

2. SENIOR PASS PRICING

COMMITTEE RECOMMENDATIONS

That the Transit Commission approve that;

- 1) when the special \$19.99 senior pass rate for the International Year of Older Persons ends on December 31, 1999, the price be set at \$24 instead of being restored to its previous rate of \$28;**
- 2. the existing top-up be maintained for senior pass users on Para Transpo.**

DOCUMENTATION

1. General Manager's report dated 17 Nov 99 is immediately attached.
2. Extract of Draft Minute, Transit Services Committee, 24 Nov 99, follows the report and includes a record of all votes.

Our File/N/Réf.
Your File/V/Réf.

DATE: 17 November 1999

TO/DEST: Co-ordinator, Transit Services Committee

FROM/EXP: General Manager

SUBJECT/OBJET: **SENIOR PASS PRICING**

DEPARTMENTAL RECOMMENDATION

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

- 1) when the special \$19.99 senior pass rate for the International Year of Older Persons ends on December 31, 1999, the price be set at \$24 instead of being restored to its previous rate of \$28;**
- 2) the existing top-up be maintained for senior pass users on Para Transpo.**

BACKGROUND

In June 1999, the price of the senior pass was reduced to \$19.99 from \$28 to celebrate the International Year of Older Persons. This one-time special offer was approved to be in effect until December 31, 1999. Unless the Transit Commission decides otherwise, the senior pass price will automatically revert to its previous rate of \$28 in January 2000.

With the exception of the one-time discount for the International Year of the Older Person, the senior pass price has been \$28 since January 1996.

The purpose of this report is to review the experience with the \$19.99 discount and to discuss pricing alternatives.

DISCUSSION

In the report recommending a \$19.99 senior pass for the International Year of Older Persons, it was made clear that pass sales needed to climb to 10,000 from 7,000 to avoid revenue loss. Although the sales of the senior pass have increased, they have not reached this level. Monthly increases of approximately 1,000 have been experienced, for total monthly sales of approximately 8,000 senior passes. This translates into monthly revenue losses of about \$50,000 when compared with revenues which would have been collected from the sale of 7,000 passes at \$28 and adjusted for some migration from ticket sales to passes.

If the senior pass price is held at \$19.99 for the year 2000, this would mean a shortfall of \$650,000. If a smaller discount is continued and the price is set at \$24, the shortfall would be \$310,000.

The growing fleet of low-floor buses, the top-up policy for seniors on Para Transpo and the discounted pass rate have combined to attract seniors to regular service. Our marketing efforts focused on senior homes and recreation centres, and included a wide distribution of posters and pamphlets, in-mall advertising and special information visits to senior destinations, raised awareness of the transit pass price and of service in general. More than 1,000 free bus pass photo IDs were distributed at different events in the region since June. Many seniors are expecting reinstatement of the \$28 pass price in January.

When the \$19.99 senior pass was introduced, so was a top-up of one 75-cent ticket or \$1.25 on Para Transpo. The top-up policy was discussed by the Accessible Transit Advisory Committee (ATAC) and is supported because it does provide an incentive to seniors to ride regular transit as much as possible. The position of ATAC is to maintain the top-up policy as long as there are concession fares. When comparing the period of June to September of this year to last year, there were 400 fewer senior passes used on Para Transpo which resulted in reduction in demand for services. The senior pass user has taken, on average, 3.2 fewer trips a month in that time period. Many of the customers who were Para Transpo senior pass users are continuing to take Para Transpo but are now paying by ticket only, while others have moved to regular transit and continue to use the senior pass.

This reduction in demand for Para Transpo has made services available to other Para Transpo customers who generally have no other way to get around.

During the International Year of Older Persons, Para Transpo introduced a special program to assist seniors who must often use Para Transpo for medical purposes and for whom the top-up on the senior pass for these trips has caused severe economic hardship. This program was to terminate at the end of this year, however, it is recommended that the program be extended at least until the end of 2000.

FINANCIAL ANALYSIS

It is anticipated that a \$28 pass for 2000 would achieve revenues of \$2.57 million and ridership of 3.95 million. Based on experience with the \$19.99 senior pass, revenues from a \$24 pass are projected to be \$2.26 million and ridership would be 4.16 million. Continuing the \$19.99 price would generate \$1.90 million and 4.37 million riders. These revenues and ridership figures include adjustments to account for expected shifts from passes to tickets as pass prices rise. The 2000 draft budget estimates will reflect the Commission's decision.

