

Our File/N/Ref.
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DATE 10 March 1999

TO/DEST. Co-ordinator
Transit Services Committee

FROM/EXP. General Manager

SUBJECT/OBJET **1999 FARES**

DEPARTMENTAL RECOMMENDATIONS

That the Transit Services Committee recommend the Commission approve the following:

- 1. The annual post-secondary student pass program be extended to secondary school students, offering a pass valid from mid-August 1999 to 31 August 2000 at the existing price of \$450 for a Transpass and \$545 for a Unipass. The policies for payment, refunds and replacement in place for the pilot project, would remain in place.**
- 2. That a Family Pass be introduced on 1 July 1999. The DayPass would be used as a Family Pass on Sundays and statutory holidays, allowing groups of up to five people with a maximum of two of whom are 12 or older, to travel all day for \$5 if pre-purchased or \$6 if purchased on the bus.**
- 3. That a \$19.99 Seniors Pass be introduced on 1 June 1999 for the period until the end of the year, to celebrate the International Year of the Older Person.**

ANNUAL PASSES

Annual passes were made available to post-secondary students for the 1998/99 school year as a pilot project. These were sold at a discount of 20% over the price of the twelve monthly student passes in September, and the discount was reduced as the school year progressed.

It was possible to offer these passes because OC Transpo had introduced new photo ID equipment which allowed a clear one-piece pass to be introduced with a digital photograph of the student.

Approximately 1,000 annual passes were sold. Eighty-six percent were Student Transpasses and fourteen percent Student Unipasses. The sales to various institutions are shown below:

University of Ottawa	44%
Carleton University	29%
Algonquin College	21%
La Cité Collégiale	5%
St. Paul University	0.3%
College de l'Outaouais	0.3%
University du Quebec à Hull	0.3%
Heritage College	0.1%

Students buying passes early in the school year were given the opportunity to pay in two instalments, with the second in mid January. An administrative fee of \$25 was charged for this. In fact, 28 or 2.8% chose to exercise this option and, of these, there were six instances of NSF cheques. All revenue was recovered following intervention by staff.

In order to get a better understanding of the implications of the annual pass program for ridership and revenues, a small survey was carried out of 80 pass users. These were selected from customers who, when they purchased their pass, had indicated a willingness to participate in a survey. The survey shows that, overall, the program increased ridership while being revenue-neutral for OC Transpo. The results of the survey and other information about the annual pass program is given in Appendix A.

There are approximately 17,000 photo IDs distributed to post-secondary students, so the take-up for annual passes was about 6%. This was after a modest publicity program which depended on student associations promoting the pass. It is likely that numbers will increase in the next school year with a more vigorous promotion.

The questions now are: should the program be continued; or should it be expanded; and if it is expanded, to which group?

The recommendation is to expand the program to all students. It is proposed that an annual pass, valid from mid-August 1999 until 31 August 2000, be made available. The reason for making the pass available from mid-August is to encourage early purchases, avoiding the school rush which occurs in the period around Labour Day. The pass would be sold for the same price as the post-secondary school annual pass. This is shown in Exhibit 1.

The annual passes for students all have the same expiry date, which makes the program manageable with the existing fare collection system. However, this also has the disadvantage that distribution must occur within a short time period, which puts pressure on OC Transpo's four customer service centres.

Although the annual pass program would be attractive to a wider market, it is not recommended that it be expanded further until we have a smart fare system in place which would allow the pass to be valid for any twelve month period.

DAYPASS AND FAMILY PASS

In May, the DayPass will be introduced, at the previously approved prices of \$5 prepaid and \$6 on the bus. The passes will be issued using the new on-bus electronic printers in exchange for either a voucher, purchased at any of our vendors, or the deposit of \$6 in the fare box.

The availability of the DayPass will enable OC Transpo to put in place a program similar to the successful TTC Family Pass program. This would make a DayPass valid as a Family Pass on Sundays and statutory holidays. This could be introduced on Canada Day which would maximize the potential for a strong marketing campaign.

While experience in Toronto suggests that this approach is successful in enabling families to travel very inexpensively at times when there is capacity available, there is little analysis available. The TTC began to market their Day Pass as a Family Pass in 1990.

It is recommended that a family be defined as: up to five people, a maximum of two of whom are twelve or older. This is in line with OC Transpo's definition of a child for purposes of fare collection as somebody under 12 years of age.

SENIORS' FARES

Nineteen ninety-nine is the International Year of the Older Person. In recognition of this, it is proposed that from 1 June a special monthly pass be made available at a price of \$19.99 until the end of the year.

At a time when the numbers of seniors are growing rapidly, OC Transpo has been selling fewer Seniors Passes. In 1983, the average monthly Seniors Pass sales were 11,500, compared with 6,920 in 1998. During this fifteen year period, the number of seniors grew by 57% from 53,200 to 83,700. The number of seniors of seventy-five years or more grew by 70% from 22,000 to 37,300 in the twelve years from 1986 to 1998.

