Title

Does Transit Mean Business? Reconciling Different Perspectives on Transit Fare Policies

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POLICY
BRIEF

DOES TRANSIT MEAN BUSINESS?

Reconciling Different Perspectives on Transit Fare Policies

Allison Yoh, Brian Taylor, John Gahbauer - 2012

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RESEARCH TOPIC

For decades transportation scholars have argued in favor of flexible, differentiated transit fares, which can vary by travel mode, distance, or time-of-day to reflect differences in the marginal costs of service provision. For instance, a rail trip might cost more than a bus trip, a trip during peak hour might cost more than an off-peak trip, and a long trip might cost more than a short trip. Yet despite recent advances such as smart cards, relatively few U.S. transit agencies employ flexible fares. Given that a differentiated fare system has the potential to significantly increase both the quality and equity of transit service, we seek to better understand the motivations for fare changes and the potential for their implementation in U.S. transit systems.

RECOMMENDATION

We recommend that transit agencies clarify their organizational objectives in order to experience the benefits of a flexible, differentiated fare system. In contrast to the current practice of making forced price increases during times of budget crises, the presence of clear strategic objectives would allow transit agencies to adopt routine and incremental fare changes in the context of broader performance goals.

STUDY

Research was conducted in two phases. The first phase consisted of in-depth interviews with several California transit officials, and these findings informed a subsequent nationwide survey of transit agency CEOs, planners, analysts, and board members on the goals that shape fare policies.

MAIN FINDINGS

- **Transit agencies tend to be risk-averse**. Agencies generally prefer administrative efficiency over economic efficiency, and are more concerned about the loss of ridership incurred by a fare change than they are hopeful about potential gains.

- **The general mandate for transit managers is to maintain a particular level of service or provide service within a particular budget.** Both circumstances result in little incentive for transit agencies to adopt fare changes that might increase fare box recovery.

- **Most transit agencies change fares only under the political cover of budget shortfalls in order to minimize public scrutiny**. Transit agencies cited nine different factors as playing a role in changing fares, and only two were strategic; most were reactive.

- **Budget-driven fare-setting processes may be the effect of unclear or absent goals for transit agencies.** Even when the effectiveness of differentiated transit fare pricing is clear, the absence of explicit goals to which agency decision-makers can refer means that routine, incremental fare increases are deferred until a budgetary crisis forces a much larger fare increase on riders.

Yoh, Allison, Brian D. Taylor, and John Gahbauer. 2012. "**Does Transit Mean Business? Reconciling academic, organizational , and political Perspectives on Reforming Transit Fare Policies**," *University of California Transportation Center*.