

September 10, 2024

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**SUBJECT: Fare-Free Transit on LTN-C Routes**

## **PURPOSE**

The purpose of this report is to provide the Victoria Regional Transit Commission (the Commission) with a cost and benefit analysis of the administration and revenue implications of introducing fare-free transit on Routes 63 and 64 and all Local Transit Network – Coverage (LTN-C) routes in the Victoria Regional Transit System (VRTS). This report is presented to the Commission for **INFORMATION**.

## **BACKGROUND**

At a previous Commission meeting on March 19, 2024, a request was received from the District of Sooke to undertake a cost and benefit analysis of introducing fare-free transit on Routes 63 and 64 in the VRTS. The letter outlined that fare-free transit would encourage transit usage within the District of Sooke on these underperforming routes, and potentially encourage riders to transfer to Routes 61 and 65 for travel outside of the District of Sooke. The intention would be to consider this as a potential pilot project for introducing fare-free transit on all LTN-C routes (listed in Appendix 1) in the VRTS. A motion was subsequently passed directing BC Transit staff to provide a cost and benefit analysis on the implications of the proposal.

## **DISCUSSION**

LTN-C routes generally serve less densely populated suburban and rural areas with a focus on connections to local centres and to rapid and frequent transit routes. Routes are designated as LTN-C based on a combination of their service frequency and ridership performance. LTN-C routes have performance targets of 10 boardings per trip and 20 boardings per revenue hour, with a minimum service frequency of 120 minutes for any given day. In the VRTS, there are currently 22 LTN-C routes in operation, although several of these routes may be recommended for reclassification in the upcoming 2025/26 Annual Service Plan due to increasing ridership performance.

The impact of fare-free transit on LTN-C routes would not only affect these select routes; it would have far-reaching implications system-wide. Fare-free transit on select LTN-C routes would have broader impacts on ridership patterns, fare product purchases, service levels, and equity for riders and local government partners in the entire VRTS. With the approval of any fare-free program, there is the need to consider these broader impacts system-wide when evaluating the cost and benefit analysis provided within this report.

**Cost Analysis**

*Service Cost*

To provide information on the cost of operating transit on Route 63 and 64, as well as on all LTN-C routes, an analysis of the service costs of operating these routes is provided below. As BC Transit does not break down service costs by route or route type, the budgeted operating cost per hour is the same for all route types in the VRTS. The following table outlines the service hours and costs for Routes 63 and 64 as well as for all LTN-C routes for the 2024/25 fiscal year.

Route	Total Annual Service Hours	Budgeted Operating Cost Per Hour	Total Service Cost
Route 63 and 64	4,750	\$177.47	\$840,750.00
All LTN-C Routes	100,130	\$177.47	\$17,770,071.10

The total service cost does not account for any increases in service levels that may be required due to increased ridership on these two routes, or any other route, resulting from fare-free transit being introduced.

*Forgone Revenue*

In introducing fare-free transit on Routes 63 and 64, there are cost implications to be considered that include the potential forgone revenue from the pilot project routes, as well as from all 22 LTN-C routes in the VRTS if the pilot project is to be extended system-wide. As the VRTS is still transitioning over to a full adoption of Umo, BC Transit has limited historical data to determine forgone fare revenue with accuracy. It is expected that cash usage will remain high on these routes, and even with Umo, route-level data on cash-paying riders will remain unavailable.

1. Estimated Fare Revenue

In the absence of Umo data, a ridership assessment combined with the average fare revenue per ride in the VRTS was utilized to determine the potential lost revenue if fare-free transit was implemented on Routes 63 and 64 and subsequently on all LTN-C routes, as outlined below. The average fare per ride collected across the VRTS is \$1.60, however this is assumed to not be representative of the average fare per ride collected on LTN-C routes given the likelihood of less regular ridership and higher use of the single-ride fare. Accordingly, a range of estimated foregone fare revenues are provided below using both the VRTS-wide average fare and the \$3.00 cash fare to be introduced as part of the April 1, 2025 fare change.

