BANKER & TRADESMAN
ESTABLISHED IN 1872

Sunday, June 14, 2015, 3:00am

Reaching For Compromise On The Rails

Equity Versus Financial Solvency: How Much Fare Is Fair?

Debate Over MBTA Fares Continues

By William F. Lyons Jr.

Special To Banker & Tradesman

William Lyons

The recent debate over MBTA reforms has focused on a statutory provision in previous transportation reform legislation that caps fares and the amount that fares can increase annually.

The governor's special panel to review the MBTA recommended eliminating these caps and empowering a fiscal and management control board to review and adjust fares to adjust to actual operating costs. However, opponents remind us that the reason the cap is in place is to protect the most vulnerable ridership populations from steep and unpredictable fare hikes.

These two opposing views need to be reconciled in a political environment charged with a lot of emotion.

The governor's special panel found that the MBTA's fares were significantly lower than peer transit systems. Perhaps more telling, MBTA fares cover only 39 percent of operation costs. This 39 percent can be compared to transit systems in Chicago (44 percent), Washington, D.C. (48 percent), New York City (53 percent) and San Francisco (76 percent). In London, fares cover 90 percent of the operating costs of the transit system. The special panel pointed to this data as evidence that the MBTA must raise more of its operating costs from fares.

The fare cap proponents make the case that having fare equity in our transit system is not only the fairest way to allocate costs, but is also good for the social and economic well-being of the city. Lower fares ensure that workers of all income levels, as well as students, will have access to the employment opportunities and the educational opportunities necessary for our economy to thrive. Our economy is dependent on our robust student population as well as our diverse workforce.

Moreover, there is ample evidence that keeping fares low promotes transit ridership and discourages automobile trips (called a mode shift by transit aficionados). The opposite is also true: raising fares causes an increase in automobile trips. In fact, research from the American Public Transit Association (APTA) suggests that a 10 percent increase in fares can result in a 4 percent increase in automobile trips. One specific example includes Madison, Wis., where in 2009 fares were raised and ridership deceased every month for six months, as much as 5 percent. Another example is New York City, where in 2003, fares were increased and ridership dropped 2.5 percent for the year. All of these riders did not stop going to work or school – they took other modes, most likely automobiles.

While ridership continues to grow on the MBTA, one cannot discount the possibility of an unintended mode shift to automobiles if fares increase. A mode shift of even 1 percent has the potential to clog our streets (remember the past winter when the MBTA shut down?), increasing air pollution, causing driver frustration, and increasing the frequency of accidents, not to mention driving up the cost of doing business due to lost time and delayed deliveries.

Both points of view in this debate are well stated and valid. The question is how to find a reasonable compromise. More precisely, what is the appropriate balance between raising fares and maintaining ridership as an affordable and practical means of making our daily trips?

I believe that fares should still be capped to protect our most vulnerable residents. However, I think the cap system in existence does not account for substantial increases in operating costs due to fluctuations in such commodities as petroleum, electricity, and construction materials. These fluctuations, which are not only common, but normal, expose the MBTA to the potential for serious operating deficits when income cannot lawfully keep up with expenses. This is a fiscally irresponsible operating model.

I believe a cap system that is based on a percentage of the operating costs is the fairest and most predictable way of addressing the issue of fare equity. If revenue from fares is capped at 45 percent of operating costs (less than the average of Chicago, Washington and New York), then riders have some measure of protection from unreasonable fare hikes. On the other hand, if operating costs increase by more than 5 percent per year, it would be reasonable to assume that riders would see fare increases of the same amount.

It should be noted that automobile drivers absorb these increases and decreases all the time, no matter what social or economic status they hold. If prices at the gas pump go up by 20 percent (as has happened in recent memory), then drivers absorb these costs. Likewise, if gas prices go down (as has also happened), drivers reap the benefits. It seems reasonable that transit riders should bear the costs of fluctuations in the cost of living, just like automobile drivers.

By capping fare revenues as a percentage of the operating budget, we would be making a more fair division of costs between riders and taxpayers, who must shoulder the burden of operating cost deficits. Riders will be protected from unpredictable and steep fare increases. The MBTA will have a predictable source of operating revenue. Let's see if we can make a compromise work.

William F. Lyons Jr. is president of Fort Hill Cos. of Boston.