

IMPLEMENTATION OF TRANSIT REVENUE ACTIONS

Recommendation

That Administration implement the next steps required to advance Items P-18 (create an online store for ETS souvenirs or merchandise) and P-17 (enhance ETS fare collection for special events to decrease fare evasion and increase revenues) as outlined in the August 28, 2024 City Operations report CO02506, and that Administration bring forward budget adjustments when actual revenues can be confirmed.

Requested Action	Council decision required		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Urban Places		
City Plan Values	THRIVE.		
City Plan Big City Move(s)	A community of communities	Relationship to Council's Strategic Priorities	Mobility Network
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • C451H - Edmonton Transit Service Fare Policy • C624 - Fiscal Policy for Revenue Generation 		
Related Council Discussions	<ul style="list-style-type: none"> • February 21, 2024, OCM02233 Operating Budget Amendment 12 Update • May 23, 2024, CO02390 Ride Transit Program Funding Update • April 23, 2024, FCS02361 Spring 2024 Supplemental Operating Budget Adjustment 		

Previous Council/Committee Action

At the May 23, 2024, Executive Committee meeting, the following motion was passed:

That Administration provide a report on the process to implement items P-18 (create an online store for ETS souvenirs or merchandise) and P-17 (enhance ETS fare collection for special events

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to decrease fare evasion and increase revenues) as outlined in Attachment 7 of the April 23, 2024, Financial and Corporate Services report FCS02361.

Executive Summary

- Two ideas for generating additional revenue for transit were identified as part of the Spring 2024 Supplemental Operating Budget Adjustment: creating an online store for ETS merchandise and enhancing ETS fare collection for special events.
- An online store to sell transit merchandise is offered in several Canadian cities. In addition to the revenue generating potential, it can contribute to a positive brand for the City of Edmonton. Next steps to implement this revenue action are to administer a Request for Proposal process, confirm the service delivery model and develop a plan for the launch.
- Enhancing ETS fare collection for special events can also improve the flow of participants at Commonwealth Stadium by providing a streamlined approach to transit fare collection.
- Implementing a fee on a per-ticket basis to provide transit access would improve access control and flow of participants at events, reduce fare collection staffing costs during events, and incentivize the use of transit for event attendees.

REPORT

As part of the response to Operating Amendment 12 (OP12) during the 2023-2026 budget deliberations, Administration developed several revenue generating actions. Revenue options were presented as part of the Spring 2024 Supplemental Operating Budget Adjustment. Creating an online store for ETS souvenirs or merchandise and enhancing fare collection for special events will generate some revenue.

ETS Online Store For Merchandise

Transit agency merchandising has become a growing trend over the past few years. In Canada, transit agencies like Metrolinx, TransLink, Toronto Transit Commission (TTC) and Société de transport de Montréal (STM) have established online stores that offer a large variety of merchandise that highlight popular elements of their local transit. The stores include a range of branded products such as clothing and apparel, drinkware, toys, seasonal items and other keepsakes.

In addition to potential revenue, the online stores provide an additional stream for engagement with the public and transit enthusiasts, helping to improve the brand recognition and reputation of the transit agency. Along with a catalogue of standard industry products, transit agencies use the online stores as a way to promote the transit service. Examples of this include new products aligned with the launch of a new service (e.g., opening of a new station or LRT line), nostalgic items featuring retro-brands or vintage fleet and holiday-themed products ranging from tree ornaments to festive sweaters. In Edmonton, there has been a generally positive and enthusiastic response from the public, as observed in the media and social media, since the idea of an ETS online store was shared publicly in Council reports earlier this year.

The City of Edmonton assessed various models used by other transit agencies for delivering an online store. Many of these agencies use a third party vendor that manages the 'storefront',

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inventory, point of sale, shipping and all aspects of customer interaction. The transit agency receives a percentage of the revenue generated from the sale of merchandise as a royalty for the use and sale of the brand. This model eliminates the set-up costs for the storefront and eliminates the need to hold and manage inventory, limiting the financial risk for the City. While the transit agency ultimately determines the products offered, the vendor would provide recommendations on which products are marketable. ETS would be able to do some outreach with the public to help determine the types of products to offer. The agreements generally contain a clause requiring the transit agency to buy-out unsold merchandise after a certain period of time. An alternative approach in which the transit agency directly operates a storefront (online or other) is not recommended as the operating expenses would likely exceed the revenue generated; this approach could be revisited in future years should the sales volume exceed expectations.

The next step in the process to establish an online store is to launch a Request for Proposal (RFP) process. This would allow potential vendors to submit proposals for how they would manage the storefront in partnership with ETS, providing detailed information on product selection, procurement approaches (in alignment with City Policy C556B Sustainability Procurement Council Policy), customer relations management and the revenue sharing model. Through the RFP process, Administration will be able to assess and partner with a vendor that best aligns with the City's requirements. Administration anticipates the online store could launch in Q2 2025, and a budget adjustment would be brought forward through a future budget adjustment once actual revenue amounts are confirmed.

