Comprehensive Transit Fare Review – Update and Next Steps

ISSUE

Saskatoon Transit fares have remained frozen since 2016, a period during which inflation has eroded their real value by 23%.[1] As a result, fare revenue now covers less than a third (30%) of the system's total costs, placing growing pressure on the City of Saskatoon's tax-supported budget to fill the gap. With the launch of the Link Bus Rapid Transit (BRT) system planned for 2028, the City has a critical opportunity to modernize its transit fare policy in lockstep with this historic investment in transit service. Using a public finance perspective, this report and its appendices provide a comprehensive, data-driven analysis of the key issues in transit fare design, balancing fiscal sustainability with the core goals of equity and efficiency.

BACKGROUND

At the December 14, 2015, City Council Budget Review meeting, City Council adopted several transit fare price changes. While most fares saw various price increases, regular cash fares fell.[2]

At the November 30, 2016, City Council Budget meeting, City Administration tabled an information report explaining there would be no fare increases in 2017, other than adjustments to the UPass program.[3] The report noted that fares were remaining unchanged because "Administration is currently developing a policy-based Transit fare strategy that will be the subject of a report in early 2017".The report also noted "by keeping the Saskatoon Transit rates unchanged, Administration is expecting an increase in ridership and a corresponding increase in revenues".[4]

At its November 8, 2023, Governance and Priorities Committee (GPC) meeting, after consideration of an information report, titled "Impacts of Elimination of Child Fare on Saskatoon Transit", GPC passed a resolution to eliminate transit fares for children under Grade 8, effective September 1, 2024.[5] At that time, the report did acknowledge that a comprehensive transit fare review would be conducted by 2026.

Subsequently, at its November 2023 City Council Budget meeting on the City's 2024/2025 Multi-Year Business Plan and Budget, Administration tabled a budget option

[1] See Statistics Canada Table 18-01-004-01.
[2] See for example, https://www.cbc.ca/news/canada/saskatoon/fee-increase-saskatoon-city-council-transit-recycling-1.3363866#:~:text=The%20City%20of%20Saskatoon%20will,at%20its%20regular%20meeting%20today.
[3] See, https://pub-saskatoon.escribemeetings.com/filestream.ashx?DocumentId=21353
[4] See note 3.
[5] https://pub-saskatoon.escribemeetings.com/Meeting.aspx?Id=27a03a9a-cb1d-4a12-9778-c39d6c3dab6e&Agenda=PostMinutes&lang=English&Item=25&Tab=attachments

to adjust all existing transit fares by 5%, 7.5%, and 10%.[6] City Council chose not to adjust fare prices at the meeting, preferring the status quo.

CURRENT STATUS

In 2028, the City of Saskatoon is planning for the launch of Link, its new BRT system that aims to increase service frequency on key transit routes. To support that service investment, the City of Saskatoon has been conducting analysis on potential transit fare reforms. This report and its appendices offer a thorough theoretical and practical data-driven analysis on potential ways to more optimally balance the fiscal trade offs in providing accessible, yet fiscally, sustainable public transit in Saskatoon.

In doing so, the analysis uses a public finance perspective to address both the status quo and potential reforms to Saskatoon's fare structure. This perspective offers a framework to describe the underlying reasons public transit is a "good" whereby the user pays to partially cover the cost of the service, while the remaining is supported by the City's general tax-supported budget.

As a result, the Administration is tabling this report with Committee to proceed with public engagement on the ideas, concepts, and analysis shared in this report and its appendices. The scope of the analysis is limited to user-based fare products and not contract based, like U-Pass, the employer Eco Pass program, and other contract-based fares. After the engagement phase, the Administration will provide a decision report that evaluates various transit fare options in time for the 2026/2027 Multi-Year Business Plan and Budget meeting in late November.

DISCUSSION/ANALYSIS

Many cities and transit agencies in North America (and around the world) are exploring new ways to improve transit accessibility and affordability through different fare pricing choices, especially in the wake of the COVID-19 shock. The use of technology, namely applications, smart phones and smart cards, has provided more convenient approaches for users to access public transit. However, cities are still struggling to reach or exceed pre-pandemic ridership levels, despite increasing revenues.[7]

Post-COVID, several cities have started to eliminate transit fares for certain demographics to help drive ridership levels. Many cities or transit agencies in Canada, for example, have eliminated transit fares for children (under 5 or under 12), while some have gone a step further and eliminated them for seniors.[8]

Some smaller Canadian cities and larger American cities, such as Kansas City, have experimented with fully-subsidized (i.e., free fares for all riders) public transit.[9] Due to

