



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
MAY 19, 2004**

SUBJECT: UPDATE ON FARE-RELATED ISSUES

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the report on recent fare-related issues.

ISSUE

At the April 2004 Committee meeting, Director Fasana requested that the Board receive an update on fare-related issues that have occurred since the recent Metro fare restructuring was implemented.

DISCUSSION

The Board-approved fare restructuring was implemented successfully on January 1, 2004. This restructuring lowered the base fare to \$1.25, introduced the \$3 Day Pass to replace transfers, and increased pass prices for regular weekly, semi-monthly and monthly passes. Senior, student and disabled pass prices remained the same as before. In addition, four zones were consolidated into two and token prices were increased to \$1.10.

Interim results of the fare restructuring and the resolution of some fare-related issues are discussed below.

Fare Revenues

Total fare revenues (including farebox, pass and token sales) have increased as a result of the fare restructuring.

- Farebox revenues increased by \$2.5 million in January, \$3.4 million in February and \$4.5 million in March, when comparing the collection of coins and bills to the same period a year earlier.
- Pass sales revenues increased by almost \$600,000 in January and over \$1.2 million in February last year. Post work-stoppage ridership started increasing in February 2004 and there were 5 weeks in the month versus 4 weeks in 2003. Pass sales for March were about \$300,000 more than the prior year.

- Token sales to vendors decreased by \$2.6 million in January, by \$3.2 million in February and by \$2.7 million in March, compared to the same period a year earlier. Because the token discount is only 15 cents now, compared to 45 cents a year ago, customers are using fewer and fewer tokens. Last year tokens comprised 50 percent of the farebox collections. Now tokens comprise only 19 percent.

The net revenue impact from the fare restructuring resulted in about \$0.5 million more fare revenue in January, about \$1.4 million more than February, and about \$2.2 million more than March last year, before any minor accounting adjustments. If subsequent months are similar to March, then the fare restructuring program would bring in about \$26.4 million on an annualized basis, which is about 95 percent of the forecast made last year. If subsequent months are similar to February, then the annualized revenues would be \$18.3 million, or about 66 percent of the forecast made last year. In the May 22, 2003 Board report on the fare restructuring, Staff estimated that revenues would increase by \$28 million from the fare box on an annual basis, and that \$10 million annually would come from the Formula Allocation Program after two years.

Day Pass Sales

Day Pass sales appear to be very popular; they have increased from 50,000 per day in January to 60,000 per day in February and 70,000 per day in March. It appears that some of the weekly pass purchasers have switched to the day pass since it is more convenient to purchase as a customer boards the bus or at a rail station.

Ridership

Although Metro bus and rail ridership declined initially in January after the fare increase and the work stoppage, ridership seems to have rebounded. For the third quarter of fiscal year 2004, ridership is 2.3 percent higher than third quarter of the prior year. However, since ridership had been growing at a good rate prior to the work stoppage, third quarter ridership is running below the budget forecast.

In comparison, both Santa Monica and Foothill Transit have reported ridership declines of 13 percent and 10 percent, respectively, due to the poor economy and their own recent fare increases.

After the last work stoppage at MTA, in the fall of 2000, ridership initially declined about 5 percent. It took about six months to bounce back to pre-strike levels.

Ticket Vending Machines (TVMs)

The existing TVMs have three buttons for patrons to use when making purchases. Initially, the intention was to incorporate the transfer as part of the Day Pass, however the Municipal Operators requested a separate transfer fare media. In order accommodate their request, MTA made one button for a day pass, one button for a

one-way ticket and one button for a Metro to Muni transfer. Later this fall, MTA anticipates that new TVMs will be in place for the UFS pilot program. These new TVMs will have more flexibility and will allow additional ticket options such as the purchase of a one-way ticket with a transfer as well as a day pass with a transfer.

In January, Long Beach Transit reported some transfer abuse related to transfers issued from the TVMs. It was reported that a few enterprising patrons went to a Metro Rail TVM and bought a transfer for 25 cents and then tried to board a Long Beach municipal bus. As a result, Long Beach Transit was concerned they were losing fare revenue, so they said they would not honor the Metro to Muni transfer. However, MTA and Long Beach staff worked together to resolve the issue by posting signs and changing the instructions on the TVMs.

Now the TVMs have signs that inform the customer that "Metro to Muni transfers are accepted only when accompanied by a valid Metro Rail ticket or Metro Pass." This way there should be no loss of revenue to the municipal operator and no fraudulent purchase or use of a transfer.

At the inception of the fare restructuring in January, there was fare information posted in the stations and in the rail cars. However, new rail car cards with other information have recently been installed. To assist new passengers and those unfamiliar with the fare system, Metro is further refining and clarifying the language on the TVMs. New, clearer instructions on the TVMs will be installed shortly, highlighting information about no transfers on Metro lines, not using tokens for day passes, and the Metro to Muni transfer information.

Interagency Transfers

As part of the fare restructuring, MTA agreed to maintain a mechanism for interagency transfers to facilitate passengers transferring from one transit agency to another. MTA worked with the municipal operators to develop the transfer design and information and to determine quantities required by each agency.

The new Interagency transfer was designed to be issued monthly to limit counterfeiting and fraud. Because the prior transfer the municipal operators used had no expiration date, there had been little record keeping regarding transfer volumes. As a result, the initial quantities ordered by the municipal operators proved to be inadequate for a few of them. Metro Staff issued a procurement immediately to acquire supplemental quantities to meet municipal operator needs.

Currently, the Interagency transfer quantities and usage appear to be running smoothly. A procurement for Interagency transfers and Metro to Muni transfers for the upcoming fiscal year was completed under the CEO authority in April 2004.

Tokens

Last year, Metro sold and collected about 6 million tokens a month. In comparison, the other 8 regional transit agencies together collected about 200,000 per month, or only 3 percent of the total.

With the increase in the price of tokens to \$1.10, Metro's token usage has declined by more than 50 percent. This is mainly because the token discount is now only 15 cents off the base fare. Currently, less than 10 percent of Metro passengers use tokens. Staff expects token use to continue to decline; a trend, which is consistent with MTA's plan to phase out tokens in a year with the implementation of UFS.

Foothill Transit recently announced that effective May 1, 2004, Foothill will no longer accept MTA tokens as regular fare on its buses. This should not negatively impact the customers, since the token price of \$1.10 is the same price as regular fare on Foothill buses.

Recently, a couple of municipal operators requested a higher token reimbursement rate. MTA does not plan on increasing the rate. This is consistent with past regional policies. For example, a couple of years ago, Foothill and MTA had a joint pass. When Foothill increased the price of this pass from \$49 to \$52, they did not share any of the increase even though MTA requested it. In addition, Metro did not change any of the vendor commission rates when the fare structure was changed.

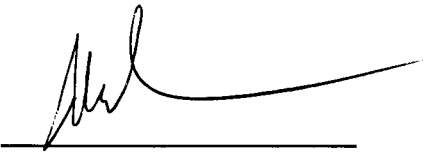
Montebello Acceptance of Metro Passes

Montebello Bus Lines has been accepting Metro monthly, semi-monthly and weekly passes, a service for which it is then reimbursed. This system has run in conjunction with the EZ Transit Pass program. With the increase in Metro pass prices, the differential between the Metro and the EZ Transit Pass is nominal. Metro staff is supportive of Montebello's decision, effective July 1, 2004, to no longer accept Metro passes. With the implementation of the EZ Transit Pass for unlimited local travel between Metro, Montebello and 15 other municipal carriers, acceptance of the Metro pass has become redundant.

NEXT STEPS

Staff will update the Board on other fare-related issues on a periodic basis.

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