

Date: November 3, 2022

To: Chair and Members of Budget Committee - Fees and Charges

From: Geoff Wright, P.Eng, MBA, Commissioner of Transportation and Works

Originator's files:

Meeting date:  
November 30, 2022

## Subject

**MiWay Fare Strategy - 2023**

## Recommendation

1. That the MiWay fees and charges, as outlined in Appendix 1 attached to the Corporate Report dated November 03, 2022 from the Commissioner of Transportation and Works entitled "MiWay Fare Strategy – 2023" be approved.
2. That a consolidated fees and charges by-law, effective January 1, 2023, which will incorporate the approved fees and charges of various City departments, be enacted to incorporate and establish new, revised, and existing MiWay fees and charges, effective for the Transportation and Works Department as outlined in the Corporate Report dated November 03, 2022 from the Commissioner of Transportation and Works entitled, "MiWay Fare Strategy – 2023".

## Executive Summary

- MiWay fare revenues were negatively impacted in 2020, 2021 and most of 2022 due to a reduction in transit riders as a result of the COVID-19 pandemic.
- Today, as restrictions are removed and business and schools reopen, MiWay has experienced a gradual return in riders throughout 2022. Comparing October 2022 to October 2019, MiWay's ridership has reached 92% of pre-pandemic levels and continues to grow.
- MiWay recommends that effective April 01, 2023, PRESTO e-purse-Adult fare increase by \$0.10 from \$3.10 to \$3.20.
- MiWay recommends that effective April 01, 2023, PRESTO e-purse-youth fare increase by \$0.10 from \$2.35 to \$2.45.

- MiWay recommends a change to the loyalty program which would allow customers to travel free after 11 rides instead of 12 rides per week. We expect this change to generate new paid rides and improve affordability for our loyal MiWay customers.
- MiWay introduced PRESTO open payment program in August 2022. The cost is \$4.00 per customer which is the same as the MiWay cash fare category. To use open payment, riders tap a credit card or smartphone on the PRESTO card reader when boarding the bus.
- Fare Integration improvements were introduced in March 2022. Transit riders can now travel free on MiWay when connecting with GO Transit using a PRESTO card. This program encourages new riders and provides affordability for MiWay and GO Transit riders.

## Background

To advance the City's strategic pillar- Developing a Transit Orientated City, the 2023 Business Plan and Budget identifies a transit fare revenue increase. The increase will help offset baseline budget increases due to inflationary pressures and operational requirements resulting from increase in diesel costs, major maintenance costs and foreign exchange rates.

MiWay fare revenues were negatively impacted in 2020, 2021 and most of 2022 due to a reduction in transit riders as a result of the COVID-19 pandemic. To support those transit customers who continued to use MiWay during the pandemic, transit fare pricing was frozen as part of MiWay's ridership support and recovery program. Today, as restrictions are removed and business and schools reopen, MiWay has experienced a gradual return in riders throughout 2022. Comparing October 2022 to October 2019, MiWay's ridership has reached 92% of pre-pandemic levels and continues to grow.

The table below outlines the change in MiWay fare revenue collected between 2019 (pre-pandemic) and projection of revenue for 2022 and 2023.

### 2019–2023 fare box revenue summary:

Description	2019	2020	2021	2022 Projection	2023 Budget
Annual Revenue	\$90M	\$42M	\$48M	\$75M	\$89.7M
Annual Revenue Loss		\$48M	\$42M	\$15M	\$0.3M
% of Revenue Recovery		47%	53%	83%	99.4%

**Note:** 2022 Projection is based on actuals from January to October 30, 2022 and forecast for November to December

On November 24, 2021, Council enacted By-law 0247-2021, implementing the 2022 MiWay fees and charges. This MiWay Fare Strategy report sets out the MiWay fees and changes for 2023 and if approved, it will be added into the consolidated User Fees and Charges By-law.

## Comments

MiWay strives to recover just under half the cost of operating transit through user fees (fares) and a minor amount through advertising revenues. This portion/percentage of the cost of operating transit that is recovered from fares and advertising revenues is called the revenue to cost ratio (R/C ratio). The remaining costs are funded through municipal taxes and provincial gas tax receipts. The 2019 (pre-pandemic) R/C ratio for MiWay was 45%.

It has been a challenge over the past few years as MiWay continued to provide transit services with minor reductions in service levels for those essential workers who needed to get to their job on a daily basis. As a result of a reduction in riders, the R/C ratio declined substantially to 22% in 2020 and 25% in 2021. Due to the strong ridership increase in the later half of this year, the 2022 R/C ratio is projected to increase to 37%. We expect 2023 revenue recovery to be about 99% and R/C ratio to increase to 43% which is still less than pre-pandemic level partly due to cost increases for diesel, major maintenance and foreign exchange rates increases expected in 2023.

