

**Board Report**

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**EXECUTIVE MANAGEMENT COMMITTEE  
AUGUST 18, 2016****SUBJECT: STRATEGIC PARTNERSHIPS WITH RIDESOURCE COMPANIES - MOTION  
RESPONSE****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE report **identifying strategies to develop effective partnerships with ridesource companies** in response to April 2016 Motion #45.

**ISSUE**

In April 2016, the Metro Board Directors passed motion #45 by Directors Kuehl and Antonovich titled "Metro Partnerships with Ridesourcing Services." The motion directed the CEO to "return to the Board within 120 days with a comprehensive plan that identifies strategies to develop effective partnerships with ridesource companies, strategies to overcome these obstacles, and a review of benefit to the public as a result of partnering with these companies." This report responds to that motion, first by defining the variety of technology enabled mobility options that are entering the market, including transportation network companies (TNCs, i.e. Uber and Lyft), car share (i.e. Zipcar) and micro-transit (i.e. Bridj or Via). Based on research conducted by Metro staff, it then identifies opportunities and obstacles to partnerships with TNCs and micro-transit providers. A summary of related research and case study experiences can be found in the attachments.

**DISCUSSION**

The rise and proliferation of the on-demand economy is creating a new mobility marketplace. Where Los Angeles County residents once had limited options, there is now a growing array of services. In addition to the traditional modes, Los Angeles County residents can now source rides using bike share, TNCs, and car share. Together, these modes build the flexibility of choice to give up a personal vehicle.

And while mobility companies operating micro-transit have not yet entered our market, high demand for transportation options and the success of other on-demand models indicates that they are likely to begin operation in LA soon. It is expected that this diverse marketplace will grow and new technological options will continue to become available.

Agencies across the nation have begun partnering with on-demand transit in a variety of capacities. Metro was one of the first. Metro's exclusive promotional partnership with Uber during the opening of

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the Expo Line extension to Santa Monica provided customers with an on-demand link to rail. It helped customers complete journeys and expand the reach of the system while providing LA area agencies insight into the potential and implications of future partnership models. The promotion, spun off from an unsolicited proposal and executed in under 6 weeks, helped establish synergy between modes. During the promotion period, 10,000 codes were applied offering customers 5 dollars off of UberPOOL trips starting or ending at new Expo stations and 5000 were activated.

Despite the appetite for transit operators to partner with ridesource companies and vice versa, the growing on-demand marketplace is relatively disconnected from the services of traditional mobility providers. This disconnect has the potential to perpetuate and increase social inequities. Therefore, it is critical to ensure that the benefits of this growing menu of options are both well integrated into the LA County transportation network and accessible to all customers, across socioeconomic statuses, minority, and disabled populations. For these reasons of mobility and social equity, Metro has begun to explore possibilities offered by new partnership models with new mobility providers.

This report is not a strategic plan, but rather the first step towards understanding the challenges and opportunities that underlie emerging partnerships with on-demand services, and how to engage new on-demand mobility providers in a strategic manner.

This report was written by the Office of Extraordinary Innovation (OEI) with input from TAP, Service Planning, Labor Relations, Civil Rights, Environmental Compliance, and Sustainability.

### Technology Enabled Mobility Providers

While there are a range of technology-enabled mobility providers entering the market, this memo focuses on transportation network companies (TNCs) and micro-transit, as these are two mobility areas that the County has not yet fully embraced. Each can be described as follows:

#### *Transportation Network Companies*

According to the California Public Utilities Commission (CPUC), TNCs are companies that “provide prearranged transportation services for compensation using an online enabled application or platform (such as smartphone applications) to connect drivers using their personal vehicles with passengers.” Well known TNCs include Uber and Lyft, but there is a growing contingent of competitors both in the United States and abroad. These services offer on-demand services with a variety of options. Using their smartphones, customers can select the size and type (premium or not) of vehicle they would like to pick them up. The driver, rather than the TNC software, generally owns vehicles.

Customers can also select whether they would like to share their ride with other customers. The ability for customers to choose to share their ride creates an important distinction between TNCs and the more traditional taxi model; the Shared Use Mobility Center (SUMC) defines this as “ride-splitting,” as this feature allows customers to split the cost of the ride. When a user chooses to share a ride with other customers, the software uses proprietary algorithms to find other riders who are going in a similar direction and prices the ride based on the likelihood that they will be able to identify such a rider.

