



Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE JULY 17, 2019

SUBJECT: TAP MULTI-MODAL INTEGRATION AND MOBILE APP UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE TAP Multi-modal integration and mobile app update.

ISSUE

TAP has begun integrating payment for third-party mobility services such as Bike Share, microtransit, scooters, trikes, ride-sourcing, electric-vehicle car sharing, parking and more. These third-party entities will offer modern payment options and enable greater mobility choices for our customers. In addition, TAP's mobile app is nearing completion and is expected to launch by the end of this year.

BACKGROUND

The Account-Based System Called TAPforce

On May 17, 2018, TAP presented an update with the AD HOC Customer Experience Committee on the new TAP account-based system and our plans to integrate third-party mobility services such as bike share, microtransit, scooters, ride-sourcing, parking, and other multi-modal services. This system, called TAPforce was launched in September 2018 and is the first necessary step of building multi-modal and mobile capabilities onto our legacy TAP system.

DISCUSSION

Low-Cost Integration of Legacy TAP Infrastructure with Multi-Modal Systems

In September 2018, TAP successfully launched a new account-based payment system called TAPforce that enables a digital TAP Wallet function. This hybrid approach enhances our legacy TAP System, improves our customer experience and takes advantage of modern technological advances

in fare collection. The new TAPforce system launched with Metro Bike Share integration and became a first-of-its-kind in the U.S. for Mobility as a Service (MaaS). This Bike Share integration is now a proven use case for TAP's expanded payment capability to function as a link to first and last mile mobility options.

The TAPforce system is unique because of its great benefits for our customers and low cost in comparison to other cities. The \$142 Million cost includes the TAPforce system, mobile app and software and hardware upgrades. Building an all-new system is time-consuming and costly. In fact, cities such as New York, Boston and Chicago are spending over \$500 Million to build new systems. At a fraction of the price, our hybrid system has already enabled payment integrations with outside mobility services that will take other systems years to build.

As of May 2019, TAP has been contacted by more than 20 third-party mobility services interested in integrating with TAP Wallet. The intent of integration is to allow a patron the flexibility to pay for trips across many modes of transport using one account in the TAP Wallet. Third-party mobility integrations will improve our patron's transit experience by presenting them with many first and last mile options that increase convenience and accessibility to our transportation network.

An example of TAP's new ability to enhance the transit experience is a recent integration with Lyft. TAP worked with Lyft to set up a promotion where customers that took five shared Lyft rides in a month would get \$20 in their TAP Wallets. This promotion was configured in TAPforce and was built by in-house staff. In the past, promotions such as this were not available in the legacy system, but they are now quickly configurable. This promotion not only enabled 1043 redemptions in under 2 weeks, but also enabled 574 *new* users who had never signed up for TAP in the past. Not only did this promo encourage ride-sharing, but it encouraged transit use as well.

Potential Future Revenue Generation

To achieve a thriving network of mobility options for our customers, for six months Metro will not charge third party mobility services ongoing transaction fees upon integration with TAPforce. Third party mobility services are only required to pay for configuration costs on their end, if any. One option, among others that Metro is exploring is to recover transaction fees or possibly gain revenue from outside integrations.

As a comparison, Table 1 outlines average credit card processing fees. These percentages are inclusive of interchange, assessment and markups. To stay competitive with industry standard rates, Metro is exploring a 2% transaction fee for third-party entities that offer TAP Wallet as a payment method for their services.

Table 1 - Average Vendor Processing Fees

Card Company	Average Fee
Visa	1.92
Mastercard	2.08
American Express	3.00

Discover	2.71
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Bridging the Equity Gap

The new TAPforce system bridges the equity gap by offering unbanked customers the ability to load cash to their TAP Wallet, which allows them to participate in account-based programs that previously required a credit or debit card. New third-party mobility programs will be encouraged to take advantage of this cash capability for the benefit of inclusiveness for all customers. Programs may choose to implement requirements such as address verification or a minimum balance for use of cash on their systems.

Technical developments in the LIFE Fare Subsidy Program have also improved equity for transit customers. New retail sales devices that make LIFE sales easier began rolling out to over 450 locations in the TAP vendor network in March 2019. These devices were remotely activated with LIFE discounts as of July 1, 2019, and vendors will no longer have to collect paper coupons from LIFE customers and be reimbursed up to two months later by Metro. Instead, the device will automatically recognize the LIFE TAP card. With the new LIFE system, TAP vendor accounts will no longer be swept for full-fare amounts that necessitated labor-intensive LIFE coupon redemption and reimbursement. Rather, the vendors' accounts will be swept for the reduced amount only, with no need for manual reimbursement. This benefits LIFE customers because they no longer are required to carry paper coupons. Instead, their TAP card is linked directly to their LIFE account and they can even purchase their discounted fares online, as well as at TAP retail locations.

