

- ISSUE PAPER -

FARE RECOVERY





Executive summary

The Covid-19 pandemic has led to a significant decline in public transit ridership in Canada, resulting in substantial revenue losses for transit agencies. While emergency government funding has provided temporary relief, the long-term sustainability of this financial support remains uncertain. To restore ridership and revenue to pre-pandemic levels, transit systems must employ innovative strategies to attract new riders and retain existing ones. This issue paper presents a comprehensive analysis of fare products and options available to transit agencies, empowering them to revamp and diversify their fare offerings. Twelve carefully curated fare products are highlighted, addressing key challenges such as changes in travel patterns, recapturing lost riders in the short term, and reattracting riders in the long term.



Background

The Covid-19 pandemic severely impacted public transit ridership and fare revenue in Canada. Traditionally, transit agencies rely on fares and municipal subsidies for funding. With the decline in ridership, transit systems have faced significant financial challenges. Emergency government funding has helped restore services, but as ridership has not fully recovered, transit agencies face the risk of revenue shortfalls and the need for fare increases or service reductions.

“The number of people usually taking public transit to work fell from 2 million in 2016 to 1 million in May 2021, declining for the first time since the census began collecting commuting data in 1996. In May 2022, the number of public transit commuters slightly increased to 1.2 million.”

Moreover, the pandemic has triggered shifts in travel behavior, including remote work arrangements and increased ridership during non-traditional peak periods. This presents an opportunity for transit agencies to adapt and cater to evolving demands, attracting new riders and boosting fare revenue. However, existing fare products and policies do not align with these changes, necessitating the exploration of new fare strategies.



Fare recovery strategy options and analysis

This issue paper examines twelve fare products and strategies for transit agencies to consider. These options address adaptability to changing travel patterns, immediate measures to regain lost ridership, and long-term strategies for attracting riders. Each fare product is evaluated based on six criteria: affordability and equity, simplicity and accessibility, financial sustainability, maximizing benefits, transparency and fairness, and strengthening ridership.

The analysis provides a qualitative assessment of each fare option, considering its impact on the transit agency’s finances, ridership, and accessibility. The evaluation criteria guide transit agencies in understanding the strengths and limitations

of each fare product. The options range from minor adjustments to more transformative changes, allowing agencies to choose strategies that suit their specific needs and circumstances.

“...the pandemic has led to changes in travel behaviour... transit agencies have a critical opportunity to respond to changing needs, attract new riders, and increase their fare revenue.”

This document presents 12 fare products and options, with each responding to at least one of the following:

1. Responding to changes in travel patterns
2. Short-term options to recapture riders
3. Long-term reattraction of riders

The research involved a comprehensive study of the revenue challenges faced by transit agencies during the pandemic. A selection of twelve fare products was carefully chosen and evaluated against six criteria to provide a comprehensive understanding of their effectiveness. The analysis was qualitative and did not involve quantitative measures, allowing for flexibility in interpretation and implementation by individual transit agencies.

Evaluation criteria such as affordability and equity, simplicity and accessibility, financial sustainability, maximizing benefits, transparency and fairness, and strengthening ridership guided the assessment process. The results of the evaluation are summarized in the full fare recovery report, providing detailed explanations for each fare option.

1 Changes to Flat Fare Structures: when fares are uniform across the entire transit network.

- Altering flat fare structures to introduce distance-based fares can provide cost savings for short-distance riders, while generating additional revenue from long-distance riders.
- Implementing a flat fare structure across the entire transit network promotes simplicity and ease of use for riders, eliminating the need for fare calculations or zone differentiations.

2 Peak/Off-Peak Pricing: different fare pricing during peak and off-peak times.

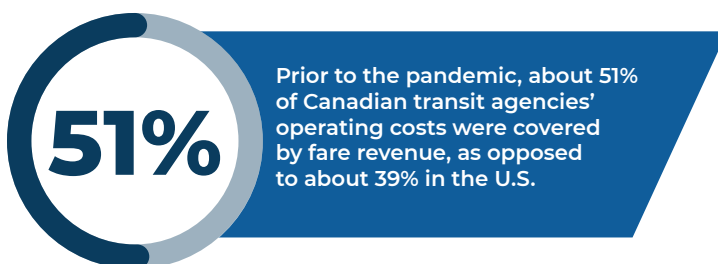
- Off-peak pricing can incentivize riders to travel during traditionally low-demand periods, leading to better distribution of passenger loads and reducing congestion during peak hours.
- Peak pricing can generate additional revenue during high-demand periods, contributing to financial sustainability while encouraging riders to consider alternative travel times.

3 Changes to Transfer Structures: changing the number of possible transfer options for each fare.

- Increasing the number of possible transfer options for each fare reduces barriers to multi-modal transportation, enabling riders to easily switch between different modes of transit and enhancing overall travel experiences.
- Peak pricing can generate additional revenue during high-demand periods, contributing to financial sustainability while encouraging riders to consider alternative travel times.

