

ONTARIO CENTRE FOR MUNICIPAL BEST PRACTICES

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Best Practice Summary Report

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Urban Transit – Universal Pass

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Practice Identification: **Universal Pass**

Case Study Municipality: **City of Hamilton – Hamilton Street Railway**

Key Word:

Benefits which resulted from Adoption of the Practice:

- **Increased ridership**
- **Increased revenue**
- **Mobility improvements**

Description of the Practice in the Case-study Municipality

Hamilton Street Railway (HSR), serving the Hamilton population of approximately 490,000 people, had 190 active buses in 2001, and operated about 11 million kilometres of service, carrying approximately 22 million passengers.

In 1997 Hamilton introduced the Universal Pass for McMaster University students, following the concept introduced by several other systems in the US and Canada, where students receive a deeply discounted semester pass for a mandatory incremental charge on their student activity fee. In HSR's case, the U-Pass is sold at a price of \$58 per semester (2001) compared to \$46 per month for a regular student pass.

Successful U-Pass systems provide transit systems with a source of guaranteed revenue, often at a substantially higher level than the increase in costs required to provide additional service to these market groups.

The HSR Universal pass has been selected as a best practice for the way the program has been expanded to include other agencies and market groups, including the City of Hamilton, Columbia College, and Redeemer College University.

Evaluation of the Practice

Effectiveness

Universal pass programs generate new ridership in two principal areas:

- offering deep discounts to portions of the market already predisposed to use transit, who take greater advantage of the prepaid fare that is now perceived to be “free”; and
- offering convenience of prepaid fares, generating new ridership from market groups that will:
 - use the pass because it is paid for and insist on getting value for their investment; and
 - a smaller ridership group that makes occasional use of the system when and where it is convenient to them.

Exhibit 1 shows the annual ridership from each of the universal pass customers, along with HSR’s estimate of the new riders generated by the U-Pass program.

Exhibit 1

Hamilton Universal Pass Annual Ridership

Program	Annual Ridership	New Ridership
McMaster University:	1,500,000	25%
City of Hamilton	54,000	45%
Columbia College	58,000	30%
Redeemer College University	73,000	30%

Efficiency

Successful Universal Pass programs can improve the efficiency of a transit system by capitalizing on spare capacity within the system to carry at least a portion of new riders at no cost. The new ridership indicated in Exhibit 1 represents approximately 2 percent of the existing ridership, and an annual revenue source of approximately \$500,000. To ensure quality service to the university, some additional services had to be added, but the overall effect was a net revenue increase.

The implementation of a U-pass creates the following effects:

- ~ reduced revenue from current riders who receive substantial discount;
- ~ more than offsetting new revenue from previous non-riders that now pay the mandatory pass cost.
- ~ increased ridership from both groups;
- ~ increased costs for additional service required to support new ridership.

In virtually all applications, the increase annual revenue has exceeded the additional costs required for new service, improving both the ridership and cost per trip performance.

To the extent that existing riders move to the pre-paid pass, cash handling and the costs of ticket and pass production and distribution are reduced.

Mobility

Although there are no clear data to support this effect at this time, HSR staff indicates anecdotal evidence that the U-Pass for McMaster students has increased mobility for this group by making transit affordable. The most direct evidence of this is an apparent redistribution of students from traditional student housing areas to areas more remote from the university but well served by transit. This effect is supported by other communities with U-passes.

Replication of the Practice

Communities with significant post-secondary institutions are well suited to universal pass programs, though several have already implemented them beginning with Kingston (Queen's University), as well as London (Western), Guelph and beginning this year, St. Catharines (Brock). The Toronto Transit Commission has just recently introduced a similar program on a pilot basis with Fairmont Hotels and the University of Toronto. The same concept can be used for major employers, agencies or any large group of affiliated transit users.

Post-secondary institutions, both universities and colleges, represent a significant transit market in most communities where they are located, and offer an excellent opportunity to tap further into this market through the U-Pass concept. Building on this experience, and the experience of others, these programs can be expanded to include major employers, and possibly secondary schools.

It is important to note that because these represent mandatory fees among the membership group, implementation typically requires a referendum program, which the transit agency cannot control. However, demonstrations of commitment to quality service following a successful campaign can often help in influencing the success of the campaign.

Transit systems considering this type of contract pass should take care to ensure that a price escalation formula is agreed to in the initial implementation.

Systems can be most successful where the market is already well-served by the existing transit service, since this not only makes the market group more amenable to participation in the program, but also reduces the incremental cost of providing the necessary services.

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