*Approved by
Gordon Diamond*

Extract of Draft Minute
Transit Services Committee
24 November 1999

SENIOR PASS PRICING

- General Manger's report dated 17 Nov 99

Dr. Helen Gault, Director, Planning and Development, introduced the item. She indicated that, while the number of seniors' passes sold has gone from 7,000 to 8,000 per month since the introduction of the \$19.99 price, it is still costly for OC Transpo to maintain this program. Staff recommend that a price reduction be maintained by setting the seniors' pass rate at \$24 per month starting in January 2000. Dr. Gault pointed out that this amount still represents a loss of revenue compared to the regular price of \$28 per month. Staff estimate the price reduction will mean \$300,000 less in revenue, an amount equivalent to 6,000 hours of transit service. She added that maintaining the \$19.99 price would cost \$670,000, an amount equivalent to 8 or 9 peak period buses or 15,000 hours of service. Replying to a question from the Commission Chair, A. Loney, Dr. Gault said that, while increasing the price to \$28 means fewer passes will be sold, some customers will move to buying tickets, resulting in less revenue loss.

Commissioner W. Byrne asked whether staff knew how many seniors have moved from Para Transpo to conventional bus service. The Director, Para Transpo service, Mr. Pat Larkin, said that a lot more tickets are being used, and the over-all demand since June has decreased by 2,000 requests per month. He added that the average senior pass user has gone from taking 21 to 18 trips per month, indicating that he/she has found other means of travel.

Commissioner J. Legendre asked whether staff are still recommending a top-up, albeit a lesser top-up, since the price of the pass has increased. Mr. Larkin replied in the affirmative. He explained the process whereby staff evaluate the monthly pattern of clients doing priority medical trips and provide these clients with tickets to ensure the cost does not exceed \$28. Staff recommend this practice be continued in 2000 for the half-dozen clients who take advantage of it.

Commissioner Byrne presented a Motion calling for the price of the seniors' pass to be set at \$20, calling it an appropriate way to celebrate the year 2000 for those clients. She pointed out that the reduced price has been very popular among seniors, many of whom live on limited, fixed incomes. Commissioner Byrne expressed the view the \$19.99 price has also been effective in helping reduce the demand on Para Transpo services and she asked for the Committee's support for her Motion.

Extract of Draft Minute
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The Committee heard from Mr. Jeffrey Alguire, Chair, Accessible Transit Advisory Committee (ATAC). He began by saying the Commission has to manage Para Transpo usage with limited resources and he expressed his willingness to discuss significant increases to those resources. Mr. Alguire referred to the need to ensure there are appropriate incentives for clients to move to public, conventional transit, and he posited the arrival of low floor vehicles will assist in this regard. He also encouraged the Committee to maintain the top-up if it is not willing to significantly increasing Para Transpo funding.

Chair Loney pointed out there are persons currently using Para Transpo who could use conventional transit and the entire matter will need to be examined in the new year. He asked that, in the meantime, the top-up be maintained since it has been useful and the process is no more onerous than it was before. Chair Loney said his concern lies in the fact the numbers presented are “guesstimates”, projections, and these will need to be reviewed as they relate to seniors.

The General Manager, Gordon Diamond, began by saying that OC Transpo has considerable infrastructure and other needs, and must make efforts to trim its budget. Mr. Diamond said the \$19.99 price was a one-time event, and increasing it to \$20 will mean having to take nine buses out of peak period service, thereby impacting on the normal ridership. He expressed the view that \$24 dollars represents a good compromise.

Commissioner Byrne referred to the KPMG Report having made it clear that OC Transpo was not going to make money for a while and would have to spend money to attract riders. She added that, while it was understood the \$19.99 price was a one-time event, seniors hoped it would continue. Commissioner Byrne reiterated many seniors are on very fixed incomes, and even an additional \$4 dollars makes a difference to them.

Commissioner Legendre pointed out that, whether the price is \$24 or \$28, this amount is still a significant reduction from the regular price of \$57 for a monthly pass. The Commissioner said he has been waiting for a report on how to make Para Transpo more effective, and for an opportunity to review the criteria regarding who can and can't access the system. He recalled that Para Transpo was meant to serve those people with no real options. Jeff Alguire agreed the criteria must be reviewed, and this will be a priority for the Accessible Transit Advisory Committee over the next few months.

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The Committee then considered the following Motion:

Moved by W. Byrne

That recommendation 1 of the staff report be amended to set the senior pass price at \$20.00 for the Millennium year, 2000.

LOST

NAYS: M. Bellemare, L. Davis, H. Kreling, J. Legendre 4

YEAS: W. Byrne, C. Doucet, A. Loney 3

Moved by H. Kreling

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CARRIED