While researchers currently do not have access to Los Angeles County specific data, on a nation-wide scale, Lyft reported 2.8 million unique riders in May 2016 with a 25 percent increase in year-over-year riders per active passenger. It is projected that Lyft will match 152 million rides by year end. Lyft currently operates in select cities in the U.S., Indonesia, Singapore, the Philippines, Malaysia, Thailand and Vietnam. In mid-July, Uber announced that it had given a total of two billion rides over its seven year lifespan; the company had reached its one billion rides landmark just six months prior. Uber is currently active in 76 countries. For a sense of scale, in 2015 transit providers in the United States provided a collective 10.6 billion rides. These numbers demonstrate that these companies are growing at an exponential rate. While TNCs are providing just a fraction of transit ridership, their numbers are significant.

### *Micro Transit*

Micro-transit can be characterized as privately operated, dynamically routed or crowd source routed transit service, such as Bridj, Via, Chariot, or Loup. It shares a strong resemblance to traditional publicly operated demand responsive transit. It diverges from the traditional model in its integration of technology and ability to operate privately. Each provider operates a unique model. For example, Bridj selects commute heavy geographic regions and allows customers to request a shared ride on demand (when the customer is going in the direction of demand) and the 14-person bus picks up the customer within a short walk where they are and drops them at their final destination. On the other hand, Chariot crowd sources in their operating markets to determine what commuting routes are currently being under served by traditional public sector transit. It then provides a fixed route commuter service based on the crowd sourced information. A variety of other models exist.

### Opportunities and Challenges

Informed by the research currently available, the experiences across the country in partnering with TNCs or micro-transit options (both in the experiences documented in the attachments and through a series of interviews performed by Metro researchers), and an exploration of mobility needs in Los Angeles County, Metro staff identified opportunities and challenges to partnership.

### *Opportunities and Benefits to Partnership*

**Decrease single occupancy vehicle trips.** TNCs provide shared rides that use proprietary algorithms to match multiple riders who have trips going in the same direction. Micro-transit similarly provides shared rides, often dynamically routed. If Metro were to leverage these models, we could have the opportunity to help decrease single occupancy vehicle trips by providing a better alternative, thereby improving mobility and decreasing the number of cars on the road at any one time. The thoughtful inclusion of TNCs and micro-transit into the mobility menu could help reduce car dependency, cut down on single occupancy vehicle trips, decrease greenhouse gas emissions, and support public transit service, ultimately bolstering public benefit.

**Improve service for persons with disabilities.** TNCs and micro-transit providers have the potential to significantly improve service for persons with disabilities, many of who currently use or qualify for Access Services. Currently, persons who qualify for Access Services must make an appointment to be picked up using a call service at least 24 hours in advance. The service provided is a similar to a

shared ride van service. The appointments are provided in one-hour window increments to provide for unforeseen challenges with traffic; a customer is expected to wait up to 20 minutes after the one-hour pick up window. A customer cannot change his or her drop-off location once after a pickup has been made.

Partnerships with TNCs or micro-transit could improve this service by allowing customers to request an on-demand (or close to on-demand) ride, which would both shorten customer wait-time as well as provide an option for customers to make travel decisions on less than 24 hours' notice, significantly improving personal mobility for persons with disabilities. It is also possible that this service could be less expensive on an hourly or cost-per-ride basis.

Further, partnerships also have the potential to improve TNC and micro-transit service that is in operation outside of the purview of a partnership. In general, these are technology companies and therefore do not have the institutional knowledge and experience for how to best serve customers with a variety of accessibility needs. Through partnerships, Metro has the potential to demonstrate how to serve a variety of constituencies, improving service across the board.

**Expand the menu of transportation options.** As a mobility provider, it is our role to provide our customers with a variety of mobility options to meet their varying and shifting transportation needs. By bringing TNCs and micro-transit under the public transit mobility umbrella, we can effectively expand mobility options and help our customers get where they need to go when they need to go there.

**Harness the mobility benefits provided by TNCs and micro-transit to serve an effective first and last mile solution and a new option in underserved areas.** TNCs and micro-transit could be part of a solution for delivering our customers to our fixed route transit options as well as for providing service in our low-density, underserved areas. Particularly in Los Angeles, where our land use can be spread-out and/or unsafe or challenging for walking, providing a new mobility solution to access fixed route transit or to get around more suburban areas of our county could provide tremendous benefits for our customers. A partnership would allow Metro the opportunity to explore these options, expanding our transportation services.

**Improve low-density corridors and late night service.** Late night service and low-density corridors are a costly and challenging service to provide in any service region. TNCs and micro-transit can potentially be an alternative to fixed route service that has the potential to be less expensive and more flexible for our customers.