Cross-Group Promo Codes, Rewards and Discounts

Third-party mobility services can choose to utilize another benefit that is built into TAPforce: the ability to offer customizable discounts using our already-established TAPforce groups. These groups include seniors, persons with disabilities, students and as mentioned above, LIFE low-income subsidy patrons. For programs that are seeking integration with TAP payment, the ability to quickly and easily set up promo codes, rewards and discounts using TAPforce is an important way to incentivize our mutual customers. This functionality can incentivize mobility systems to come onboard with TAP payment because of already established groups to whom they can offer their own discounts.

Simple Configuration for New Groups

TAPforce also enables a nimble set-up for *new* groups, too. For example, creation of a group in a region of selected zip codes or enabling a group for AARP Members is simple to set up for use with promo codes, rewards or discounts. These quick and easy-to-configure tools can be used as mitigation for Rail Line closures or to entice customers to try new travel modes. They can also be

used for joint ticketing opportunities for entertainment or sports events including the upcoming 2028 Olympics.

Mobile Development

TAP contracted with Cubic Transportation Systems, Inc. for a mobile app at no cost to build that will integrate with both our 26-agency fare collection system and our Salesforce-enabled new mobility services such as Bike Share and others. Together with Cubic, our Salesforce Integrator, Publicis Sapient and the phone companies, TAP is building mobile capabilities that will integrate trip-finding, fare purchase, transit fare payment and external system payments (such as Bike Share). The mobile app will be capable of checking for discounts for the LIFE fare subsidy program, as well as for reduced fares for seniors, students, and customers with disabilities. TAP has again planned for equity across payment forms and will offer cash options as well as more modern options such as PayPal. The mobile app software development will be complete during late Fall 2019, at which point live user testing will commence.

Farebox Upgrade Update

On June 21, 2018, the Board of Directors approved the upgrade of TAP bus farebox equipment and station validators to enhance security for mobile engagement and to provide near real-time communications. Design and development efforts for the farebox equipment have been completed and a bus pilot at Division 13 is underway. Completion of the upgrade is planned for Fall 2019.

TAP has been coordinating with the nine municipal operators that have older fareboxes to ensure their upgrade efforts are progressing. These municipal operators include Antelope Valley Transit Authority, Culver CityBus, Foothill Transit, GTrans (Gardena), Montebello Bus Lines, Norwalk Transit, Santa Clarita Transit, Torrance Transit, and LADOT. Agreements between Metro and the municipal operators outlining payment schedule and reimbursement opportunities have been executed. Installation efforts of the municipal operators' buses will occur in parallel with Metro's fleet-wide installation efforts. The remaining municipal operators require no equipment upgrade.

TAP Retail Kiosk Update

A new pilot will begin this summer to test TAP cards that hang in kiosks at 7-Eleven, CVS Pharmacies and other stores. Customers will find TAP cards alongside other major cards that can be purchased and loaded at checkout. These specially-packaged TAP cards will have a bar code that can be scanned at check out and reloaded. The card will still tap as always on any TAP-enabled device and can be reloaded at a bar-code location, a TAP vending machine, at one of over 450 regular TAP vendor locations or online. If the pilot is successful, the program could increase our vendor locations by at least a thousand locations.

Alternatives

Alternatives considered could be to stop any or all of the progress on the above items, but this is not recommended, as customer experience will be negatively affected.

FINANCIAL IMPACT

There is no impact to the FY 2020 budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports Metro Vision 2028 strategic plan:

Goal 1: to provide high-quality mobility options that enable people to spend less time traveling.

TAP third-party mobility integrations will function as an objective to meet Metro's strategic plan goals by providing patrons with first/last mile options under TAP Wallet, reducing their overall travel time.

Customers purchasing fare products by using the new mobile app will be able to use them immediately.

Goal 4: Transform LA County through regional collaboration and national leadership.

The TAP mobile app will include outside multi-modal system sign-up and payment using the new TAP Wallet function (beginning with Bike Share).

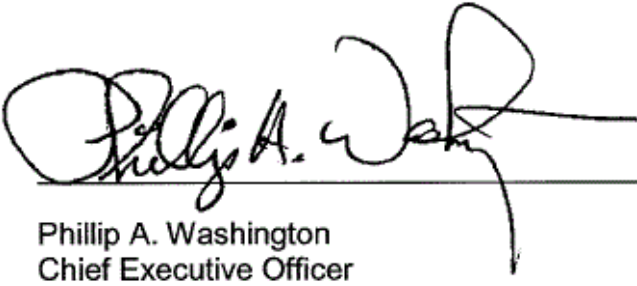
TAPforce has been used as a national case study for innovative use of Mobility as a Service (MaaS) and a model for other cities in the FTA's upcoming Transit Cooperative Research Program synthesis study on the state of MaaS in the U.S.

NEXT STEPS

Staff will continue to integrate third-party mobility services and TAP Wallet.

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