

**Board Report**

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**File #:** 2023-0002, **File Type:** Informational Report**Agenda Number:**

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
APRIL 19, 2023****SUBJECT: FARE CAPPING MARKETING UPDATE, CASH TO TAP CONVERSION UPDATE  
AND CAL-ITP OPEN PAYMENT EFFICACY****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE report on TAP updates about Fare Capping Marketing, Cash to TAP Conversion and the review of CAL-ITP open payment.

**ISSUE**

This report provides updates on the comprehensive fare capping marketing plan and the market research efforts underway that support the conversion of cash customers onto TAP.

This report also includes an update on discussions with Caltrans about the benefits of the California Integrated Travel Project (Cal-ITP).

**BACKGROUND**

In March 2021 ([File ID 2020-0704 <https://boardagendas.metro.net/board-report/2020-0704/>](https://boardagendas.metro.net/board-report/2020-0704/)) the Board of Directors approved moving forward with a fare capping pilot. In June 2022, staff provided an update on the fare capping timeline ([File ID 2022-0351 <https://boardagendas.metro.net/board-report/2022-0351/>](https://boardagendas.metro.net/board-report/2022-0351/)), and in September 2022, an oral report, Fare Capping Update ([File ID 2022-0664 <https://boardagendas.metro.net/board-report/2022-0664/>](https://boardagendas.metro.net/board-report/2022-0664/)), was presented to the Board. This prompted a discussion about the importance of a comprehensive marketing and outreach plan to launch fare capping, including a directive to do a deep analysis into understanding cash paying riders and to ensure that TAP is easily accessible to non-English speaking riders. In November 2022, ([File ID 2022-0813 <https://boardagendas.metro.net/board-report/2022-0813/>](https://boardagendas.metro.net/board-report/2022-0813/)) staff provided updates on the multi-phase regional marketing campaign to convert cash paying riders to TAP. The update also included plans to conduct market research to understand the cash paying rider. Efforts to grow the TAP vendor network in Spanish markets and non-English speaking communities and increase TAP card accessibility through the distribution of free TAP cards were also reported. In December 2022, the Board of Directors approved the simplified fare change proposal (see Attachment A - Metro Fare Change Summary) to be implemented Summer 2023, parallel to fare capping.

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## **DISCUSSION**

Fare capping is a new way to pay on Metro bus and rail that is equitable and offers all Metro riders, including low-income and disadvantaged riders, the opportunity to benefit from frequent ridership. With fare capping, passes are replaced with Stored Value and customers pay per ride while earning free unlimited rides for 1-Day and 7-Day time periods without the burden of upfront costs. This equitable way to pay fare ensures riders only pay for rides taken while always paying the lowest fares. Since fare capping requires a TAP card, customers who pay with cash will not be able to take advantage of fare capping benefits. The updates below outline the efforts that have been taken and are underway to better understand our cash paying customers to meet their needs more effectively in preparation for fare capping.

In response to the discussion at the December 2022 Board meeting, the following provides an update on:

1. **Cash and TAP use on Metro Bus & Rail and 2022/National Transit Agency Trends** - a review of baseline data to examine the decrease in cash use and increase in TAP use
2. **Market Research to Better Understand the Cash Customer** - results from cash and TAP fare payment survey, in depth interviews, focus groups, and Bus Operator training and surveys
3. **Cash to TAP Conversion Efforts** - a review of the Cash to TAP marketing campaign, and free TAP card giveaways
4. **Fare Capping and Fare Change Marketing Strategy** - update on A/B message testing and progress on creative concepts and strategies, Reduced Fare and LIFE program promotion, TAP User Experience/User Interface updates and Training and Outreach
5. **TAP Card Accessibility** - TAP vendor network update
6. **Cal-ITP Open Payment Solution** - exploration of implementation model for LA Metro and the TAP regional partner agencies

### 1. CASH AND TAP USE ON METRO BUS & RAIL IN 2022/NATIONAL TRANSIT AGENCY TRENDS

Key findings:

- Throughout 2022, TAP use increased by approximately 8% on Metro Bus and Rail
  - This increase may be attributed to fare resumption, increase in LIFE enrollment and adoption of GoPass
- 43% of Metro bus boardings are paid with cash compared to 21% of national bus boardings (Metro Transit Report, 2022; APTA, 2017)

For more details, refer to Attachment B - Cash and TAP Use on Metro in 2022.

