

ETS Service to Edmonton International Airport - Options and Costs

Recommendation:

That the September 12, 2017, City Operations report CR_5072, be received for information.

Report Summary

This report provides options and costs to continue public transit service for Route 747 between Century Park LRT and the Edmonton International Airport following the termination of a subsidy agreement with Edmonton Regional Airports Authority.

Report

Background

In 2012, the City of Edmonton first entered into an agreement with the Edmonton Regional Airports Authority to provide public transit service via the Route 747 between Century Park transit centre and the Edmonton International Airport.

The City of Edmonton recognizes and strongly values that public transit connectivity to a municipal airport is essential to regional collaboration, development and global business competitiveness. Since the service was introduced, ETS has provided an average of 172,000 rides a year. The service currently attracts 20 passengers per hour during peak hours and 17 passenger boarding per hour during the off-peak.

The Route 747 is an express bus service that runs every hour each day of the week with additional trips providing service every half hour during peak hours. The service runs nearly 24 hours a day with service starting at 4:10 a.m. from Century Park and 4:34 a.m. from EIA and ending leaving Century Park at 11:48 p.m. and EIA at 12:18 a.m.

Total annual costs to provide the service are approximately \$1.78 million, excluding annual marketing and promotion costs, which was approximately \$7,000 in 2016.

Recovering the cost includes a combination of customer fares and, up until April 2017, contributions from Edmonton Regional Airports Authority and the City of Edmonton. Current Route 747 fares are \$5 cash for one-way travel or two ETS tickets. A monthly

pass offering unlimited trips is available for \$100.

Route 747 fares have been exempt from other transit fare adjustments. The rates have never increased since the service was introduced over five years ago.

Between April 2016 and March 2017, revenues generated approximately \$0.71 million.

Initially, the Edmonton Regional Airports Authority agreed to pay the City of Edmonton an annual fee of \$0.5 million to subsidize the service and in recognition:

1. The airport is not within the City of Edmonton boundaries,
2. Transit service supports employment at the airport, and
3. Transit service supports access for travelers to and from the airport.

The contract with Edmonton Regional Airports Authority expired April 30, 2017. While Edmonton Regional Airports Authority has indicated it remains committed to continuing to develop and market transit service between the airport and Edmonton, further financial contributions have not been secured.

Current Status

Recognizing transit service between the regions and destinations may attract and support business and tourism opportunities, ETS has continued to provide full Route 747 service since April 2017. However, continuing to do so independently presents the City of Edmonton with budget and resourcing implications.

ETS continues to express a willingness to collaborate with stakeholders (including Edmonton Regional Airports Authority, Edmonton International Airport, County of Leduc, and the City of Leduc) in order to maintain public transit service to/from the airport and contribute to the regional benefits.

Options

To continue to provide citizens with transit service to/from the airport, the following options are presented for consideration:

Option 1: Adjust fares and levels of service as soon as December 1, 2017, to cover the full cost of transit service to/from the airport.

In the absence of a partnership subsidy, to cover costs of the Route 747 service, all fare products (cash, tickets, and monthly passes) would need to be at least doubled and service would have to be significantly reduced and cancelled during evenings and weekends. However, reducing the service also reduces the revenue potential.

To minimize customer impact, service could be reduced during the lower demand times and spread out during peak hours. Peak hour service would be adjusted to every hour instead of every half hour. Early morning (before 6 a.m.), evening (after 5:30 p.m.), all day Saturday and Sunday service would need to be cancelled in combination

with a fare increase in order to recover approximately \$540,000 of the total service cost.

Proceeding with this option would include adjusting the fares to:

1. Cash fare from \$5.00 to \$12.00
2. Ticket fare from \$5.10 to \$10.20
3. Monthly pass fare from \$100 to \$220.

When transit properties adjust fares, the fare elasticity is the extent to which ridership responds to fare increase or decrease. Typically, when fares increase, ridership decreases. Several factors, including user type, trip type, and geography affect the degree of elasticity. For example, larger cities tend to have lower price elasticities than suburbs and smaller cities because they tend to have more transit-dependent users. However, choice riders and non-peak service tend to be more sensitive to price adjustments and could result in people resorting to other transportation options.

Furthermore, the substantial fare increase and service decrease required to cost recover the service could deter ridership and be counterintuitive to serving the public in an accessible and affordable manner. Based on research of other jurisdictions, it is estimated that through this approach, ridership could decrease when considering the fare increases combined with the service reductions.

Option 2: Adjust fares and levels of service as soon as December 1, 2017, to cover the subsidy loss of \$500,000 in order to continue transit service to/from the airport while seeking regional partnerships.

As the Edmonton International Airport is an economic and social asset for the entire Metro Edmonton Region, the ideal solution for serving the airport with public transit is through a regional transit agency in order to provide both commuters (who work at the airport and support air transportation) and airline travelers (who contribute to economic spinoff benefits) with efficient service throughout the region. In the absence of a regional authority managing public transit to the airport, the City of Edmonton could approach the County of Leduc and the City of Leduc to determine their support for a continued partnership for ETS service to the airport.

If a regional solution is reached, Administration plans to initiate a marketing and communications plan to promote and enhance ridership of the service (Attachment 1). However, until such agreements are reached, ETS could adjust fares and service in order to maintain the \$500,000 taxpayer funded subsidy.

