



## Farebox Recovery

### **What does the term 'farebox recovery ratio' mean?**

Every public transit agency collects fares from its riders. The 'farebox recovery ratio' is the percentage of an agency's overall operating costs funded by the fares it collects.

### **Why is the overall fare recovery rate important?**

For the MBTA, fares are one of the three main sources of revenue used to fund the agency – along with guaranteed funding from the Commonwealth and relatively small municipal assessments – so the overall amount brought in by fares is very important. Whatever agency costs are not covered by fares need to be covered by other means, so the lower the farebox intake, the greater the demand placed on other revenue sources.

The overall fare recovery ratio is also a good indicator of the policy choices that we are making as a Commonwealth about how we fund our public transit services. Our relatively low overall fare recovery ratio, as well as our relatively low municipal assessments, suggests that we have made the choice to fund the majority of the costs of the MBTA through direct Commonwealth transfers, both from the guaranteed sales tax and through other forms of additional financial assistance. This has implications for the overall budget of the Commonwealth.

The MBTA has an overall – including all of its different modes – farebox recovery ratio of 39%.

### **Is farebox recovery by mode important to understand?**

The farebox recovery ratio of the individual modes is also interesting, but it says more about the relative costs of those particular services versus the costs of the fares on those services than it does about the general financial picture of the MBTA.

The primary modes operated by the MBTA have the following farebox recovery ratios (2013):

- Bus: 26%
- Commuter Rail: 48%
- Light Rail/Trolley: 55%
- Heavy Rail/Subway: 61%

### **Is it fair to compare the farebox recovery ratio of the MBTA to that of other transit agencies? Isn't every agency different?**

At the outset of its work, the Panel selected a set of reasonably comparable transit agencies against which to benchmark the MBTA for a wide variety of comparisons, not just those related to fare recovery. These 'peer' transit

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agencies all operate in large, older metropolitan areas and are responsible for multiple modes and complex infrastructure.

The result of the benchmarking analysis demonstrated that MBTA farebox recovery is low versus that of other agencies both overall and across each of the modes, and these were the findings that the Panel members incorporated into their thinking and deliberations.

The benchmarking against other transit systems is intended simply as a way to give a sense of whether the MBTA is an outlier in any particular direction. It doesn't mean that other agencies are necessarily doing things better or worse than the T is, but simply to have a sense of what other agencies are doing and have found to be possible.

**Will a focus on farebox recovery ratio inevitably lead to an increase in fares for riders?**

It is important to note that the Panel focused on raising the farebox recovery ratio, not on raising fares themselves. The farebox recovery ratio is calculated by dividing total fares (which themselves depend on a combination of fares and ridership) and operating costs. There are a number of ways to increase the farebox recovery ratio – not simply by raising fares. These other means include increasing ridership and/or decreasing operating costs, either of which would make for a higher farebox recovery ratio and thus less dependence on other sources of funding for the MBTA.

**Why does the Panel report combine two years of overall fare recovery data (2012 and 2013), instead of just looking at the most recent year of available data (2013)?**

The Panel used the last two years of farebox data (the two most recent years available in the National Transit Database) in order to smooth out any fluctuations in revenue and ridership associated with the 2013 MBTA fare increase. The Panel found that, even with that increase, the fare recovery ratio at the MBTA remained low compared to other peer transit systems.

**Why didn't the Panel consider certain commuter rail systems from elsewhere in the U.S., like Metra in Chicago and the Maryland Transit Agency? It seems that the MBTA outperforms them on fare recovery?**

We did not include the Maryland Transit Agency because it is small relative to the T and thus not considered a closely comparable system. There are also a number of other stand-alone commuter railroads, like Metra, that were not analyzed as part of the peer set because they are not part of larger, multi-modal transit systems.

Similarly, there are a large number of bus systems serving the geographies we looked at that were also not analyzed. The Panel was seeking to understand, generally, how the MBTA compares to those transit agencies that perform the most similar transportation functions in the most similar cities. The Panel opted not to try to put together 'composite' systems for benchmarking, but to identify those real-world agencies that best resemble the MBTA overall – imperfect

though these comparisons necessarily are – and to focus on them for all of the benchmarking analyses, including the farebox analyses.