



## EXECUTIVE INSIGHTS

# Post-COVID-19 Transit Ridership Recovery: Is There a Case for Free or Flat Fares?

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 to support ridership growth.

It comes as no great surprise that some stakeholders have suggested public transit pricing can be used as a lever to support ridership recovery, particularly the notion of free or a (low) flat fare (where a single fare is applicable for all trips regardless of origin or destination, time of day, etc.).

## More jurisdictions are adopting free fares













It is now estimated that around 100 cities offer some kind of partially or fully free public transport, with at least half of these in Europe. Examples include the long-standing policy in Tallin, Estonia, and nationwide free public transport in Luxembourg. Figure 1 presents selected cities that have adopted free fares.

Action climate change and social equity are often advocated as the primary motivations for a free fare policy (rather than any specific link to COVID-19 recovery). It is less clear that the hoped-for mode shift share away from cars to public transport has occurred where free fares have been adopted. For example, in Tallinn, car mode share over the past nine years has increased from 42% to 48%.<sup>1</sup>

More recent examples of free fare systems have also emerged in the US. For example, Olympia, Washington, decided to move to free fares on the basis that the existing fare collection equipment was obsolete and, although there was a desire to move to a contemporary fare collection system, this could not be justified given the scale of the capital investment required to 'protect' farebox cost recovery of c.10%. Kansas City,

Missouri, has also moved to free fares, citing the need to provide access to employment and education as the primary drivers.<sup>2</sup>

**Figure 1**  
Overview of free fare jurisdictions

Cities offering free public transport		NOT EXHAUSTIVE
	<b>Adelaide (AU)</b> – Bus and tram services in the city centre (partially free)	
	<b>Boston (US)</b> – Select bus routes (partially free)	
	<b>Brisbane (AU)</b> – Select bus routes and ferries in inner-city areas (partially free)	
	<b>Dunkirk (FR)</b> – All public buses (fully free)	
	<b>Geneva (CH)</b> – Public transport for tourists spending a minimum of one night in the city (partially free)	
	<b>Kansas City (US)</b> – Streetcar service in the city centre (partially free)	
	<b>Manchester (UK)</b> – Buses surrounding the city centre (partially free)	
	<b>Melbourne (AU)</b> – Trams in the city centre (free tram zone)	
	<b>Salt Lake City (US)</b> – TRAX light-rail and buses in city centre (free fare zone)	
	<b>Tallinn (EE)</b> – All forms of public transport for residents (fully free)	
Countries offering free public transport		NOT EXHAUSTIVE
	<b>Luxembourg</b> – All forms of public transport (fully free)	
	<b>Malta</b> – All day routes, night routes and special services using a Tallinja Card (fully free)	

Source: L.E.K. research and analysis

In our view, any decision to move to free fares on the grounds that fare collection equipment is obsolete, or life expired, requires careful consideration. Many cities have embraced the ‘fare collection as a service’ model where cloud-based solutions with minimal hardware costs support the replacement of legacy fare collection equipment. Moving to free fares is one option but not the only option given the availability of cost-effective fare collection equipment.

As a rule of thumb, free fares might be expected to generate a patronage uplift of c.30% comprising both diverted and induced (generated) trips. The former will include a proportion of current car trips, while the latter will include the greater use of public transit by existing and new customers for trips that would not otherwise have been undertaken.

If a case for free fares is to be made based on environmental benefits, there are several considerations – foregone farebox revenue, the cost of any additional (peak) capacity and/or the disadvantages of any on-board crowding against the value of the environmental benefits captured. In general, this is likely to be a very difficult economic case to make, and hence significant reliance needs to be placed on social equity benefits (i.e. supporting the transport disadvantaged).

