

# Transit Farebox Recovery: Investments (Not Cutting Back) Yield Return over Time

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*We at the Citizens Planning and Housing Association of Metropolitan Baltimore (CPHA) are concerned that Maryland's 40 percent farebox recovery standard actually hinders the Maryland Transit Administration's ability to provide high quality transit service with higher farebox recovery over the long term.*

The following charts use 2006 data – the latest available nationally – to compare farebox recovery performance for Baltimore and the other 24 largest metropolitan areas in the United States.

## Higher Farebox Recovery: More Transit Service, Not Less

The chart below shows that there is generally a direct relationship between farebox recovery and the amount of transit service provided per resident in a particular metropolitan area<sup>1</sup>. The large dot is metro Baltimore.



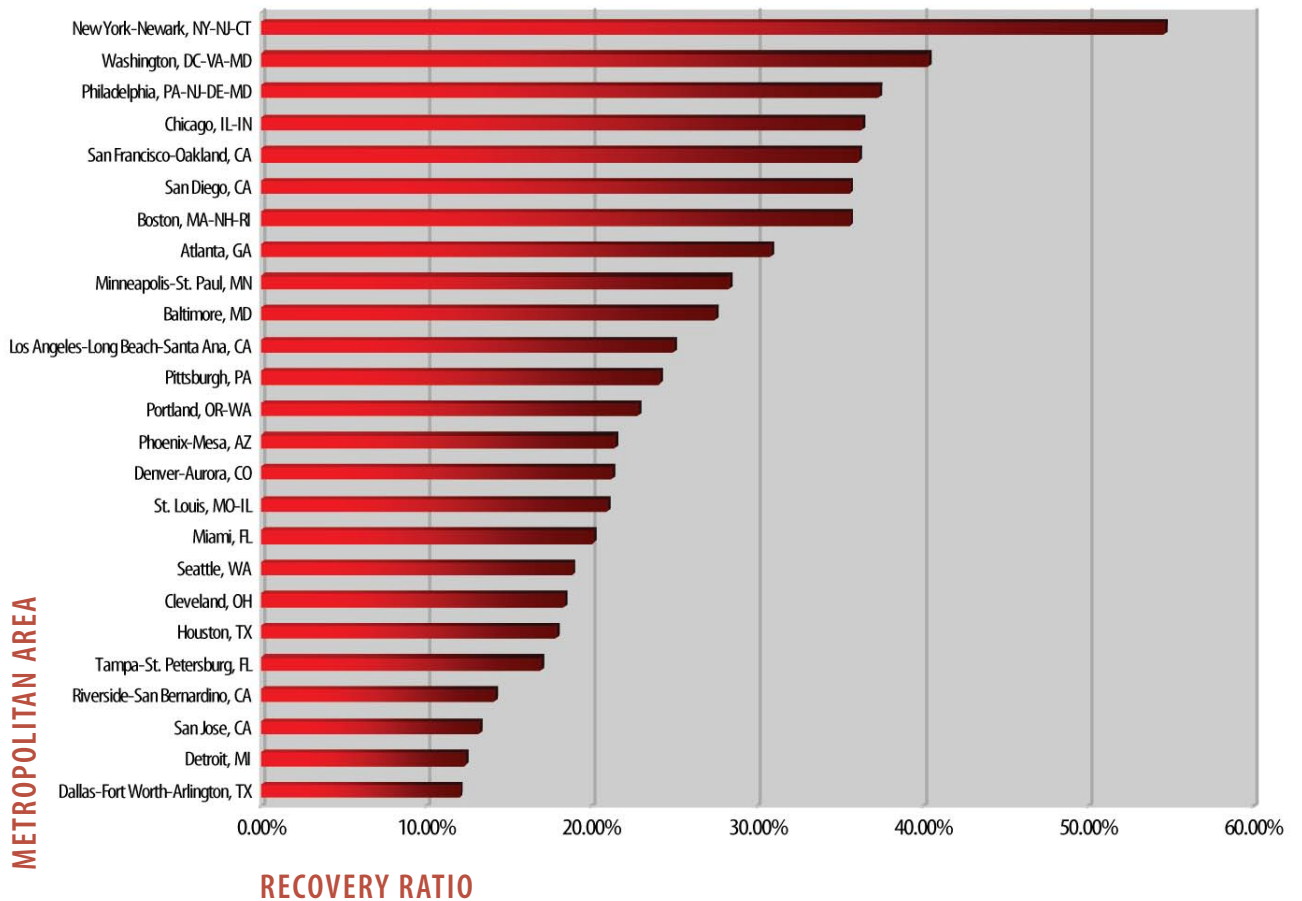
<sup>1</sup> Source: Federal Transit Administration. The data is calculated per “urbanized area” – a U.S. Census Department term for metropolitan area that is based on the land area meeting a particular population density per square mile, rather than jurisdictional boundaries.