MiWay fare pricing must be considered in relation to other Greater Toronto and Hamilton Area (GTHA) transit fare prices, current fare category usage trends, ridership impacts and current and future cost pressures. Each of these factors will have an impact on the overall revenue MiWay will realize from customer fares. MiWay is recommending the following fare adjustments effective April 1, 2023:

- PRESTO e-purse-Adult fare increase by \$0.10
- PRESTO e-purse-Youth fare increase by \$0.10

The recommended fare adjustment is outlined in Appendix 1. A comparison of GTHA transit fares is provided at Appendix 2.

### **PRESTO Adult (Age 20-64 Years) fare increase**

MiWay recommends that effective April 01, 2023, PRESTO e-purse-Adult fare increase by \$0.10 from \$3.10 to \$3.20 per customer. PRESTO adult fare was last increased in 2019 from \$3.00 to \$3.10. Adults account for 82% of MiWay ridership and this fare increase will generate an additional \$1.4M in annual revenues with \$1M in 2023 with April 01, 2023 effective date of price change.

As result of an increase in the price of PRESTO e-purse-Adult fare, the price of Adult Special Purpose Tickets will increase from \$31.00 to \$32.00 as this price is set per 10 customers of the PRESTO e-purse-Adult fare.

### **PRESTO Youth (Age 13-19 Years) fare increase**

MiWay recommends that effective April 01, 2023, PRESTO e-purse-youth fare increase by \$0.10 from \$2.35 to \$2.45. PRESTO youth fare was last increased in 2019 from \$2.25 to \$2.35 and have not changed in the last three years. Youth account for 14% of MiWay ridership and this fare increase will generate an additional \$0.3M in annual revenues with \$0.2M in 2023 with April 01, 2023 effective date of price change.

As result of an increase in the price of PRESTO e-purse-Youth fare, the price of Youth Special Purpose Tickets will increase from \$23.50 to \$24.50 as this price is set per 10 customers of the PRESTO e-purse-Youth fare.

### **PRESTO Open Payment**

PRESTO open payment was introduced August 11, 2022. To use open payment, riders tap a credit card including in a mobile wallet on the PRESTO card reader when boarding the bus. The cost is \$4.00 per trip which is the same as the MiWay cash fare category. Open payments include credit cards stored in mobile wallets on smartphones, such as Apple Pay, Google Pay, Samsung Pay, and more. This option offers another way to pay a fare without a PRESTO card or exact cash.

### **PRESTO – Mobile Wallet – Coming Soon**

MiWay and Metrolinx are working together to provide customers by mid 2023 the option to pay fares using PRESTO mobile wallet. PRESTO mobile wallet will enable customers to buy and load virtual PRESTO cards on mobile wallets, google wallets, and to tap and pay fares at PRESTO's devices with the virtual cards. This option provides a convenient method of paying fare using your mobile phone without carrying a physical PRESTO card or exact cash.

### **MiWay Charter Service Rate**

MiWay is recommending a 5.0% fee increase to help offset baseline hourly operating cost increases due to inflationary pressures. The changes are provided in the table below.

<b>Fee Name</b>	<b>2022</b>	<b>2023</b>
Charter Rate (per hour) – 60 foot buses * Note: Minimum charge 2 hours	<b>\$250.69</b>	<b>\$263.22</b>
Charter Rate (per hour) – 40 foot buses * Note: Minimum charge 2 hours	<b>\$209.76</b>	<b>\$220.25</b>

### **Mississauga Transitway Access fee and MiWay Stop Infrastructure Permit Review fee**

MiWay is recommending a 3.0% fee increase to help offset baseline hourly operating cost increases due to inflationary pressures. The changes are provided in the table below.

<b>Fee Name</b>	<b>2022</b>	<b>2023</b>
Transitway Access Permit Fee	<b>\$252.00</b>	<b>\$259.56</b>
MiWay Stop Infrastructure Permit Review Fee as part of ROP process	<b>\$403.20</b>	<b>\$415.30</b>

## **MiWay Fare Discount Programs**

### **PRESTO Loyalty Program**

MiWay introduced a new customer loyalty program in 2012 to encourage the use of the PRESTO fare card. The MiWay loyalty program allows customers who make 12 transit trips on MiWay during a one-week period to ride free for the remainder of the week when using their PRESTO card.

As a result of the pandemic MiWay re-evaluated the loyalty program and identified a change in customer travel and frequency patterns. Patterns indicated a reduction in the number of trips customers are taking on a weekly basis. Therefore, MiWay recommends a change to the loyalty program which would allow customers to travel free after 11 rides instead of 12 rides per week. It is anticipated that this change will be revenue neutral, improve affordability for our loyal MiWay customers and will encourage more use of the transit system.

### **Affordable Transit Program**

The MiWay Affordable Transit Program became a permanent program in 2017 in partnership with Peel Region and the City of Brampton. Eligible participants receive a PRESTO card allowing them to purchase a PRESTO monthly pass for 50% of the regular price.

