases to cost driver increases

- For the eleven year period from 2000/01 to 2011/12, average fare per ride has grown at a compounded annual growth rate of 2.30%
- For the last five year period from 2006/07 to 2011/12, average fare per ride has grown at a compounded annual growth rate of 2.11%
- 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

Compounded Annual Growth Rates							
		Key Cost Components					
Period	Average Fare	Diesel	Non-Bargain Wage	ATU Wage	Hydro	Contracts	Weighted Average
2001-2011	2.30%	5.88%	2.50%	2.69%	6.16%	3.00%	4.12%
2007-2011	2.11%	5.26%	2.33%	2.50%	7.06%	3.00%	3.13%



Fare Increase Needed to fund GO's 12/13 Planned Service Growth and Enhancements

- Full year operating cost of service extension to Kitchener/Waterloo
- Additional 12-car trains to relieve crowding
- Additional trips on Lakeshore East and West
- Additional train each rush hour on either Milton or Stouffville
- Additional bus service of 4% growth in revenue service hours on selected corridors



A progressive approach to fares supports regional transit consistent with the Growth Plan and the Big Move

- The objectives of the Regional Transportation Plan in transforming transportation in the GTHA include providing a system that is fair, transparent and inclusive
- Fare increases that reflect this approach are applied based on the distance traveled and provide a fair choice for riders in all parts of the GTHA
- A flat increase disproportionately impacts shorter trips and will make any potential future fare integration arrangement with the TTC more difficult to achieve



Recommended Fare Increase Approach

A Blended Approach based on distanced travelled

- Group all fares into 3 categories and apply a flat rate of \$0.30, \$0.35 and \$0.40 to each group as follows:

\$4.20 - \$5.50	increase of \$0.30	covers 24 stations, mostly short dist ones
\$5.51 - \$7.00	increase of \$0.35	covers 17 stations, inclusive of stations like Clarkson, Oakville, Erindale, Pickering
above \$7.00	increase of \$0.40	covers 17 stations, inclusive of stations like Georgetown, Burlington, Bradford, Appleby

- The increases are applied to the base fare prior to any discount and may vary slightly fare to fare
- Implementation date: February 18, 2012



Sample of Fare Increase on Specific Origin-Destination Pairs

Station	One-way Adult Fare	Fare Increase	New Fare
Union - CNE	\$ 4.20	\$0.30	\$ 4.50
Union - Oakville	\$ 6.50	\$0.35	\$ 6.85
Union - Barrie	\$10.95	\$0.40	\$11.35
Union - Milton	\$ 8.25	\$0.40	\$ 8.65
Union - Scarborough	\$ 4.35	\$0.30	\$ 4.65
Union - Whitby	\$ 7.55	\$0.40	\$ 7.95

Based on average fare of \$6.55, fare increase of \$0.35 equates to 5%



Supporting the Transition to PRESTO

- Current paper monthly pass discount averages at 17.5% for adults, and 35% for students
- In conjunction with fare increase on Feb 18, 2012, propose to reduce paper monthly pass discount rate to 15% for adults, and 30% for students
- Loyalty discount program equivalent to monthly pass for adults and students on PRESTO to remain unchanged with no reduction
- Fare increase differential expected to encourage faster voluntary migration from legacy paper monthly pass to PRESTO card



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 \$19.5 M
- By implementing the fare increase in mid-February, we will generate an additional \$1.6M for fiscal 2011-12



Summary

- Metrolinx has not had a fare increase since March 2010
- Metrolinx's increasing ridership has allowed the organization to manage without a fare increase in 2011/12
- PRESTO is the way to go to continue to enjoy significant discount rates of 17.5% and 35% for frequent adult and student passengers
- A fare increase is required given the increased services that are being provided
- GO's costs, such as fuel, are increasing and a fare increase will help to offset these cost increases



Board Resolution

Resolved That:

THAT By-law No. 2A and By-Law No. 2A-01 be repealed and replaced with By-Law No. 2A attached to the Chief Financial Officer's report to the Board dated January 9, 2012 to:

1. introduce a 3-tiered fare increase effective February 18, 2012 as follows:
 - a 30 cent increase on fares between \$4.20 and \$5.50;
 - a 35 cent increase on fares between \$5.51 and \$7.00;
 - a 40 cent increase on fares greater than \$7.00.

2. delete the existing Tariff of Fares, and substitute in its place a new Tariff of Fares in the form attached to the new By-law No. 2A.

3. delete the existing Table of Fares, and substitute in its place a new Table of Fares in the form attached to the new By-law No. 2A.

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

Thank you
Merci



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