## Baltimore Ranks Tenth in Farebox Recovery

The chart below shows that only nine large metropolitan areas in the United States recover more transit operating costs from fares than Baltimore<sup>2</sup>.

These charts also show that transit agencies with higher farebox recovery than Baltimore – Washington, Chicago, Boston, San Francisco – generally have more transit service and more riders than Baltimore, even adjusting for the size of their regions. They are places that have invested over time in a robust system that serves more people, rather than paring back the system to serve fewer people more efficiently. Washington’s Metro system would cost \$40 billion if built today.

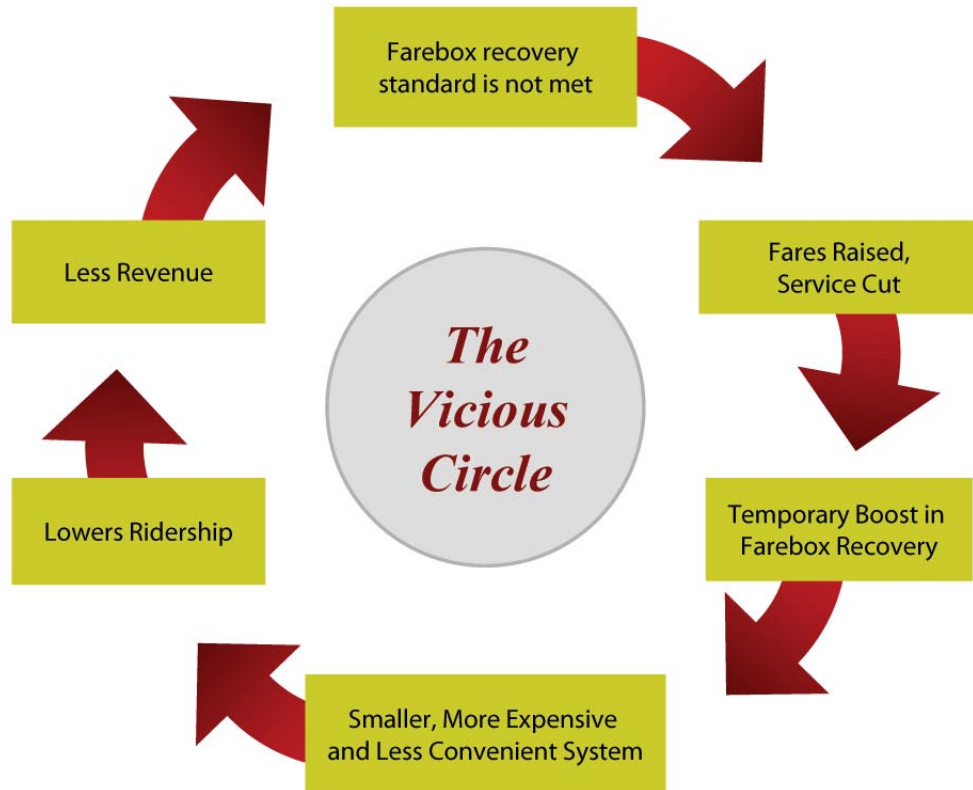
Conversely, many of the regions with lower farebox recovery have smaller transit systems. Yet many of them – Denver, Dallas, Phoenix, St. Louis – are expanding their systems to attract more riders, not cutting back their service in an effort to raise their farebox recovery ratio.



<sup>2</sup> Source: Federal Transit Administration. In order to be compared nationally, the rates include all operating costs, including paratransit and other costs excluded from Maryland’s farebox recovery calculation. As a result, the rates on this chart are well below those reported to the General Assembly by MTA.