Route	Annual Ridership Assessment	System Average Fare Revenue Per Ride	Estimated Lost Revenue
Route 63 and 64	22,357	\$1.60 - \$3.00	\$35,771 - \$67,071
All LTN-C Routes	1,105,528	\$1.60 - \$3.00	\$1,768,844 - \$3,316,584

## 2. Cost-Recovery Analysis

As BC Transit plans service in the context of the broad regional transit system, and given that the removal of fares on some routes can be expected to have impacts on service and revenues across the system, a more holistic approach to determine the forgone revenue could use the existing cost recovery percentage for the VRTS. This cost-recovery rate is calculated using revenue from all routes in the VRTS, and the estimated lost revenue is most likely a higher estimate due to the low ridership on LTN-C routes; however, this method considers the entire region in its calculation.

Route	Total Service Cost	VRTS Cost Recovery Rate	Estimated Lost Revenue
Route 63 and 64	\$840,750.00	26%	\$218,595.00
All LTN-C Routes	\$17,770,071.10	26%	\$4,620,218.48

### *Equity Considerations*

Along with the potential forgone revenue, there are equity considerations that need to be included in a cost analysis of this fare-free transit assessment.

#### 1. Transferring Riders

Any customer who is transferring from a fare-free LTN-C route to another route type and completes a return trip will not benefit from this program, as a full fare will still be required. As well, any user that purchases a 30-Day PASS, or holds a ProPASS, UPASS or BC Bus Pass for riding in the greater system will also not see the benefit of fare-free transit on LTN-C routes. With fare-free transit offered on select routes, some riders may forgo pre-paid fare products that provide secure revenue for the transit system in lieu of paying with cash or Umo Stored Value, which operates within Umo as a Cash Balance that can be used to pay a Single Fare.

#### 2. Local Travel on Other Route Types

Although LTN-C routes are specifically designed for local travel, there are riders throughout the VRTS that rely on other route types for their local transportation needs. In introducing fare-free transit only on LTN-C routes, a benefit is being afforded to riders based upon their geographical location, not their transit use or needs.

### **Benefit Analysis**

As indicated in the letter from the District of Sooke, offering fare-free transit can promote sustainable transportation and contribute to the Commission's overarching goals of fostering stronger, more resilient communities.

With the introduction of fare-free transit, it is expected that ridership will increase due to removing a financial barrier. Offering fare-free transit on Routes 63 and 64 would encourage local District of Sooke residents to commute for errands within the community via bus, instead of car, which will assist with emissions reductions and ease traffic congestion within Sooke. If all LTN-C routes were to be offered as fare-free, this would extend to other regions in the VRTS as well. The fare-free transit program would also benefit cash riders who rely on transit in remote areas and travel one-way, as they would not be required to purchase a DayPASS.

Along with encouraging local transit use within the District of Sooke, the proposal also indicated a desire to encourage riders to transfer to Routes 61 and 65 and reduce vehicles commuting along Sooke Road. As indicated, with fare-free transit on Routes 63 and 64, only those riders who are traveling one way would benefit from this program, as those making a return trip would pay the full DayPASS fare.

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## **Appendix 1**

### LTN-C Routes in the VRTS

- 1 - Richardson/Downtown
- 10 - Jubilee/Dockyard
- 13 - UVic/10 Mile Point
- 32 - Cordova Bay
- 43 – Royal Roads via Belmont Park
- 46 – Dockyard/Westhills
- 49- Skirt Mountain/Langford Exch
- 53 - Colwood/Langford via Atkins
- 54 - Metchosin
- 55 - Happy Valley
- 57 - Millstream/Westhills
- 58 - Goldstream Meadows
- 59 - Triangle Mountain
- 60 - Wishart
- 63 - Otter Point
- 64 - East Sooke
- 81 - Swartz Bay/Brentwood
- 82 – Sidney/Saanichton via Statuw Rd.
- 83 - Sidney/Royal Oak
- 85 - North Saanich
- 87 – Saanichton/Sidney via Dean Park
- 88 - Sidney/Airport