

To: Metrolinx Board of Directors
From: George Bell
Vice President, Safety and Security
Date: May 15, 2019
Re: Revenue Protection

EXECUTIVE SUMMARY

As Metrolinx continues to provide new and expanded weekday, off-peak and weekend services, we have been reviewing our strategies to keep pace and protect revenue. As a result, an enhanced revenue protection program has been implemented.

Historically, our revenue protection team focused on the goal of completing inspections based on a percentage of our ridership. Over time, the annual inspection targets have been adjusted to keep pace with increased service and customers. Previous counts led us to believe our fare evasion rate was closer to 1.1%. A more recent and accurate campaign, whereby we conducted full train inspections over a six-month period, revealed that the evasion rate is approximately 3%. Annually, each 1% of fare evasion equates to approximately \$5 million in lost revenue.

We found that our original goals and the fare inspection strategy in place didn't allow us to complete full train inspections and was thus proven to be ineffective. Our former strategies weren't aligning with increased service levels and passengers volumes.

BACKGROUND

Why Fare Enforcement is Important

As noted above, Metrolinx loses up to \$15 million per year through fare evasion. Reduction and recovery of this amount represents significant financial diligence and protects the taxpayer's investment in the system. Additionally, it is important that we foster and demonstrate equity among our ridership. The vast majority of transit customers pay their fares. Unfortunately there will always be a small percentage of people who will look for ways to scam any system, which is why transit agencies establish fare enforcement systems and policies

Authority

Metrolinx is granted authority for fare enforcement under Bylaw #2, which requires persons using the system to possess and display a valid fare. Failure to produce a valid fare is considered an absolute liability offence and penalties as set out in the Administrative Fees regulation apply. The current fine for fare evasion is \$100.

Administrative Fees Program

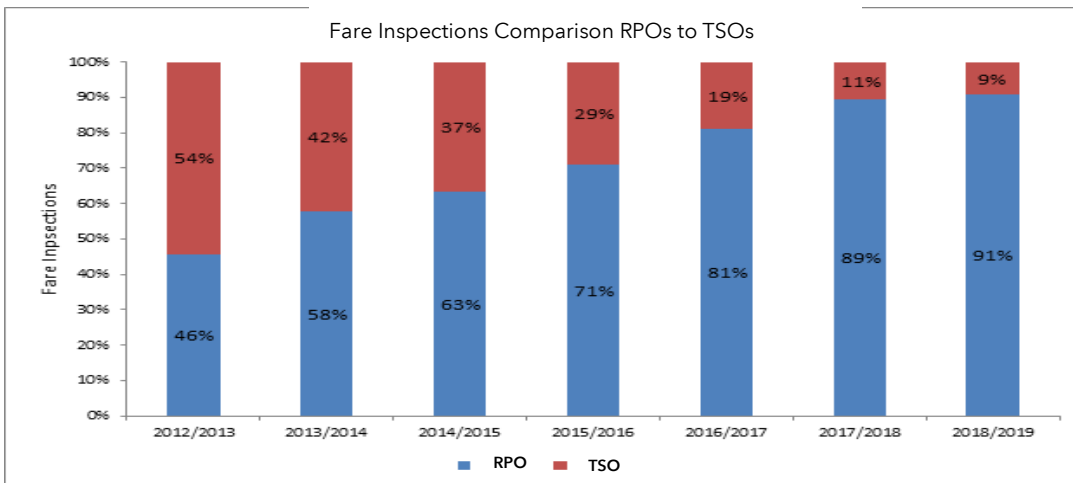
The Metrolinx Administrative Fee program was created through the *Metrolinx Act, 2006* and Metrolinx Regulation 282/10. This program provides an alternative dispute resolution and hearing process by which an individual may choose as an alternate to testing the evidence in a formal court setting (a trial). Any fine assessed against an individual becomes owing and payable to the Corporation. This program was designed to provide high quality customer service for resolving parking and fare disputes. Fines that remain unpaid are sent to a Collection Agency for further enforcement.