### 2. UNDERSTANDING THE CASH CUSTOMER

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Staff developed and executed a research plan to understand cash and TAP-paying riders: who they are, their attitudes, barriers, and motivations.

Key findings include:

- The demographic composition of Metro’s rider base drives high cash usage.
  - Nationally, being unbanked or underbanked is a significant driver of cash usage (FDIC, 2017).
  - 64% of LA Metro bus riders are unbanked or underbanked (Metro Fare Payment Survey, 2022) compared to just 20% of Los Angeles residents and 19% of US residents, per FDIC (2021).
  - Relative to other U.S. transit agencies, Metro has more bus riders who earn less than \$35,000 household income (an estimated 80% vs 50% for U.S. public transit commuters) and have low English proficiency; traits associated with being unbanked and high cash usage (LA Metro CX Survey 2022; American Communities Survey, 2021)
- 33% of Metro bus riders are cash-dominant, meaning they use cash for most of their bus boardings
- Cash-dominant riders report they use cash because:
  - They already have cash and use cash for most of their purchases (80%)
  - They’d have to go out of their way to get a TAP card or load fare (66%)
  - They’d rather not put money on a TAP card because they might need it for something else (62%)
  - They are worried about losing money if they lose their TAP card (62%)
  - They don’t know enough about TAP or how to use it (52%)
  - They don’t think they ride Metro often enough to benefit from TAP (48%)
  - TAP instructions are not in their native language (mainly Spanish) (28%)
- TAP-dominant riders choose TAP to save time when boarding, to save money, and because it is required on rail
- About half of bus riders use a mix of cash and TAP, depending on the occasion

Key market research findings on riders’ fare payment habits are summarized in:

- Attachment C - Market Research Findings Summary and Sources
- Attachment D - Fare Payment Survey Analysis
- Attachment E - Bus Operator Questions and Survey Results.

### 3. CASH TO TAP CONVERSION EFFORTS

“Cash to TAP” Paid Media Marketing Campaign

- Campaign timeline: November 2022-Ongoing
- Goals for the campaign:
  - Increase TAP card usage & reduce cash use on Metro and Municipal operators throughout LA County
  - Increase in TAP card account creation

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- Increase in TAP app downloads
  - Campaign creative will be updated based on learnings from the Fare Payment Survey results. New messaging and creative were rolled out in March and includes Paid Bus Benches in 70 locations within South LA zip codes.

For details, please see Attachment F - Cash to TAP Campaign Update.

#### Free TAP Card Distribution

- TAP Blue Shirt Ambassadors have been instrumental in distributing up to 100,000 free TAP cards pre-loaded with \$5 of Stored Value, along with education on how to use TAP, to encourage TAP adoption

#### Future Considerations to Reach Cash Customers

Key findings from the research on cash customers have encouraged new and creative strategies to reach riders not on TAP. TAP must evolve to become a fare payment option that is better than cash, where it can offer just as much flexibility, but with little risk. For example, when customers load money onto a TAP card, but do not use it all, they are left with a TAP card balance that can only be used for transit. Staff is focused on innovative solutions that solve these unique barriers and exploring ways the TAP card can be used for other important consumer items like groceries.

An open payment, account-based TAP system dual launch would create a fare collection system that offers flexibility, security, and convenience. This combination of technologies would allow full fare customers the convenience to pay for transit with their debit card, while extending account-based benefits such as discounts and the opportunity for cash-centric and/or unbanked riders to use their TAP card as a payment card. Metro would sponsor this TAP debit card, with a card issuer, and work to ensure that there were little to no transaction fees. In this way, TAP would be able to reach more cash and low-income customers.

