



## Board Report

File #: 2020-0565, File Type: Motion / Motion Response

Agenda Number:

### EXECUTIVE MANAGEMENT COMMITTEE SEPTEMBER 17, 2020

**SUBJECT: FARE CAPPING**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE this report on the evaluation of fare capping for Metro, update on the review of EZ transit pass pricing, and potential changes to the current fare structure.

#### **ISSUE**

As part of a strategy to provide economic relief for customers as Los Angeles County enters the recovery phase of the COVID-19 emergency, staff was instructed in Motion 36 to report back on an implementation plan for a fare capping/best fares system (Item G) and evaluation of EZ transit pass pricing (Item E). Fare capping allows customers who rely on transit and ride frequently to take advantage of transit passes without having to purchase them in advance.

#### **BACKGROUND**

TAP serves 27 transit agencies in Los Angeles County, including Access Services. TAP payment offers customers the opportunity to travel seamlessly on local and express lines, and to transfer from one transit agency to another. TAP is flexible and allows partner agencies to set their own fares and fare products, including pricing for transfers and passes. Different rider classifications accommodate seniors, persons with disabilities, and students. TAP also accommodates the Low-Income Fare is Easy (LIFE) Program for eligible customers to automatically receive their discount when purchasing fares.

There are over 750 fare product variations among the TAP partner agencies. Stored Value and EZ transit pass are accepted on virtually all partner agency systems. (Compton Renaissance Transit Systems does not accept EZ transit pass), and interagency transfers are accepted on 19 transit agencies.

#### **DISCUSSION**

##### Findings

Fare capping or best fares is a pay-as-you-go system that enables customers to pay for a pass with single trip payments. Instead of purchasing passes upfront, customers simply use their TAP card to pay for each trip with Stored Value. Customers pay as they ride and can earn a day, week or month pass. To achieve this, the TAP card calculates two things: the value of paid single rides and whether it falls within the pass period. See Table 1 and 2.

If fare capping was implemented on Metro for example, a TAP customer would not pay more than \$7 in a day, \$25 within seven days, or \$100 within 28 days.

Metro’s One-Ride base fare for local routes is \$1.75, while a Metro Day Pass is \$7. When riding local routes, a customer’s fare would be “capped”, and they would not be charged after the fourth boarding since the customer reached the daily threshold of \$7, which is equivalent to the value of a Day Pass.

Table 1: Example of Daily Capping for Customer Traveling Local Routes in One Day

	Trip 1	Trip 2	Trip 3	Trip 4	Trip 5	Total Cost
One-Ride	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$8.75
Daily Capping with Stored Value (SV)	\$1.75	\$1.75	\$1.75	<b>\$1.75</b>	No Charge	\$7.00

Table 2: Example of Weekly Capping for Customer Traveling Local Routes within 7 Days

	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Total Cost
Weekly Capping with SV	\$7.00	\$7.00	\$7.00	<b>\$4.00</b>	No Charge	No Charge	No Charge	\$25.00

Fare Capping at Other Transit Agencies

Nationally, a number of transit agencies have implemented fare capping on their systems at various capping levels, including in Portland, Miami, Indianapolis, St. Louis, San Jose, and Houston.

Each transit agency differs in how they offer or present best fares to customers:

- Portland’s Tri-Met was the first U.S. agency to institute fare-capping. TriMet’s success with fare capping is due to replacing their fare structure with new fare policies. TriMet offers fare capping on daily and monthly fares.
- Miami Dade Transit offers fare capping on daily fares but does not call it “fare capping,” instead they incentivize customers to use their smartcard and “pay no more than \$5.65 a day.”
- Indianapolis IndyGo offers daily and weekly fare capping. Daily fare capping is available for all registered and unregistered cards, while weekly fare capping is offered only to registered accounts.
- Santa Clara Valley Transit Authority in San Jose features a “Day Pass Accumulator” ensuring Clipper card customers never pay more than the price of a day pass.
- Houston Metro does not sell a day pass outright, instead the agency’s messaging is to “activate” a day pass with three paid taps.

