

3. LEVEL OF SERVICE FOR JANUARY 2000

COMMITTEE RECOMMENDATIONS

That the Transit Commission approve:

- a) **the level of service provided to customers in the fall of 1999 be extended through to April 22, 2000; and,**
- b) **the year 2000 service beyond April be discussed as part of the 2000 budget process.**

DOCUMENTATION

- 1. **General Manager, OC Transpo report dated 25 August 1999 is immediately attached.**
- 2. **Extract of Draft Minute, 01 September 1999 follows the report and contains a record of all votes.**

Our File/N/Réf. 31-8-99
Your File/V/Réf.

DATE 25 August 1999

TO/DEST. Co-ordinator
Transit Services Committee

FROM/EXP. General Manager

SUBJECT/OBJET **LEVEL OF SERVICE FOR JANUARY 2000**

DEPARTMENTAL RECOMMENDATION

That:

- a) **the Transit Services Committee recommend to the Transit Commission that the level of service provided to customers in the fall of 1999 be extended through to April 22, 2000; and,**
- b) **the year 2000 service beyond April be discussed as part of the 2000 budget process.**

BACKGROUND

The reason for the urgency of this report is the lead time required for bus operators to sign up for future work. January 2000 schedules must be finalized by September 27 of this year to meet the deadlines in our collective agreement.

OC Transpo's 1999 operating budget was approved at a level of \$172 million, and an additional \$4.6 million was added from capital reserves to allow for more service and to improve reliability. The challenge was issued to OC Transpo to show some results in terms of ridership before the additional \$4.6 million operating funds were considered to be part of base funding.

The 1999 budget included a target for ridership increases of 3%, bringing annual ridership to 72.8 million compared with 70.4 million in 1998. The General Manager was asked to provide information to the Commission mid-year should no ridership growth be experienced so that options for funding could be reconsidered.

Indications to date are that ridership growth is exceeding the 3% budget target. However, we have now reached a stage when decisions must be made about schedules for January 2000. These have a significant impact on the year 2000 budget and it is for this reason that this report has been prepared for the consideration of the Transit Services Committee and the Commission.

RIDERSHIP AND REVENUE TRENDS

Ridership by month, adjusted for the numbers of weekdays, Saturdays and Sundays, for 1997 to 1999 is shown in Exhibit 1.

It can be seen that, so far in 1999, ridership is 4.2% higher than it was in 1998. The increases in ridership have been particularly strong in the summer months with June and July 1999 being approximately 10% higher than June and July 1998.

Projections to the year end indicate an annual ridership of 74.1 million this year, 1.3 million or 1.8% higher than the 1999 budget.

The growth in ridership can be attributed to a number of factors including improved customer service, reliability, and strong marketing. The following pricing initiatives have also helped:

- X the \$19.99 Seniors' Pass has increased pass sales by about 15%;
- X more post-secondary students have opted to use transit this summer with the extension of the student pass year round;
- X DayPass sales have been increasing.

Revenue projections for the year are very close to the budget of \$82 million in spite of the ridership, as a result of the various pricing initiatives which have reduced the average fare.

FUTURE SERVICE

The fall 1999 service represents an increase of 2.4% in hours over the January 1999 service. This includes new school service for the Ottawa-Carleton District School Board high schools which no longer receive yellow busing.

It would be highly desirable to continue the September level of service through the January 2000 sign-up period, which covers January to April 22, 2000. This service is currently being scheduled and the schedules will be finalized by September 27 so that operators can book their work. The preliminary 2000 draft estimates assume that the service schedules in January 2000 will, as far as possible, be the same as those in December 1999. An additional daily allowance of 50 hours is included to provide relief for any running time or passenger overload problems which become evident in the first few weeks of September. It is considered very important to include this allowance this year because of the scale of the route changes being implemented at the end of August.

We have also assumed an increase of 3% in service hours in September 2000, to accommodate the projected ridership growth in 2000, consistent with the Commission's ridership objectives. These assumptions would lead to an increase in service hours of 80,000 hours or 3.9% over the 1999 projected hours. While detailed estimates are not yet available, it is likely that this would result in an increase of about \$4.8 million overall. Were the January 2000 service level to be maintained through the fall, rather than increased, the additional hours would be 60,000, which would result in an increase of \$3.6 million in the budget.

It would be highly undesirable, but possible, to make the year 2000 service hours the same as those in 1999. One way would be to reduce the hours in January 2000 to a level 3.2% lower than those operating in December 1999, and to hold the fall 2000 service at the January 2000 level. The implications of this would be extremely serious for OC Transpo's customers. It would result in serious overcrowding with many passengers being passed by at stops by full buses. It would also jeopardize our ability to reach reliability and ridership targets. Other possibilities are to reduce the overall hours of service, or other drastic changes in service policy.

It is recommended that the Transit Services Committee support the proposed level of service for January 2000, and that, if necessary, any adjustments to service levels below those in the preliminary 2000 budget be fully explored as part of the 2000 budget process.