[6] https://pub-saskatoon.escribemeetings.com/Meeting.aspx?Id=740d5b45-21bc-4f9b-87d5-161be3d48265&Agenda=PostMinutes&lang=English.
[7] For Canadian context see, https://www150.statcan.gc.ca/n1/daily-quotidien/250819/dq250819c-eng.htm.
[8] See for example, https://www.oakvilletransit.ca/fares/youth-and-seniors/
[9] https://ici.radio-canada.ca/rci/en/news/2119253/free-transit-actually-is-a-thing-and-you-might-be-surprised-where

budget constraints, Kansas City has voted to eliminate the policy, but there is a growing movement in the United States to make fare free transit more permanent.[10] These examples outline the inherent trade-offs involved in setting public transit fares.

Optimal Transit Fares (In Theory)
As Appendix 1 discusses, designing public transit fares in small and mid-sized Canadian cities presents unique challenges. Lower ridership density, modest farebox recovery, and heightened equity concerns all complicate fare setting. Ideally, "optimal" fare structures must balance allocative efficiency (pricing rides near marginal cost) and vertical equity (ensuring affordability for lower-income riders). Achieving the right efficiency-equity trade off involves setting tax subsidies at a level that encourages appropriate resource allocation, recognizing the transit agency (or City's) budget constraint.

To that end, Appendix 1 also addresses potential policy proposals aimed at optimizing public transit fares. This includes novel approaches such as fare capping, whereby, monthly passes are eliminated in favor of a fixed cap. Once riders exceed the fixed monthly cap (e.g., $60) they no longer pay for rides.

A common feature of most transit fare systems is to set fares by age groups (e.g., students or seniors) generally implying that these groups require special fare concessions relative to others due to perceived lower incomes or poverty rates. However, these can be inefficient because they may not necessarily allocate resources where the need is. A potential idea here is to prioritize targeted subsidies over universal subsidies: that is, to focus on means-tested or needs-based fare programs (e.g., income-based, disability-based) to maximize the impact per subsidy dollar.

Optimal Transit Fares (In Practice)
The core question to ask is: do Canadian cities set fares in line with these theoretical principles? Does Saskatoon? The short answer is partly, but not entirely.
To answer this question more fully, Appendix 2 investigates how Canadian cities actually set public transit fares, applying quantitative analytical techniques to a cross-sectional dataset of 23 Canadian cities (population 100,000 to 800,000) without light rail systems. This empirical review draws primarily on data from the Canadian Urban Transit Association (CUTA) for the year 2023. It benchmarks Saskatoon against its peers across various key financial and service metrics, revealing a mixed, but informative, performance profile.

Using CUTA's calculated ridership method, the analysis reveals substantial cross-city variation in transit fares, costs, ridership, and subsidization levels, namely:

- Cities with higher direct per capita municipal subsidies tend to exhibit higher per capita ridership, while the subsidy rate as a share of costs does not guarantee higher usage and, in some cases, is negatively associated with ridership.

[10] For Kansas City specifically, see https://www.kcur.org/housing-development-section/2025-08-15/kansas-city-bus-cuts-kcata-contract-fares and https://www.masslive.com/politics/2025/07/mass-rep-pressley-sen-markey-make-new-push-for-fare-free-mbta-public-transit.html for the broader movement.

- Investment in higher-quality or more extensive service, as reflected in higher operating costs per capita, is also strongly linked to higher ridership.
- Conversely, higher fare levels are only weakly associated with lower ridership, with the relationship not statistically significant in this sample. As expected, systems with higher cost recovery ratios require lower subsidy rates.

Relative to other Canadian transit systems in the sample data, Saskatoon Transit is characterized by:

- Low Fares: Saskatoon's fare prices are consistently lower than the average of its peer cities.
- Moderate Ridership: Ridership levels per capita are in the mid-range compared to peer municipalities.
- Low Operating Costs: The system operates efficiently, with a cost per trip that is lower than the national average for its cohort.
- High Subsidization: The combination of low fares and moderate ridership results in a farebox recovery ratio that is below average, indicating a higher-than-average reliance on the municipal subsidy to cover costs.

Transit Fares and Ridership in Saskatoon.