How the Transit Safety Officer role has changed

Historically, Transit Safety Officers (designated as Special Constables) conducted a larger percentage of fare inspections. Their role has since evolved to include additional tasks (security sweeps and platform safety are two examples) that have shifted their duties away from fare inspections. This required Metrolinx to move the duty of inspections to Revenue Protection Officers. These officers specialize in inspections and cost less to protect the revenue. Transit Safety Officers will always remain an integral component of our strategy as they provide escalated assistance, and assistance to fare inspections during special events, among other things.

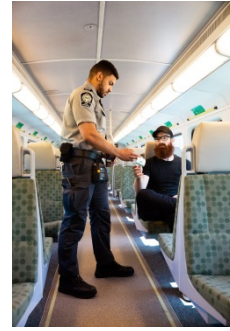


The following chart illustrates the phased-in approach of the separation of duties between Transit Safety Officers (TSO) and Revenue Protection Officers (RPO).



Revenue Protection Officers

In late 1997, the Customer Attendant program was created. A team of fare inspectors worked alongside Transit Safety Officers to perform rail fare inspections during peak ridership periods Monday to Friday (5:00 a.m. to 9:00 p.m.) At the time, the team was comprised of a total of five Customer Attendants. In 2008, the number of Customer Attendants grew to 26. In April 2019, their position title was changed to Revenue Protection Officers to better reflect their actual role.



Revenue Protection Strategy

Effective April 1, 2019, a new fare protection approach was implemented. The biggest change to the approach was the adoption of a zero-tolerance strategy for fare evaders. Passengers who fail to show a valid ticket upon request by an officer are now being issued a Notice of Violation (with an associated \$100 fine) under the Metrolinx Administrative Fee Program.

Inspections are prioritized based on three factors:

- ridership volumes - ridership is charted on a monthly basis ;
- found evasion rates - found evasion is measured monthly;
- geographical Location - all trips must receive regular inspections, even if they are low volume and low historical evasion, with known "hot spots" for evasion receiving extra attention.

We devote the greatest amount of enforcement to trips that have high ridership volumes and high found evasion rates. For example, a Lakeshore West train leaving Union Station with 2,000 passengers on board and a historical evasion rate of 2+% will be given higher priority than a Barrie Line evening train with 150 passengers on board and a historical evasion rate of 4%. We will not, however, ignore the lines with less density, and target inspections on these trips at least once a month.

As an illustration, the following tables represent the current distribution of fare evasion over our seven lines and consider the volume of passengers per inspected train. We update these tables on a monthly basis and use the information within them to determine our monthly inspection plan

High Volume Trains (300+ Passengers)			
Range	Full Inspections		
	0% - 1%	1.1% - 3%	3.1% +
Total # of Trains	30	40	16
Barrie	1	5	1
Kitchener	2	4	2
Lakeshore East	12	10	4
Lakeshore West	4	18	9
Milton	3	0	0
Richmond Hill	2	1	0
Stouffville	6	2	0

Note: Statistics above are based on full train inspections (above 80% inspections)

Low Volume Trains (Less than 300 Passengers)			
Range	Full Inspections		
	0% - 1%	1.1% - 3%	3.1% +
Total # of Trains	7	12	21
Barrie	2	1	8
Kitchener	0	1	5
Lakeshore East	1	3	3
Lakeshore West	1	0	4
Milton	0	0	0
Richmond Hill	0	0	0
Stouffville	3	7	1

Note: Statistics above are based on full train inspections (above 80% inspections)

In order to increase the number and quality of our fare inspections, we have onboarded 12 new full-time Revenue Protection Officers, bringing the total to 32 full-time and eight part-time positions. The 12 new full-time officers are currently in-field training with their Field Training Officers and are anticipated to join the complement on June 1.