Administration explored combining fare and service adjustments in order to minimize the fare increase while still running service during high demand times. Reducing service frequency to every hour during peak times and eliminating it during lower demand times (after 10 p.m.). A proposed service structure is in Attachment 2.

Proceeding with this option would include adjusting the fares, as an example:

1. Cash fare from \$5.00 to \$7.50
2. Ticket fare from \$5.10 to \$7.65
3. Monthly pass fare from \$100 to \$120

Fares on Route 747 have never increased since the service was introduced. These potential rates would be comparable with other jurisdictions and are still more affordable than some other transportation options to Edmonton's airport. Edmonton's fares to ride transit service to the airport on both a total and on a per km basis remain significantly lower than other major airports being serviced by public transit (excluding municipalities where the airport is in close proximity to the core transit network). Cost comparisons are in Attachment 3.

Even with the proposed fare increase, transit service to the airport remains good value for the customer. However, Administration recognizes industry trends that any fare increase typically leads to a temporary reduction in transit ridership. Based on data available from previous ETS fare increases as it correlates to ridership trends, and the experiences of other jurisdictions that have increased fares on service to municipal airports, it is estimated ridership could initially drop by 25 percent.

Conclusion

The City of Edmonton recognizes the ongoing economic and social benefits of providing public transit to/from the airport. However, the conclusion of the subsidy agreement with Edmonton Regional Airports Authority means a greater contribution could be required from Edmonton taxpayers. As this report outlines, implementing fare increases and service adjustments can minimize that contribution; however, Administration requests City Council's input on how to proceed.

Policy

Transit Service Standards *Policy C539*

The Way We Move: Edmonton's Transportation Master Plan

- Strategic Goal: Supporting a robust transit system with a Downtown hub and efficient access from the Edmonton International Airport to the city's Downtown are essential to the ongoing success of the urban core, the city as a whole and the Capital Region.

Public Engagement

No public engagement activities were completed for this report as the report was focused on Administration providing options for Council consideration. Future public engagement activities regarding the service could be undertaken, but none are currently planned.

Previous public engagement was completed on the service via a 2012 customer satisfaction report that indicated 94 percent of customers using public transit to access

the airport were satisfied with the service.

Budget/Financial Implications

Total annual costs to provide the service, including indirect costs such as depreciation, insurance and Administration, are approximately \$1.78 million or \$10.34 per trip.

Current Fare Structure:

Annual Revenue Summary	April 2016 - March 2017		
Type of Fare	Ridership	Revenue	\$ / trip
Cash	85,641	\$ 428,000	\$ 5.00
Tickets	14,345	\$ 71,000	\$ 5.10
Monthly Pass	72,188	\$ 207,000	\$ 2.87
Total	172,174	\$ 707,000	\$ 4.12

Fare Increases (Option 1):

Annual Revenue Summary	Proposed Annual Ridership and Revenue with Fare Increase		
Type of Fare	Ridership	Revenue	\$ / trip
Cash	28,858	\$317,000	\$11.00
Tickets	5,287	\$54,000	\$10.20
Monthly Pass	24,325	\$154,000	\$ 6.32
Total	58,470	\$525,000	\$ 8.98

Fare Increases (Option 2):

Annual Revenue Summary	Proposed Annual Ridership and Revenue with Fare Increase		
Type of Fare	Ridership	Revenue	\$ / trip
Cash	61,594	\$462,000	\$7.50
Tickets	10,317	\$79,000	\$7.65
Monthly Pass	57,416	\$198,000	\$3.45
Total	129,327	\$739,000	\$5.71

Projected marketing costs to promote the service would be an additional \$35,000 to \$40,000.

Metrics, Targets and Outcomes

Metrics	Targets	Outcomes
<ul style="list-style-type: none"> • Airport Service Ridership - 172,000 annual boardings. 	<ul style="list-style-type: none"> • Increase to 200,000 annual boardings by 2019. 	<ul style="list-style-type: none"> • Transit network is regionally well integrated, and provides multi-modal connections.
<ul style="list-style-type: none"> • Ridership per capita (system-wide) - 96.9 rides per capita for 2016. 	<ul style="list-style-type: none"> • 105 rides per capita by 2018. 	<ul style="list-style-type: none"> • Transit network is well integrated.
<ul style="list-style-type: none"> • Transit Cost Revenue Ratio 41 percent for 2016. 	<ul style="list-style-type: none"> • Increase to 45-50 percent Transit Cost Revenue Ratio. 	<ul style="list-style-type: none"> • Revenue generation sustainably supports City operations.
<ul style="list-style-type: none"> • Develop annual metrics around ridership trends and customer satisfaction. 	<ul style="list-style-type: none"> • The last survey done showed a 94% satisfaction rate, but that info is from 2012. 	<ul style="list-style-type: none"> • More frequent assessment of rider satisfaction will help determine levels of service.

Attachments

1. Marketing Branch – EIA conceptual plan
2. Service Structure
3. Cost Comparisons

Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- L. McCarthy, Deputy City Manager, Urban Form and Corporate Strategic Development
- C. Campbell, Deputy City Manager, Communications and Engagement