

TRANSIT FARES REALIGNMENT FINANCIAL MODELLING



BASELINE DATA

2025 Planned and Actual Data for OC Transpo

	Planned	Actual	Source
Total Rides	77.9m	70.6m	Planned computed as the reported 80% target of 2019 levels of 97.4m rides. Actual from City of Ottawa Feb 2026 release .
Total Operating Budget	\$856.9m		City of Ottawa 2025 Adopted Budget , p 306.
Fares Collected	\$197.6m	\$177.6m	City of Ottawa 2025 Adopted Budget , p307. Actual revised as per CTV News article Feb 2026 that fares were approximately \$20 million less than expected.
Average Fare Reported		\$2.42	OC Transpo, Nov. 21, 2025: Comprehensive review of the transit fare structure . Does not exactly match the calculated “collected / total rides” amount of \$2.50, as lower actual fares are based on an approximate number provided by management.

ELASTICITY OF DEMAND

As fares rise (or fall), transit ridership will fall (or rise) in response to price changes. The rate at which this happens is called the elasticity of demand.

For modest transit fare changes, the **standard** elasticity of demand ranges from -0.2 to -0.4 in the short-term. For modelling purposes, the midpoint of -0.3 is used, in line with OC Transpo practices. This means if fares increase by 10%, ridership drops by 3%. Network-specific factors determine whether the short-term elasticity is higher or lower for each transit system.

For major fares changes, standard elasticities do not apply.

The elasticity of demand for major fare changes ranges from -0.4 to -0.8 in the long-term. “Buck a ride” is a major change, and for modelling purposes, a **stepchange** elasticity of -0.6 and a **transformational** elasticity of -0.8 are both considered. It should be noted however that pricing impacts tend to increase over time, and can triple over the long-run¹.

The reduction in average fare from \$2.42 to \$1.00 is a 59% decrease. The impact specifically on those paying the full \$4.10 fare is higher.

¹ <https://www.vtpi.org/elasticities.pdf> p.4

RIDERSHIP INCREASE ASSUMPTIONS

Modelling Price Elasticity on 2025 Ridership Levels

	Elasticity	Ridership Change	Additional Riders (m)	Total Riders (m)
Status Quo	0	0	0	70.6
Standard Elasticity	-0.3	+17.6%	13.6	83.0
Stepchange Elasticity	-0.6	+35%	24.8	95.4
Transformational Elasticity	-0.8	+47.0%	33.2	103.8

BUDGET IMPLICATIONS

	Average Fare (\$)	Expected Ridership (m)	Fare Revenue (\$m)	Financing Gap (\$m)
Status Quo	2.42	70.6	177.6	0
Buck a ride, Standard Impact	1.00	83.0	83.0	94.6
Buck a ride, Stepchange Impact	1.00	95.4	95.4	82.2
Buck a ride, Transformational Impact	1.00	103.8	103.8	73.8

NB. Status quo is based on reported OC Transpo numbers. Computed numbers do not match exactly.

OTHER CONSIDERATIONS ON INTERSECTING INITIATIVES TARGETING TRANSIT

“Buck a ride” will not be the only improvement to OC Transpo. Qualitative improvements to public transit, which could result in reduced travel time, service-hours, frequency and comfort will also increase ridership. Ridership is estimated to be one-third to two-thirds as responsive to a fare change as it is to an equivalent change in service². Ridership from service improvements (such as new or re-introduced routes) are expected to reach their full potential in 1 to 3 years.

The elasticities embedded in these multiples cross-price elasticities are expected to be multiplicative³ rather than additive.

² Ibid. p.55 Also of note: Elasticity of transit use to service expansion is 0.6-1.0 for quantitative improvement in distances or hours covered. Measures to improve service have more impact in transit-poor areas.

³ For example: if three strategies are proposed for implementation, which individually provide a 5%, 6% and 7% reduction in vehicle travel, the total predicted reduction is 17%, calculated as $(1-0.05) \times (1-0.06) \times (1-0.07) = 17.0$, not 18% ($5 + 6 + 7 = 18$).

CONCLUSION

“Buck a ride” would cost \$73.8 million to \$94.6 million annually. For planning purposes, the Stepchange Impact is assumed, costing an estimated \$82.2 million annually.

SOURCES OF FUNDS

Buck a Ride is funded at no additional cost to taxpayers.

Funding the Stepchange Impact of \$82.2 million cannot be addressed independently of the OC Transpo deficit of \$52 million. Together, these amount to a total recurring funding shortfall of \$134.2 million.

There are three sources of funding for this shortfall:

1. **Provincial uploading of the LRT** resulting in lower operating costs to the City, estimated at \$85 million annually. The LRT upload savings will be the primary funding source for Buck a Ride.
2. **Real savings in the 2026 City of Ottawa \$5.218 billion operational budget**, identified through the *Open Books. 100 Days* process. Savings from the *Open Books. 100 Days* process will be the bridge financing should the provincial upload be delayed.
 - The total transit requirement represents 2.6% of all 2026 City operational spending. By comparison, the Carney government is targeting 15% savings in the federal operating budget.
 - City Hall efforts over the past 4 years to find savings in the budget were public relations exercises that did not result in any committee, board or agency having its budget reduced. Hence no savings were returned to the budget process for reallocation to OC Transpo. Instead, those committees, boards and agencies reported savings but kept the resources and spent them elsewhere. Even the unambiguous removal of costs due to federal and provincial actions (such as the elimination of the carbon tax or the continuation of federal subsidized child care resources flowing to Ontario and on to municipalities) remained as available resources in each department’s budget.
3. A future **real estate transit development authority**, similar to Translink’s Real Estate division, that captures land value associated with transit-oriented development in metro Vancouver. These resources will provide long-term sustainability to Buck a Ride financing.