



## EXECUTIVE INSIGHTS

# Post-COVID-19 Transit Ridership Recovery: Does Fare Capping and Subscription Pricing Have a Role?

As the demand for public transit continues to recover following the end of the pandemic, attention has been directed at the range of policy levers available to support ridership growth.

In an earlier Executives Insights we addressed the role of free and flat fares as potential strategies to grow transit ridership — but fare capping and subscription-based pricing are also being considered as a means of unlocking growth.

## Fare capping

### Fare capping is not new

Although not generally referred to as fare capping, periodical passes that offer unlimited travel over a fixed duration — daily, weekly, monthly or even yearly — are a form of price capping.

Before the emergence of the e-purse, with first-generation smart-card fare collection systems, such products were commonplace in the fares product suite. The e-purse provided the opportunity to mimic the periodical product by deducting a fare until the price cap was reached.

A daily cap is typically designed to provide free travel at the margin over and above the daily commute (e.g. inter-peak or off-peak travel) in selected cities. The table in Figure 1 below sets out the daily fare cap multiple (i.e. the number of equivalent-peak single fares). It shows that, with the exception of Toronto and Paris, a customer making at least three trips will reach the daily cap; that increases to at least four in Toronto and at least five in Paris.

**Figure 1**  
Daily fare cap multiple\*

City	Daily cap as a multiple of single trip fare
Amsterdam	2.65
Edinburgh	2.40
Los Angeles	2.86
Miami	2.51
Paris	5.00
Portland	2.65
Toronto	4.03

\*As at June 2023  
Source: L.E.K. research and analysis

The weekly periodical pass or a capped weekly fare remains a core product for many jurisdictions. For example, the seven-day London Travelcard has been an enduring product offering unlimited travel at any time on bus, Tube, Tram, DLR, London Overground, Elizabeth line and National Rail services for the zones determined by the customer.

The traditional value proposition of a weekly periodical pass or capped fare is to charge the customer for the five days of commuting and provide weekend travel for free — this change to is a rational economic position to take, given the availability of excess system capacity on weekends. But in some cases, both lower and higher thresholds are established. For example, in Chicago, the weekly cap is less than nine times the cost of a single (peak) ticket. In contrast, in both New York and Amsterdam, the weekly cap is 12 times the cost of a single trip ticket.

### Evolving fare capping

The post-pandemic world does of course challenge this product concept. Firstly, flexible working is here to stay, and the number of five-day-a-week commuters is significantly diminished compared to the pre-COVID world. Accordingly, a weekly product concept priced on a 5+2 basis is simply no longer relevant (on a value-for-money basis) to many people in full-time employment.

It also needs to be recognised that it may simply not be a case of the now three-day-a-week commuter moving to a different public transit fare product — they may well use their old weekly commuting budget to pay for parking two or three days per week.

There could be scope for some jurisdictions to reduce their weekly fare caps to a multiple more like (say) six to seven times the cost of a single trip or three to four times the price of a daily product (or daily cap) to ensure that existing customers with a choice of mode

are retained and that public transit is priced attractively for potential customers. It is of course acknowledged that demand in some markets, where flexible working and working from home are not as prevalent, may be able to retain a conventional 5+2 pricing model or something comparable.

There is an additional challenge of the relationship of a single weekly cap to customer travel patterns, not just trip intensity. Other factors, such as trip patterns, particularly where jurisdictions use distance-based pricing and time of travel (i.e. peak versus off-peak), also determine the likelihood of individual customers reaching the weekly cap compared to the cost of single tickets.

There is of course scope to apply caps at more frequent intervals. The concept of 'nested fare caps' has developed in the smart ticketing era. Essentially, a nested fare cap is a model of having fare caps within fare caps (e.g. daily, every three days, weekly, monthly, annually).

One such example is the pricing approach adopted by Connecticut Transit (CTtransit). CTtransit offers one-, three-, five-, seven- and 31-day caps. Figure 2 below shows the single trip multiple for each of these caps (i.e. based on a single trip price of US\$1.75).

**Figure 2**  
Single trip cap multiple (US\$)

Cap	Price	Multiple of single fare
Daily	\$3.50	2
3 days	\$8.75	5
5 days	\$14.00	8
7 days	\$19.25	11
31 days	\$63.00	36

Source: [Plan your trip, see schedules, read system alerts and news | CTtransit — Connecticut DOT-owned bus service.](#)

In the example above of the flexible worker commuting three consecutive days per week, they would hit the daily cap on day 1 and 2 and the three-day cap on day 3 — simply by taking a return trip each day. As such, the third and subsequent trips, on days 1 and 2, would be free at the margin. Without any travel over and above the return commute, the trip home on day 3 would be free at the margin. It would of course be possible to make this model even more attractive, for example by enabling use of the three-day pass over non-consecutive days in a five- or seven-day period. Further analysis of effective discounts provided by the current CTtransit nested caps according to travel intensity is provided in [Hightower et al. \(2022\)](#).

Fare capping schemes also offer potential to protect the transport disadvantaged, who are often highly dependent on public transit. Low-income groups are often over-represented in terms of their use of periodical products or capped fares. In many cases a standard discount (say 50%) is applicable to all concession products relative to adult products, including periodical and capped products. An argument could be made to apply a deeper discount to the capped fare for concession products to support greater levels of mobility amongst those who are essentially captive to public transit (i.e. lower the effective threshold where travel is effectively free at the margin).

