

TO: Transit Select Committee
MEETING: May 24, 2018

FROM: Brandon Miller
Superintendent, Fleet & Transit Service
Delivery
FILE: 8500-01

SUBJECT: \$1.00 Fare Analysis for Summer 2018

RECOMMENDATION

That the \$1.00 Fare Analysis for Summer 2018 report be received for information.

SUMMARY

At the April 24, 2018, Regular Board meeting, the Board directed staff to provide a report on a pilot study for a \$1.00 fare in the Regional District of Nanaimo (RDN) Transit system for the summer of 2018.

BC Transit and the RDN completed a fare change analysis and the results indicate that there would be adverse effects on the transit system if the RDN were to reduce fares during the summer of 2018. It is recommended that the RDN continue to use its current fare structure and not reduce fares for the summer of 2018.

BACKGROUND

On April 24, 2018, Regular Board meeting, the following motion was approved:

That staff provide a report on conducting a pilot study for a \$1.00 fare ride in the Regional District of Nanaimo Transit System prior to the 2018 summer period and that staff send a letter of response to Heather Svensen, Corporate Administrator, Town of Qualicum Beach, to advise accordingly.

In conjunction with BC Transit, the RDN completed an analysis that evaluated a \$1.00 transit fare offered to customers for the summer months (July and August 2018). The analysis factored in reducing all prepaid fare products by 60%, which is the same percentage as a \$2.50 cash fare being reduced to \$1.00.

The following implications were identified from the fare change analysis:

- Budget – The financial implications of the fare reduction have not been incorporated into the RDN 2018 budget.
- Inconsistency with fare guidelines – Reducing fares increases the burden on taxpayer dollars to fund transit service.
- Uncertain ridership outcomes – Reducing fares can be expected to result in a short-term increase in ridership, however there is no indication as to whether this will result in the recruitment of new long-term transit users.
- Effects on current core ridership – Changing the fare structure could negatively affect the current core ridership base in that they would be required to change their means of paying for and using transit. Additionally, increased ridership as a result of the reduced fares could result in overcrowding on buses, which could act as a further deterrent for current regular transit users.
- Impact on regular fare programs – Reducing the cash fare would create inconsistencies within the fare structure. This could negatively impact companies partnered with the RDN's Transit System through the ProPASS program, as they would need to adjust the amount deducted from enrolled employee's pay statements, only to have to undo the correction at the end of the summer. Additionally, those who have purchased a semester pass for May through August would be eligible for a refund relative to the amount fares are decreased for the months of July and August 2018.
- Impact on vendors – Relationships with vendors will be harmed through either making them adjust the pricing of fare products in their point-of-sale systems or through eliminating the need for them and thereby not encouraging transit customers to visit their locations to purchase fare products, which is the primary benefit received from being a vendor.

Further, in the spring of 2017, BC Transit and the RDN completed a fare review which included public consultation and outlined three different fare change options. The fare review was included in a fare report that was brought forward to the Board in June, 2017. The following are the three options that were proposed in the fare report:

Option 1 - \$2.50 cash fare, \$5.00 DayPASS, expanded 'Kids Ride Free' program, and the removal of paper transfers

Option 2 - Free fare

Option 3 - \$2.00 cash fare

At the Regular Board meeting on June 27, 2017, the Board adopted Option 1 and the new fare strategy was implemented on September 3, 2017.

It is not recommended introducing another fare change in such a short period of time as it would likely result in confusion for transit customers. In Addition, raising fares back to the regular rate at the end of summer would likely cause further confusion and public backlash.

ALTERNATIVES

1. That the \$1.00 Fare Analysis for Summer 2018 report be received for information.
2. That alternative direction be provided.

FINANCIAL IMPLICATIONS

As shown in the table below, the projected results of a 60% fare reduction over the summer months (July and August) lead to a decrease in fare revenue with a modest increase in ridership.

Over the course of the summer (July and August), the projected ridership increases by 18%; however, the projected revenue decreases by \$260,332.

Fare Product	Audience	Current Fare	\$1 Cash Fare (July & August)
Cash	All	\$2.50	\$1.00
Tickets	All	\$22.50	\$9.00
DayPASS	All	\$5.00	\$2.00
Monthly Passes	Adult	\$65.00	\$26.00
	Youth/Senior	\$40.00	\$16.00
	University Student	\$50.00	\$20.00
Semester Pass	University Student	\$170.00	\$119.00*
ProPASS	Enrolled Employees	\$57.37	\$22.32
Projected Revenue Impact:			-\$260,332
As a Percentage of Summer Revenue:			-52%
As a Percentage of Annual Revenue:			-8%
Projected Ridership Impact:			+63,568
As a Percentage of Summer Ridership:			+18%
As a Percentage of Annual Ridership			+2%

Providing transit for \$1.00 in July and August 2018 would result in a projected loss of revenue of - \$260,332. If the Board considers this for future years, the tax requisition for transit in the RDN would need to be increased in order to make up the lost revenue.

STRATEGIC PLAN IMPLICATIONS

The fare review and current fare structure supports the Focus on Service and Organizational Excellence – *“The RDN will deliver efficient, effective and economically viable services that meet the needs of the Regional District of Nanaimo”*.



Brandon Miller
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May 4, 2018

Reviewed by:

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- D. Pearce, Director, Transportation and Emergency Services
- P. Carlyle, Chief Administrative Officer