**Vanpools in the Puget Sound Region**

*The case for expanding vanpool programs to move the most people for the least cost*

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This is the final report in a four-part series on vanpools in the Puget Sound region. You can find this report, a six minute video and the full series online at www.washingtonpolicy.org.

Part I: *The Vanpool Solution: A faster, cheaper and easier way to commute* (video)  
Part II: Introduction & Background  
Part III: Analysis of vanpool performance and market potential  
Part IV: Recommendations

**Executive Summary**

As traffic congestion and the financial and environmental costs of commuting continue to rise, a once overlooked transit alternative has quietly become an effective option for many motorists: vanpooling.

Sharing a commute through a vanpool:

- Reduces parking and fuel costs  
- Allows access to HOV lanes  
- Consumes fewer resources  
- Is cheaper, more flexible and faster than other mass transit choices

Regional growth projections and travel patterns show there is a large undeveloped market in vanpool demand. Yet expanding vanpools is typically not a major priority for state and local governments as other, less efficient transit modes are marketed and funded. Vanpools are not for everyone and they cannot effectively serve short, intra-city transit demand. Ridership figures, costs and market potential in the Puget Sound region, however, show that vanpools are a successful and more efficient way to move long-distance, intercity commuters.

Instead of spending more public money to connect cities with high speed rail, commuter rail, light rail and express bus services, policymakers should look to vanpools as the most efficient alternative.
Part IV: Recommendations

While vanpools are popular, efficient and effective, there are several structural and political limitations that prevent vanpool operators from maximizing their value. These obstacles constrain demand, unnecessarily consume public resources, and prevent vanpool services from reaching market optimization. Washington Policy Center makes the following recommendations to improve vanpool performance and move the most people for the least cost.

1. Saturate the vanpool market before expanding other intercity transit modes
2. Phase in 100% cost recovery over 5-10 years
3. Expand and loosen restrictions on the state Vanpool Investment Program
4. Examine feasibility of introducing private operators or a public/private arrangement
5. Fund and implement recommendations of the Vanpool Market Action Plan
6. Keep federal money received by vanpools within the vanpool program
7. More emphasis on vanpools in the Puget Sound Regional Council’s Transportation 2040 plan

Recommendation #1: Saturate vanpool market before expanding other intercity transit modes

There are several competitive advantages that allow vanpools to achieve better performance over other types of intercity transit modes like buses and rail. Vanpools are cheaper and more flexible than fixed route transit and riders, not taxpayers, pay for most of the service. This equation suggests that vanpools are the most cost effective and efficient transit mode to connect commuters to urban employment centers. Before spending billions of dollars in tax money on less efficient modes, policymakers should instead saturate the vanpool market.

Recommendation #2: Phase in 100% cost recovery over 5-10 years

In the Puget Sound region, there are six tax-funded transit agencies that provide vanpool programs. These are Community Transit, Intercity Transit, Island Transit, King County Metro, Kitsap Transit and Pierce Transit. Yet in most other states, vanpool services are provided by private companies.

For example, VPSI is a company that serves more than 50 urban areas throughout the world and is the largest commercial provider of vanpools.¹ Based in Michigan and incorporated as an offshoot of the Chrysler Corporation’s employee vanpool program in the 1970s, VPSI carries over 25 million passenger trips per year.²

The success of private companies like VPSI in the marketplace indicates that vanpool programs can be operated efficiently enough that riders and employers, not taxpayers, pay for most of the service.

In some cases, using public taxes to subsidize mass transit is beneficial, especially for those groups who are low income or physically disabled. But continuing to expand other less efficient intercity transit modes that require a greater share of public subsidies like rail and buses before vanpool demand is fully

² Ibid.
developed unnecessarily spends taxes that would otherwise be used to support other valuable programs.

In 2007, King County Metro’s vanpool program carried 2.3 million passenger trips, spent $8.2 million in operating expenses, $3.2 million in capital, and recovered about $6.9 million in passenger fares. This means Metro managers would only need to raise vanpool fares by 59 cents per trip to cover annual operating expenses, or $1.98 per trip to cover both annual operating and capital expenses. In other words, fares could be raised by only 20 percent to make its day-to-day operations self-sustaining or about 66 percent to make King County’s vanpool program completely self-sustaining.

Implementing full cost recovery among the six public agencies also creates a fair playing field.

The six public vanpool programs are operated independently of one another. This means they have different policies and pricing schemes that create competition.

For example, vanpool riders can choose to use either the transit agency from the county where they live or the county of their final destination. So a group commuting from Tacoma to Seattle could use either the vanpool program offered by Pierce Transit or King County Metro.

According to the most recent fare schedules, nine vanpool passengers traveling 70 miles per day would each pay about $112 per month if they used King County Metro’s program or only $87 per month if they used Pierce Transit’s system. In this case, a rational vanpool group would choose Pierce Transit because it costs 20 percent less.

