



Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2932

(213) 922-2000

**SUBJECT: FARE STRUCTURE, POLICY AND ADMINISTRATION
STUDY**

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file information item on the status of the fare study.

ISSUE

Two Board actions directed staff to report on a schedule and scope for a comprehensive fare structure, fare policy and fare administration study. The study was required to be consistent with the schedule for the implementation of the Universal Fare System.

BACKGROUND

Following Board direction, staff from several units including Planning, Operations and management met to develop the scope of work and initiate the procurement process. After review of the required tasks, past work, contract amount and time frame, staff requested a proposal from Multisystems, Inc., who had been contracted in the past to develop the MTA's Fare Revenue and Patronage Model.

Multisystems submitted a work plan with a firm-fixed budget of \$94,729. The original proposed schedule called for a six-month time frame, which has since been revised to meet a five month schedule inclusive (4 months for the draft final report).

The contract with Multisystems was procured on a non-competitive basis following procedures set forth in the Procurement Policies and Procedures Manual. In particular, it was determined that the MTA's best interest would be served by awarding the contract to Multisystems without competition because the company's extensive background developing the MTA Fare Model would obviate recurring costs and reduce delivery time for the fare study.

Staff evaluated the proposal to conclude that the budget and schedule is fair and reasonable and the work plan will meet the objectives of the study as adopted by the Board in November (See attached Project Schedule). Multisystems will calibrate the fare model to allow for alternatives that complement UFS and other changes in fare

structure. From this analysis, a framework can be created for an agency-wide fare policy that is sensitive to our customers' needs.

Issues related to technology and turnkey administration of the Universal Fare System are being addressed in the Universal Fare System specifications contract. Updates will be provided through the UFS status report process.

NEXT STEPS

Staff has commenced working with Multisystems to examine MTA's needs, calibrate the Fare Revenue and Patronage Model, and identify other agencies' methodologies for increasing fares.

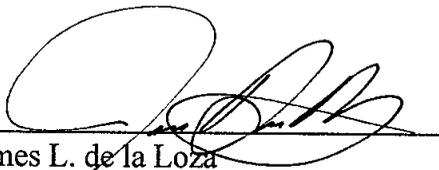
Working data on alternative strategies and ridership impacts will be available to the Board by November (see project schedule, Attachment B). A draft final report is also anticipated to be ready by the end of November.

Staff will continue to provide updates on the progress of the contract. In addition, the Board will be directly involved in the policy development during the course of the study.

ATTACHMENT

- A. Fare Policy and Strategies Study Scope of Work
- B. Fare Policy and Strategies Study Project Schedule by Work Task

Prepared by: Karen Z. Heit, Director, RTP&D Strategic Policy and Planning



James L. de la Loza
Executive Officer
Regional Transportation Planning & Development



Allan Lipsky
Chief Operating Officer
Office of the Chief Executive Officer

ATTACHMENT A

REQUEST FOR PROPOSAL FOR FARE POLICIES AND STRATEGIES STUDY

SCOPE OF WORK

PURPOSE

The Los Angeles County Metropolitan Transportation Authority (MTA) seeks consultant services to prepare a comprehensive fare policy that will ensure fair and responsive pricing-related decisions consistent with the MTA's short-term and long-term goals and strategies. The fare policy will include methodologies to review fare increases in step with economic indicators, devise strategies that capitalize on the advancement in fare technologies, analyze impacts on ridership which includes fare modeling, and refine short-term and long-term goals if necessary. In general, a rational framework should be offered as a comprehensive fare policy that guides reasonable and responsive decision-making.

Less than 3% of transportation operating agencies in the country have a standing fare policy that allows them to keep pace with inflation and other economic conditions. The vast majority of operators make decisions in an ad hoc fashion depending on when the need arises. A comprehensive, tailored fare policy will present the MTA with the appropriate framework and methodologies in which to make fare decisions with a certain amount of predictability.

The Fare Policy will need to balance the competing objectives of: increased ridership, lowest possible fares, ease of use and fare simplicity, recognition of the needs of special groups (e.g. elderly, students) and the transit dependent while recognizing that transit riders pay a fair and reasonable portion of the costs of providing service. It will also need to recognize the conditions and limitations imposed by the Consent Decree and the market.