Inspection Targets

In the 2018/2019 fiscal year, we met our inspection target of 5% or greater of our annual rail ridership, inspecting **2.47 million** fares.

In this fiscal year (2019/2020), with increased staffing and shift coverage expanded to seven days a week, a new frequency of inspection target has been implemented. This strategy is to target heavy evasion and heavy passenger volume trains.

As of April 1, 2019, our frequency based targets for full-train inspections focus on peak services with specific attention directed towards inspecting trains trips with known evasion rates higher than 1%:

Trips known with 1.1-2% evasion will be re-inspected with priority

Trips with 2.1% and above evasion rate will be given high priority and re-inspected regularly until a reduced evasion rate is realized

*Fare evasion is calculated based on the number of fare violations divided by the fares inspected.

In addition to the frequency-based fare inspections, we will also be focusing on the top three known "hot spot" stations for fare evasion. As part of our ongoing analysis, Revenue Protection staff will conduct monthly pre-boarding fare inspections to determine three "hot spots" for further intervention.

With the 12 new Revenue Protection Officers and an enhanced revenue protection strategy, we are anticipating a revenue gain. Our 2019/2020 goal is to reduce fare evasion by 25% (from the current 3%), yielding an annual fare recovery increase of \$3.75 million.

Risks and Benefits to the Enhanced Revenue Protection Program

1. Customer Satisfaction scores:
 - a. These scores may be **negatively** impacted by the zero-tolerance approach to anyone found on the rail system without a valid fare; or
 - b. These scores may be **positively** impacted by the zero-tolerance approach by individuals being exposed to consistent approach by officers and by an improved perception of fairness from compliant customers, who represent the vast majority.

2. Ticket Processing Administration Office:

Penalty reviews are currently at approximately 40% of tickets issued. Increasing the number of tickets issued has further increased the number of passengers requesting review of their fines. This has had significant impact on workloads for the review and prosecution teams. We are changing the review process to manage increased workload without additional staff by i.e discontinuing the in-person administrative reviews (a method where a person can dispute their ticket) and enabling more convenient methods (i.e. online, telephone, email, fax and mail).

Increased telephone enquiry volumes have created longer call-back times and call-waiting times; however, we expect this to normalize once the new process becomes routine.

3. Impacts on other internal departments/groups:

The Customer Relations department reports that the strategy positively impacts their messaging to customers in response to fare-evasion complaints (i.e. a consistent approach has now been implemented); but that there is a potential of an increase in the number of complaints that are escalated to the executive level.
4. Impacts on officers:

Officer Safety - The consistent approach to fare evaders may reduce the number of negative and escalated interactions with passengers as there is a consistent understanding to the organization's approach to fare evasion.

Officer Confidence - The consistent approach to fare evaders allows officers to approach a difficult inspection with more confidence knowing that this enhanced directive is the only option and is the official corporate approach.

GO Bus Operations and UP Express

Currently, the Revenue Protection program only applies to GO Transit rail. GO Rail is the only Metrolinx service that operates on the honour system, whereby passengers are trusted to pay the appropriate fare and periodically checked to ensure compliance. On the bus system, every passenger has their fare checked by the driver on boarding. On UP Express, onboard staff check every passenger's compliance.

Because there is a very small percentage of passengers who nonetheless refuse to pay fares on these systems, the Revenue Protection program has begun to work with both Bus Operations and UP Express to collect information to assess fare evasion on these services.

CONCLUSION

Revenue protection is a significant priority for Metrolinx. Increasing the complement of Revenue Protection Officers and changing the strategy we use to determine where, when and how we enforce the tariff will increase our diligence in managing taxpayer's money, reduce fare evasion by at least 25% this year, and will return a financial benefit to the company of \$3.75 million while simultaneously increasing the equity of the responsible fare-paying customer.