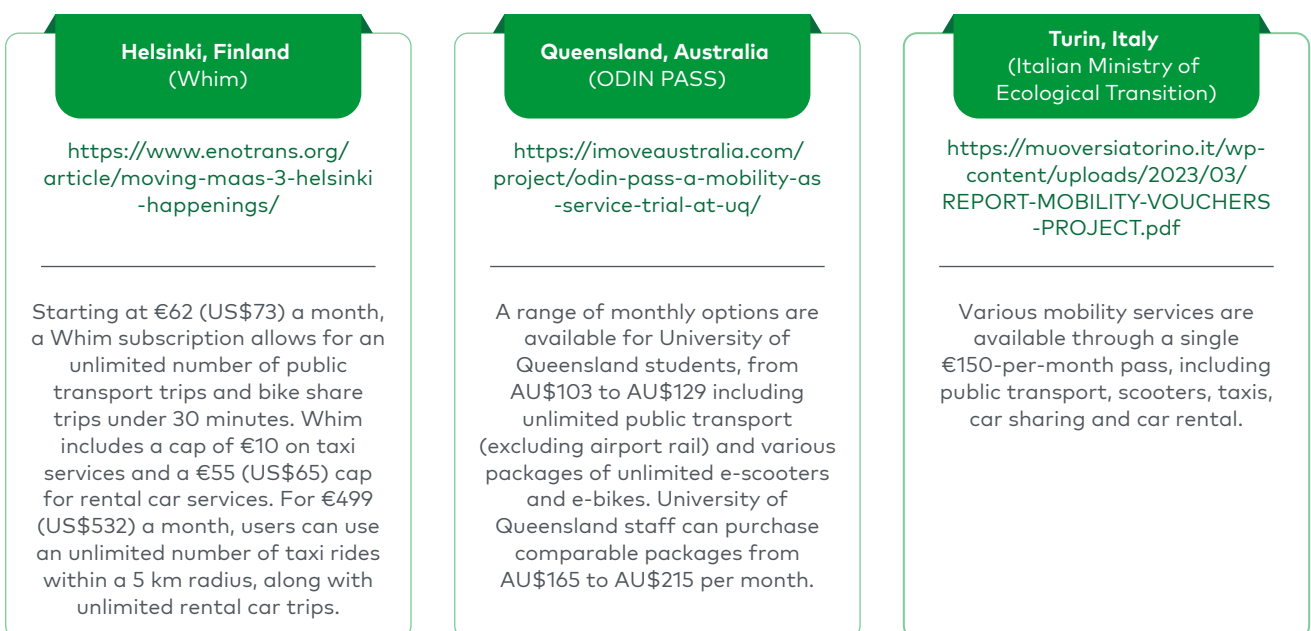
## Subscription pricing

Subscription pricing has come to the fore with the interest in 'mobility as a service' or MaaS. Under this model, customers pay a set price (i.e. subscription) for a bundle of mobility services. This could include unlimited use of a given mode(s) for a specified time period and discounted/promotional rates to use other modes or services — or could simply offer these modes and services on a pay-as-you-go basis.

Helsinki's Whim app is the most often-quoted example of a ubiquitous subscription-pricing model. There have been other attempts at this type of model around the world — both ongoing and trials that have been completed or discontinued.

Figure 3 below summarises three subscription models to demonstrate how modes and services can be potentially bundled.

**Figure 3**  
Overview of transport subscription models



Source: L.E.K. research and analysis

In our view, customer acquisition and retention are both significant challenges to subscription-based mobility pricing.

The challenge of offering subscription-based pricing on a commercial basis is that typically a bundle or even a series of bundles cannot be designed at a price point that is attractive to all but 'super users'.

Subscription models that target specific market segments with broadly similar mobility needs offer greater potential in the near term. The Queensland ODIN Pass, which is specifically targeted at the mobility needs of university staff and students, is an example of this.

Customer retention has emerged as a key issue with subscription-based pricing (i.e. inability to support value-for-money customer outcomes on a sustainable basis). In an attempt to address this, behavioural nudges (i.e. reward schemes) have been added to increase customer retention. These nudges take many forms and can include giving customers free coffees when their train is running late. Another example is providing workers with co-working space vouchers to incentivise customers to travel off-peak.

## Conclusions

Both fare capping and subscription pricing offer substantial potential to help support the post-COVID recovery of public transit demand. A challenge in both cases is the need to pivot pricing to align with post-COVID travel. A further issue for subscription-based pricing is to overcome the challenges of offering a product suite, which might contain a mix of unlimited travel, discounted modes or services, and pay-as-you-go modes and services, that supports both customer acquisition and retention.

For more information, please contact [strategy@lek.com](mailto:strategy@lek.com).

## About the Authors



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Will has worked across all modes of transport with expertise in strategy and policy development and transaction support, including in pricing strategy, demand and revenue forecasting, synergy assessments, transport infrastructure business case development and assessments of potential transport infrastructure investments. In this work Will frequently considers the impact of developments in the mobility landscape (incl. changes in travel behaviours, energy transition and automation) on demand for transport and for stakeholders including operators, investors and governments.

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