

**Subject: Potential Subscription-type Discount for Hybrid Workers**

**File Number: ACS2023-TSD-TCSP-0017**

**Report to Transit Commission on 14 September 2023**

**Submitted on September 5, 2023 by Renée Amilcar, General Manager, Transit Services Department**

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**Ward: Citywide**

**Objet : Rabais potentiel selon le type d'inscription pour les travailleurs en mode hybride**

**Numéro de dossier : ACS2023-TSD-TCSP-0017**

**Rapport présenté au Commission du transport en commun**

**Rapport soumis le 14 septembre 2023**

**Soumis le 2023-09-05 par Renée Amilcar, Directrice générale, Services de transport en commun**

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**Quartier : À l'échelle de la ville**

**REPORT RECOMMENDATION(S)**

**That Transit Commission receive this report for information.**

**RECOMMANDATION(S) DU RAPPORT**

**Que la Commission du transport en commun reçoive ce rapport pour information**

## **BACKGROUND**

At its meeting of April 13, 2023, the Transit Commission approved a motion from Councillor Hill that directed staff to examine the possibility of introducing a new type of discounted fare aimed at hybrid workers.

The motion states:

THEREFORE, BE IT RESOLVED THAT the Transit Commission direct staff to develop, and report back to Transit Commission and Council on, a new monthly renewable fare model targeted to hybrid workers.

BE IT FURTHER RESOLVED THAT the new subscription model be designed to provide hybrid workers with similar incentives as they received when using the Monthly Pass to commute to work five days a week.

BE IT FURTHER RESOLVED THAT an appropriate marketing plan that addresses the cost of private vehicle parking, the significant increase in highway traffic year-over-year, and the benefits of the new hybrid pass be developed for launch in concert with the new subscription model.

BE IT FURTHER RESOLVED THAT staff provide to the Transit Commission a report by Q3 2023 outlining their progress on the development of the new subscription model or models with a goal of implementation no later than Q4 2023.

This report responds to the Transit Commission direction from the April 13 meeting and provides the results of the feasibility analysis carried out by staff.

## **DISCUSSION**

OC Transpo continues to experience lower transit ridership and fare revenue post COVID-19 pandemic, primarily resulting from high rates of downtown office workers working from home or working a hybrid schedule both from home and at the office.

The current OC Transpo fare structure offers several products that fit the demand of a variety of customer needs, including:

- Single-ride fares;
- Passes for unlimited travel for periods of one, three, five, or seven consecutive days; and

- Unlimited monthly passes, which are transferrable and can be used by more than one person in a household or at a workplace.

The current fare structure also provides for a range of discounts for customers in many different situations:

- Seniors aged 64 and over can travel for free on Sundays and Wednesdays and can purchase a monthly pass discounted at 62 per cent off the adult monthly pass price;
- Youth aged 13 to 19, and school boards who purchase fares for their students, can purchase a monthly pass discounted at 23 per cent;
- Children up to age 12 can travel for free;
- Customers with low incomes can purchase a monthly pass discounted at 53.6 per cent and can pay single-ride fares discounted at 52.7 per cent;
- Customers who are receiving Ontario Disability Support Program (ODSP) payments can purchase a monthly pass discounted at 65.5 per cent and can pay single-ride fares discounted at 52.7 per cent; and
- Two customers travelling together on weekends and holidays can travel for the price of a single one-day pass.

Customers can choose the fare payment method that works best for them. The current fare structure, with single-ride fares and with single-day, multi-day, and monthly passes for unlimited travel, may not provide a financial incentive for customers to use transit more frequently if they are unlikely to travel enough to reach the break-even point of a monthly pass, at 34 trips per month. An additional fare prepayment option with an intermediate discount may provide a financial incentive for hybrid workers to return to transit as their primary mode of transportation to work, further improving ridership numbers.

Any new fare product must be compatible with the current fare system technology to avoid the high costs and long lead times of new system development. Within the capabilities of our fare system, staff have determined that it is feasible to provide prepaid discounted fares within a limited period of validity as an alternative fare product for customers like hybrid workers who travel more than infrequently but make fewer than 34 trips a month.

Under this option, customers would purchase a discounted fare product valid for a certain number of trips over a certain number of days (for example, 12 trips over a span of 14 consecutive days). Any travel credits purchased and not used would expire at the end of the period of validity. This ticket would be sold at OC Transpo ticket machines located at every O-Train station, at twelve Transitway stations, and at the OC Transpo offices at 925 Belfast Road.

