



Board Report

File #: 2022-0351, File Type: Fare / Tariff / Service Change

Agenda Number: 41.

EXECUTIVE MANAGEMENT COMMITTEE JUNE 16, 2022

SUBJECT: EXTEND SALE OF PROMOTIONAL HALF-PRICE PASSES AND UPDATE ON FARE CAPPING TIMELINE

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer to extend the sale of promotional passes at 50% of the cost of full price passes through December 2022 as a continuation of Motion 36: Emergency Relief; and
- B. RECEIVING AND FILING this report on the timeline and plan for Metro fare capping.

ISSUE

Motion 36 "Emergency Relief" by Directors Garcetti, Solis, Hahn, Kuehl, and Butts (Attachment A) instructed staff to initiate promotional pricing at 50% off full-price day passes, 7-day passes, and 30-day passes, and to report back on the status of pass sales and recommendations for permanent reductions to the cost of full-price passes. The sale of the promotional price passes will end in July 2022.

This report provides pass sales information and requests authorization to extend the sale of promotional 50% off pricing through December 2022. The extension will allow staff additional time to gather data on pass sales and usage at the 50% off promotional price and to develop recommendations for pricing options. As required by the Motion, the fare structure recommendations will be aligned with the implementation of fare capping/best fare system that allows riders to take advantage of pass products without having to pay up front.

BACKGROUND

In response to Motion 36, the 50% promotional pricing on full-price passes was implemented when Metro resumed front-door boarding in January 2022. Communications staff implemented a comprehensive marketing campaign to ensure riders are aware of and can benefit from the lower-price passes. Motion 36 also directed staff to prepare an implementation plan for a fare capping system that will allow riders to benefit from the same discounts without the upfront cash needed for a

pass.

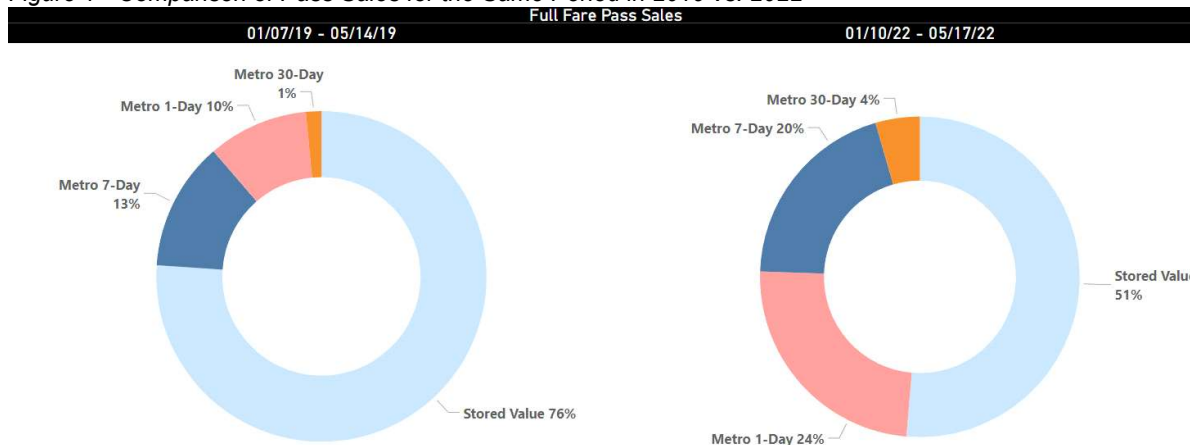
In regard to fare capping, at its September 2020 meeting, the Board received a report on the evaluation of fare capping. At its March 2021 meeting, the Board approved moving forward with the fare capping pilot, delegating authority to the CEO to execute project-related contract awards or modifications to implement fare capping.

DISCUSSION

Promotional Passes

Metro passes have increased in popularity due to the promotional prices. Since implementation in January, nearly 50% of Metro riders using TAP are now choosing to buy passes compared to 25% purchasing passes in 2019 (Figure 1).

Figure 1 - Comparison of Pass Sales for the Same Period in 2019 vs. 2022



The promotional prices incentivize customers to use TAP as fare payment rather than cash since passes are only available on TAP. As TAP users, customers will immediately benefit from free Metro transfers, access to discounted fares, and balance protection, well in advance of fare capping. Furthermore, sales of these fare products have exceeded pre-pandemic levels, which shows that the lower price incentivizes the purchase of these passes (Figure 2). The data was normalized to compare pass sales between 2019 and 2022 since overall ridership recovered to only about 66%.