## The Farebox Recovery “Vicious Circle”

By contrast, Maryland’s farebox recovery standard causes MTA to raise fares and cut service, both of which drive riders away from transit rather than attract them. This leads to a smaller system that serves fewer people and results in pressure for more service cuts and fare increases over the longer term:



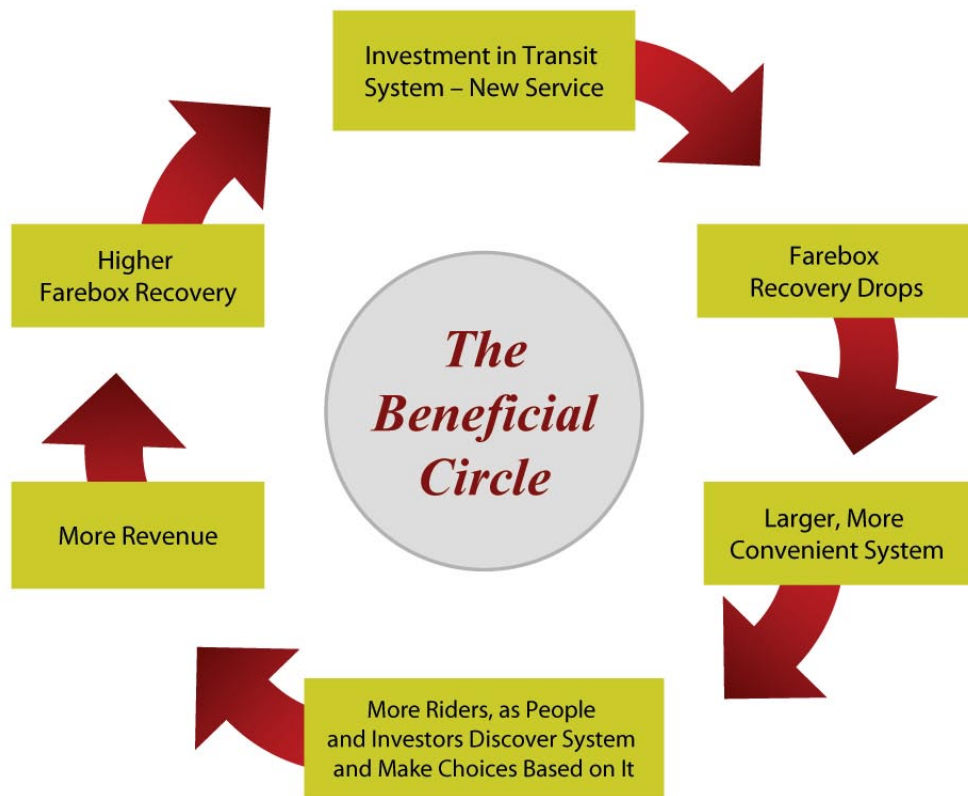
One can see this dynamic at work in the Baltimore area. Even though MTA’s 2003 fare increases and service cuts temporarily raised the area’s farebox recovery and lifted Baltimore’s national cost-recovery ranking from 10th to 6th, recovery has dropped since then, lowering our national ranking back down to 10th. More fare increases and/or service cuts would be needed to raise farebox again in the short term -- further driving away riders and future revenue.

This dynamic has impacts broader than transit service, as well. It results in more traffic congestion as more people drive, less growth in the core of the metropolitan area as traffic congestion and the expense of providing parking deter investment, more growth on the fringes of the metro area, which results in worse traffic congestion there, and so on.

But this is not the way it has to be. . . .

## The “Beneficial Circle” Precluded by a Farebox Standard

We need the opposite dynamic from the “Vicious Circle” above. We need the kind of “Beneficial Circle” depicted here that is nipped in the bud by a farebox recovery standard:



## Real Measures of Transit Efficiency

Understandably, elected officials want to make sure that our transit system is being run efficiently. Farebox recovery, however, is more a measure of fare policy than system efficiency. The following measures, already stipulated in Maryland law, should be the ones our transit agencies use to measure their efficiency against their peers:

- Operating expenses per vehicle mile;
- Operating expenses per passenger trip; and
- Passenger trips per vehicle mile.

By using the efficiency measures above, along with basic state budgeting instead of a farebox recovery standard, MTA could invest in a robust Baltimore-area transit system that would yield dividends over time, while making sure the costs of providing service are not out of line with peer transit systems. The dividends of such a system over time would be reaped by transit riders, drivers, community residents, and workers alike.

## Questions:

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