The ticket would be issued as a paper smartcard which customers would tap each time they board a bus or enter an O-Train station, just as they do when using a Presto card.

The price, the number of travel credits, and the length of the period of validity can all be set to match the policy direction of Council, with some limits:

- The smartcard cannot hold more than 31 travel credits, for technical reasons;
- The ticket should not have a validity period the same as any of the unlimited passes, to avoid confusion;
- The ticket should not have a validity period longer than about three weeks, to reduce the risk of bending causing damage to the electronics in the paper smartcard; and
- The ticket should not have a price and validity period that competes with the current monthly pass; customers who travel every workday and make 40 trips a month currently receive a 15 per cent discount from the single-ride fare.

As noted in the Q2 2023 financial report, OC Transpo is forecast to end 2023 with \$51.3 million less in revenue than was budgeted. Any further discount would increase this revenue deficit, unless there is a significant increase in ridership due to increased sales of this product, without a reduction in other products. It would be financially imprudent to assume an increase in revenue as a result of this discount until it has been implemented and the actual results are known, should Commission and Council choose to proceed.

### **How the new fare product would work**

Customers would purchase their ticket at a ticket machine at a station. The number of trips and the validity period selected (if multiple options are available) are loaded onto the card and the validity period begins upon purchase. The customer can use the card immediately, tapping their card on a bus or at an O-Train station each time they travel, and customers can check remaining balances using the ticket machines. Once the

travel credits have been used or the validity period expires, whichever comes first, the card will no longer function. A new card with new trips and a new validity period would need to be purchased at a ticket machine. The card cannot be replaced if lost, damaged or stolen.

This potential new fare product would not be valid on STO buses. Customers who travel on both OC Transpo and STO would need to, as now, use a Presto Card, an STO Multi card, or pay a cash fare.

### **Approval and implementation**

The information above outlines a technically feasible option to make available a mid-level of discount for customers who travel less frequently than would justify the purchase of a monthly pass. Staff are ready to follow any direction from the Transit Commission to develop in more detail options for consideration by the Commission and Council as part of the 2024 budget, including the financial implications of doing so.

Establishing a new fare product would require Council approval, normally done by amending the user fee table in the budget. Council would also need to approve the funding source for the discount.

To implement a ticket as outlined in this report, software changes would be required on ticket machines and on validators by our fare system vendor. Implementation costs and timeline are to be determined, but if the Commission so directs, implementation is likely achievable by mid-2024.

This new discount and new fare product may attract new ridership, increasing fare revenue, or it may be preferred by customers who are currently purchasing other higher-priced fare products, including the unlimited monthly pass, which would have the result of reducing fare revenue.

### **FINANCIAL IMPLICATIONS**

There are no financial implications to receiving this report. If the Commission directs staff to explore the details to implement this discounted fare product, the cost of implementation and projected revenue implications will be brought forward at that time as part of the 2024 budget process.

### **LEGAL IMPLICATIONS**

There are no legal impediments to receiving this report for information.

## **CONSULTATION**

OC Transpo customers can provide feedback related to fares through the budget process, as well as regular OC Transpo communication channels.

## **ACCESSIBILITY IMPACTS**

One of OC Transpo's Mission statements, as outlined in the Five-Year Roadmap is: We promise to deliver safe, clean, dependable and accessible public transit.

Any policy or procedural development, as well as customer communications and public engagement identified in the report's recommendations will include the application of the City's Equity and Inclusion Lens and adhere to the *Accessibility for Ontarians with Disabilities Act (AODA)*. Staff will continue to engage persons with disabilities and accessibility stakeholders to ensure that their perspectives are considered and incorporated, and to promote inclusion.

Staff will also ensure that any applicable accessibility legislation, standards and guidelines are adhered to during the execution of the projects and initiatives identified in this report.

## **RURAL IMPLICATIONS**

The City's transportation network is designed to provide options for all residents. Rural implications have been taken into consideration in the development of the recommendation outlined in this report.

## **TERM OF COUNCIL PRIORITIES**

The 2023-2026 Term of Council Priorities include:

- A city that is more connected with reliable, safe and accessible mobility options.
- A city that it is green and resilient.

## **DISPOSITION**

Staff will present the 2024 OC Transpo Fare Table for approval by Council as part of the 2024 Budget, incorporating any new fare products as directed by the Transit Commission. If Council adopts a subscription-type fare, as described in this report, staff would address the third part of the motion to develop a marketing plan in concert with the launch of the new fare.