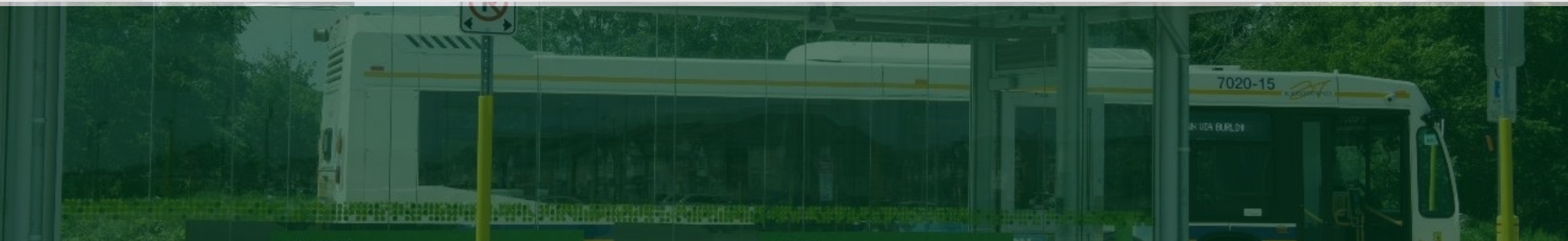
Burlington Transit

Study to explore Fare-Free Transit

Committee of the Whole Presentation

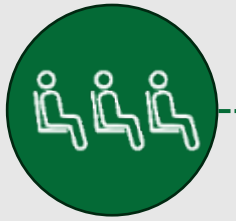
December 2, 2024



Our Approach to the Fare-free Study

1. Background Analysis
2. Ridership Projection
3. Load and Service Analysis
4. Resource and Cost Analysis
5. Benefit and Risk Analysis
6. Service expansion plan

Evaluation Criteria



Ridership
Ability to meet DC Study boardings targets

Cost Effectiveness
Cost per rider

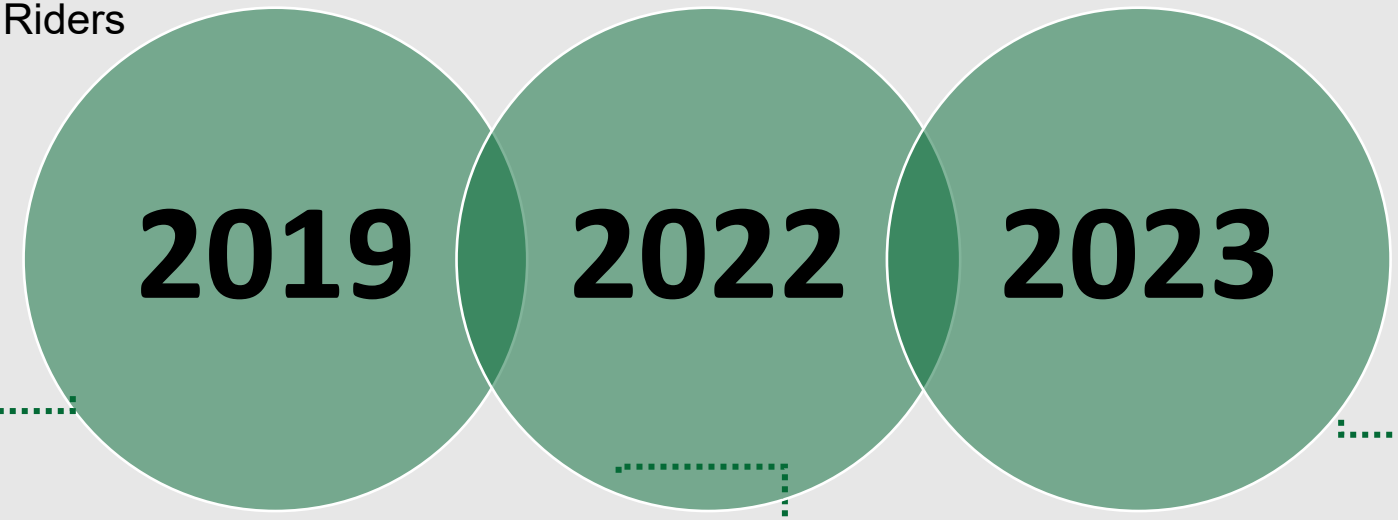
Community Benefit
Economic, environmental and equity

