



Regulating Microtransit

Across America, transit agencies are implementing microtransit service, an app-based, ride sharing service usually involving small vans. This new transit fad is extremely expensive, serves few passengers, and increases congestion. Microtransit survives only by diverting funding from true mass transit services that efficiently transport passengers and by misclassifying the workers who provide the microtransit service and paying them poverty wages.

Microtransit can be many times more expensive than fixed-route bus service on a per-passenger basis because microtransit vans carry fewer passengers, and they spend a lot of time without passengers on board. In Lancaster, Pennsylvania, South Central Transit Authority (SCTA) ultimately decided to scale back their microtransit plans because of these cost-efficiency problems. Data from SCTA showed that microtransit vans were transporting four to six people per hour, while the agency's least used

bus routes transported nine or more passengers per hour. SCTA ultimately decided that it was a more efficient use of resources to invest that money in making bus service more frequent.¹

If left unchecked, microtransit costs can quickly escalate and take a substantial bite out of an agency's budget. In Los Angeles County, the per-passenger cost of the Metropolitan Transportation Authority's microtransit pilot ballooned, with microtransit costs fluctuating wildly from \$30.90 to \$324.70 per boarding. Meanwhile, bus routes in Metro's Micro Zones maintained a substantially lower cost of \$8.21 per boarding.² An experiment with the now-bankrupt Bridj in Kansas City failed miserably. Riders made only 1,480 trips during the course of the one-year pilot, even though each passenger got their first 10 rides for free. The local transit agency, KCATA, spent \$1.3 million to administer the service – which means it cost \$878 per ride.³ The evidence is clear that on-demand transit is costly, and it carries fewer passengers per hour than even low ridership fixed-route service.

Despite a string of failures, a growing number of transit agencies are contracting with private firms to give microtransit a try. It does not take agencies long to realize that microtransit is not the substitute for bus service that boosters make it out to be. Microtransit cannot grow efficiently to accommodate increases in demand. One bus can carry more than 50 passengers, but microtransit requires more vehicles and more drivers to be put on the road



1 Chris Reber, "Red Rose Transit scales back plans for new on-demand shuttles," *LancasterOnline*, Dec. 21, 2023, https://lancasteronline.com/news/local/red-rose-transit-scales-back-plans-for-new-on-demand-shuttles/article_27bcef06-9fbc-11ee-95f5-8f92ec1cafd5.html.

2 Metro, "Metro Micro," March 2023, <https://metro.legistar.com/metro/attachments/bee7eb07-210e-4500-af85-9dbcf64e2c79.pdf>; Joe Linton, "Metro Poised to Waste \$8 Million More on Costly 'Metro Micro' MicroTransit Pilot," *Streetsblog Los Angeles*, March 21, 2023, <https://la.streetsblog.org/2023/03/21/metro-poised-to-waste-8-million-more-on-costly-metro-micro-microtransit-pilot>.

3 Linda Poon, "Bridj Collapses After Just 3 Years," *Bloomberg*, May 1, 2017, <https://www.bloomberg.com/news/articles/2017-05-01/bridj-closes-after-losing-deal-with-car-company>.

to accommodate increased demand, rapidly increasing the cost of the service. Public officials cannot scale microtransit without breaking their budgets, and customers are forced to wait for hours or denied trips altogether.⁴

Bloomberg

“Unlike fixed-route bus service, microtransit’s efficiency and service quality do not naturally improve as ridership grows. The more passengers it draws, the more costly it becomes.”

— December 19, 2023

Because the model is so wasteful, the private contractors who provide microtransit services typically pay poverty wages and misclassify their workers. The result is that middle-class transit jobs are replaced by gig worker positions, where the drivers are misclassified as “independent contractors.” These gig workers are robbed of the right to join a union, the protection of minimum wage laws, and medical, workers’ compensation, and unemployment insurance. Microtransit companies also sometimes force drivers to pay to lease company-controlled microtransit vans during their shifts. Imagine if bus drivers had to pay for the bus they drove. That’s how the microtransit business model works.

Misclassification is when employers illegally classify employees as independent contractors to deprive them of the rights and benefits owed to employees.

Diverting transit funding to microtransit instead of dedicating that revenue to bus and rail service hurts transit-dependent riders. It also may accelerate the downward trend in transit ridership in American cities and take large, fixed-route buses off the road, increasing traffic congestion and pollution. When microtransit companies misclassify their drivers, governments lose out on the tax revenue that

middle-class jobs provide, and instead, they spend more on social services to support newly impoverished workers. States need to recognize the false promise of microtransit service and ensure that all transit funding is directed to true mass transit.

ATU SUPPORTS:

1. Withholding state funding from all microtransit projects and ensuring that state funding is spent on proven and efficient mass transit services;
2. Mandating that no fixed-route bus employees are dismissed or displaced as a result of microtransit service;
3. In areas where fixed-route bus service is performed by public employees, ensuring microtransit work is also performed in-house;
4. In areas where public transit service is contracted out, ensuring microtransit contractors directly employ public transit workers instead of using independent contractors; and
5. Requiring that microtransit providers publish publicly available reports on service reliability and cost metrics, including cost per ride, passengers per trip, passenger wait times, and miles driven without a passenger.

⁴ David Zipper, “On-Demand Microtransit Can’t Escape This Big Problem,” *Bloomberg*, Dec. 19, 2023, <https://www.bloomberg.com/news/articles/2023-12-19/the-inflexible-problem-with-flexible-microtransit>.