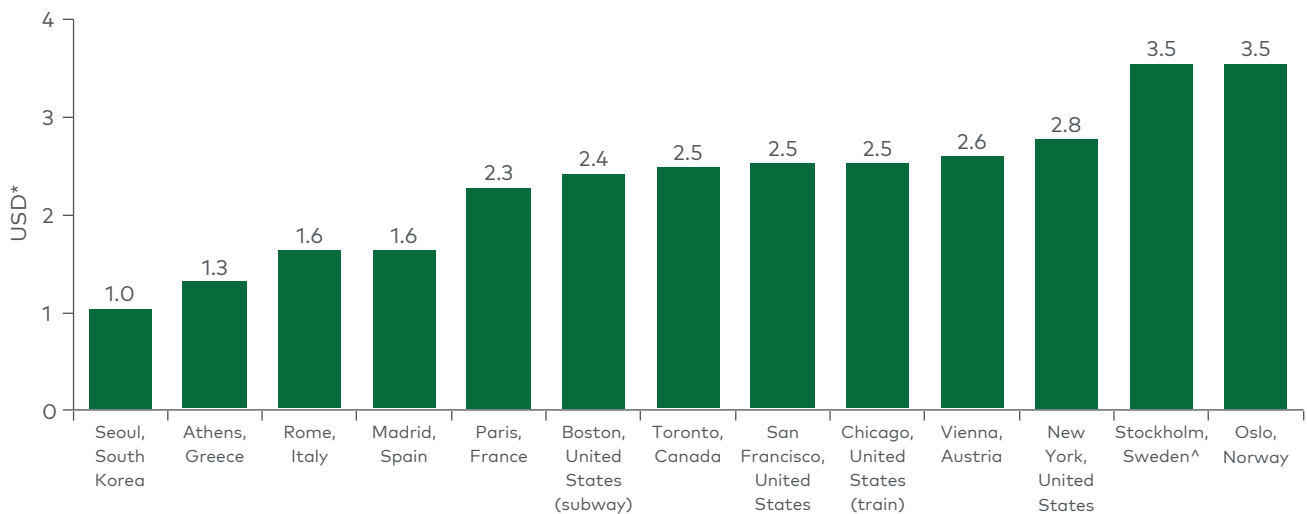
It is also important to distinguish between the permanent implementation of free fares and promotional campaigns incorporating fare-free periods. Campaigns such as promotional 'Fare Free Days' certainly have a role to play in encouraging new riders and rewarding existing customers. For example, in 2022, Transport for New South Wales offered 12 days of free travel across the greater Sydney region over the Easter school holidays. This was predicated on supporting post-COVID-19 ridership recovery, recognition of the impact of disruptions to the rail network, providing existing and new customers with some financial relief, and supporting small businesses expected to benefit from higher levels of travel activity.<sup>3</sup>

**Flat fares remain popular**

A flat fare structure has traditionally found support on the grounds of its simplicity to communicate to customers and the fact that it is a far simpler proposition from a fare collection perspective. This has been particularly true in North America where there was historically a reliance on cash fareboxes operating in an exact-fare paradigm using cash and/or tokens. Even with more sophisticated fare-collection equipment, it only requires a customer to tap onto a reader once using a transit card or contactless open payment. For example, major subway systems in the United States including New York, Los Angeles, Chicago and Philadelphia all continue to maintain flat fare systems.

Figure 2 shows current flat fares (as at June 2023 in US\$) for a range of cities around the world. It illustrates that, apart from a few cities with relatively low flat fares (e.g. Seoul at US\$1.00 and Athens at US\$1.30), most cities support flat fares in the range US\$2.30 to US\$2.80.

**Figure 2**  
Flat fare cost



\*Conversions include: 1€:\$1.07USD; \$1CAD:\$0.74USD; 1SEK:\$0.093USD; 90-minute ticket

^75-minute ticket

Source: L.E.K. research and analysis

From a policy perspective, the economic and equity implications of a flat fare model flow directly from the level at which the fare is set. In practice, it is likely to prove challenging to balance competing economic, financial and social objectives with flat fares.

If a flat fare is set very low, it may generate demand that drives costly additional peak capacity and/or on-board crowding, dilute farebox cost recovery, and create equity issues where those travelling relatively long distances consume more transport services than those travelling somewhat short distances for the same price.

If a flat fare is set high, the same equity issue emerges in the other direction. Those who travel fairly short distances are disadvantaged and it is highly likely that many trips are priced off public transport, resulting in economic dis-benefits associated with transfers to the private car or the loss of the trip altogether.

