WILL LOW FARES HELP TO CURE HIGH COSTS?

BY WALTER JACKSON

Consultant on Electric Railway Fares and Service, Former Associate Editor and Business Manager of Electric Railway Journal.

NOTHING could seem more unorthodox than the idea expressed by the title of this article. What—advocate a reduction in the selling price of transportation at the very time that costs are at a maximum? Could any paradox be more absurd than this? Well, then, let us see first what has been the result of the opposite policy, that of increasing the rate of fare.

Hundreds of American electric railways have received the increase in rates for which they longed so eagerly. It is not on record, however, that they are quite as pleased as they hoped to be, for almost invariably the augmentation of revenue has been less than expected. This disappointment has been accentuated by still further jumps in costs, especially of platform wages, which have easily outstripped the increases in revenue.

If the American electric railway were carrying fully-loaded cars all day long, there would be but one way of getting more revenue, to wit, by an increase in the unit fare return per passenger; but for only four hours in the day are its cars over-crowded, while for fourteen to sixteen hours just a portion of the seats are occupied. Even the rush hours average little better than a seat per passenger when we bear in mind that the cars returning against the current of travel are usually empty.

The consequence of an increase in fare is to make this poor load factor still worse through the reduction of the short-haul or profit-producing rider.

Any increase in revenue obtained through raising fares is less than it seems because the cost of carrying the remaining passengers per unit is greater than it was before. To put the matter more technically, the same number of car-hours and car-miles must be given for a smaller number of riders while the investment charges remain as heavy as ever. It is poor policy to cut the number of car-hours and car-miles in proportion to the reduction in riding because this discourages the return of the short rider. Yet more than one railway, in sheer desperation, has done this suicidal thing, much to the joy of the jitney and of the automobile accessories merchant.

Even if the increased unit fare does accomplish the end of meeting fixed charges and paying modest dividends its use cannot be deemed a good omen for the continuance of the electric railway industry as the foremost common carrier. No industry can live and grow on a constantly diminishing clientele; on extracting as much as possible from the individual rider who perforce must use the street car. Such an electric railway may, for a time, conserve the interests of its investors but it will have no occasion to buy new cars, track, wire and power-house equipment. Indeed, a number of electric railways which have raised their fares and lowered their patronage are now selling such material instead of buying it. That is the natural consequence of trying

to *salvage* the property instead of trying intensive merchandising first.

But the most alarming feature of the railway which carries fewer passengers with each increase in fare is its diminishing value as a public utility. It is no longer the natural carry-all, the great time-saver of the general public. It has become simply an organization which puts the conservation of the property ahead of its primary purpose of carrying the greatest possible number of people who could be benefited by its service. In deliberately diminishing its usefulness, therefore, such a railway invites the competition of the jitney and private automobile.

If it is agreed that the policy of increasing the unit fare is resulting in a declining usefulness of the street railway, we may think it worth while to see if better results could be expected from the totally opposite policy of lowering the fares at a gain to both the railway investor and the railway user.

WHY AMERICAN CARS ARE UNDER- LOADED MOST OF THE DAY

The startling contrast between the peak and off-peak hours of the American street railway is of such long standing that the operator and the public have long taken it for granted. Yet if we examine the traffic load curves of British cities we will note a much more favorable contrast between the loads carried at different hours of the day. This is not due to differences in working hours nearly as much as to the different way of charging for transportation. The United States uses a flat fare which does not encourage short riding; the United Kingdom uses a graduated fare which does encourage short riding. In both countries the majority of rush-hour riders

are long riders—people going to or from work; and in both countries the majority of off-peak riders are short riders. The difference, however, is that in America the short riders are an insignificant factor almost, while in Great Britain they form the backbone of the riding and the revenue. Note also that this latter fact holds true whether the city is large or small, solidly built up or diffused, manufacturing or residential. Any American street railway that could approach the density of traffic found in England would surely enjoy a renewed lease on prosperity.

The American electric railway is suffering to-day from the effect of the unit fare policy for which, it may be added, the American municipality is equally responsible. To get an unlimited distance for the same fare, not merely in the same community but in practically every city of America, was a condition not calculated to give the American car rider any idea of the cost of street railway service. The reaction for the street railway manager was just as bad. What was the use, he reasoned, of trying to determine the cost of carrying a passenger a given distance when people could ride as far as they pleased for the same fare?

Still more germane to our subject, was the manager's other reaction that there was no use in trying to build up short-ride traffic through giving the increased service that is a necessity under a short-fare, short-ride system. He took it for granted that people usually rode only when they had to and when they felt they were getting their money's worth. The manager reasoned that although a man got five miles for five cents, he would not be inclined because of that bargain to pay five cents for one mile or less.

