FAIR FARES

Approaches to Delivering Equity Through Fare Policy

CUBIC™

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The immediate aftermath of Covid-19 provided the world with a window into how our travel networks operate and serve our communities. While much of the population experienced a near-global pause on travel, essential workers relied on transit to continue serving in our hospitals, grocery stores, fire departments, and pharmacies. As we recover from the pandemic and seek to rebuild transit ridership, we have an opportunity to make our transportation systems more equitable, efficient, and environmentally friendly. Fare policy innovations can offer a breadth of solutions to do just that. This whitepaper will explore and evaluate policy solutions available to cities to revitalize their transport systems and offer truly "fair fares" — equitable approaches to fare payment that serve all customers.

Free Fares for All: Benefits and Unintended Consequences

Many transport agencies suspended fare payments during stay-at-home orders to reduce contact touchpoints between travelers and operators. Close to three years later, a growing movement is calling on municipal governments across the globe to permanently institute free fares on public transport, citing improvements to social equity and environmental sustainability by increasing overall ridership. While many cities saw some benefits to equity and sustainability, the direct effects of free transit on ridership are less clear-cut.

Ridership often increases when free-fare programs are instituted; however, this change needs to reflect an increase in the number of unique passengers. Additional rides are most often taken by existing users of public transport, including pedestrians and bikers. Free fares do not attract drivers to switch from their car to taking a train or bus, as these are not price-sensitive customers who fare reductions would persuade. This trend, therefore, limits the environmental impact of zero fares *(Bloomberg, 2022)*.

Marin County, for example, decided not to renew its free fare policy for seniors and three monthly bus passes for families with students who qualify that it introduced in late 2021 as it did not see a significant impact on ridership. Of the 900 passes distributed, only 400 were used *(Mass Transit, 2023)*. Marin Transit determined that fares were not the tool to improve service for its senior and ADA riders.

What brings drivers to public transport is improving the quality of service, a sentiment low-income bus riders also echo in the Who's on Board 2019 survey conducted by Transit Center. In fact, low-income bus riders rated improvements to the quality of service as more important than free fares. Current and potential new public transit users overwhelmingly agree that what they want most out of their commute is a convenient, reliable, fast, and safe journey.

Many transit agencies depend on farebox revenue to substantially fund their operating costs. Fare revenue accounts for 34% of agencies' operational revenue in the United States. (APTA Factbook). By eliminating fares, the cost of travel does not disappear; instead, the transport agency must find other revenue sources to close the fund gap. While Covid-19 recovery bills have made it possible for some transport agencies to waive fares temporarily, losing fare revenue long-term could put agencies at a greater risk of cutting service or eliminating routes. Agencies like NY MTA and WMATA are refocusing efforts on fare evasion to address these challenges.

These transit agencies will face massive funding issues because the costs incurred extend beyond the loss of revenue at the farebox. With the increased ridership some experience with free fares, agencies must account for additional operating expenses and the cost of expanding fleets to avoid overcrowding. In exploring the costs of implementing free fares on bus and rapid transit lines, the MBTA has estimated that the operational and capital costs associated with increased ridership could almost double the fare revenue lost. Without major alternative funding sources allocated to improving operations, the quality of service may also deteriorate due to overcrowding and scheduling delays.