Transit Sustainability (Risk)
Service deterioration and financial risks

Fare Free Transit Initiatives

Free transit investments have been made by Burlington City Council to grow ridership:

- Seniors Free – Monday to Friday 9am to 2:30pm
- Subsidized Pass for Low Income Riders



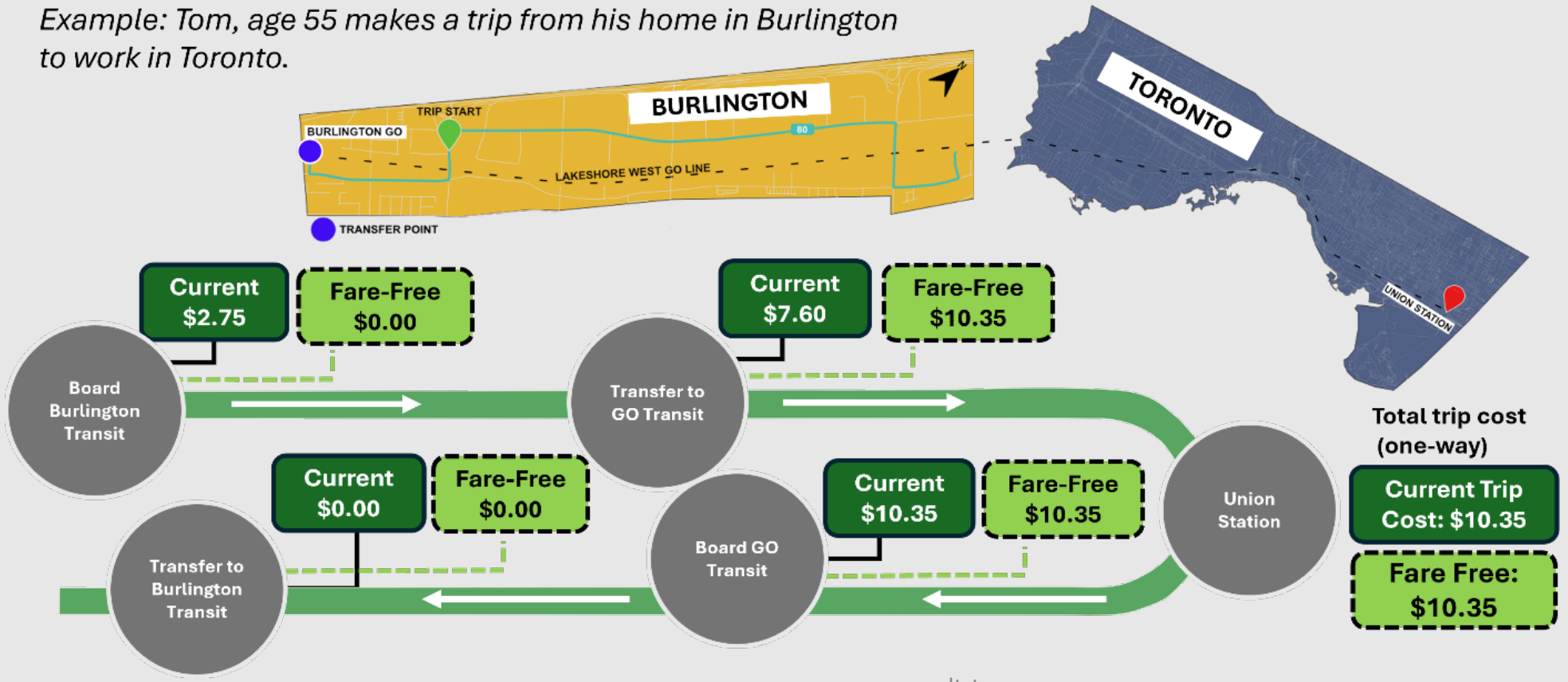
- Free transit for Children

- Free transit for Seniors – All day, every day
- Free transit for Youth – Evenings and Weekends

Regional Fare Integration

Customer Journey: Regional Trips

Example: Tom, age 55 makes a trip from his home in Burlington to work in Toronto.



