

City of Mississauga
Corporate Report



<p>Date: December 21, 2022</p> <p>To: Chair and Members of Budget Committee</p>	<p>Originator's files:</p>
<p>From: Geoff Wright, P.Eng, MBA, Commissioner of Transportation and Works</p>	<p>Meeting date: January 23, 2023</p>

Subject

Additional Information for MiWay Fare Strategy - 2023

Recommendation

That the report titled "Additional Information for MiWay Fare Strategy – 2023" from the Commissioner of Transportation and Works dated December 21, 2022 be received for information.

Executive Summary

- The Report titled "MiWay Fare Strategy – 2023" was received and discussed at Budget Committee on November 30, 2022. Additional information was requested on the impacts of free fares for children's age 6-12 and expanding the current seniors \$1.00 program to all day during weekdays.
- The direct revenue loss from changes to these two fare categories is estimated to be \$1.8M and a further indirect loss of \$2.4M is anticipated as a result of fare evasion. A reduction of \$4.2M would be required to support the revenue loss as a result of the fare program changes.
- An unfair burden is placed on the Transit Operator when the riders are using the PRESTO card fraudulently to obtain a free or heavily discounted fare they are not entitled to use. This is a health and safety concern for Transit Operators as it increases conflict with passengers and can be stressful on the Transit Operator.
- Mandating ID for those using these concession fares adversely impacts the customer experience, generates additional administrative demands and can be a barrier for new Canadians, new riders or infrequent users.
- The Presto Operating Agreement contains commission protection clauses that might be triggered as a result of these changes increasing Presto costs to the City.

Background

The corporate report titled “MiWay Fare Strategy – 2023” was received and discussed at Budget Committee meeting on November 30, 2022. Direction was provided requesting further information on the impacts of considering free fares for children under 12 and extending the \$1 senior fare to all day on weekdays.

Comments

MiWay completed a survey with various GTHA transit systems who offered free fares for children or seniors to better understand the benefits and challenges they encountered with free fare programs. Outlined below are the direct costs, estimated fraud potential and challenges expected with free fare programs.

Free fare for Child (Age 6-12 years):

Children 12 and under account for 0.3% of MiWay’s total riders. The current MiWay child fare is discounted at \$1.75 and children under 5 are free. Providing free fares for children aged 6 to 12 would result in a direct revenue loss of \$0.4M annually. In addition, MiWay estimates a revenue loss from fraudulent use of the free child PRESTO card of \$1.7M. Should free child fares be approved, it is recommended that there is continued use of the child PRESTO fare card to collect accurate data and minimize costs of administration of a new MiWay child ID cards that would be required for proof of age. Additional adult ridership may arise from this initiative as younger children are often accompanied but as this segment is such a small segment in the fare mix even a 100-200% increase would not offset losses due to misuse.

Listed below are additional challenges that other GTHA transit systems experience as a result of offering free child fares:

- a. Fare evasion from older youth claiming they are 12 years old and do not have identification available for the Transit Operator. This occurs most frequently near high school locations.
- b. Child issued ID requires additional staff resources and equipment to administer and enforce usage. ID requirement can be a barrier to spontaneously riding transit and may be an obstacle for new residents and riders. Presto cards are widely available compared to a city administered ID program and some parents will have privacy concerns with child photo ID.
- c. Any increase in ridership from free fares requires more investment in staff resources and transit service to minimize overcrowding and provide reliable service. Bus services can be overloaded at school dismissal times disrupting regular riders.
- d. Fraud from adults using a child PRESTO card to board the bus to receive a free fare is a common issue amongst transit providers.
- e. Most of this fraud increases conflict with the Transit Operator and requires the attendance of fare enforcement or route supervision to support the Transit Operator

See chart below that summarizes child fares in the in the Greater Toronto and Hamilton Area (GTHA):

MISSISSAUGA	BRAMPTON	YORK REGION	OAKVILLE	HAMILTON	DURHAM	BURLINGTON	TTC
Discounted	Discounted	Discounted	Free on PRESTO only. Pilot until early 2023	Free on PRESTO only. Pilot until mid 2023	Free	Free	Free PRESTO

Senior \$1 fare all day:

Seniors account for 3.5% of MiWay riders. Currently seniors pay a \$1 fare on weekdays between 8:30am to 3:30pm and 7:00pm to 5:59am and all day weekends and holidays. A discounted fare of \$2.10 is available to seniors using PRESTO between 8:30am and 3:30pm on weekdays. Introducing a \$1 all day seniors fare would result in a direct revenue loss of \$1.4M annually. In addition, it is estimated that there would be a further revenue loss of \$1.1M from fraudulent usage of free senior's fares.

