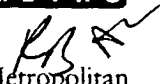





May 7, 1999


Metropolitan
Transportation
Authority

TO: BOARD OF DIRECTORS
FROM: TERRY MATSUMOTO 
EXECUTIVE OFFICER, FINANCE AND TREASURER
SUBJECT: VENDOR COMMISSIONS ON PASSES AND TOKENS

One Gateway Plaza
Los Angeles, CA
90012-2932

REPORT

(213) 922-2000

The MTA will implement a new vendor commission rate program for the sale of passes and tokens that provides for a 10-cent reduction over the 3-year period starting July 1999 through June 2002. Over the three years, the new commission rates will provide a total savings of nearly \$2 million.

BACKGROUND

Prior to 1997, the MTA had paid a \$.65 flat rate per unit commission based on monthly passes that cost \$42. The \$.65 flat rate had not been adjusted for the introduction of lower cost fare media units such as token bags, value \$9, and weekly passes, value \$11. With the shift to the lower cost fare media, commission expense as a percentage of fare media sales became among the highest in the nation.

In October 1997, as a part of the program to reduce agency expenses, the Board authorized management to negotiate and implement a reduction in commission rates that would not have a material adverse affect on the accessibility of tokens and passes. In November 1997 staff met with the major vendors and agreed upon the current commission rates for the sale of passes and tokens. The initial period was 18 months, from December 1997 through June 1999, with the understanding that further reductions would be discussed at that time.

Earlier this Spring staff again met with the major vendors to set a new commission rate structure. The new rate schedule agreed to by the major vendors provides for a 10-cent reduction over a 3-year period (4-cents, 3-cents, 3-cents). Total savings will be nearly \$2 million over the period. Details of the current and new rate schedules are shown on Attachment A.

Since the implementation of the commission reduction in December 1997, no major vendors have dropped out of the MTA's fare media sales network. During

this time the total number of vendors has increased by 8 and the total number of sales locations has increased by 22. The MTA's current vendor network includes over 750 locations. This new change is not expected to affect the accessibility to passes and tokens. The Los Angeles County program for distribution of MTA tokens to General Relief recipients, funded by Prop A Local Return funds, is not affected by the MTA's token commission.

The MTA Marketing Department will inform all vendors of the changes in commissions rates in May in order to implement the new rates with the sale of July 1999 fare media.

Attachment

Prepared by: Agapito Diaz, Director of Revenue

ATTACHMENT A
VENDOR COMMISSION RATES

Current Rates: (Effective through June 1999)

Tokens (Bags of 10)	\$0.45
Weekly Passes	\$0.45
Other Passes	\$0.50

New Rates, Year 1: (July 1999 - June 2000)

Tokens (Bags of 10)	\$0.41
Weekly Passes	\$0.41
Other Passes	\$0.46

Savings, Year 1: \$ 380,000

New Rates, Year 2: (July 2000 - June 2001)

Tokens (Bags of 10)	\$0.38
Weekly Passes	\$0.38
Other Passes	\$0.43

Savings, Year 2: \$ 665,000

New Rates, Year 3: (July 2001 - June 2002)

Tokens (Bags of 10)	\$0.35
Weekly Passes	\$0.35
Other Passes	\$0.40

Savings, Year 3: \$ 950,000

Total Savings: \$ 1,995,000