Table 3: Fare Capping at Peer Transit Agencies

	DAILY CAPPING	WEEKLY CAPPING	MONTHLY CAPPING
PORTLAND TRIMET	✓		✓
MIAMI DADE TRANSIT	✓		
INDIANAPOLIS INDYGO	✓	✓	
ST. LOUIS METRO	✓		
SANTA CLARA VTA	✓		
HOUSTON METRO	✓		

### Fare Capping at International Agencies

Fare capping has also been implemented in international cities such as London and Dublin. The Oyster card in London was the first in the world to implement fare capping.

Transport for London (TfL) offers “pay as you go” fares. Fares are capped for the times of day (peak and off-peak) depending on rider class and the type of transit based on a zone system. Fare capping is available for bus, Tube, tram, Docklands light Railway (DLR), London Overground, TfL Rail and most National Rail journeys in London.

The TFI Leap Card is the smartcard system used across Dublin and surrounding counties. Similar to TAP, the Leap Card is valid on various agencies in the Dublin region. Dublin City Bus, Luas (tram/light rail service), Dublin Area Rapid Transit (DART) and Commuter Rail offer daily and weekly capping not only for full fare customers, but also students and children under 19.

### Considerations

Fare capping increases fare equity since low-income riders are offered an opportunity to pay as they go and “purchase” or earn a pass one ride at a time rather than purchasing a pass in advance. This may greatly enhance the customer experience for everyone, but in particular for low-income customers, as they will no longer have to make an upfront purchase for passes. TAP will automatically make the best value calculation based on the number of rides they take. All they will need is a TAP card loaded with Stored Value. Customers can load Stored Value onto their TAP cards with cash or debit/credit card at over 1,000 TAP vendor locations, TAP Vending Machines, bus fareboxes, *taptogo.net*, or by phone.

### Implementation Strategy

The current TAP system can support fare capping, but it will require additional software development. Since TAP is a regional program inclusive of multiple transit agencies, there are some system complexities to consider before fare capping can be implemented. Extensive testing and marketing efforts will be crucial for the success of the program.

TAP cards will require a “fare capping” configuration written onto them in order to make fare capping possible for customers. For existing TAP cards in circulation, customers may be asked to hold their

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cards to a TAP reader for a few seconds longer to load the configuration settings and to activate fare capping. Alternatively, new TAP cards issued will already include this configuration.

Fare capping will work best if capping is in increments of seven, such as: 1-Day, 7-Day, 14-Day, 21-Day, and 28-Day.

Staff recommends a phased implementation approach with first initiating a fare capping pilot of daily capping for select Metro customers. Software development and testing efforts to implement Phase 1 will take between 9 to 12 months. Additional development and testing will be required for the later phases.

To expand fare capping to Phase 3, staff must work with partner agencies to reduce or eliminate local passes to ensure smooth and efficient operation of the fare capping system.

### **Phase 1 - Pilot Rollout, Metro Only (minimum of six months)**

1. Select pilot test group
2. Monitor and expand

### **Phase 2 - Pilot Expansion, Metro Only**

1. Expand to all customers

### **Phase 3 - Regional Fare Capping**

1. Add regional fare capping, akin to EZ transit pass
2. Work with TAP partner agencies to explore development of possible regional daily capping and weekly capping for future expansion

### EZ transit pass Pricing

EZ transit pass is a monthly regional transit pass valid on Metro and 22 local operators in Los Angeles County. The program was established in 2002 through a collaborative process between Metro and other founding transit operators. The full fare pass is currently priced at \$110 for the Base EZ, plus \$22 per zone up to eleven zones. Transit operators are compensated at a per boarding rate, equal to the average cash fare on their systems. Because EZ transit pass revenues are shared amongst 23 transit operators, any adjustment to the price should be a regional decision.