Given this national context, a more detailed analysis of Saskatoon Transit's ridership and revenue performance from 2014-2024 is provided in Appendix 3. This analysis, although greatly affected by the COVID-19 pandemic, uses farebox ridership and revenues as collected by Saskatoon Transit, which differs from the CUTA method used in Appendix 2. It analyzes ridership and revenue trends for about 90% of all fare products including the university-based U-Pass program, given its large influence on ridership and revenues.[11]

In 2024, Saskatoon Transit generated just over $15 million in fare revenue accounting for 30% of its total expenses.[12] The remaining 70% was covered by the City's general tax base.

This analysis uncovers three core findings that strengthen the arguments for reviewing transit fares.

1. A Structural Shift from Cash to Digital Payments. The adoption of mobile ticketing in 2021 fundamentally changed how casual or discretionary riders pay for transit.
    - Cash fares, which consistently accounted for over 12% of ridership pre-pandemic, have collapsed to less than 2% in 2024.
    - Conversely, adult ticket ridership has surged from 7% to nearly 17%, apparently absorbing the former cash users.
    - While this technological shift is positive, it has also exposed some large measurement errors in how cash ridership is counted, given that cash revenue levels are near the long-run trend.

[11] In 2024, the U-Pass accounted for 31% of fare revenue and 23%of ridership.

[12] https://transit.saskatoon.ca/sites/default/files/documents/TC-TR_AnnualReport2024-online.pdf.

2. Deep, Untargeted Subsidies Create Inequities. The City's current, primarily age-based discount structure creates significant cross-subsidies that may not necessarily be aligned with riders' ability to pay.
    - An analysis of the "effective fare price" paid per trip reveals stark differences.[13]The U-Pass program is a major cross-subsidizer, with an effective fare price of $2.79 per trip—47% above the system average. However, university student ridership has driven substantive and ongoing route reform to meet ridership demands, at the expense of other riders.
    - On the other hand, the universal senior monthly pass is a major subsidy recipient, with an effective price of just $0.73 per trip—62% below the system average and even lower than the provincial low-income pass.
    - This appears to illustrate that the current fare structure s neither efficient nor equitable, as subsidies are not targeted based on need.

3. Pass-Based Revenue is the Most Resilient. The analysis consistently shows that revenue from monthly passes and the contract-based U-Pass is far more stable and predictable than revenue from single payments.
    - The U-Pass, in particular, saw its revenue share grow substantially post-pandemic, recognizing large enrolment growth at the University of Saskatchewan.
    - Similarly, the regular adult monthly pass also saw substantial revenue growth in 2024, highlighting the resilience of a "membership-style" revenue model that is tied to enrollment rather than a more volatile per-trip usage.

These findings suggest that the transit fare structure of the past may not match today's practices. A clear shift to digital technology, potentially inequitable subsidies, and the stability of pass products, provide a strong, data-driven rationale for modernizing Saskatoon's fare structure.

OTHER IMPLICATIONS

Other than those implications already discussed in the preceding sections of this report, there are no other implications to address at this time. The subsequent decision report will provide detailed analysis on potential options including financial, social, economic and environmental implications.

This work is also part of a process to revamp the City's low-income support programs. The future transit fare structure will inform this as the City aims to update eligibility thresholds, application processes among other things by 2027.

NEXT STEPS

Unless otherwise directed, the Administration will engage the public and stakeholders about the ideas, concepts, and analysis provided by this report. The goal is to obtain

[13] The effective price calculated for each fare product is the revenue divided by the ridership for that product. The overall effective price is $1.90 so any product above that baseline is net contributor, while any product below is a net recipient.

feedback on ways to potentially adjust or reform Saskatoon Transit fares as a budget option for the 2026-2027 Multi-Year Business Plan and Budget deliberations.

The engagement techniques will include an online survey for the general public, Saskatoon Transit customers, stakeholders, and various community groups. The survey is anticipated to open on October 8, 2025. The primary objective of the survey is to better understand perspectives on various options. Paper copies for those who do not use computers will also be available. City staff will also have information boards at various pre-scheduled transit-related open houses.

In addition, focus groups and/or stakeholder meetings will be used to gather feedback from various Saskatoon Transit stakeholders and community organizations, and a number of pop-up events at the downtown bus mall will be supported by City staff to encourage transit customers to complete the survey. The public will be able to access information on the project via an Engage page made available on saskatoon.ca/engage.

APPENDICES

1. Optimal Public Transit Fare Structures in Small and Mid-Sized Cities: A Public Finance Perspective
2. Optimal Public Transit Fare Structures in Small and Mid-Sized Cities: A Comparative Empirical Analysis
3. Optimal Public Transit Fare Structures in Small and Mid-Sized Cities: A Deep Dive into Saskatoon's Structure

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