#### 4. FARE CAPPING AND FARE CHANGE MARKETING STRATEGY

The Fare Capping and Fare Change Launch Campaigns to educate riders on the new Metro Fare Policy Change is in development.

- Target Audiences: All Metro riders
- Metro pass holders (full/reduced fare)
- Metro Low Income Riders (LIFE)
- Metro cash-paying riders

Flighting strategy:

- Fare Changes and Fare Capping general messaging and Reduced Fares/LIFE messaging will run simultaneously

- The strategy is to focus on communication by audience, rather than by program, which will allow each audience to easily identify their personal benefit

For more details behind messaging approach, please refer to Attachment G - Fare Capping Customer Journey.

Campaign Phases:

- Pre-launch: June 1- June 30
- Launch: July 1- Sept 30
- Sustain: Oct 1 - Dec 31

For additional information on the strategy, please see Attachment H - Fare Changes and Fare Capping Campaign Strategy  
Internal Training & External Outreach

The TAP department will host several internal and external trainings with key Metro departments. Metro Customer Care, Community Relations, Customer Experience, and Arts & Community Enrichment will host external stakeholder outreach events with, but not limited to:

- Regional Service Councils
- Social Service Agencies
- Citizen's Advisory Council
- Aging Disability Transportation Network
- LIFE administrators
- On the Move Riders
- Local Transit Systems Subcommittee (LTSS)
- Community Based Organizations (CBOs)

## 5. TAP CARD ACCESSIBILITY

Since November 2022, TAP has added an additional 37 locations to the TAP vendors to network. This includes 16 traditional vendors, including 7 Ria Money Transfer Services Locations and 21 Northgate Market barcode locations. The total vendor count is 1882, with additional 26 locations to be onboarded by the end of Q2.

TAP Vendor Recruitment Goals for 2023:

- Recruit vendors within Limited English Proficiency (LEP) neighborhoods:
- Recruit vendors located in areas with a high percentage of fare paid in cash, primarily in the Gateway Cities

For more details, please see Attachment I - TAP Vendor Update.

## 6. CAL-ITP

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Cal-ITP and other vendors offer contactless, open payment solutions that accept Europay, MasterCard, Visa (EMV) bank cards, both plastic and mobile (ApplePay and GooglePay) as fare payment statewide. A close examination of the Cal-ITP initiative and other payment solutions is being conducted by examining the following proposed benefits:

- o **Reduced inequality:** financial inclusion is equity. Mobility is a ride out of poverty;
- o **Faster boarding:** dwell times are cut in half because they use a card versus cash;
- o **Higher ridership:** more attractive to new and occasional riders;
- o **Lower overhead:** spend less money buying and servicing fare media, TAP card vending machines and reduce the number of agents selling fare cards; and
  
- o **Additional considerations:** interoperability, standardized fare collection, statewide procurement agreement, rewards etc.

Metro will continue to review open payment solutions through the lens of Metro's equity focused groups, including low-income riders, seniors, persons with disabilities and students. Staff is currently in discussions with Caltrans about a potential market assessment.

## **EQUITY PLATFORM**

### Fare Capping

Fare capping is a new way to pay on Metro bus and rail and is found to be more equitable than Metro's current pass fare structure. See Attachment C - Title VI SAFE Analysis Fare Changes 2022 (File ID 2022-0740). With fare capping, passes are replaced with Stored Value and customers pay per ride while earning free unlimited rides for 1 day and 7-Day time periods without the burden of upfront costs. This section reviews the efforts underway to ensure these benefits are accessible for all Metro riders:

