

EcoPass: Employer-Sponsored Transit Passes

Organization

City of Winnipeg — Winnipeg Transit

Status

Started 2002, ongoing

Overview

Winnipeg Transit's EcoPass is a public-private partnership designed to make transit more affordable to commuters, while preserving or increasing transit revenues. Its ultimate goal is to boost transit ridership and reduce congestion, air pollution and the need for spending on roads and bridges.

The EcoPass program enlists employers as sales agents for regular monthly transit passes. Employers are encouraged to offer their employees a discount of 30% or more, up to one-third of which is rebated to the employer by Winnipeg Transit.

Development of the EcoPass began in late 2000 and went through a two-year testing phase. This included both a limited demonstration and a larger pilot project, which illustrated the program's benefits and contained risk.

The program requires limited resources, and at participating employers it has boosted transit ridership by an average of 45%, monthly bus pass sales by about 500%, and net revenues by 30%. The main reason for these increases is the large discount enjoyed by employees, the major portion of which is provided by employers. The program is estimated to reduce local greenhouse gas emissions from transportation by 150 tonnes annually.

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Resources

- Winnipeg Transit — EcoPass information (www.winnipegtransit.com/main/ecopass.jsp)

Community context

The City of Winnipeg is the capital of Manitoba and its largest city, with 635,000 residents that represent about 55% of the provincial population. The city sits at the centre of the Winnipeg census metropolitan area (CMA) and its population of about 690,000 people. The city's population is increasing slowly and steadily, and is expected to grow by 12% to about 710,000 by 2021.

The City of Winnipeg's Transit Department operates the local public transit system. Winnipeg Transit is well used, with average annual ridership per capita (63 trips per person in 2000) that is comparable to levels in Edmonton, Victoria and Vancouver. About 6 in 10 Winnipeg residents report that they take transit at least occasionally, with 4 in 10 making at least one transit trip per week. About one-third of the population uses of the system more regularly.

Similar to other Canadian cities, annual transit ridership in Winnipeg dropped through the late 1980s and early 1990s, but has been stable since 1995. The 2001 Canadian Census found that over 13% of Winnipeg workers commute by transit, fourth best among Canadian CMAs (behind Toronto, Montreal and Ottawa, and tied with Calgary). Transit's share of the city-wide work and post-secondary trip market is about 20%, with more riders in areas of concentrated employment or student populations (e.g. 35% transit share in downtown, 32% at the University of Manitoba, 56% at the University of Winnipeg).

In 2004, Winnipeg Transit sells monthly passes for \$67.40, seven-day weekly passes (Monday through Sunday) for \$17.50 and five-day weekly passes (Monday through Friday) for \$15.75. The regular adult cash fare is \$1.80.



Policy context

Winnipeg Transit actively supports the city's important transportation objectives by:

- Providing transportation for those with no access to other modes
- Offering a quality of service in peak periods that minimizes the need for investment in road and bridge capacity
- Reducing energy use and air emissions related to urban transportation

In 2000, the City released a major transit policy report, *Direction to the Future: The Guide to Better Transit for Winnipeg*. That document recommended a framework for increasing transit ridership that included greater affordability of transit fares. It noted that two decades of fare increases had boosted transit's operating cost recovery from 47% in 1980 to 67% in 1999. This rise had the effect of reducing the public subsidy, but also increased user costs at a rate much greater than inflation.

To make transit more affordable for commuters, *Direction to the Future* recommended that the City develop an employer-sponsored transit fare program, identify potential employer participants, distribute informational and promotional materials, and develop a supporting administrative system.



Rationale and objectives

Direction to the Future offered the following rationale for its recommendation in favour of an employer-sponsored transit fare program:

Many employers offer free or subsidized parking as a benefit to their employees. This access to free or inexpensive parking reduces commuting costs for automobile users and provides a disincentive to transit use. In several jurisdictions, employer-sponsored bus pass programs have been implemented to reduce commuting costs for transit users, to reduce the demand for parking, to provide a more equitable benefit program to employees, and to make the purchase of transit passes more convenient. The nature of these programs vary. In some instances, employers provide a direct subsidy to employees for the purchase of bus passes. In others, employees are able to buy annual passes through a payroll deduction plan.

At a more strategic level, Winnipeg Transit's EcoPass program was also created with an eye to providing tangible benefits for employers (attractiveness to workers, reduced parking needs, public relations), employees (fare savings, reduced driving and parking costs, convenience) and the community as whole (higher transit ridership and revenues, decreased congestion, reduced emissions, more parking for downtown shoppers and visitors).

The objectives of the program include:

- To increase transit ridership
- To be at least revenue neutral, and possibly increase net transit revenues
- To reduce greenhouse gas and other emissions from transportation
- To support downtown revitalization by increasing transit use and foot traffic
- To raise the profile of Winnipeg Transit among major employers and their employees



Actions

Initial steps. In December 2000, following the release of *Direction to the Future*, City Council authorized Winnipeg Transit to negotiate and commit to employer-sponsored bus pass (EcoPass) agreements. A 5:1 cost sharing ratio between employers and Winnipeg Transit was proposed — in other words, for every 5% discount in the price of a transit pass offered by an employer to its employees, Winnipeg Transit would rebate 1% to the employer.

