What if
We re-envision how we sell transit?

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Transit comes in 2 flavors

<table>
<thead>
<tr>
<th>Pay – per - ride</th>
<th>Unlimited</th>
</tr>
</thead>
<tbody>
<tr>
<td>No upfront payment</td>
<td>High upfront payment</td>
</tr>
<tr>
<td>Marginal Cost</td>
<td>Sunk cost</td>
</tr>
<tr>
<td>Rider is asked to value every trip</td>
<td>Each trip is viewed as ‘free’ or ‘value added’</td>
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</tbody>
</table>
Got a cell phone plan?

- Peak and off peak pricing
- Add-ons
- Roaming
- Family Plans

Why not a transit plan??

- A transit ride could be a like a cell minute:
  - How many do you use in a month?
  - How much during the day? Night? Weekend?
  - Do you trip-chain?
  - Do you travel on other transit systems too?
  - Do you want to share your rides with your family?
Goal

• Allow people to choose to use transit by revealing the inherent value in existing transit infrastructure.

Problem

• Transit competes poorly against substitutes when the rider:
  • has to deal with multiple agencies
  • has sunk costs into a car
  • is asked to value every potential trip
• Agency coordination and fare policy are legal and budgetary minefields
  • Little incentive for experimentation and innovation on a unit basis
Transit Customers of the Future
Profiles:

George (66) & Sarah (62)
• Lives in a condo in a Denver, CO TOD
• Own 1 car
• George works downtown, Sarah runs a nearby cafe

Isabella (21)
• Lives & works in Fresno, CA
• Takes classes once a week in Merced
• Sometimes has access to her cousins car

Matthew (34)
• Lives in Center City Philadelphia
• Does not own a car. Zipster.
• Main office is in Philly, but also works in DC & NYC

Tricia (51) & Tyler (49) + 2 teenagers
• Lives in a house in Rockville, MD
• Tyler works in Bethesda, MD; Tricia in DC
• Own 2 cars
Issues

- Consumer travel decisions are made on marginal costs, not sunk costs
  - Marginal cost of transit > marginal cost gas
  - A $4 gallon of gas can power a car for 20 – 40 miles
  - Transit for local travel is penalized
- Transit agencies serve political geography rather than market geography – coordination is cumbersome
  - Multi-agency and multi-modal trips are penalized
- New information technology makes transit more reliable
  - Real-time info & journey planners mean you don’t need to wait or be familiar with the network
Transit Operation is also lot like wireless

- Networked systems with known geographic capacity
- Over & under utilized networks are bad
- Building, maintaining and operating is expensive
  - But an additional marginal user costs almost nothing…
- …Until you reach capacity!
- Spread costs over many users, who don’t access the network at the same place and time

**What’s different? Pricing.** Wireless charges most customers for the *ability* to use the service. Transit charges most customers for the service used.
- AND…….
Virtual Network Operators

• Mobile Virtual Network Operators (MVNOs) do not build, maintain, or operate infrastructure. They resell capacity under different plan metrics.
• Allows carriers to find revenue from less network-intensive customers.
• Enabled by federal legislation to improve competitiveness for consumers.
Smarter Fares

Benefits the consumer and the agency by enabling the creation of

Transit Virtual Network Operators

For Example!
Transit Customers of the Future

Transit Package

George (66) & Sarah (62)
- Attached to their condo maintenance fee is $30 for unlimited off-peak transit for the household (applies to every unit)
- George spends an additional $60 for peak usage for himself

Matthew (34)
- For $150/mo gets 90 weekday rides in either city and unlimited weekend

Isabella (21)
- For $50 she gets a 4 r/t Amtrak trips to Merced and unlimited bus access in both cities

Tricia (51) & Tyler (49) + 2 teenagers
- For an agreement to spend min $150/combined a month, all fares after $300 are free
Why would a Transit Agency do this?

- Guaranteed income
- Service to a wider population
- Inexpensive customers – people who fill empty seats or replace other peak riders
- They didn’t have to look for these new customers
- They didn’t have to set specialized fare structures
How does this work?

- TVNO bulk-buys projected fares at different price tiers that meet an average fare.
- TVNO packages fares across tiers and agencies into trip bundles.
How to Build a TVNO

1. **Enabling legislation**
   - Local governing agency approves average fare metric tied to ridership projections
   - State and Federal legislation that permits Virtual Network operation

2. **Open payment technology**
   - RFID enabled credit/debit cards behave as a common payment to catalog transactions across agencies

3. **Space and resources to experiment**
   - Willing transit, government, and marketing partners
   - Time to find the right kinds of bundles and attract customers
Transit Customers of the Future

Impacts:

George (66) & Sarah (62)
- George takes transit everyday
- Sarah uses Light Rail 4-5x week for errands and social engagements
- Both sometimes take it just one or 2 stops

Matthew (34)
- Does not need to keep track of separate fare media
- Has mobility, regardless of trip purpose
- Buys transit based on # trips taken without regard to which system

Isabella (21)
- Spends only a little more than she did for just Fresno buses to her job
- Has more independence because she is not reliant on friends and family for her commute
- Can more easily budget tuition, transport and time

Tricia (51) & Tyler (49) + 2 teenagers
- Upped Metro commuting to 3-5x/week
- Is able to better budget family transportation expenses
- Makes weekly family trips into DC cost effective and easy.
- Gives parents the ability to both allow and monitor teenagers travel.
Flexibility, Equity, and Improvement

• Mitigates, through the market, self-imposed boundaries on transit networks. Less bureaucracy, more service.

• Equity through value. Protected classes and transit dependent are actively encouraged to find more value from transit.

• Improved customer experience.
  • Transit agencies operate transit exceptionally well
  • TVNOs are Marketing and Customer Service firms, which succeed on managing customers exceptionally well
THANK YOU!

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EARN FREE RIDES
Upgrade your account

Promo code: SMART

“Spacious One Bedroom apartment includes granite countertops and Unlimited Transit”

ROUND TRIP TO THE GAME WITH EVERY TICKET