Enhance Fare Collection for Special Events

ETS supports various civic events throughout the year through Park and Ride service, additional LRT service and charter bus service. Demand for transit service is highest for event locations that are not easily accessible by other modes due to limited parking availability or locations that do not have attractions, such as bars and restaurants, in the vicinity where attendees may go before or after the event. Events at Commonwealth Stadium reflect both of these characteristics. As a result, ETS often transports over 50 per cent of all Stadium event attendees within a short time frame before and after the events. For example, for the Garth Brooks concerts in 2022, ETS transported approximately 26,000 riders each night through a combination of LRT service and bus Park and Ride service, out of approximately 57,000 total event attendees.

In alignment with City Policy C451H - Transit Fare Policy, event attendees are required to pay a fare for using transit. Administration has implemented several approaches to adjust fare collection for major events, including:

- Transit Peace Officers manage fare collection boxes at access/egress points at major stations and during take-away service at Stadium LRT station. Riders can place cash or tickets in the collection boxes, or scan their Arc card using mobile validators.
- Proactive communication before events to remind participants to purchase their transit fare in advance.
- Ensuring ticket vending machines are restocked in advance of events.

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Despite employing these methods for several years, the large volume of attendees at major Commonwealth Stadium events make it challenging to ensure that all event goers have paid the appropriate fare as they leave the event, which creates the potential revenue not being collected.

Administration currently collects a facility use fee for events at Commonwealth Stadium, which helps offset the operating costs of the venue. This fee is collected at the point of sale through a third-party ticket vendor. Collecting an additional facility use fee for larger events could fund transit fare revenue for Stadium events, and participants would use their event ticket as proof of payment to ride transit. This approach would make using transit more convenient for event attendees, supporting greater transit usage for events, while also reducing administrative burden for the City in collecting transit fare for these events. It would also speed up the flow and movement of riders as they exit the event. Riders with Arc cards would not need to tap their Arc cards if they have a ticket for a major Commonwealth stadium event.

The recommended additional facility use fee price is \$1.50 per ticket, which was established based on the average cost of additional transit service for major Stadium events, total attendance at these events and a cost recovery target in line with City Policy C451H. Administration recommends that this fee is applied only for larger events at Commonwealth Stadium, such as concerts, since smaller events are more sensitive to ticket pricing, as the event organizers are typically smaller or newer organizations, or are attracted to Edmonton through a competitive bid process. The established methods of fare revenue collection are adequate for smaller events.

The additional Stadium ticket fee would be implemented as a distinct transit fare surcharge to proactively communicate to event goers that their transit fare is included in their event ticket. This process would be initiated in 2025, and the ETS fare revenue budget would be adjusted during a subsequent budget adjustment once the actual revenues are confirmed. The facility use fee could be implemented for 2026 events, as major Stadium event tickets generally go on sale up to one year in advance. This timing would also allow for time to inform event promoters about the surcharge.

Budget/Financial Implications

The ETS online store is estimated to generate \$15,000 in annual net revenue, starting in 2025. This estimate is based on Administration's understanding about the revenue generated by other Canadian transit agencies, such as TransLink and Metrolinx, for similar initiatives using a third party vendor and an online store delivery model. Revenue is difficult to estimate without further understanding of the business model and associated revenue sharing, as well without testing the market to understand the demand for the store merchandise. As such, Administration is providing a conservative estimate at this time. Implementation of an ETS online store would be implemented within the existing budget.

The special event surcharge is estimated to generate \$44,000 in annual net revenue, starting in 2025. Based on recent historical averages, Administration anticipates that this would apply to approximately one to two major Stadium events per year (average number of major Stadium events annually is 1.5). Gross revenue was estimated by applying the \$1.50 surcharge to the average attendance for major events, less farebox revenue already received on major Stadium

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events. This resulted in \$44,000 in additional annual revenue. Implementation of a special event surcharge would not incur additional costs.

Community Insight

Since the concept of launching an ETS online store was released, public response about the initiative through social media and other feedback mechanisms has been generally positive. During special events at Commonwealth Stadium, event attendees often share feedback on social media platforms about their transit experience, including wanting a convenient and easy-to-use option for fare payment. Comments are also commonly shared about the need to quickly and safely exit the event to return home. Simplifying transit fare payment for event attendees addresses these needs. There may be some who are also concerned about ticket pricing and could be sensitive to the additional surcharge. Ticket pricing affordability has been part of the general public discourse over the last couple of years.

ETS collects feedback through 311, the online feedback form, the rider research program as well as outreach/engagement activities. Once these initiatives have been implemented, Administration will monitor feedback from these channels.

GBA+

While the additional transit additional facility use fee marginally increases the overall surcharges for major events at Commonwealth Stadium, it is a more equitable fare collection approach. The approach supports affordable access to transit, as the contributions from all event attendees significantly lowers the fare cost per event attendee. Those who do not use transit to attend an event help subsidize those who do. This collective cost sharing method contributes to improved service overall for riders who may be more likely to use transit as a lower cost transportation option due to affordability concerns. In addition, the additional facility use fee will reduce crowding and improve people flow at Stadium LRT station and Commonwealth Stadium during major events, further supporting people with limited mobility.

The RFP process will provide Administration a better understanding of how the online store will operate and potential ways to reduce barriers to accessing the store.