From a pragmatic perspective, any fare system reform brings into sharp focus the 'winners and losers' of change. A flat fare system does not provide any flexibility (i.e. 'degrees of freedom') to manage fare level impacts given the inability to apply differential fare changes by mode(s) used, trip origin and destination, time of day, trip direction (peak versus contra-peak), etc. This ability to flex fares is often critical to drive economic, financial and/or social outcomes.

### **Time to reconsider?**

In our view, there will be very few cases where fare collection equipment is life expired and an investment in a new fare collection system cannot be made (i.e. where free fares should be the preferred position).

The investment that many cities around the world have made or are making in their fare collection systems obviously explicitly rejects the notion of free fares and challenges the merit of a flat fare structure. There are exceptions, of course, notably where operational considerations are paramount. For example, the retention of flat fares for London buses within the Oyster system has long recognised the importance of supporting on-time running as a primary objective over economic and equity objectives.

However, we would contend that, for the most part, investments in state-of-the-art fare collection systems and even more modest 'off the shelf' cloud-based solutions dictate that fares policy is carefully evaluated.

In particular, the capacity to differentiate fares spatially and temporally and by customer segment needs to be carefully assessed against fare system objectives. Modern fare collection systems are progressively opening up opportunities for personalised or enterprise pricing and offers. For example, employees of a major corporate established on the urban rim might be offered a targeted discount to reflect the fact that commuting will

be contra-peak. As another example, capping and subscription-based pricing models can be effective in managing the demand for our public transit services.

This suggests that jurisdictions currently maintaining a flat fare structure that have or are making the leap to a contemporary fare collection system should consider the merits of fares policy reform — notwithstanding the clear challenges of managing the ‘winners and losers’ of any material change.

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

## Endnotes

<sup>1</sup>Euronews.com, “Free public transport in Europe: Is the social experiment working or is it just a gimmick?” <https://www.euronews.com/next/2022/09/16/free-public-transport-in-europe-is-the-social-experiment-working-or-is-it-just-a-gimmick>

<sup>2</sup>Cnbc.com, “Americans spend over 15% of their budgets on transportation costs — these US cities are trying to make it free.” <https://www.cnn.com/2020/03/02/free-public-transportation-is-a-reality-in-100-cities-heres-why.html>

<sup>3</sup>Nsw.gov.au, “Fare free travel delivers savings for families over Easter.” <https://www.nsw.gov.au/news/fare-free-travel-easter-2022>

## About the Authors



### Mark Streeting

Mark Streeting is a Partner in L.E.K. Consulting's Sydney office and the practice leader of L.E.K.'s Australian Transport and Travel practice. Mark regularly advises major private and public sector clients across Australia, New Zealand, North America, Europe, the Middle East and Asia on all forms of passenger and freight transport. Mark's fields of expertise include strategy and policy development; demand analysis and forecasting; financial and economic appraisal; regulatory reform and procurement; pricing strategies and development; strategic marketing and communications; and transport innovation, business and operating model transformation, and implementation.



### Simon Barrett

Simon Barrett is a Partner based in L.E.K. Consulting's Sydney office. He is a leader in the Transport and Travel practice and works across several closely related sectors: transport and travel, new mobility, infrastructure and major capital projects. He has more than 30 years of experience in strategy consulting across Australia, New Zealand, Asia and Europe. Simon regularly advises major corporations on strategy, organisation and performance, M&A and major capital projects. His clients include major operators and investors in road, rail (both passenger and freight), light rail, buses, ports, shipping, aviation, airports and tourism. Simon also works extensively in the public sector on long-term policy and strategy, organisational design and major capital projects. In this capacity, Simon has been deeply involved in many of the major transport reforms and innovations in Australia and New Zealand over the last two decades.



### Will Chamberlain

Will Chamberlain is a Principal in L.E.K. Consulting's Transport and Logistics Practice, based in our London office. He has experience in both Europe and Australasia and primarily advises major private companies and investors regarding all forms of passenger and freight transport.

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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