4 Fare Capping: offering free rides once a user crosses a certain threshold of fares purchased.

- Fare capping ensures affordability for frequent riders by setting a maximum limit on fares per day or week. This encourages ridership without imposing financial burdens, especially for those who rely heavily on public transit.
- Fare capping enhances transparency and fairness in fare payment, as riders can track their expenses and have certainty about the maximum amount they will be charged, thus promoting trust and customer satisfaction.



5 Loyalty Programs: incentivizing riders through points or rewards.

- Loyalty programs incentivize consistent ridership by offering points or rewards that can be redeemed for future travel or additional benefits, fostering loyalty and strengthening the bond between riders and the transit system.
- Loyalty programs have the potential to attract new riders who may not have previously considered public transit as their primary mode of transportation, as the rewards and incentives make it more appealing and advantageous.

6 Smartcards: a solution that loads and validates fares through a physical card.

- Smartcards streamline fare payment processes by allowing riders to load and validate fares through a physical card, reducing reliance on cash and paper tickets, and increasing convenience.
- Smartcards provide valuable data insights to transit agencies, enabling them to analyze ridership patterns, peak hours, and popular routes, which can inform future planning and optimization of transit services.

7 Promotional Fares: time-limited discounts or offers.

- Time-limited discounts or promotional offers attract new riders and can serve as a catalyst for ridership growth, especially when strategically aligned with events, holidays, or specific target demographics.
- Promotional fares can generate buzz and increase public awareness of public transit as an affordable and convenient mode of transportation, helping to break existing perceptions and habits.

8 Fare Payment Apps: a solution that loads and validates fares through a mobile application.

- Fare payment apps offer convenience and flexibility to riders, allowing them to load and validate fares through a mobile application. This eliminates the need for physical tickets or cards and simplifies the fare payment process.
- Fare payment apps can facilitate data collection, enabling transit agencies to gather insights on ridership behavior, popular routes, and preferences, aiding in demand forecasting and service planning.

9 New/Revised Concession Programs: targeted discounts or offers for specific groups of people.

- Targeted discounts or offers for specific groups, such as students, seniors, or low-income individuals, enhance accessibility and affordability, ensuring that transit remains inclusive and caters to diverse needs.
- Well-designed concession programs can attract new riders from the targeted groups, expanding the transit user base and promoting social equity in transportation.

10 Distance/Zone Based Products: charging higher fares to riders who take longer trips.

- Distance or zone-based fare products can encourage shorter trips and reduce overcrowding on long-distance routes, resulting in more efficient use of transit resources.
- Charging higher fares for longer trips provides a more equitable distribution of costs, as riders who benefit from longer trips and greater service coverage contribute proportionately more to the transit system's revenue.

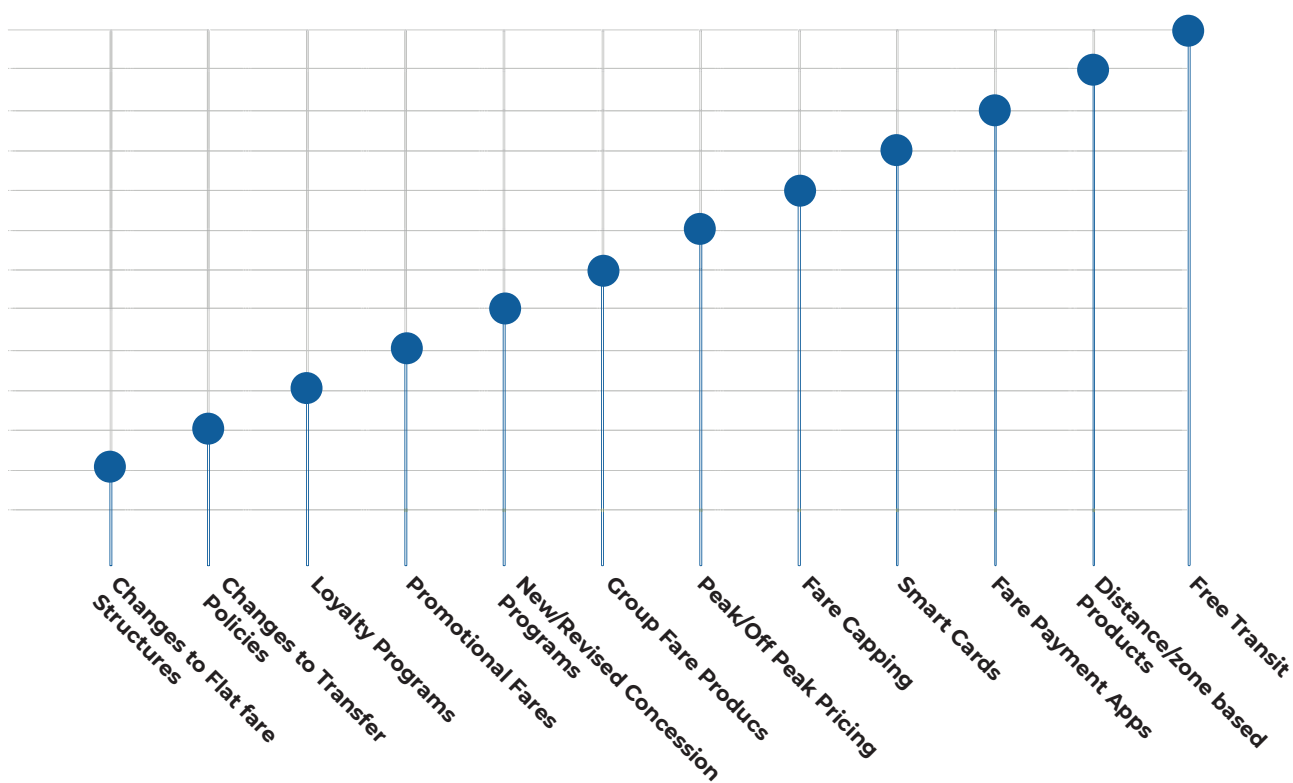
11 Group Fare Products: discounts for people traveling in a group.