- Customer education and outreach efforts planned for fare capping are centered on converting cash riders onto TAP. These efforts included:
  - o Market research to understand the behaviors, needs, and traits of cash-dominant and TAP-dominant riders to identify opportunities to convert cash-dominant riders to TAP, such as more access to reloading options. During analysis, respondents were grouped as cash-dominant or TAP-dominant based on their most-used fare payment method. Research methodologies included:
    - Fare payment survey among a demographically representative group of Metro riders
    - Focus Groups
    - In-depth interviews
  - o Free TAP card distribution at high cash paying bus stops and a Cash to TAP awareness campaign highlighting TAP benefits and easy reloading options
- Starting in April 2023, outreach efforts will evolve to include stakeholder groups such as

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service councils, community-based organizations, senior riders, and riders with disabilities.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The plans and strategies outlined in this update support the following goals within Metro's Strategic Plan:

### **Goal 2 - Deliver outstanding trip experiences for all users of the transportation system 2.3 - Metro will improve customer satisfaction at all customer touchpoints**

#### Customer interfaces and touchpoints

- Fare related pages on metro.net and *taptogo.net* will present clear fare information for customers
- Customers will also be able to learn detailed information through video tutorials and frequently asked questions
- This information will be offered to both registered and unregistered TAP cardholders

#### Metro Customer Care and TAP Call Center

- Agents, Fare Enforcement Officers, TAP Blue Shirts, Metro Ambassadors and Bus and Rail Operations Control staff will be trained and given resource tools to assist customers with fare capping

#### Data analytics and measuring system performance

- Cash and TAP data and campaign metrics will be reviewed and analyzed regularly to inform future marketing
- System performance leading up to implementation will include thorough testing of all fare equipment and will be closely monitored post implementation

### **Goal 3 - Enhance communities and lives through mobility and access to opportunities 3.3 - Metro is committed to genuine public and community engagement to achieve better mobility options for the people of LA County**

#### Meaningful engagement with communities

- Customer surveys, interviews and focus groups have been conducted to better understand the cash customer's needs and habits and to help Staff to make informed decisions on how to convert cash customers to TAP and implement fare capping

#### Outreach efforts

- Outreach will be designed for students, senior and disabled riders, LIFE participants and a variety of council and stakeholder groups.

### **Goal 4 - Transform LA County through regional collaboration and national leadership 4.2 - Metro will help drive mobility agendas, discussions and policies at the state, regional and national levels**

Regional fare equity

- TAP staff will continue designing and testing fare capping software that is scalable to include any of the 25 additional TAP agencies
- Staff will continue discussions related to the development of regional fares and policies that further simplify fare payment for regional customers.

**NEXT STEPS**

Staff plans to complete market research on cash customers and for fare capping messaging in spring 2023. This includes gathering the results of the A/B fare capping message test survey and hosting additional focus groups in 6 LEP languages (Armenian, Russian, Chinese, Japanese, Korean and Vietnamese.)

April 2023

- Conduct internal and external stakeholder training and outreach in preparation of Summer 2023 fare capping and fare change launch

June 2023

- Provide an update on Cash to TAP conversion efforts
- Metro Fare Change and Fare Capping Pre-Launch Campaign Starts

July 2023

- Metro Fare Capping Launch

Spring 2024

- Explore regional fare capping with partner agencies (requires regional consensus). Briefings and discussions are underway.

**ATTACHMENTS**

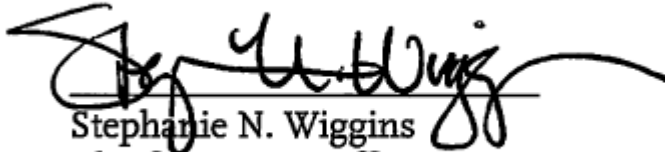
- Attachment A - Fare Change Summary
- Attachment B - Cash and TAP Use on Metro in 2022
- Attachment C - Market Research Findings Summary and Sources
- Attachment D - Fare Payment Survey Analysis
- Attachment E - Bus Operator Questions and Survey Results
- Attachment F - Cash to TAP Campaign Update
- Attachment G - Fare Capping Customer Journey
- Attachment H - Fare Changes and Fare Capping Campaign Strategy
- Attachment I - TAP Vendor Update

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