Respectfully submitted,

George Bell,
Vice President, Safety and Security

Revenue Protection

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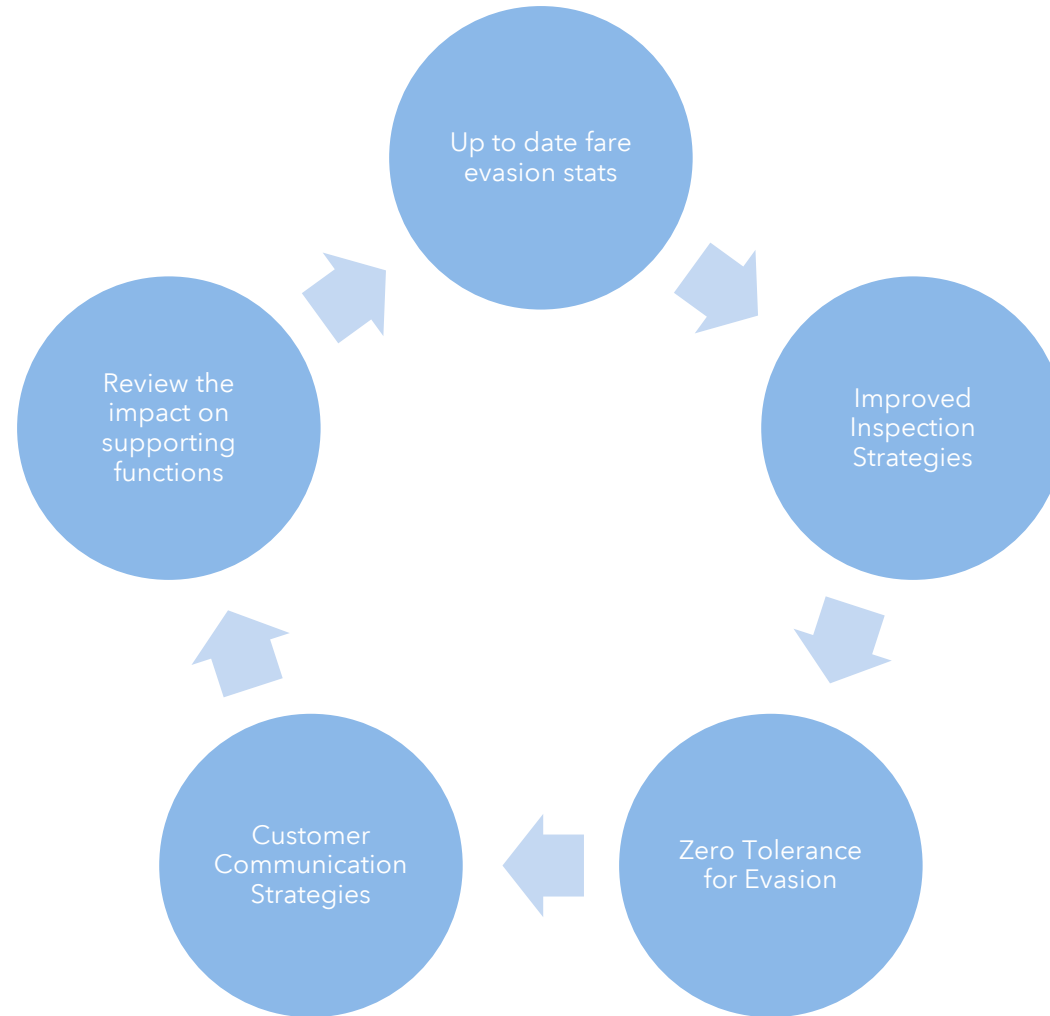
FARE PROTECTION

REVENUE PROTECTION
AND ENFORCEMENT

BUY IT, KEEP IT, SHOW IT
ACHETEZ, GARDEZ, PRESENTEZ

FARE PAID ZONE
PROOF OF VALID FARE REQUIRED BEYOND THIS POINT

FOUNDATIONAL APPROACH TO REVENUE PROTECTION



INSPECTION PRIORITIES

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