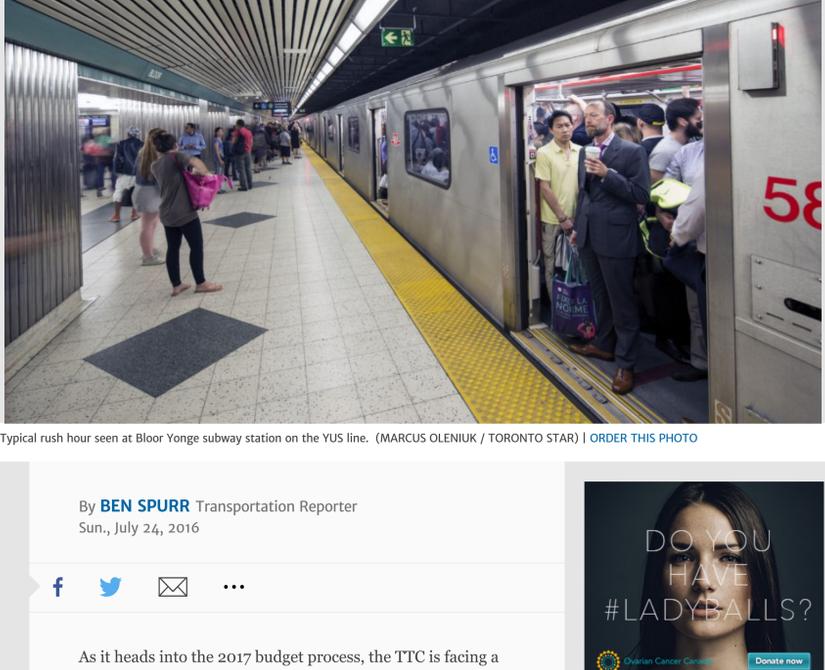




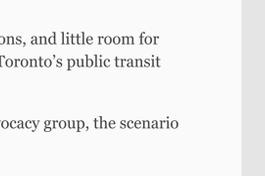
# TTC faces perfect storm with costs rising, ridership slumping

The TTC's financial pressure is larger than in previous years. It's facing \$178 million in increased operating costs amid decreased ridership and council demands for spending cuts.



Typical rush hour seen at Bloor Yonge subway station on the YUS line. (MARCUS OLENIUK / TORONTO STAR) | ORDER THIS PHOTO

By **BEN SPURR** Transportation Reporter  
Sun., July 24, 2016



As it heads into the 2017 budget process, the TTC is facing a perfect storm.

Costs at the transit agency are rising, ridership is slumping, and city council has demanded spending cuts.

The painful trifecta leaves TTC leaders and council with no easy options, and little room for mistakes. The choices they make in the coming months could affect Toronto's public transit system for years to come.

For Jessica Bell, executive director of TTCriders, a union-backed advocacy group, the scenario has all the hallmarks of a "crisis."

"The TTC is already overcrowded. The service isn't good enough," said Bell, who cited issues like King streetcars full to bursting and malfunctioning air conditioners that have turned Line 2 subway cars into saunas this summer. "Breakdowns are becoming the new normal. (The budget situation) is just going to make it worse."

At the outset of the budget process, which begins next month with initial submissions to the city manager, the TTC's financial pressure is much larger than in previous years. It's facing \$178 million in increased operating costs that it will have to cover just to maintain existing service levels next year.

While the commission has already identified about \$10 million in savings from sources such as lower-than-anticipated fuel costs, much of the pressure consists of spending that's beyond the commission's immediate control.

It includes \$25 million in labour costs under the agency's collective bargaining agreement, \$30 million in contractually obligated Presto fare card fees, \$32 million in lower-than-expected fare revenue, and \$7 million to operate the Yonge-University-Spadina subway extension, which is scheduled to enter service at the end of next year.

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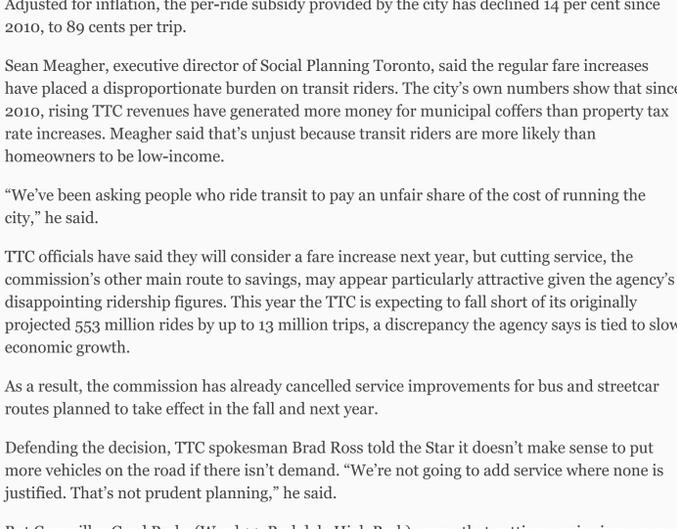
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"The numbers before you are going to be very challenging and tough for the TTC," Vince Rodo, the commission's chief financial officer, admitted to council this month.

Finding the \$178 million was always going to be hard. But the agency's task was made more difficult when council backed Mayor John Tory's direction to ask all city agencies and departments to cut costs by 2.6 per cent.

That translates into a \$15.9-million haircut to the TTC's net operating budget of \$610.3 million.



