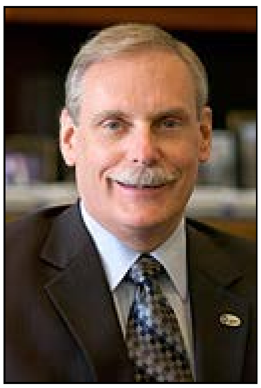
CEO UpDate

At a Crossroads: Metro Needs to Enact a Fare Change

Even with an increase, transit will remain a good bargain for riders and will help keep our commitment to taxpayers

By CEO ROGER SNOBLE



CEO Roger Snoble

We've come to a crossroads here at Metro. For more than a decade, we've put off making a decision that would have helped the agency stay abreast of escalating fuel, new equipment, labor and other operating costs. And now, we can't wait any longer – we have to bite the bullet and enact fare changes.

As you may know, we're proposing to the Board a two-part fare change. If approved, the first would go into effect July 1, the second 18 months later in January 2009. In the first round, the cash fare would remain at $1.25, while the Day Pass would increase from $3 to $5, the weekly pass from $14 to $20, and the monthly pass from $52 to $75, among other changes.

In 2009, the cash fare would increase to $2; the Day Pass would be $8; the weekly pass, $32; and the monthly pass, $120. Admittedly, these appear to be pretty hefty increases. But, if you look at it as cost-per-ride, these fare changes are reasonable.

Why? Realize that with the changes we're proposing the fare, on average, would be only 86 cents per ride. Compare that with the price of a gallon of gas – or with almost anything else you buy, including a Coke at McDonald's, and it's a great deal. As a matter of fact, Metro has maintained one of the lowest fare structures in the United States, even as we undertook the greatest service expansion in our history.

One reason we've been able to keep fares low is because taxpayers are heavily subsidizing our riders. The average Metro rider pays only 58 cents a boarding, due to deep discounts for our various passes, and fares cover only 24 percent of the cost of a ride. In 1988, taxpayers covered 56 percent of the cost of a ride; today, it's 76 percent.

That's not what taxpayers expected when they voted twice for local sales taxes. They wanted to further modernize and expand public transit and to improve streets and highways. Either we enact fare changes over the next two years or we'll have to break our commitment to the taxpayers, cut service to our customers and jeopardize the agency's financial situation.

Metro has done its part to maintain and improve service and to keep the agency on solid financial footing. We've tightened our belts by slashing more than 500 administrative positions, cutting Worker's Compensation costs in half, reducing liability through our Safety's First program, and finding ways to improve our efficiency.

So, will we lose customers if we enact fare changes? Initially, yes, but in my experience ridership will return to old levels within six months to a year. Even with a fare increase, it will still be a bargain to ride transit.

So, what's next? The Board has scheduled a hearing for May 24 to take public comment on the proposed fare change. Some time after that, they'll vote on our proposal.

If we can't win an increase in revenues, we'll be forced to cut service. And I mean big cuts that would eliminate routes, shrink operating hours, trim weekend service and lengthen headways on some of our heavier routes. If the Board approves our fare change proposal, we'll be able to keep our same level of service and even make modest improvements. We'll be able to complete the Metro Rapid program and implement Metro Connections to further improve service.

Approving a fare change won't get us out of our structural deficit – $1.8 billion over the next 10 years – but it will help keep the agency solvent. I'll keep you posted as this situation continues to develop.

April 25, 2007