- Group fare discounts incentivize collective travel, making public transit a more attractive option for families, friends, or organized outings, while also potentially reducing congestion caused by multiple private vehicles.
- Group fare products can have a positive impact on tourism and leisure travel, encouraging visitors to explore the city and use public transit as a cost-effective and convenient means of transportation.

12 Free Transit: elimination of transit fares; fully funding transit through public subsidies.

- Eliminating transit fares can boost ridership, especially among low-income and infrequent riders, reducing private vehicle use and pollution.
- Free transit can boost local economies by attracting more customers and lowering worker transportation costs. Free transit must be funded sustainably to avoid financial strains on transit agencies.

Fare Product Changes Spec-



Conclusion

Restoring ridership and revenue for public transit systems is crucial for their long-term financial stability. This issue paper has presented a comprehensive array of fare products and options for transit agencies to consider. By leveraging these strategies, agencies can address the challenges posed by changes in travel patterns, recapture lost riders, and attract new ones. The evaluation criteria help agencies assess the strengths and weaknesses of each fare product, allowing them to make informed decisions based on their unique circumstances.

It is imperative for transit agencies to adapt their fare policies to meet the evolving needs of riders in the post-pandemic landscape. By embracing innovative fare strategies, transit systems can enhance their financial sustainability, improve ridership, and contribute to the overall growth and success of public transit in Canada.



Summary of Evaluation

	Affordability and Equity	Simplicity and Accessibility	Financial Sustainability	Maximizing Benefits	Transparency and Fairness	Strengthens Ridership
Changes to Flat Fare Structures	⊖	✓	⊖	⊖	⊖	✗
Changes to Transfer Policies	✓	⊖	⊖	✓	✓	✓
Loyalty Programs	✓	⊖	✓	✓	⊖	⊖
Promotional Fares	✓	✓	⊖	✓	⊖	✓
New/Revised Concession Programs	✓	⊖	✓	✓	✓	✓
Group Fare Products	✓	⊖	✓	✓	✓	✓
Peak / Off-Peak Pricing	✗	✓	✓	✓	✓	⊖
Fare Capping	✓	✓	⊖	⊖	✓	✓
Smartcards	✓	⊖	⊖	✓	✓	✓
Fare Payment App	⊖	⊖	⊖	✓	✓	✓
Distance / Zone Based Products	⊖	✓	✓	✓	⊖	✗
Free Transit	✓	✓	✗	⊖	⊖	✓



Meets objective



Partially meets objective



Does not meet objective

Evaluation Criteria

1. AFFORDABILITY AND EQUITY

- Is the product financially attractive?
- Is the pricing structure equitable?

2. SIMPLICITY AND ACCESSIBILITY

- Can the agency appropriately market and implement this fare product?
- Can the agency make the fare product distinguishable?
- Is the fare product easy to purchase and use?

3. FINANCIAL SUSTAINABILITY

- Will the fare product contribute revenue to transit operations?
- What is the reliability and resilience of the fare product's revenue?

4. MAXIMIZING BENEFITS

- Are the fare product's value and financial benefits equitably shared?
- How will the fare product be integrated with existing fare products and payment systems?
- Does the fare product provide any additional benefits to riders, to the transit system, or to the community?
- Does the fare product integrate or align with neighbouring transit systems' fare products at all?

5. TRANSPARENCY AND FAIRNESS

- Can the public understand how the fare product is priced?

6. STRENGTHENS RIDERSHIP

- Will the fare product attract new riders?
- Will the fare product lead to a low, medium, or high increase in the frequency of trips among existing riders?



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