Other Fare-free Initiatives

Canada

Bow Valley (Canmore/Banff)
- Local routes/residents only
- Driving/parking restrictions in Banff
- Still maintains > 50% cost recovery

- **Orangeville**
  - $1.1M annual operating budget
  - ±10% cost recovery in 2022

United States

- Wide variety of systems
- Mix of full / limited fare-free or temporary pandemic response
- Typical cost recovery <20%, many in low teens or single digits
- Broader revenue sources

Fare-Free Experiences

Revenue Loss
Overall impact depends on current cost recovery

Ridership Increases
~30-60% increase in ridership

Customer experience risk
Unless implementation is paired with effective planning and strategic service increases

Service Efficiency
Greater service efficiency (more people per bus)

Key Takeaway: The **success** of fare-free transit depends on **effective service planning** to meet **growing demand**.

Approach

Ridership Projection

- Fare-free
  - Population growth
  - Elasticity research
  - Demographic factors
- Service expansion
  - Developed prototype network
  - Assessed service elasticities

Service and Load Analysis

- Identify capacity by routes times and trips
- Identify trips that will exceed capacity
- Identify required service increases
- Iterative ridership projection from service increase

Resource and Cost Estimates

- Additional service hours
- Operators
- Other operations staff
- Fare collection costs
- Capital costs
  - New vehicles
  - Fare collection costs

Layers to Financial Complexity

1st Level

- Lost revenues from fares
- Savings from eliminating fare collection requirements

2nd Level

- Cost to maintain service quality to keep up with demand
- Better service efficiency = higher marginal maintenance and fuel costs
- Specialized costs increase disproportionately – less spare capacity to absorb increases

3rd Level

- Ontario gas tax fund calculations – moderate increase
- Alternative funding can not be relied upon
- Capital cost estimates

Comparison Highlights

	2029		2034	
	Fare-Free	**Service expansion**	**Fare-Free**	**Service expansion**
Ridership	6,200,000	5,469,000	6,947,000	7,941,000
Boardings	7,303,000	6,442,000	8,198,000	9,358,000
Net Municipal Operating Cost	$43,080,000	$33,999,000	$53,734,000	$47,140,000
Net Municipal Operating Cost per Boarding (inc. gas tax)	$5.90	$5.28	$5.75	$5.04
Capital Cost (5-year totals with 63% subsidy)	$24,285,000	$30,159,000	$11,434,000	$42,700,000

Notes:

- Both alternatives exceed DC study pro-rated targets
- Fare-free has higher net municipal cost: total and per boarding
- Fare-free transit generates more transit use than service expansion (but only until 2031)

Boardings Target

- DC interim target for 2034 is about 7.7 million boardings to stay on track to 2051 modal share objective
- Both fare-free and service investment exceed this interim target through 2034
- From about 2031, service expansion begins to outperform fare-free boardings
- From about 2037, fare-free will begin to track below DC interim target

Sample of Estimated Theoretical Annual Fare-Free Transit Economic Benefits

Transit Benefit	Description
Individual transportation savings	Fare-free transit has no financial transportation cost for riders
Business productivity gain from enhanced workforce access	Increased employment participation by non-drivers.
Reduction in road traffic (congestion reduction)	Mode shift can create shorter travel times for everyone
Active travel health benefits	Promotes a more active lifestyle for transit passengers i.e. walking to a bus stop
Enhanced Road Safety	Reductions in collisions from mode shift

Community benefits are greater for service investment

Where is fare-free ridership coming from?

- More from inducing trips from existing riders
- More from walking/cycling = greater negative benefit
- Lower mode shift rate than service expansion

What is the local economic impact?

- Less benefit from federal and provincial funding
- Less benefit due to decline in funding from external users

Sustainability – Fare-Free has higher risks

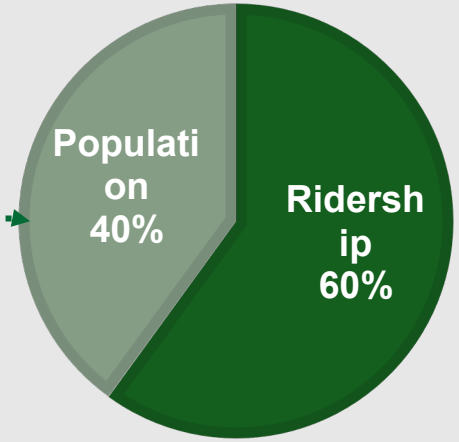
Risk

- Service deterioration
- Planning direction and control
- Financial sustainability
  - Greater future funding commitment
  - Systems with less fare revenue less likely to adapt service to demand