**Improve first mile/last mile and special event options.** TNCs and micro-transit service could aid customers in reaching first and last mile destinations near major transit hubs that are not accessible by full sized buses. Similarly, partnering with TNCs during special events could help regulate unexpected passenger loads on trains and buses during time frames prior to and immediately after a big event.

**Leading the way in defining industry practices.** As TNCs and micro-transit operators are just beginning to partner with public transit agencies, a move into this space would provide Metro the opportunity to define industry practices, prioritizing Metro values such as equity, access, and regional

mobility, and help to ensure that they are part of the national partnership model.

**TNCs may offer an opportunity to reduce the bifurcation of the transportation system.**

Transportation systems are, and historically have been, bifurcated, meaning that the options available depend heavily on one's socioeconomic status. The average Metro train rider has a household income of about \$22,000. According to data from the Pew Research Center, current users of TNCs tend to have much higher household incomes. Pew's research survey found that 26 percent of study respondents whose household income was over \$75,000 had used TNC services before, whereas only 10 percent of those whose household income was less than \$30,000 had used these types of services. Through the thoughtful inclusion of TNCs into the transit marketplace, Metro has the potential to upset this historic trend, creating a transit market whose modes are used across a variety of income levels.

Other potential opportunities include:

- A reduction in the need for increased parking capacity
- Access to new data streams that can help inform future planning efforts
- Provide a cost effective alternative to the Immediate Needs Transportation program

*Challenges to Partnership*

**Lack of best practices and standards for engagement with TNCs.** In general, TNCs are new to the market and the concept of partnerships between transit agencies and TNCs has only emerged within the last year or two. As a result, the transit industry has not yet defined best practices and standards for entering into such relationships. Without common industry guidelines, engagements between TNCs and transit agencies can be inconsistent, even within the same region. Lack of consistency can breed confusion and frustration for both the agency and the private sector partner, and can even lead to the dissolution of potential partnerships. Further, to provide a solution, non-profits including Transportation for America and the Eno Center for Transportation are developing transit working groups that will provide a forum for transit agencies to discuss their challenges and successes in developing non-traditional partnerships with technology enabled mobility companies.

**Learning curve when partnering with non-traditional transit vendors.** Many of the agencies that Metro interviewed noted that the key to their success was predicated on selecting someone who has an understanding of the TNC/ for-profit business model, and who understands how the business models differ. Public transit operators traditionally do not partner with technology start-ups; therefore, there are a number of cultural differences in play.

**Inconsistent regulatory interpretation at the transit operator level and outdated federal regulations.** Conversations while planning Metro's two-week marketing partnership with Uber during the opening of the Expo Line Phase II extension in May 2016 highlighted different opinions and inconsistencies in how the federal regulatory structure and guidance should be interpreted and applied to partnering with TNCs. A lack of a framework or guidance for applying laws, regulations, and guidance designed for fixed route bus and rail modes to emerging on-demand modes such as TNCs has led to de-facto interpretation and decision making on a localized and case-by-case basis. This response to the situation can be seen nationally. Interviews with various transit agencies engaging with TNCs revealed that each had a different interpretation of how to apply Title VI,

Environmental Justice (EJ), ADA, and drug and alcohol testing rules and regulations in their partnerships with TNCs. Without clear guidance from the federal level it is extremely challenging to enter into legal partnerships with TNCs or other technology enabled transportation companies not currently included in Federal Transit Administration guidance. In order to help inform this conversation, FTA is rolling out a Mobility on Demand (MOD) grant program, which may provide transit agencies regulatory flexibility in ensuring compliance with the regulatory structure. Metro has submitted a proposal for this grant that, if selected, would enable us to initiate a demonstration partnership with a TNC and evaluate synergies between our service models. The industry hope is that this grant program will help to inform future regulatory guidance.

**Need for payment integration.** The TAP System, which is the existing system of fare payment for Metro and 24 other transit agencies in LA County, is being asked to integrate into many new account-based technologies, such as Bike Share, Parking, Mobility Hubs, and more. A holistic and collaborative approach is needed to ensure that these new systems are not fragmented into many different and varied forms of payment. All new systems should be built with the mindset of complementary and collaborative integration, in order to keep our customers' expanded purchasing experience fast and simple.