Figure 2 - Increase in 2022 Pass Sales Over Same Period in 2019

Pass Type	% Increase from Pre-COVID Sales*
Regular 30-day	105%
Regular 7-day	10%
Regular day pass	70%

*Data has been normalized to 2022 ridership

Metro understands that permanent full-fare pass prices should be adjusted to promote affordability

and to incentivize customers to purchase unlimited-use passes. The high up-front cost of a \$100 30-day pass, when compared with the \$1.75 base fare, means that a Metro user must take two separate trips for 29 days each month to break even. Staff will use the information gathered during the 50% off promotional period to develop recommendations for pricing options for full-price passes that include break-even points that are more in line with industry standards and are financially sustainable for current and future Metro Transit operations.

Title VI and Environmental Justice Considerations

Metro has received authorization from the FTA to extend the 50% promotional pricing past the six-month pilot limit for a Service and Fare Equity Analysis (SAFE). As legally required, a SAFE will be included in the final staff recommendation for the adoption of proposed pass prices.

Fare Capping Software Design and Development

Staff has been preparing the TAP system for fare capping implementation with a multi-step approach made up of several phases from proof-of-concept through public beta testing before fully launching to the public.

Notice-To-Proceed was issued to Cubic Transportation Systems, Inc. in October 2021 for software modifications to the existing TAP system to support fare capping. TAP cards will require a “fare capping” configuration written onto the cards, while fare collection equipment - TAP Vending Machines, faregates, station validators, bus fareboxes, mobile validators, and the TAP Mobile App - will require new software development to read the TAP card’s fare capping status. Software development will include building new screen flows to guide customers to purchase Stored Value rather than passes and display customer fare capping status, showing the progress towards earning unlimited rides with each paid ride. Staff are currently working with Cubic to complete design and development efforts.

TAP’s customer relationship management system, TAPforce, along with the *taptogo.net* website, TAP App and TAP vendor retail-point-of-sale devices will also receive upgrades to provide a seamless customer experience. Customers will be able to call into the TAP Customer Service Center or log into their TAP accounts on *taptogo.net* or the TAP app to see progress of their fare capping status, how much value has been deducted, and how much more is needed to earn unlimited rides.

In Winter 2023, Metro will launch a marketing campaign to introduce fare capping as an equitable fare payment option that offers customers the means to pay-as-they-go while earning a day pass or monthly pass. Additional information on fare capping proof-of-concept, testing methodology, marketing, and readiness is included in Attachment B.

FINANCIAL IMPACT

Based on pass sales information since implementation, extending the 50% off promotional pricing through December 2022 will result in additional Metro fare subsidies of approximately \$10 million.

Impact to Budget

ARPA federal relief funds will be used to mitigate the fare revenue losses resulting from the continuation of the promotional pricing.

EQUITY PLATFORM

The extension of 50% off promotional pricing through December 2022 will benefit full-fare Metro riders who do not qualify for a discount on the basis of age, school enrollment, or income. As Metro serves a transit ridership that is very low income, the promotional pricing benefits low-income riders. Additional data gathering and analysis is needed to develop recommendations for permanent pricing that will aim for more equitable pass pricing for all Metro riders.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Extending the sales of the promotional price passes and implementation of fare capping would support:

- Strategic Plan Goal #1: Provide high quality mobility options that enable people to spend less time traveling as part of an effort to manage transportation demand through fair and equitable pricing structures.
- Strategic Plan Goal #2: Deliver outstanding trip experiences for all users of the transportation system by improving legibility, ease of use, and trip information on the transit system.

NEXT STEPS

Staff will report back to the Board in December before the end of the promotional price extension with pricing options that are in alignment with the fare capping launch. Attachment C provides a detailed timeline of upcoming fare capping and fare change activities.

ATTACHMENTS

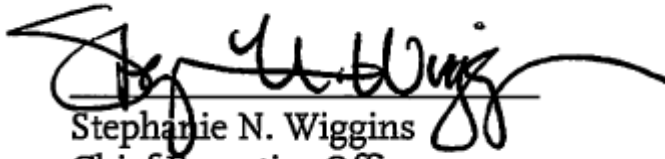
Attachment A - Motion 36: Emergency Relief: Full-Price Passes

Attachment B - Fare Capping Status Update

Attachment C - Fare Capping and Fare Change Timeline

Prepared by: Erica Lee, Principal Transportation Planner, TAP, (213) 922-2418
Koreyne Clarke, Senior Manager, Budget, (213) 922-2801

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Stephanie N. Wiggins
Chief Executive Officer