In February 2001, Winnipeg Transit launched a demonstration with Manitoba Public Insurance (MPI), a major employer. MPI agreed to sell monthly transit passes to its employees at a 50% discount, and Winnipeg Transit rebated 10% to the employer. The short demonstration had the following results:

- The program enjoyed strong management and employee support, with employees (particularly single parents and lower income earners) appreciating the cost savings and management appreciating the simple administration and positive employee response.

- Monthly pass sales increased by 800% (from about 40 to 270).
- The proportion of staff using transit increased from 34% to 58%.
- The proportion of employees who paid for daily parking decreased from 48% to 32%.
- One-third of the increase in weekly transit trips came from former auto drivers or passengers.

Pilot project. Following the MPI demonstration, Winnipeg Transit solicited interest in a possible EcoPass follow-up from about 180 local employers. A “teaser package” was sent and followed up with mail, phone calls and meetings. Staff found that organizations liked the program’s objectives and benefits, but many were concerned that it was unproven and didn’t want to be the first to implement it. Some also felt that the proposed 5:1 cost sharing formula was not sufficient to warrant their involvement.

Staff concluded that the next step should be simultaneous EcoPass implementation at a group of employers. Winnipeg Transit held a luncheon and follow-up discussions with 15 major employers, during which it presented the EcoPass program as having the following benefits:

- It would position them as community leaders in environmental issues by helping to reduce auto use.
- The tangible benefit would help to recruit and retain employees.
- It could reduce the cost of providing or subsidizing employee parking.
- It would promote healthier lifestyles among employees and reduce stress from commuting.
- It would help revitalize the downtown core by encouraging transit use and foot traffic.

Six of the 15 major employers verbally committed to a joint pilot project that would let all parties assess EcoPass benefits, costs and operational issues. The possibility of longer-term agreements was left open for future consideration. In April 2002, City Council approved an EcoPass pilot project with the following characteristics:

- A six-month duration beginning in June 2002, with the launch supported by Environment Week, Clean Air Day and Commuter Challenge events in the first week of June
- A 3:1 cost-sharing ratio (versus the originally proposed 5:1 ratio) whereby employers would offer employees a 30% discount, and Winnipeg Transit would rebate 10% to employers

- A revenue-neutral cost structure that could still increase ridership and revenues significantly
- Encouragement for employers to survey employees before the pilot phase and toward its conclusion, to help assess the benefits

Eight additional organizations joined the 2002 pilot project, for a total of 14 including several major employers such as the City of Winnipeg, Manitoba Telecom Services, CanWest Global Communications, the Winnipeg Airports Authority, and two local credit unions.

Near the end of the six-month pilot project, Winnipeg Transit reviewed EcoPass sales and surveyed a number of major firms that participated. The results were very positive, reflecting increases in monthly pass sales, net revenues and transit usage. However, the most significant factor in the decision by all employers to continue the program was the reaction of their employees. Employees were very happy with the program, particularly the fact that employers were offering it voluntarily as a benefit for their employees. While two organizations withdrew from the program a few months later, it was not due to dissatisfaction but rather to limited sales that reflected the employers’ suburban-industrial locations where parking was plentiful and inexpensive, and transit service more limited.

How the program works. After making contact with an interested employer, Winnipeg Transit (with permission) surveys employees to measure their transit use and potential EcoPass uptake. This provides “baseline” data that is useful in later program evaluations. Willing employers sign a “Sales Agency Agreement” and agree to a six-month evaluation period.

Employers become sales agents for Adult Monthly Bus Passes and Handi-Transit Passes. Winnipeg Transit delivers transit passes to workplaces that sell 25 or more each month, but to control distribution costs it requires smaller orders to be picked up. At the end of each month, Winnipeg Transit collects from employers the net receipts and any unsold passes. Employers are responsible for determining which employees are eligible (e.g. full-time versus part-time), how much they pay for a pass (e.g. 30% or other discount), and how they pay (e.g. cash, cheque, payroll deduction, credit card). Winnipeg Transit does provide employee communication materials including brochures, posters, surveys, correspondence, route maps and timetables. It also conducts site visits and offers personalized route planning for interested employees.

Winnipeg Transit offers a rebate to companies that sell discounted passes to employees. A 3:1 cost-sharing ratio is offered to companies that sell passes to employees at a 30% discount, earning them a 10% rebate from Winnipeg Transit. A 5:1 cost-sharing ratio is in effect for any discount below 30%, and for incremental discounts above 30%. For example, a discount of 10% earns a rebate of 2%, while a discount of 50% earns a rebate of 14%. Currently, employers are offering discounts on a \$67.40 monthly pass of 30% to 50% (i.e. monthly savings of \$20 to \$34).