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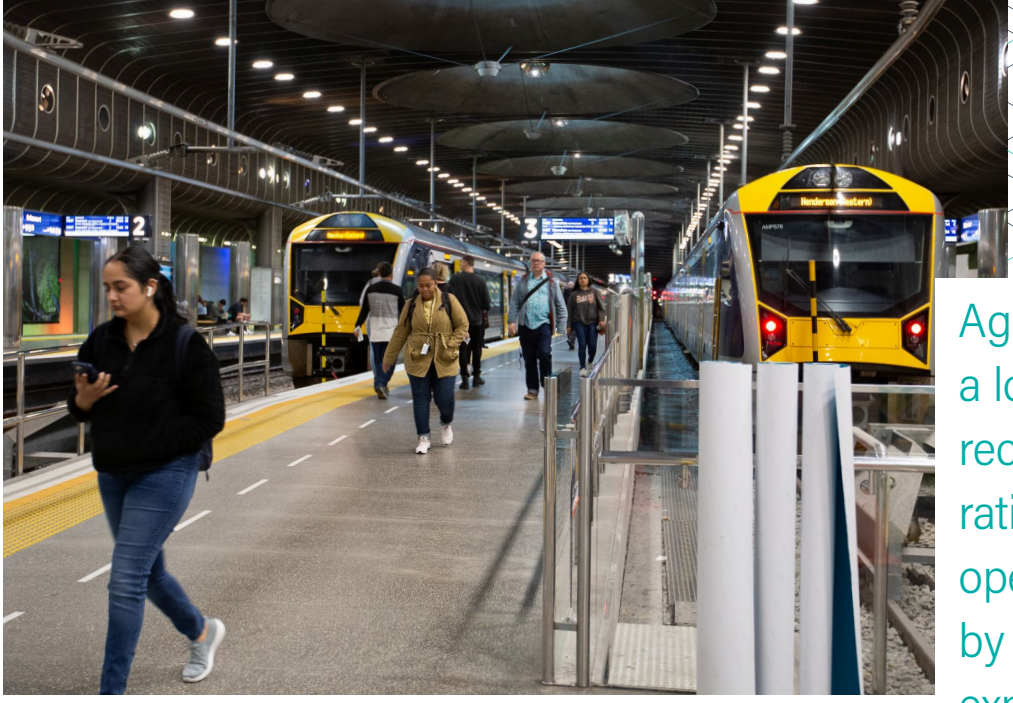


Agencies with a low farebox recovery ratio save on operating costs by eliminating expenses associated with setting and collecting fares, including equipment and personnel.

Free Fares for All: Benefits and Unintended Consequences (cont.)

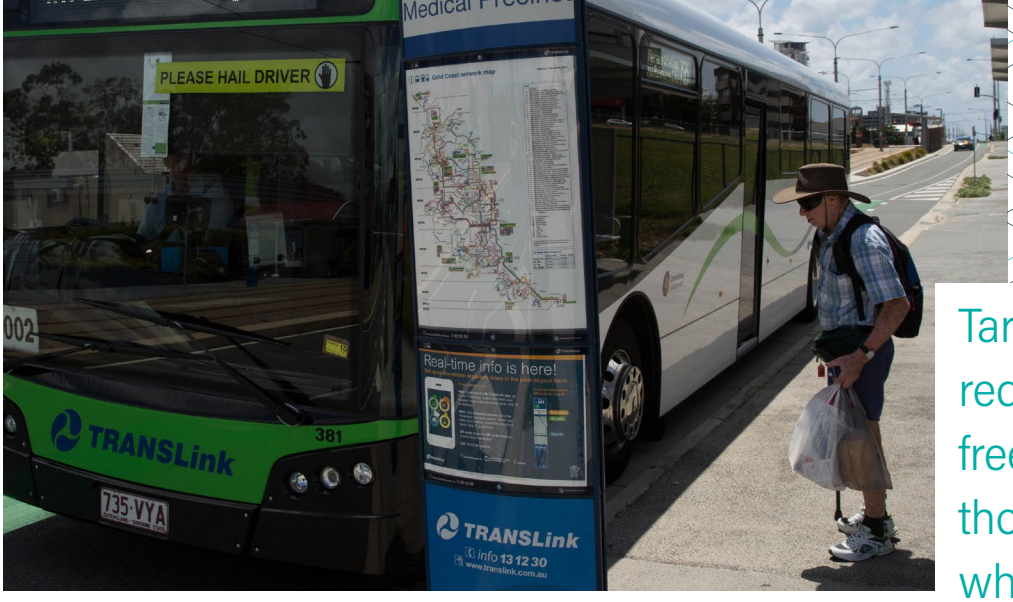
Some cities have chosen to implement free fares on only some modes or routes, such as the recent Washington, DC City Council decision to eliminate fares on WMATA buses in DC starting July 1, 2023. A challenge this approach introduces is dividing the transit system into single modes rather than a network, creating incentives for users not to take the most efficient journey (that includes other modes) if another bus-only trip is free. These incentives have implications for both crowding, as riders may stay on the bus longer, and user experience, as riders might prefer applying a subsidy to all modes rather than having options limited to a longer bus journey (*Bloomberg, 2022*).