Slowing ridership growth, increasing costs and painful budget restrictions are going to make the next year very difficult for the TTC. (JACK LAKEY)

Asked whether it was realistic to expect the TTC to find those savings while also addressing its looming budget pressure, a spokeswoman for the mayor said: "We need to continue to make investments in our key priorities, including transit ... while recognizing our budget is under real strain."

"The Mayor believes the real waste and inefficiency in our City government is found in outdated systems and services, unnecessary duplication and a slow embrace of technology. Opportunities for efficiencies must continue to be pursued."

Historically, the TTC has had two main levers to balance its books: fare prices and service levels.

Mayor Tory has said he's in favour of "reasonable" fare increases every year to cover rising costs at the transit system. He argued that an annual hike is predictable and therefore preferable to having "no increase for three years and then a great big one."

Yet critics point out that since 2009, transit fares have risen faster than the rate of inflation. The cost of a token or Metropass has risen by about 30 per cent, while inflation has gone up by only about 12 per cent, according to the Consumer Price Index.

And that fare box revenue now pays for a larger portion of transit operations than it used to. Adjusted for inflation, the per-ride subsidy provided by the city has declined 14 per cent since 2010, to 89 cents per trip.

Sean Meagher, executive director of Social Planning Toronto, said the regular fare increases have placed a disproportionate burden on transit riders. The city's own numbers show that since 2010, rising TTC revenues have generated more money for municipal coffers than property tax rate increases. Meagher said that's unjust because transit riders are more likely than homeowners to be low-income.

"We've been asking people who ride transit to pay an unfair share of the cost of running the city," he said.

TTC officials have said they will consider a fare increase next year, but cutting service, the commission's other main route to savings, may appear particularly attractive given the agency's disappointing ridership figures. This year the TTC is expecting to fall short of its originally projected 553 million rides by up to 13 million trips, a discrepancy the agency says is tied to slow economic growth.

As a result, the commission has already cancelled service improvements for bus and streetcar routes planned to take effect in the fall and next year.

Defending the decision, TTC spokesman Brad Ross told the Star it doesn't make sense to put more vehicles on the road if there isn't demand. "We're not going to add service where none is justified. That's not prudent planning," he said.

But Councillor Gord Perks (Ward 14, Parkdale High Park) warns that cutting service in response to budget pressures and lower ridership could send the TTC "into a ridership death spiral" that could hobble the public transit system for years.

"You can't charge more for a worse service and expect people to keep using it," he said, predicting that higher fares and less service will only drive riders away, which in turn will exacerbate the TTC's revenue problems.

He argued that instead of imposing budget cuts, council should make investments so as to attract more riders.

He pointed to the ridership growth strategy that the TTC launched in 2003, the last time the commission faced slumping ridership. At the time, instead of cutting back, the agency decided to add more buses and streetcars during peak and off-peak hours, and reduce crowding standards and wait times. The strategy of increasing service ahead of demand worked, and drove a trend of sustained ridership growth that is only now starting to plateau.

"The only way that we can continue to meet the goal of improving transit and attracting more riders — which the mayor says he's in favour of — would be to invest money at this point, not to demand fare increases and service cuts," Perks said.

TTC chair Josh Colle doesn't agree that the commission is facing a crisis. He pointed out that in 2015, he and Tory introduced \$95 million in service improvements that reversed cuts made under Rob Ford's administration, and that frequent customers got some relief this year with a Metropass price freeze.

Colle said that to ensure the TTC's long-term financial stability, the organization is instituting cost-saving measures such as modernizing back-office operations, switching to one-person subway operation, moving to the Presto fare system, and addressing long-neglected system repair needs.

But savings from many of those initiatives won't begin to be realized for at least another year, and Colle conceded that the upcoming budget will be more difficult to balance than others he's faced since taking the helm in late 2014.

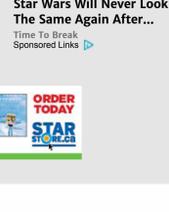
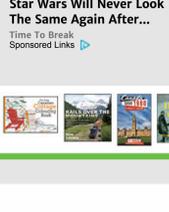
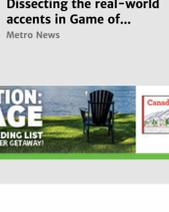
While he said he believes it's fair to impose regular inflationary fare increases on riders, Colle stressed that "the last thing that I would want to do" is reverse the service improvements made under his watch.

"We'll do everything we can to make sure service is retained," he said, adding that he hoped council, which will decide the TTC's 2017 operating subsidy early next year, would be of similar mind.

But he also admitted that, given the size of the budget shortfall, the commission will have to examine all of its options.

"In an ideal world I would say, yeah, we're going to increase service, save money, and reduce fares. I don't know if a politician came to your door selling you that, if you'd believe them or not."

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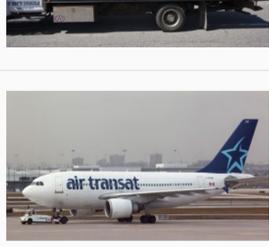
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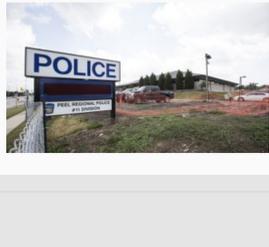
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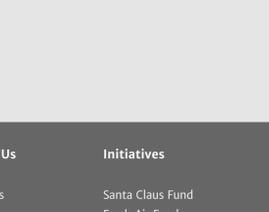
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