The federal government currently views the employer's portion of the discount as a taxable benefit, meaning that employers need to report benefit amounts in employee earnings. The taxable status of transit benefits has definitely diminished both employer and employee participation — it requires considerable paperwork on the part of employers, and discourages employees by reducing the effective size of the benefit.



Results

The six-month EcoPass pilot project in 2002 had the following results at participating employers:

- Employee transit ridership — up by 20% to 60%
- Monthly transit pass sales — up by 200% to 790%, reaching 800 passes monthly
- Net monthly transit revenues — up by 18% to 46%
- Desire by all participating employers to continue their participation, largely due to positive employee reaction

Pilot project employers also indicated that continued participation by the City (i.e. selling EcoPasses to its own employees) was important.

By mid-2003, one year after the pilot project began, results at participating employers included:

- Monthly transit pass sales — up by about 500% (equivalent to a 5% increase city-wide)
- Sales of tickets and other passes — adult ticket and seven-day weekly pass sales were constant, and five-day weekly pass sales were marginally lower
- Net annual transit revenues — up by about \$115,000, exceeding the initial goal of remaining neutral

By the end of 2003 (18 months after the pilot project began) EcoPass participation had grown from 14 employers and a market of 14,000 eligible employees to 21 employers and 19,000 eligible employees. Key results at participating employers included:

- Employee transit ridership — up by 45%
- Monthly transit pass sales — up by about 500%, reaching 1,400 passes monthly, with most new pass-holders appearing to switch from five-day weekly passes
- Net monthly transit revenues — up by about 30%
- Greenhouse gas emissions — reduced by an estimated 150 tonnes annually

Nick Iafolla, Manager of Marketing and Customer Services for Winnipeg Transit, said, "We're very pleased with the program results to date, but the credit really has to go to the companies participating in the program. They've made a significant commitment to help protect our environment by reducing congestion, and at the same time are providing a valuable benefit to their employees."

Participants

The EcoPass program is operated solely by Winnipeg Transit. The Marketing and Customer Services Division is responsible for overall program management, promotion and client relations, while the Treasury Division is responsible for the monthly distribution of transit passes, collections and reconciliation. Employers administer the program at their own worksites, acting as sales agents for Winnipeg Transit.

Resources

Over the first two years of the EcoPass program, promotional and development costs were about \$30,000. About \$5,000 is needed each year for brochures, posters and transit media advertising. These amounts are taken from existing budgets, and have been easily recovered through annual net revenue increases of at least \$115,000 resulting from the program.

Winnipeg Transit staff spend 15 to 20 hours each month distributing passes, reconciling remittances, and conducting ongoing marketing efforts with potential new participants.

Timeline

January 2000. *Direction to the Future: The Guide to Better Transit for Winnipeg* recommends an employer-sponsored transit fare program.

December 2000. Winnipeg Transit given authority to negotiate employer-sponsored monthly bus pass (EcoPass) agreements

February to April 2001. Limited EcoPass demonstration at one employer (MPI)

April 2002. Council approval of six-month EcoPass pilot project

June-November 2002. Six-month pilot project with 14 employers.

November 2002. Approval of ongoing program based on pilot project success.

Lessons learned

Important lessons learned through Winnipeg Transit's EcoPass include:

- The EcoPass offers a win-win-win scenario that benefits employers, employees and transit operators.
- Employers can be persuaded to actively promote and subsidize public transit use by their workers, but determination and commitment are needed to convince employers to offer large discounts on transit passes. The program requires active selling techniques, rather than simple advertising, to overcome initial levels of skepticism that are due to employer costs and the taxable status of employee transit benefits.
- Discounted transit passes can attract large numbers of transit users and increase their frequency of taking transit. It is essential that the cost of transit pass discounts be shared by the transit operator in order to attract participation. This small revenue loss can be easily offset by increases in transit ridership.
- Before/after surveys of employee commuting habits at participating employers are necessary to demonstrate success and to reliably quantify changes in transit pass sales, ridership and revenues.
- Municipal governments must lead by example and participate in the program as employers.
- While employers are initially skeptical about the program, after a few months they see high levels of employee satisfaction, a low administrative burden and in some cases lower operational costs for parking. The meaningful benefits and low costs contribute to high program retention.

- Departments and agencies of provincial and federal governments can be reluctant to participate in the program, despite their understanding of its benefits, apparently because they do not want to be seen as using public funds to subsidize transit benefits for employees.

Next steps

To support continued growth of its EcoPass program, Winnipeg Transit plans to expand its marketing efforts including the development of a physically distinct EcoPass card that offers stronger product branding potential. It also plans to work with the Canadian Urban Transit Association and other allies to lobby for federal legislation that could make employer-provided transit benefits non-taxable. To minimize administrative costs, the agency may also set a minimum threshold in terms of monthly pass sales for program participation by employers.

Images are courtesy the City of Winnipeg