### **Food Bank Program**

MiWay also introduced a partnership program with eligible food banks in Mississauga which allows them a discount to purchase MiWay 'special purpose' tickets at 50% of the total value. These programs provide affordability options for the most vulnerable transit customers.

### **GO Fare Integration Program**

Introduced in March 2022, transit riders can travel free on MiWay when connecting with GO Transit using a PRESTO card. This program encourages new riders and provides affordability for MiWay and GO Transit riders.

### **Senior \$1 Fare**

In 2017, Council approved the implementation of the senior \$1 cash fare during weekday off-peak hours, weekends and holidays to encourage and support Senior's by offering an affordable transit travel option. As a part of the PRESTO improvement program time of day pricing planned is available using the PRESTO card making it easier for seniors to pay the correct fare based on the time of travel.

### **Impacts of Free MiWay fares for Senior/Child**

The fare structure is a critical component of transit service delivery. It needs to strike a balance between providing affordable fare options for riders while contributing towards a reasonable R/C ratio for taxpayers. MiWay's fare pricing is developed using current usage trends, rider impacts as well as current and future cost pressures.

On the road to recovery, MiWay's R/C ratio in 2021 was 25%, we anticipate 37% in 2022 and 43% in 2023 which is still below the pre-pandemic level partly due to cost increases for diesel, major maintenance and foreign exchange rates increases expected. MiWay explored the option of free fares for seniors and child categories to understand the costs and impacts to the overall revenue budget.

Currently seniors account for approximately 3.5% of MiWay's total riders and anticipate this number to grow in the coming years as the population ages. Senior fares have remained frozen since 2019 at \$2.10 during peak travel times and \$1.00 during off-peak times and weekends. The senior's monthly pass has been frozen since 2019 at \$65.00 or if eligible, seniors can apply to the Affordable Transit Program (ATP) to receive a further 50% discount on a monthly transit pass.

If MiWay were to consider free fares for seniors based on the current rider levels, it would result in a revenue loss of \$2.2M on the annual budget with anticipated ridership recovery rate still below pre-pandemic level of 83% in 2022 and 98% in 2023. This revenue loss will continue to grow as ridership returns to pre-pandemic levels. Therefore, MiWay does not recommend free fares for seniors at this time.

In addition, MiWay would need to consider an additional \$1.1M revenue loss from fraudulent use of a senior concessions for free rides.

Children aged 6-12 currently account for about 0.3% of MiWay total riders. The child fare has been frozen since 2019 at \$1.75. Children ages 5 and under can ride MiWay for free when accompanied by a fare paying customer. If children ages 6 -12 were free the revenue loss would amount to \$0.4M annually.

Similar to the free PRESTO for seniors, MiWay needs to consider additional losses due to fare evasion rates. Based on the experience of the TTC that has free child fares, overall fare evasion for bus fares was at 5.1% in 2019 of the total riders. MiWay can expect a similar loss which would amount to \$1.7M in lost revenue due to fraudulent use of the free child PRESTO fare card.

## Strategic Plan

The fare changes and enhancements proposed in this report contributes to the strategic pillar of Developing a Transit Oriented City and the strategic goals of:

- Ensuring Youth, Older Adults and New Immigrants Thrive
- Ensuring Affordability and Accessibility
- Attract and Retain Youth

## Financial Impact

The proposed 2023 gross operating budget for the Transit Division totals \$218.9 million, an increase of \$17.1 million or 9% over 2022. A fare increase must take a balanced approach to maintain ridership growth momentum.

The increase in fares for 2023 will bring an additional \$1.2 million in new revenue from the fare change effective April 01, 2023. As a result, the transit fare revenue budget will increase by \$1.2M from \$88.5M to \$89.7M.

In 2020, annual revenue shortfall was \$48M and dropped to \$42M in 2021. Revenue shortfall projection for 2022 and 2023 are \$15M and \$0.3M respectively.

Implementing free fares for seniors and child would bring additional revenue losses of up to \$5.4M annually. Due to the continued revenue shortfall in 2023 and a freeze on service increases it is not recommended that free fares be introduced.

## Conclusion

The fare structure is a critical component of transit service delivery. It needs to strike a balance between providing affordable fare options for riders, consistency with other GTHA transit systems and contributions towards a reasonable cost recovery ratio for taxpayers. Given the revenue shortfall as a result of a reduction in riders during the pandemic, an increase of fares for the adult and youth by \$0.10 in each category will generate \$1.2M in 2023 with April 01, 2023 as effective date of fare change and \$1.7M in new revenue annually.

Many variables have been considered as part of this fare change report to ensure a balance based on business and customer needs can be achieved. A fare change effective April 1, 2023 is recommended as outlined in Appendix 1.

## Attachments

Appendix 1 - MiWay Fees and Charges 2023

Appendix 2 - MiWay GTHA Fare Comparison 2022



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Geoff Wright, P.Eng, MBA, Commissioner of Transportation and Works

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