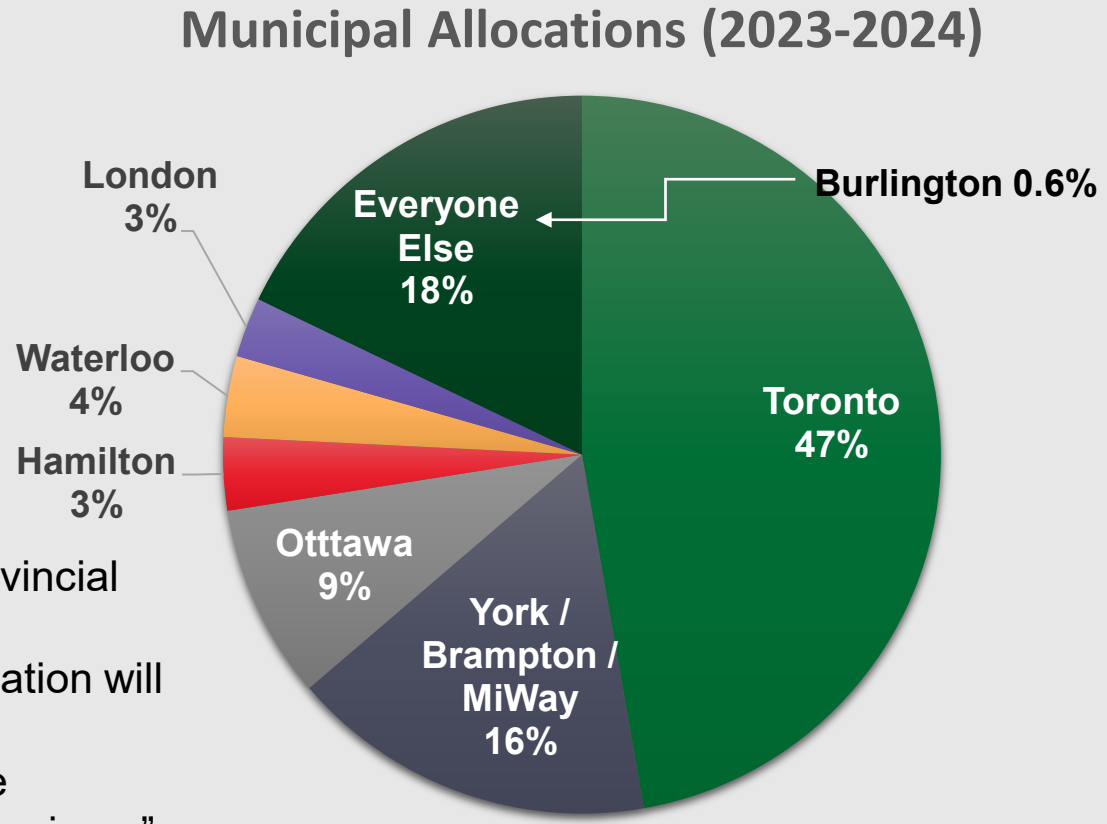
Political and community support considerations

- Rapid cost increase could create backlash
- Rapid ridership increase could increase community support
- Faster youth ridership growth improves sustainability

What about Gas Tax?



GAS TAX FUND
($380M)



A municipality's gas tax allocation is based on its share of provincial population and ridership totals.

- If an agency grows at the average provincial rate, it's allocation will not increase.
- If population and ridership change at more or less than the provincial average, then allocations will balance between "gainers" and "losers"

With fare-free, Burlington's share should increase by up to $1 million over time

PRESTO Implications

PRESTO currently enables:

- Fare payment (92% of rides)
- Regional integration
- Metrolinx subsidy transfers (One Fare)
- Detailed data collection
- Passenger identification/classification

PRESTO costs to Burlington:

- Annual fee (portion of revenue)
- Hardware costs for new buses

Conclusion

Financial: Fare-free transit is costlier than service investment for similar benefits.

Community Benefits: Fare-free transit increases ridership and provides community benefits, but its effectiveness compared to service investments is uncertain.

Higher Risk: Fare-free transit has greater potential for service and funding challenges compared to service investment.

Sustainability: Foregoing revenue threatens service sustainability when additional funding is required

A final word . . .

- *Sounds good, but only if it doesn't replace investments in the system to improve it. Given a choice between eliminating fares and increasing frequency to make the service convenient, I would choose to invest in service improvements over fare-free transit.*

  – Community survey response