Listed below are additional challenges that other GTHA transit systems experience as a result of offering free senior fares:

- a. Fraud is encountered frequently as adults under 65 use the free PRESTO senior's card as a method of payment. It is difficult to enforce and riders may not have seniors ID available in some cases. Heavily discounted seniors fares can be expected to generate similar behaviours during peak travel times.
- b. In Brampton, the seniors can ride for free only if you are a resident of Brampton. Additional staff resources are required to issue a transit agency photo ID and manage the program for seniors.
- c. Any increase in ridership from free fares requires more investment staff resources and transit service to minimize overcrowding and provide reliable service.
- d. Most of this fraud increases conflict on the bus and stress for the Transit Operator and may require the attendance of enforcement officers or route supervision to support the Transit Operator.

See chart below that summarizes senior fare discounts in the in the Greater Toronto and Hamilton Area (GTHA):

MISSISSAUGA	BRAMPTON	YORK REGION	OAKVILLE	HAMILTON	DURHAM	BURLINGTON	TTC
\$1 on weekdays from 8:30 a.m. to 3:30 p.m. and 7 p.m. to 5:59 a.m. Valid all day on Saturdays, Sundays and Holidays	Free for Brampton Seniors only	Discounted	Free on Mondays	Discounted	Discounted	Free on weekdays from 9 a.m. to 2:30 p.m.	Discounted

Fare Enforcement

Based on the experience of other GTHA transit systems, providing free fares places an unfair burden on the Transit Operator when the riders are using the PRESTO card fraudulently to obtain a free or heavily discounted fare they are not entitled to use. This is a health and safety concern for Transit Operators as it increases conflict with passengers and can be stressful on the Transit Operator. Visually determining who to ask for ID is problematic and can lead to accusations of deferential enforcement of the rules. Expecting customers to show ID each and every time they board the bus adversely impacts customer experience. Additional staff and financial resources would be required to increase Transit Enforcement staffing to safely enforce revenue protection activities with riders.

PRESTO Operating Agreement

The PRESTO Operating agreement requires MiWay to collect a minimum of 80% of rider fares and projected revenues through the use of the PRESTO card. At this time MiWay achieves 81% of fares paid through the PRESTO card program. If free or heavily discounted rides drop revenues below the thresholds, Presto can seek to recover lost commission revenues resulting in increased costs to MiWay.

Strategic Plan

The information provided in this report contributes to the strategic pillar of Developing a Transit Oriented City and the strategic goals of ensuring affordability and accessibility.

Financial Impact

Table below shows potential revenue loss from free child fares and \$1.00 senior all day fare.

Item	Free Child Fare	\$1 Senior All Day	Total Revenue loss
Direct Revenue Loss (Fares)	\$0.4 M	\$1.4 M	\$1.8 M
Indirect Revenue Loss (Fare Evasion)	\$1.7 M	\$0.7 M	\$2.4 M
Total Revenue loss	\$2.1 M	\$2.1 M	\$4.2 M

Fare evasion estimates are based on experience in other GTHA transit systems offering free fares. The implementation of either of these fare policy changes would require an adjustment to the MiWay revenue budget for 2023 and an offsetting cost reductions or tax increase would be necessary.

Conclusion

The experience of offering free fares, based on a survey of other transit systems, indicates there are costs and challenges to the delivery and administration of a free fare program. If MiWay were to consider free fares for children or all day \$1 fare for seniors there would be an additional direct cost of \$1.8M and indirect costs of approximately \$2.4M from fraudulent behaviour. In addition, further resources would be required to support the program including fare enforcement, administration staff and it would have potential service impacts such as overcrowding requiring extra service as well as elevated health and safety concerns due to stress for our transit Operators.

Attachments

None



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