MBTA FY2014 Deficit Reduction

Board Of Directors Finance Subcommittee

Fare and Service Discussion

March 5, 2013
Budget Deficit Reduction Measures

Transportation Reform / Transformation
- Internal productivity / cost containment
- New revenue sources
- Innovation and technology / business models

Transit Service Levels
- Reduced operating costs
- Reduced incoming fare revenue

Fares
- Increased fare revenue
- Reduced ridership
## Rollback Approaches

<table>
<thead>
<tr>
<th>Fare Increase</th>
<th>Service Reductions</th>
<th>Combination</th>
</tr>
</thead>
</table>
Fare Scenario A

All Fare Approach

Assumes $130m deficit

- 33% fare increase
- New fare revenue $130m
- Passenger trips lost 29.3m or 8%

Sample Fares

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus</td>
<td>$1.50</td>
<td>$2.00</td>
</tr>
<tr>
<td>Subway</td>
<td>$2.00</td>
<td>$2.60</td>
</tr>
<tr>
<td>RIDE</td>
<td>$4.00</td>
<td>$5.25</td>
</tr>
<tr>
<td>CR Z9 Mo</td>
<td>$329</td>
<td>$461</td>
</tr>
</tbody>
</table>
Fare Scenario B

Half Fare / Half Service Reduction Approach

Assumes $65m in new fare revenue + $65m in operating savings

- 15% fare increase
- New fare revenue $65m
- Passenger trips lost 13m or 4%

Sample Fares

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus</td>
<td>$1.50</td>
<td>$1.75</td>
</tr>
<tr>
<td>Subway</td>
<td>$2.00</td>
<td>$2.25</td>
</tr>
<tr>
<td>RIDE</td>
<td>$4.00</td>
<td>$4.50</td>
</tr>
<tr>
<td>CR Z9 Mo</td>
<td>$329</td>
<td>$389</td>
</tr>
</tbody>
</table>
Service Reduction: Discussion

- **Opportunity Costs**
  - Operator hours,
  - Power (fuel, electricity)

- **Constraint Costs**
  - Fleet, maintenance of facilities, track, stations
### Variable Costs - Estimates

<table>
<thead>
<tr>
<th></th>
<th>Cost / VRH</th>
<th>Variable</th>
<th>% Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Rail</td>
<td>$214</td>
<td>$23</td>
<td>11%</td>
</tr>
<tr>
<td>Light Rail</td>
<td>$229</td>
<td>$90</td>
<td>39%</td>
</tr>
<tr>
<td>Bus</td>
<td>$145</td>
<td>$85</td>
<td>59%</td>
</tr>
</tbody>
</table>

Total Cost per Vehicle Revenue Hour
Station, facility and right of way maintenance and materials

Variable costs:
Wages, power / fuel, vehicle maintenance and parts
Service Reduction - Examples

Bus

• Eliminate
  • 30 least productive weekday and all weekend routes
  • All service after 11pm
  • MBTA subsidy to 6 municipally operated routes

• Impact
  • Gross operating savings $53m
  • Lost fare revenue ($27.8m)
  • Net Operating Savings $25.2m

  • Passenger trips (25.2m) or 5.7%
  • Revenue hours (625k) or 7.6%
  • Revenue miles (7.2m) or 6.3%
  • MBTA jobs (368)
Service Reduction - Examples

Commuter Rail

• Eliminate
  • All weekend trains and customer service staff
  • Reduce conductors on board
  • Reduce weekday customer service hours

• Impact
  • Gross operating savings $5.7m
  • Staffing cost reduction $2m
  • Lost fare revenue ($12m)
  • Net Operating Savings ($4.3m)
  • Passenger trips (2.4m)
  • Trains per weekend (270)
Service Reduction - Examples

Heavy and Light Rail

• Eliminate
  • All weekday service after 11pm
  • All weekend service

• Impact
  • Gross operating savings $30m
  • Lost fare revenue ($75m)
  • Net Operating Savings ($45m)
  • Passenger trips (45.6m) or 10.2%
  • Revenue hours (562k) or 6.8%
  • Revenue miles (8.3m) or 7.2%
  • MBTA jobs (217)
Deficit Reduction Discussion

Fare and Service Alternatives

- Fare vs. Service Mix

- Fares: Who pays?
  - Rates by mode
  - Student, Senior and RIDE discounts
  - Parking rates

- Service Considerations
  - Low ridership routes and time of day
  - Systemwide reductions – span of service, weekend
  - Ferry and Suburban bus subsidy, contracted bus
  - “Lifeline” service – medical, schools, employment
  - Paratransit service – territory, alternative providers
Board Policy and Process

Fare Policy and Public Process

- Multiple public meetings, depending on scope of service changes
  - 10% service reduction
  - 10% fare increase

Service Delivery Policy

- Minimum standards by mode for
  - Span of service, frequency, coverage
  - Schedule adherence
  - Crowding
  - Cost effectiveness
Federal Title VI Equity and Environmental Justice Analyses

- For all fare changes, for major (10%) service changes
- Demonstrate no disparate impact to low income, minority populations
  - Fare, wait time, walk access
  - Travel time, transfers
  - Highway congestion, air quality
  - Access to jobs, health care, higher education
Process and Timeline

From decision to implementation: 7-8 Months

Example: April decision = November fare / service changes

- MBTA Develops Proposals: April
- CTPS Analysis: May - June
- Public Comment Process: June - July
- MBTA Review and workforce planning: August
- BOD and Advisory Board Review: September
- Implementation 2 months after vote: September

Implementation 2 months after vote