A special working group of representatives from Metro and other EZ transit pass participating agencies convened in July to begin discussing options for changes to EZ transit pass pricing to meet the same affordability goals as the 50% reductions of Metro's full fare passes. Because the Base EZ is valid for local bus service on all participating operators, pricing must be assessed in relation to all monthly passes offered by operators, as well as the promotional \$50 Metro 30-Day Pass. The special working group will meet monthly to assess the regional financial impacts of potential adjustments to the EZ transit pass and expects to develop a consensus on the recommended path forward by the

end of the calendar year.

## **FINANCIAL IMPACT**

The preliminary cost proposal for software development to initiate a fare capping system is estimated in an amount not to exceed \$5 million. This preliminary estimate does not include costs for TAP card replacements, or related costs such as for marketing.

### **Impact to Budget**

The agency will presumably experience reduced revenue when fare capping is implemented since customers will benefit from the best fare based on their use of transit. Portland TriMet reported decreased revenue since implementing fare capping at their agency, and as of FY20 (pre COVID-19), revenues are expected to continue trending lower.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Pilot and implementation of farecapping would support:

- Strategic Plan Goal #1: Provide high quality mobility options that enable people to spend less time traveling as part of an effort to manage transportation demand through fair and equitable pricing structures.
- Strategic Plan Goal #2: Deliver outstanding trip experiences for all users of the transportation system by improving legibility, ease of use, and trip information on the transit system.

## **NEXT STEPS**

Planning and analysis for fare capping will continue. Fare capping is beneficial since staff will be able to manage a much simpler fare system and the agency should see a reduction in software costs over time. Staff intends to return to the Board within six months or less with a budget and timeline for consideration and approval.

As for EZ transit pass pricing, over the coming months, the working group will explore potential reductions to the EZ transit pass price and associated changes to the operator reimbursement policy. The impacts of possible adjustments will be considered and analyzed, with a goal of arriving at a working group recommendation by the end of 2020.

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Phillip A. Washington  
Chief Executive Officer

# Receive and File: Fare Capping Response to Motion 36

Executive Management Committee

September 17, 2020



# Fare Capping/Best Fares – How it Works

- Instead of paying for a pass up front, customers use their TAP cards to pay-as-they-ride to earn 1-day, 7-day or 30-day passes
- Customers load their TAP cards with Stored Value and tap their TAP cards at fareboxes, station validators and gates
- Once the customer reaches the fare equivalent of a pass within the required pass period, the remaining rides are at no cost

Example of Daily Capping when Traveling Local Routes in One Day

	Trip 1	Trip 2	Trip 3	Trip 4	Trip 5	Total Cost
One-Ride	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$8.75
Daily Capping with Stored Value	\$1.75	\$1.75	\$1.75	\$1.75	No Charge	\$7.00



# Fare Capping Implementation Strategy

- Additional software development required to TAP system
- TAP cards will need “fare capping” programming
- 9 to 12 months development and testing
- Preliminary estimate to develop software is about \$5 million
- Minimum 6-month pilot for the fare capping of day pass for select Metro customers
- Will return to the Board within six months with full implementation plan and budget

# Fare Capping Phased Approach

## Phase 1: Pilot Rollout, Metro only, Day Pass Capping

- Select pilot test group
- Monitor and expand
- Minimum of six months

## Phase 2: Pilot Expansion, Metro only

- Expand to all customers
- Expand to other Metro passes

## Phase 3: Explore Potential for Regional Fare Capping

- Work with TAP partner agencies to explore development of possible regional daily, weekly and monthly capping

# Review EZ Transit Pass Pricing

- EZ transit pass is valid on Metro and 22 municipal operators
- Adjustments to pricing must be a regional decision since EZ transit pass revenues are shared among 23 transit operators
- Pricing must be considered in relation to the promotional \$50 Metro 30-Day pass and all monthly passes offered by other operators
- Special working group convened in July, made up of representatives from Metro and EZ participating agencies
- Meetings will be held monthly to assess regional financial impacts of potential adjustments
- Recommendation to come by end of 2020