The case for free fares is more substantial in smaller agencies where ridership is low and free fares may not significantly impact service quality. Agencies with a low farebox recovery ratio save on operating costs by eliminating expenses associated with setting and collecting fares, including equipment and personnel. Free fares also make a significant fiscal impact for lower-income bus riders, who often bear higher transportation cost burdens, have longer (and more expensive) commutes, and live furthest from job centers. Small agencies considering going fare-free must ensure they continue delivering quality service. As rider data is critical to operations, implementing systems to monitor the usage of the transit system to help with operations and scheduling, understand ridership, and manage costs can be essential for making up intelligence lost without fare data. Solutions like real-time passenger information (RTPI), computer-aided dispatch/ automatic vehicle location (CAD/AVL), and passenger counters can also help to deliver essential service enhancements and keep riders on board.

Section References:

Transit Center Who's On Board

Board Meeting | MBTA Board of Directors (Virtual)



Targeted reduced and free fares benefit those travelers who need them most without significantly impacting an agency's farebox recovery ratio.

Reduced and Free Fares: The Targeted Approach

While free fares can provide targeted benefits for small agencies, most transit systems would benefit from a tailored, targeted approach. Many agencies are now opting for demographically targeted fare policies that reduce the cost of a ticket or offer free fares to select travelers. These programs improve the mobility of low-income travelers, enable children to attend school and afterschool programs, and enhance the quality of life of senior citizens. Targeted reduced and free fares benefit those travelers who need them most without significantly impacting an agency's farebox recovery ratio.

Partnerships between a transit agency and local municipalities are key to the success of these programs, as they ensure that beneficiaries of the fare reductions can travel freely within a region. The Metropolitan Transportation Commission has implemented a pilot program issuing a means-based discount across 21 transit agencies called Clipper START in the Bay Area. This program provides discounts of up to 50% for those eligible based on their income. This means-based approach also provides equity to historically marginalized communities: 15% of those using the Clipper START program have no income; 44% of Clipper START travelers are Asian, and 50% are Latinx (*Equity and Inclusion in Transit [Webinar], 2021*).

One of the critical issues to consider when implementing a targeted reduced or free fare program is to be mindful of barriers to access. Programs like Clipper START require travelers to sign up, so transit agencies must partner with community-based organizations and assistance programs to help streamline and expand enrollment. Transit agencies must also understand their communities, taking targeted steps like offering enrollment in multiple languages and enabling a third party to sign up a traveler on their behalf. Inherently, eligibility requirements should be simple, not to deter potential travelers and deny users deserved benefits. There must be a coordinated outreach effort to ensure eligible travelers are aware of the program. Eliminating off-peak fares is another strategy for reducing the burden to low-income riders while taking the onus off the user to demonstrate need *(Free Transit: It All Depends on How)*.

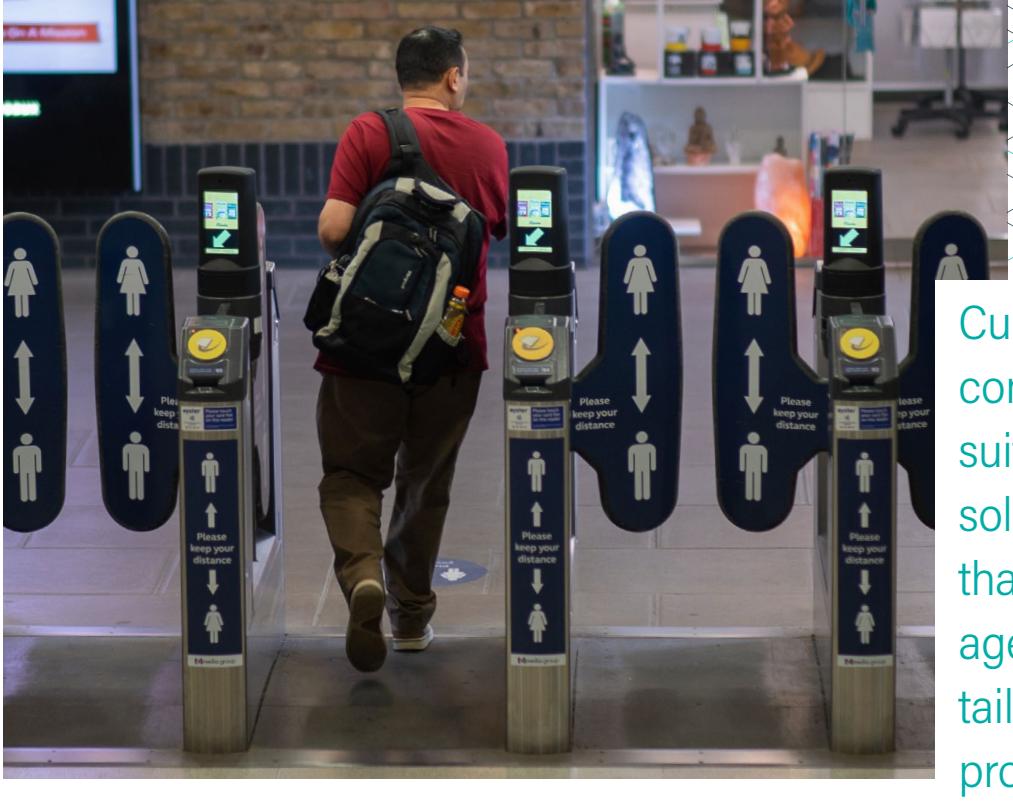
Travelers using the new tap-and-go OMNY fare system can pay for each trip individually.