Metro’s higher price does not necessarily mean the agency operates a less efficient system. In 2007, Metro’s vanpool program had a farebox recovery rate of 83 percent. This means vanpool users paid for more than three-quarters of the system’s annual operating costs. In comparison, Pierce Transit’s program only recovered 57 percent of operating expenses from users, while taxpayers paid the remaining 43 percent.

The differences in farebox recovery rates create an unfair playing field by allowing vanpool programs to use public subsidies to artificially under-cut competing agencies.

Competition among the six Puget Sound area vanpool agencies is desirable because it generates efficiency and innovation, and it benefits both the taxpayer and the consumer. However, using taxes to artificially lower prices decreases farebox recovery ratios and spends more public money than is necessary.

Recognizing the success of the private sector and the unfair playing field created by separate farebox recovery policies, the six vanpool programs in the Puget Sound region should phase in a uniform and full cost recovery policy over a period of time.

**Recommendation #3: Expand and loosen restrictions on the state Vanpool Investment Program**

In 2003, the state legislature allocated $30 million to the Vanpool Investment Program (VIP). The funds are limited to public transit agencies and

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3 Ibid.
can only be used to purchase new vans or to help employers create incentives for employees to use vanpools.

The state should expand this program, allow private operators to become eligible and allow the money to be used for marketing vanpool services to the public.

**Recommendation #4: Examine feasibility of introducing private operators or a public/private arrangement**

Unlike other forms of public transit, Washington law does not expressly prohibit private companies from offering cost-effective vanpool services. Private operators do not exist in Washington because they cannot compete against agencies that use subsidies to under-cut prices. This system unnecessarily spends public money and constrains demand.

Other states benefit from private vanpool operators who either provide vanpools services separately or through a partnership with public agencies. These arrangements should be explored in Washington to find the best model for expanding vanpool services to move the most people for the least cost.

**Recommendation #5: Fund and implement recommendations of the Vanpool Market Action Plan**

In 2003, the Washington State Department of Transportation (WSDOT) completed an analysis of the vanpool demand in the Puget Sound region. WSDOT officials joined with more than two dozen regional planning organizations, public agencies, consultants and businesses to create the Vanpool Market Action Plan (VMAP). The study reported “the existence of a very large undeveloped market for vanpooling among long-distance commuters who commute by car.”

By increasing public awareness and making some operational changes, the VMAP authors found the region could increase vanpool use up to 11,870 vans by 2030. Remarkably, this is nearly a 600 percent increase over what currently exists today. Officials estimate implementing the VMAP recommendations would cost about $13 million.

The VMAP recommendations include:

- Establish a regional image/identity for all vanpool service
- Implement a sales strategy targeted to broader employer market
- Market directly to commuting employees
- Implement collaborative approach to vehicle acquisition
- Adopt fare simplification systems
- Implement a collaborative approach to fleet management needs
- Collaboratively adopt new technologies

The six regional vanpool programs should implement the recommendations of the Vanpool Market Action Plan.

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5 Ibid.
6 Ibid.
Recommendation #6: Keep federal money received by vanpools within the vanpool program

Large public transit agencies receive federal funds through the Federal Transit Administration (FTA). Commonly known as Section 5307 funding, the FTA distributes these funds based on a complicated formula, which includes passenger miles as a factor. Since vanpools generally produce a lot of passenger miles, vanpool programs earn more Section 5307 money than other public transit. In 2002, the Washington State Department of Transportation estimated that vanpools earned about 11 percent of the total Section 5307 money in the Puget Sound region. 7

Most transit agencies however, spend Section 5307 funds received through the vanpool program on less cost effective modes, like buses. Policymakers should keep federal money received by vanpools within the vanpool program. This money could be used to help implement the VMAP recommendations and develop vanpool market potential, to move the most people for the least cost.

Recommendation #7: More emphasis on vanpools in the Puget Sound Regional Council’s Transportation 2040 plan

The Puget Sound Regional Council (PSRC) is currently updating its long range transportation plan called Transportation 2040. The plan examines a variety of scenarios that propose a series of land use, infrastructure spending and policy changes to guide funding decisions in regional transportation planning. The current preferred alternative shows vanpools should grow to 4,301 vans by 2040. 8 To achieve this growth, the PSRC recommends some improvements in how park-and-ride lots are used and introducing premium or luxury vanpool services.

Based on the Vanpool Market Action Plan, the PSRC significantly underestimates the potential benefit of vanpools in the Puget Sound region. By increasing public awareness and some operational changes, the VMAP found the region could increase vanpool use up to 11,870 vans by 2030. 9 This is 176 percent more vanpools than the PSRC recommends in its Transportation 2040 plan.

The vanpool program is the great untapped resource in providing cost-effective transportation services to the public. Given the strategies found in this report and the VMAP, the Puget Sound Regional Council should re-examine the market potential of vanpools in the Puget Sound region.

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