

## **Financial Impacts of Additional Discounts for Seniors and Youth**

This attachment provides information on the financial impacts of providing additional discounts to seniors and youth, as per the Motion Arising to TT2019-0637 RouteAhead Update.

For context, Council approved the Calgary Transit Fare and Revenue Framework for One Calgary 2019-2022 as part of TT2018-0617 RouteAhead Update. This framework provides guidance on setting fares to manage the Revenue/Cost ratio (currently 44 per cent) and close the operating gap (cost per trip vs revenue per trip), with direction to provide subsidies focused on income rather than additional discounts for age or other criteria. This is also consistent with the direction from the Calgary Transit Zero-Based Review (PFC2016-0469).

The financial impacts of additional discounts for seniors and youth are significant and cannot be absorbed into Calgary Transit's existing operating budget without being offset by service reductions, additional funding (e.g. additional tax support, funding from other orders of government) or increases to other fares. Given the City's current budget challenges, recent service reductions and Council's direction to explore further reductions to municipal tax rates, it is not recommended to pursue these additional age-based discounts without an external funding source. While fare price is an important factor when considering travel choices, engagement and research on different customer groups (including seniors and youth) have indicated that investments in core service quality attributes are critical for driving ridership; this includes travel time, coverage/frequency, winter weather accessibility, personal safety, and crowding/access to seating.

### ***Eliminating the user fees charged for residents 70 years of age or older for the Senior Regular and the Senior Low Income passes, thereby allowing anyone 70 years of age or older to ride Transit at no charge without the need to produce a pass or fare***

The total revenue impact for allowing all seniors age 70 and over to access transit service at no charge (all fare products, including annual passes) is \$1.9 million, expected to grow to \$2.4 million by 2023.

Of seniors who use Calgary Transit, 25-35 per cent use regular fare products to pay for transit service (e.g. tickets, cash, monthly passes), while the remaining use the annual pass programs. The total annual revenue specifically from the Seniors Regular Annual Pass (\$140 in 2019) and Seniors Low Income Annual Pass (\$25 in 2019) programs for customers 70 years of age and older is \$1.1 million; 45 per cent of passes sold are the Seniors Regular Annual Pass and 55 per cent are the Seniors Low Income Annual Pass.

The total administration cost for seniors annual pass programs for these users is estimated at \$233,000. Calgary Transit and Fair Entry do not have staff specifically dedicated to processing eligibility and sales for the Seniors Pass programs; rather, the staff also process other applications (e.g. monthly Low Income Transit Pass (LITP)), fare product sales and other front-line customer service tasks at the Customer Service Centres and Fair Entry locations. For example, greater than 50 per cent of seniors applying to transit subsidy programs also access other subsidy programs. Therefore, eliminating the need for a transit application would not eliminate the processing of these household applications.

Seniors are the fastest growing population cohort in Calgary, with Calgarians age 65-74 growing by 74 per cent over the past 10 years, and adults age 55-64 growing by 54 per cent (Calgary 2019 census). The population of Calgary seniors is expected to continue growing at a higher rate per year more than the general population over the next 10 years (Calgary and Region Economic Outlook 2017-2026). The Calgary Transit Zero-Based Review flagged this as a significant growing risk to transit revenues and the operating gap if further age-based discounts are provided. In terms of income-based eligibility, the 2016 federal census showed that 10.8 per cent

of seniors age 65-74 fall below the Low Income Cut-Off (similar to the general population), and 13.5 per cent of seniors age 75 and over fall below the Low Income Cut-Off. Pre-seniors age 55-64 have the lowest prevalence of low-income at 9.5 per cent.

It should also be noted that given the significant discounts already provided with the seniors annual pass programs relative to other municipalities, the Zero-Based Review recommended “aligning non-low income Seniors fare pricing with Youth discounts, including eliminating the regular senior annual pass and instead offering discounted cash fares, tickets and monthly passes”. Attachment 6 provides comparisons of Calgary Transit fares with other municipalities.

***Reducing the cost of Youth fares and monthly passes, over several scenarios, up to the total elimination of these charges***

The total annual revenue from youth fares, including tickets (\$2.35 in 2019), day passes (\$7.75 in 2019) and monthly passes (\$77 in 2019) is \$25.7 million. Most youth passes are purchased by parents of students aged 15 to 18 for whom the traditional yellow school buses are no longer an option. Administration costs for these fares is very low because the majority of fare product sales (except monthly LITP) takes place through external vendors, similar to regular adult fare products. Therefore, there would be no meaningful financial savings expected from administration costs. The table below shows the financial impacts of additional discounting of youth fares:

<b>Additional Discount</b>	<b>Youth Fare (single fare / monthly pass – 2019 rates)</b>	<b>Revenue Loss from Additional Discount</b>
25%	\$1.75 / \$57.75	\$6.1 million
50%	\$1.20 / \$38.50	\$12.3 million
75%	\$0.60 / \$19.25	\$19.1 million
100%	\$0.00 / \$0.00	\$25.7 million

***Enhancing the Low Income Transit Pass to provide free transit to individuals under 18 years of age on weekends and public holidays***

There is currently no transit fare required for children age five and under. The majority of youth (age 6-17) LITP holders use the LITP for weekday travel to school and employment, with approximately 75 per cent of youth LITP sales being in the lowest-price Band A (\$5.30 in 2019). Similarly, 81 per cent of regular youth ridership (excluding LITP) is from monthly passes, which are mainly used to travel to school and employment on weekdays. These customers will not benefit from no charge for transit on weekends and public holidays as they would still purchase monthly passes (LITP and regular) for weekday travel. More casual youth transit users would experience the benefits of this proposed scenario (e.g. single fares or day passes for personal travel, special events), with an estimated \$0.8 million in annual lost revenue and no meaningful reduction in administration costs for youth fare products.