Thus it came to pass that the bright electric railway operator was he who

used the largest cars to obtain the lowest platform expense, for when larger cars replaced the smaller ones the intervals between the cars were lengthened so that fewer conductors and motormen could handle the same number of passengers. Operators gloated over the obvious reduction in expenses but few realized then that they were driving away trade. Indeed the big-car fantasy finally reached the absurd point where a resident in a medium-size town could walk from home to office before the arrival of a car!

It was not until the coming in large numbers of the private automobile and of the jitney that many American electric railway operators began to realize that they had made no allowance for frequency of service in building up riding, let alone the other important factor of a short rate for a short ride. They saw also that the jitney not only took traffic away from them but created entirely new business because of its more frequent service. From this experience came the use of the automatic or safety type of one-man car which never fails to build up new business wherever it is installed to give more service. It is noteworthy, too, that people are willing to pay more money for better service.

But frequency of service with more economical car units is only half the story in trying to secure more revenue through the increased rather than decreased usefulness of the street railway. The American electric railway must also, where the population is reasonably compact and the routes at least two miles long, be prepared to sell transportation in the size of package and at a price in proportion thereto that the customer wants. No longer can it be urged that there is nothing sweeter and finer than the

five-cent fare and the free transfer, for we have with us today the six-, seven- or eight-cent fare and the two- or three-cent transfer—a combination with all the faults of the flat and zone systems but the virtues of neither. So the time has come when the alleged complexity of differential fares cannot be urged against their adoption.

IMPROVING THE LOAD FACTOR THROUGH LOW FARES

In discussing the building up of revenue through giving lower fares for shorter distances or through other means, it is well to bear in mind that even under the five-cent flat fare there was a certain amount of voluntary or short-haul riding. Judging by the losses in traffic which followed many fare increases from five to but six cents, the proportion of these short riders and long riders who could refrain from riding was 10 to 15 per cent. Consequently, the restoration of the five-cent fare for the average distance represented by these classes would bring the traffic back almost immediately.

But the experience of hundreds of zone fare street railways operating under the widest variety of conditions from Britain to New Zealand indicates that a properly graduated system of fares ought to give us from 40 to 50 per cent passengers riding up to say one and one-half miles. If we succeed in creating as much more traffic as this difference in percentage (40 to 50 as compared with 10 to 15 per cent) indicates, it will not be necessary for our electric railways to put all the burden of increased costs upon the poor fellow who *must* use the trolley. A recent case in which some of the former five-cent riders find themselves asked to pay double and even triple fare is an example of the policy which

does not take into account the creation of new riders for new revenue.

When a street railway has a large proportion of short riders, the contrast between peak and off-peak hours, as already hinted, is much less severe than on a flat fare system. The reason is to be found in the enormous increase in neighborhood riding by women, children, merchants' clerks, etc. Most of these short riders keep off of the cars during the rush hours because if the service does not offer seats they can walk, but they are ready to ride at other times provided they can get frequent service. On most zone-fare roads also there are three rush periods instead of two because many of the short riders also go home for lunch. Lunch riding is supposed to be a British characteristic but we have plenty of proof that the provision of more frequent service alone will tempt Americans to give up the downtown restaurant.

There are, of course, many towns which are too small for a graduated fare, but these need not give up hope in consequence thereof. As most of these smaller cities will soon be operating with one-man cars, it would be undesirable to complicate the work of the car operator by asking him to handle a variety of reduced rate tickets good only for certain hours of the day. If any reduced rate is used, it should apply only to the off-peak hours when it is feasible for the car operator to handle tickets and when there are ample seats available. The old-time reduced rate for rush hours is, of course, an economic absurdity since it usually costs more to carry a passenger in the rush hours than at other times. From the viewpoint of the railway, tickets of different prices are also undesirable in the opportunity that they give to a dishonest conductor to

substitute a low-price ticket for a high-price ticket or cash fare.

The writer's solution for securing more revenue for the small-town railway at an actual reduction in the cost per ride contemplates the use of a weekly commutation ticket, the price of which would be equal to say three rides a day. This means that a person taking four rides a day would get one pair of rides, taken either at noon or at night, for half price; but without the complication of special tickets or of cash handling by the car operator. In fact the car operator would be relieved of considerable work by this plan. The ticket might be good for unlimited rides within a week, so that the car operator would not even have to punch the ticket. No harm would ensue from making such tickets transferable since only one person could use a ticket at one time. The workman going to his job, for example, could not well give the ticket to his wife until he returned at night.

Under this plan, it is obvious that the extra riding would come during the off-peak hours when there are seats to spare, since the chief purchasers of these tickets would be people who are already riding twice a day during the rush hours in going to and from work. The other purchasers would include agents, shoppers, students and employers who would give this ticket to their errand boys instead of furnishing cash which often never gets to the coffers of the railway! By this plan, there is promised the same desirable and needed increase in load factor, or use of the investment in equipment that the short-ride fare offers for larger cities.

To conclude: If the electric railway is to become of greater instead of less usefulness to the community, the revenue which it needs ought to come, if possible from the creation of new