FINANCIAL IMPLICATIONS

While the proposed service plan for 2000 includes an additional 80,000 hours over 1999 hours at a cost of \$4.8 million, there are other financial issues that will need to be considered in the preparation of next year's estimates. These are:

- X diesel fuel increases of \$2.4 million are projected for 2000 because of increases in unit prices;
- X compensation increases of 2% are included in the collective agreement. These will translate into an additional \$1.4 million on salaries and wages;
- X general inflationary increases of \$0.5 million for materials and supplies are expected; and
- X increased fare revenues because of ridership growth of \$2.5 million, without assuming a fare increase.

In total, this would mean an increase in funding requirements, over the 1999 level, of approximately \$6.6 million for 2000.

This does not include the impact of Council's policy adopted in 1997 of implementing full depreciation accounting for replacement of capital assets in order to put OC Transpo on a proper financial footing. While the full annualized depreciation expense is in the order of \$38 million, the policy is to be phased in over several years and the 1999 approved budget included a provision of only \$24.7 million for depreciation expense. In keeping with Council's objectives, the Finance Commissioner will be recommending that this should be substantially increased in 2000. The specific amount to be recommended will be in the context of the 2000 budget and related long range capital plan.

Approved by
M.J.E Sheflin, P.Eng.

EXHIBIT 1
OC TRANSPO ADJUSTED RIDERSHIP

	1997	1998	Percentage Change 1998 vs 1997	1999	Percentage Change 1999 vs 1998
Jan	6,533,860	6,309,946	(3.43)	6,558,755	3.94
Feb	6,397,792	6,512,811	1.80	6,534,324	0.33
Mar	6,303,460	6,429,861	2.01	6,584,471	2.40
Apr	6,064,658	6,102,713	0.63	6,151,661	0.80
May	5,603,789	5,668,705	1.16	5,925,588	4.53
June	5,042,125	5,243,886	4.00	5,804,505	10.69
July	4,652,898	4,771,879	2.56	5,217,788	9.34
Aug	4,387,263	4,469,308	1.87	-	
Sept	6,207,926	6,211,018	0.05	-	
Oct	6,379,743	6,399,156	0.30	-	
Nov	6,498,026	6,478,776	(0.30)	-	
Dec	5,923,914	5,827,460	(1.63)	-	
TOTAL	69,995,454	70,425,520	0.616	42,777,092	4.23

Extract of Draft Minute
Transit Services Committee
1 September 1999

LEVEL OF SERVICE FOR JANUARY 2000

- General Manager's report dated 25 Aug 99

Dr. Helen Gault, Manager, Planning and Development, provided Committee with an overview of the staff report.

Committee Chair Loney felt the report should not come as a shock to the Committee, citing such things as the wage increases included in the contract recently signed with the largest employee group, the increased service and depreciation of the buses. The Chair noted the 140 new buses OC Transpo is currently receiving, will be the last to be subsidized by the Province.

At Committee Chair Loney's request, Jack LeBelle, Finance Commissioner confirmed the statements made by the Chair and noted, with respect to depreciation, it is often too easy in the public sector to set aside the reality of a depreciation expenditure because it is not always seen to be real. He noted Regional Council and the Commission decided in 1997 to introduce depreciation as a means of maintaining and replacing the fleet and this has been done on a phased-in basis since 1997. Mr. LeBelle advised \$38 million dollars will be required every year to sustain the existing fleet (this does not include any increase in the fleet to service new ridership) and he would have preferred to see this start immediately in the year 2000. However, from a budget standpoint, he realized OC Transpo could not afford to move immediately to \$38 million but he indicated he would be making recommendations to the Committee, as part of the 2000 budget, to move in that direction.

Mr. LeBelle noted staff have been working on the capital program and anticipated a report would be coming to the Committee in a month or so. He cautioned the challenge associated with the capital program will be very substantial, noting the need to replace the fleet and the cost of servicing the ridership objectives.

Commissioner Bellemare had questions concerning Transplan 99. Dr. Gault advised, as part of Transplan 99, the number of service hours was increased by approximately 3% and at the same time, the amount of recovery time to ensure the service provided was more reliable, was also increased. The total number of increased hours was approximately 110,000. Mr. Sheflin added the gross increase for Transplan 99 was \$8.1 million, with a net increase of \$4.6 million after revenues. The \$4.6 million was granted to OC Transpo on the basis that it would achieve a 3% increase in ridership, in order to make it part of the base budget.

Extract of Draft Minute
Transit Services Committee
1 September 1999

The Committee then considered the staff recommendation.

That:

- a) **the Transit Services Committee recommend to the Transit Commission that the level of service provided to customers in the fall of 1999 be extended through to April 22, 2000; and,**
- b) **the year 2000 service beyond April be discussed as part of the 2000 budget process.**

CARRIED