**Lack of available vehicles capable of transporting individuals in wheelchairs on a TNC platform.** Both transit operators and TNCs have noted that providing vehicles that can carry individuals with disabilities, including wheelchairs, on the TNCs platforms is challenging, especially with the same level of service. The majority of vehicles on the road that are currently leveraged on Uber and Lyft's platforms cannot carry a person in a wheelchair. Uber and Lyft are currently working on providing vehicles that are accessible to individuals in wheelchairs on their platform, but this service is not yet robust and is not necessarily in compliance with ADA requirements. The taxi industry also historically has a challenge with ensuring that vehicles accessible to individuals in wheelchairs are available, because it is challenging to deploy the equipment with enough density to meet the needs of disabled users, especially with similar response times. If Metro is to partner with TNCs, it is crucial that TNCs equitably provide services to all of our customers.

**Access for the unbanked, those without smartphones, and those without cellular data plans.** To access TNC and micro-transit services, customers must have a credit or debit card. As of 2013, the Federal Deposit Insurance Corporation (FDIC) calculated that that 7.7 percent of Americans were unbanked and 20 percent were underbanked. "Unbanked" means that a person does not have access to bank accounts at all, whereas "underbanked" means that they have bank accounts, but rely on alternative financial providers, such as cashier's checks or pawn shops, in order to meet some of their banking needs. It is likely that a portion of Metro riders fall into this category. Without access to a bank account, within the current payment platforms, customers cannot use TNC or microtransit services. To meet our equity aims, Metro needs to provide alternative payment solutions for these populations, such as integrating TNC payment into the TAP system.

Customers must also have access to smart phones and data plans to access these services. According to Metro's spring 2015 survey, only 47 percent of rail customers and 38 percent of bus customers have access to smart phones, and overall mobile phone access in Los Angeles is increasing. For some customers, a smart phone may be the only device available to them that can access the internet. According to a nationwide Pew Institute report, 13 percent of households with

low incomes (defined as below \$30,000) are smartphone dependent, meaning that a smartphone is their only viable means of internet access. Pew's study also highlighted that smartphone dependency was found to be higher in non-white populations. As the majority of Metro's ridership is non-white populations, this finding may have implications for our customer base.

Research has also indicated that the cost of data plans and wireless data may be prohibitively expensive for low income populations who largely make up Metro's ridership base. Pew's survey found that "seven percent of Americans own a smartphone but have neither traditional broadband service at home, nor easily available alternatives for going online other than their cellphone." The findings also revealed that customers frequently are either not able to pay their smart phone bill or max-out on available data.

According to Metro's survey, 71 percent of customers live in households with incomes below \$25,000 per year. For rail customers, median income is \$19,374 and 57 percent of customers live in households with incomes below \$25,000. Based on the data from Pew, it is likely that a portion of our customer base has experienced unreliable access to smartphone data for a variety of reasons. In analyzing these demographics, it is likely that it is not uncommon for a portion of our transit dependent customers to run out of data.

**Ensuring limited English proficiency access.** In accordance with the Civil Rights Act of 1964, if Metro is to partner with a TNC or microtransit provider, their services need to be available in multiple languages. Not all TNCs have multilingual platforms and there does not appear to be a standard means by which they provide their drivers with options to translate conversations with their passengers.

**TNC Driver Definition.** A labor question is the employment definition of TNC drivers as contractors rather than as employees. Based on their contractor status, TNCs are not required to provide benefits. This relationship is manifesting itself differently in each state and city. In California, the California App-Based Drivers Association helps to represent drivers.

**Drug and Alcohol Rules.** Under current federal law, if Metro were to partner with a TNC, all contractors who would be driving for the TNC and picking up our riders would be subject to federal drug and alcohol laws. Due to the cumbersome nature of these regulations, FTA has exempted taxi companies from compliance. There is also currently the ability to be exempt from these requirements if a customer has a choice in what service he or she selects.

**Other regulatory hurdles.** In addition to the regulatory challenges already listed, there are a number of other regulatory barriers of which any transit agency entering into a partnership should be aware. For example, there are on-going discussions across the country of the type of background checks that should be mandatory for operators of TNCs. Each TNC company has their own method of ensuring safety of their operators, but in general they do not require that their drivers first be fingerprinted. This is in part due to the number of drivers TNCs generally have on their platform and the complex nature of administering fingerprinting. Uber and Lyft are no longer operating in Austin, Texas in part because of the difficulty with fingerprinting.

### Findings

The mobility menu is growing, and many Angelenos are choosing on-demand and shared-use mobility for their travel. Metro has the opportunity to:

1. Improve overall mobility by ensuring that these new models are well-integrated into the existing transportation network, which taxpayers have invested billions of dollars to develop, and
2. Ensure that these mobility options are available to all of our constituents in an equitable and accessible fashion.