In view of these considerations and to provide a centrepiece for a major marketing initiative in the Year of the Older Person, a significant reduction in the Seniors Pass price is recommended.

The revenue implications of this price change will depend on the additional ridership generated. In view of the steady decline in Seniors Pass sales over the years, at a time when the market is growing, it would not be unreasonable to take an optimistic view. Monthly pass sales of 9,700 rather than 6,920 would make this promotion revenue-neutral. It is recommended that we set a target of 10,000 Seniors Pass sales per month by September. With even growth in sales from June through August, the revenue and ridership impacts would be as follows:

	<u>Riders</u>	<u>Revenues</u>
June 1999 to August 1999	210,000	(\$75,000)
September 1999 to December 1999 (@10,000 passes)	<u>565,000</u>	<u>\$25,000</u>
Total (7 months)	<u>775,000</u>	<u>(\$50,000)</u>

It is important to give careful consideration to the implications of the \$19.99 pass on Para Transpo. Such a large reduction in the cost of the Seniors Pass on Para Transpo would likely increase demand at a time when Para Transpo cannot meet the current demand, and would also reduce Para Transpo revenue by at least \$80,000 which is almost as much as the 1999 budget increase that was approved for the purpose of providing additional trips.

It is therefore recommended that the \$19.99 pass be accepted on Para Transpo but with a top-up of one ticket or \$1.25 in most time periods, and two tickets or \$2.25 until 9:00 a.m. This policy would be in line with the current practice on Para Transpo, which requires a top-up with a Seniors Pass before 9:00 a.m. It would maintain Para Transpo revenues and would also be in line with the Comprehensive Review recommendation to introduce fare incentives/disincentives to encourage use of the fixed route system rather than Para Transpo. It would also allow transfers between Para Transpo and regular transit for those Senior Pass holders who can at times board regular transit.

The Accessible Transit Advisory Committee has been developing proposals for changes in Para Transpo fares which will assist in managing demand. These will be brought forward with a staff recommendation in the summer for implementation later in the year when the availability of low-floor buses is greater.

OTHER ISSUES

In the draft budget document, mention was made of the possibility of reducing the price of the Unipass. The main objective of this would have been to improve the balance of demand between express services and overcrowded Transitway services.

However, the proposals to combine some local and express routes included in Transplan 99 will, if approved, go some way to improving the situation by making available more regularly-priced transit service as an alternative to Transitway routes.

Therefore, no change is recommended in Unipass pricing.

MARKETING STRATEGY

OC Transpo staff are developing a comprehensive communications and marketing plan for these fare initiatives. They are all good news and targeted towards key groups: students, families and seniors.

FINANCIAL IMPLICATIONS

The extension of the annual pass program is expected to be revenue-neutral. It is difficult to predict the total impact on revenue of the Family Pass, but is expected to be negligible. However, ridership is expected to increase.

The greatest potential for revenue loss is from the Seniors Pass discount. Although it has the potential to be close to break-even, discounting the Senior Pass could result in a revenue loss of up to \$250,000. Senior Pass sales will be closely monitored.

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

HEG/sc
Att.

EXHIBIT 1

	TRANSPASS (\$)	UNIPASS (\$)	DISCOUNT FROM MONTHLY VOUCHERS (%)
September	450 (250+225)	545 (297.50+272.50)	20
October	416	506	19
November	383	465	18
December	350	424	17
January	318	386	15
February	280	342	14
March	244	296	13
April	205	250	12
May	168	204	10
June	128	155	9
August	NA	NA	NA

APPENDIX A

ANNUAL PASSES FOR UNIVERSITY/COLLEGE STUDENTS
SUMMARY OF SURVEY RESULTS

BACKGROUND

A telephone survey was conducted from March 1 to March 5, 1999, of a sample of the 930 university/college students who purchased an annual student pass. The objective of the survey was to determine whether these students are taking more rides and paying more in total fares than if they had not purchased an annual pass. Results are presented below.

SURVEY RESULTS

- 1) Survey criteria:
 - ⇒ indicated their willingness to participate in survey at the time they bought their annual pass,
 - ⇒ in at least second year of university/college, and,
 - ⇒ lived in the Region during the 12 months prior to buying their annual pass.

- 2) Number of valid responses from survey of students: 80

- 3) Number of respondents who are taking:

- more rides this year than last year	57	71.3%
- equal number of rides this year as last year	22	27.5%
- fewer rides this year than last year	1	1.2%

- 4) Estimated net increase in the total annual number of rides taken by the 80 surveyed students:

	19,602 rides
	49.3% increase

- 5) Number of respondents who are paying:

- more in total annual fares than they paid last year	36	45.0%
- same in total annual fares as they paid last year	0	0%
- less in total annual fares than they paid last year	44	55%

- 6) Estimated net increase in the total annual fare revenues collected from the 80 surveyed students:

	\$1,543
	4.3% increase

- 7) Primary reason why the students bought their annual pass:

- to save money	44	55%
- for convenience	14	17.5%
- both	22	27.5%