



May 18, 2016
To: Fox Cities Transit Commission
From: Daniel Sandmeier Assistant General Manager

Subject: Octoberfest Fares

The Fox Cities Transit Commission has requested that staff review a variety of options for the level of fare collection associated with Octoberfest service.

The Octoberfest service has grown into a key event for the Valley Transit team. We have historically provided approximately 5,000 rides to the Friday License to Cruise events and over 10,000 rides to the Saturday Octoberfest activities.

The level of Octoberfest service allows us to attract both first time riders to the Valley Transit system and interact with portions of our community that may rarely use our services. Due to the high volume of riders, it is essential that our services are easy to use, easy to understand and well-advertised. These riders' impression of Valley Transit may be exclusively based on the experiences that they have surrounding the Octoberfest events.

The potential upside of a fare increase is mainly tied to the increased revenue collection that might be realized. The following chart shows the potential income from raising rates for License to Cruise and Octoberfest:

| Fare | Additional revenue (over \$.25) |
|--------|---------------------------------|
| \$0.50 | \$3,750 |
| \$0.75 | \$7,500 |
| \$1.00 | \$11,250 |

The potential downsides of a fare increase include many issues.

First, any additional theoretical revenue must be balanced against a potential loss of ridership. If for example, we were to raise the rate to \$0.50, and there were to be a corresponding 10% reduction of ridership, the increase in revenue would also be reduced by that amount. The following chart shows the effect a 10% reduction in ridership would have on potential additional revenue:

| Fare | Additional revenue (over \$.25) 10 % reduced ridership |
|--------|---|
| \$0.50 | \$3,375 |
| \$0.75 | \$6,750 |
| \$1.00 | \$10,125 |

Second, as this may be the only experience that many of these riders will have with Valley Transit this year, we believe that any increase in friction during the interaction between the driver and the passengers at the farebox has a large negative value. In order to quickly and efficiently load the standing room only buses throughout the day, we depend on every step of the fare exchange being as simple as possible.

Valley Transit puts everything it has into providing the quality of service we are known for during the Oktoberfest weekend. Due again to the volume of ridership, we stress our equipment heavily throughout the weekend, and have little to no spare equipment on standby in case of failure. The \$0.25 fare is the easiest, and most robust fare for us to collect and process. If we were to switch to a fare that would involve the use of more dollar bills, we would worry about the ability for our farebox system to handle the work load. The dollar bill feed mechanism is sensitive to moisture, which can take valuable time to adjust, repair and put back into service. The dollar bill storage bay also fills during the event and needs emptying, more frequent need could cause delays to routes already running at capacity.

Third, we believe strongly that the efforts Valley Transit expends on the Oktoberfest events yield extraordinary marketing benefit. Our limited advertising budget would never allow us to purchase the advertising media which would be required to replicate the value of the reach, and impact of being useful to our communities during an event such as Oktoberfest provides. The cost of producing a high quality television commercial is larger than the potential for increased revenue, without considering the air time costs to get a commercial in front of an audience as large as we will have the chance to reach during Oktoberfest.

Although the risk of incurring negative impressions through a fare increase are difficult to estimate, it is probably safe to say some people will be upset by an increase. One disappointed, vocal citizen can cause damage to a reputation. Valley Transit is justifiably proud of its stature in the community, and feel it is vital to maintain as broad a base of support as possible.

Recommendation: Continue to offer Oktoberfest service at \$0.25. Continue to monitor parking situation in downtown Appleton watching for increases in parking charges.