Transportation Network Companies (TNCs) and micro-transit both have the potential to enhance our currently existing transit options. While public-private partnerships with these types of companies are still in their infancy, Metro has the opportunity in playing a role in setting the tenor for what these types of relationships look like.

In partnering with TNCs or micro-transit, Metro would likely focus on providing service where service previously has not existed. Likely uses are first and last mile transit access and low density areas of the county that currently do not have adequate transit access. As such, the addition of TNCs or micro-transit to the Metro mobility menu would not supplant any current, union operated services. In partnering with any technology-enabled mobility option it will be necessary to engage with labor early, often and continuously to ensure the best possible outcome for all of our stakeholders.

### Recommendations

Metro staff recommends the following:

#### 1. **Partner, experiment, repeat**

Actively explore partnership opportunities, and be willing to experiment and test new models. Partnerships with technology enabled mobility companies and transit operators are still in their infancy. As such, we have the opportunity to help develop a framework for engaging with these companies. This will mean developing and piloting a variety of approaches to partnering with these types of companies. Through new pilots, we can help to define what works best for Los Angeles County, and we can also make available our experiences at national level to help transit agencies across the country learn what works best. The willingness to experiment will help Metro be the premier transit operator in the country. It will also be crucial to provide an adequate timeline for partnership deployment. In speaking with a variety of public and private sector interests that have experimented with these types of partnerships, the amount of time needed to reveal the partnership value can vary.

#### 2. **Work with Federal partners**

Work with the Federal Transit Administration (FTA) to develop pilot programs. FTA has demonstrated a willingness to working with transit agencies to identify ways to develop equitable demonstrations to test the benefits of partnerships. Recently, FTA released a notice of funding opportunity (NOFO) for a grant program that specifically asked agencies across the country to propose pilot programs such as



partnerships with TNCs or micro-transit companies. Further, FTA offered to provide regulatory flexibility to allow agencies to work with them to define best practices in rolling out these types of programs.

### 3. **Incentivize Shared Rides and Multi-modal Connections**

Maximize integrated mobility by prioritizing shared riding, and trips that connect with existing transit service. Researchers have identified that there are synergies between transit and new technology enabled mobility options. One way that customers use these new options is for first and last mile access to rapid transit. Another option for customers is to share or split their rides with other customers. When developing partnerships, Metro should incentivize these types of rides.

### 4. **Focus on ADA and Title VI**

Prioritize ADA and Title VI accessibility in pilot development. TNCs and micro-transit operators are not currently operating services that adhere to ADA and Title VI protocol, but they could. Through thoughtfully constructed partnerships, we have the opportunity to ensure the availability of accessible vehicles and equitable access. By making this a priority, Metro can help to inform national policy and best practices in ensuring these partnerships result in service that is in the public benefit.

### 5. **Integrate Fare Payment**

Create an account based TAP system, providing the ability for payment integration. In order to ensure that those who are unbanked or under-banked have access to these technology enabled, privately operated services, we need to develop a payment integration system. TAP is currently in the process of procuring technology that would allow for such integration. Continued support and investment in this system is an important component of ensuring equity.

### 6. **Create Mobility Hubs**

Invest in comprehensive wireless access and Mobility Hubs. To ensure equitable access to these types of services, Metro should expand access to wireless connections, which will allow those without data plans to access these technology enabled services. Further, Metro should strategize in investing in Mobility Hubs, which would have screens that could dispatch these types of services for those without smart phones.

## **NEXT STEPS**

Metro will continue to evaluate relevant Unsolicited Proposals received, and continued internal coordination between all relevant departments.

## **ATTACHMENTS**

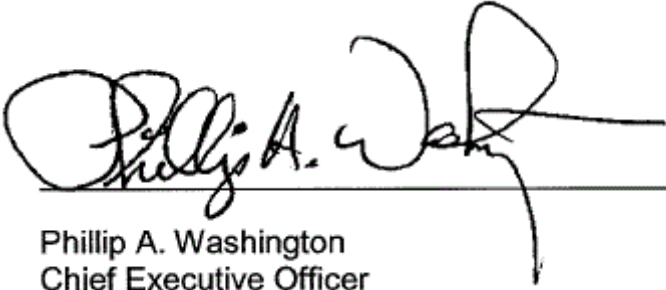
Attachment A - Transit Operator Experiences

Attachment B - Literature Review

Attachment C - Motion 45

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