Fare Capping: The One-Size-Fits-All Approach to Equity

Fare capping is another approach transit agencies use to attract riders and ensure fair fares. Fare capping ensures that travelers who make multiple trips within a calendar period pay no more than the cost of a daily, weekly, or monthly transit pass. This approach prevents penalization of travelers who cannot afford the price of a multi-trip pass but whose frequent use of the system is equivalent to or exceeds the cost of the pass.

The New York Metropolitan Transportation Authority — the public transportation provider responsible for transit in New York City and surrounding counties — is implementing a weekly fare-capping policy available on all subway stations and buses. Travelers using the new tap-and-go OMNY fare system can pay for each trip individually. If their spending on travel during a seven-day period reaches $33 dollars, the cost of a weekly prepaid pass, all subsequent trips are free *(The MTA, 2022)*.

Those who benefit from fare capping are targeted users of the service who have spent a defined amount on the system. This measure provides relief to the riders who need assistance the most and depend on the service as their only means of travel. The benefits to low-income riders are twofold: first, fare capping removes the financial burden of purchasing a pass at the start of each month, which may be beyond their means when purchased in a lump sum; second, it allows them to receive the same reduced cost of a monthly pass as those who can afford the upfront cost, removing the anxiety over whether or not they will overpay on individual journeys.



Cubic provides a comprehensive suite of transit solutions that enables agencies to tailor their products to meet the needs of their customers.

Conclusion

Across the world, public transportation systems experienced unprecedented upheaval due to the Covid-19 pandemic. As transit agencies navigate the pandemic recovery and ongoing economic pressures, they can make strategic choices to serve their communities better and maintain financial viability. From free fares to targeted discounts to fare capping, transit agencies have several worthwhile options to boost ridership and improve equity.

Cubic provides a comprehensive suite of transit solutions that enables agencies to tailor their products to meet the needs of their customers. From New York to Los Angeles, Eugene to Greenville, Cubic has helped to design and implement complex fare policies that allow for reduced/free passes, means-based programs, and other discounted fare products.

For those agencies considering going fare-free, Cubic also has a suite of solutions to improve and help cities with their service operations, including real-time passenger information, customer communication, and trip planning.

To learn more about Cubic's solutions for fair fares, contact **sales@cubic.com**.

Over the last 50 years, Cubic Transportation Systems has reshaped how travelers navigate their communities. We have dedicated ourselves to integrating systems, elevating operator management and inventing solutions that keep citizens safe and cities humming.

As passenger preferences shift towards multi-modal travel, the future of intelligent urban transportation lies in the broader integration of mobility services to empower a seamless traveler experience. We are committed to helping transit organizations realize their critical mission of responding to changes in infrastructure needs and supporting regional growth and shifting travel trends.

We listen to our customers, work in collaboration and develop solutions to meet their specific needs. Today, Cubic offers a defined product roadmap, R&D investment, innovation and collaboration with some of the world's leading technology providers.

We've worked with partners from all transportation modes, including transit agencies, airports, highways, intersections and corridors across small communities, metropolitan cities and regional authorities. Whether you're after a small-scale cloud-based, real-time passenger information system, a regional congestion management platform or a complex traffic management system for urban networks delivered in an as-a-Service model, we're here to support you and your customers—every step of the way.

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