In creating an equitable and customer-focused fare policy, the consultant will consider the following policies and principles:

- A. MTA will continue to recognize the special fare needs of the elderly, disabled, students, children under five, and other groups that have unique public transit requirements.
- B. Fares should be kept as simple and understandable as possible.
- C. Fare media (i.e. smart cards) should facilitate quick passenger boardings.

- D. Security of MTA's services should be ensured and protected (i.e. fare evasion potential and counterfeiting).
- E. Fare policy should recognize that transit users must pay a reasonable portion of services provided.
- F. Fare policy should facilitate the creation of a seamless, multi-modal ride for all public transit riders within Los Angeles County and throughout the region. Rail, bus and shuttle systems in L.A. County and the region must be addressed by the fare policy. This can be accomplished by developing clear and consistent inter-operator and inter-agency agreements and technologies that maximize fare policy integration, allow local fare structure flexibility, minimize the effects of transfers and promote service coordination. A model will need to be created to fairly distribute revenues amongst participating operating entities.
- G. Fare policy should allow the MTA to participate with multiple users (e.g. banks, schools, retail stores) in multiple application loyalty programs offered in the private sector in order to improve the integration of transit with other mobility options.

TASKS

The consultant shall, at a minimum, perform the following tasks:

1. Work Plan - Develop a statement of understanding of the scope of work and a work plan for MTA review.
2. Baseline Research - Augment the work started by staff by compiling a survey of other agencies' practices with a particular focus on any new and creative strategies that are being instituted successfully in other regions.
3. MTA's Fare Policy Goals - Review MTA fare practices, goals and other internal and external factors in order to define a set of long and short-term goals.
4. Fare Policy Adoption Process - Participate in the adoption and consensus-building process with staff, management, Board members and other parties, as necessary.
5. Strategy Recommendation - Recommend strategies that are feasible for implementation and consistent with the MTA Board's selected short and long-term goals.
6. Analysis of Ridership Impacts - Analyze impacts on ridership segments by providing sensitivity analyses of varying factors including time of day, service differential, length of trip and the elasticity of each factor. Consideration should also be given to different ridership groups including, but not limited to, the transit dependent and special discount groups such as the elderly, students and the disabled.

7. MTA Fare Revenue and Patronage Model - Calibrate the fare model to test the validity of the following fare ratio assumptions:
 - a. Discount fares at 50% of base cash fare.
 - b. Discount pass costs at 50% of the base pass cost.
 - c. The price of the regular monthly pass based on the industry standard of 64 times the price of a cash fare to link pass cost with pass usage.
 - d. The price of weekly, semi-weekly and daily pass prices at a rate proportionate to the above monthly pass ratio. Pass pricing to include production, distribution and commission paid to outside vendors.
 - e. Establish a premium fare for express bus and rail services based upon the sum of distance and speed over regular services.
8. Subtasks - Recommend a methodology including strategies that the MTA should adopt for each subtask listed below:
 - a. A multi-year fare increase methodology that establishes and maintains a system-wide fare box recovery ratio, creates a reasonable predictable index for fare increases, and establishes a reasonable interval between fare adjustments.
 - b. A fare structure that links usage and media type to a base fare value, normalizing fare box recovery for the separate media to a common percentage and setting a premium on express bus/rail services.
 - c. Impacts of implementation of a Countywide multimodal electronic (universal) fare system that facilitates inter-operator collection, sale and use of fare media and provides improved passenger data.
 - d. Identification of revenue distribution strategies that reimburse operators according to the usage of the system.

DELIVERABLES

Major deliverables are listed below. Modifications may be made based on the work plan.

1. A work plan that is detailed by task and that provides an understanding of the scope of services.
2. An analysis of other systems' fare policies compiled from surveys generated by consultant and MTA staff.
3. Consensus-building process for goal and strategy development and implementation.

4. Re-calibration of the fare model to test certain assumptions as presented by staff and suggested by consultant and outside survey results, including travel demand change.
5. Produce and recommend a methodology suitable to the MTA system and meeting the requirements of the principles and policy recommendations.
6. Sensitivity analyses for a range of fare policy options.
7. Definition of revenue distribution strategies that reimburse operators according to the usage of the system. This should include a model that can be replicated and audited. The HHV in Hamburg, Germany may serve as an approach.

ATTACHMENT B

FARE POLICY AND STRATEGIES STUDY

PROJECT SCHEDULE

Scope of Work Task	Months from Start of Project						Deliverable
	Aug Sept Oct Nov Dec Jan						Days from Start
	1	2	3	4	5	6	
1 Baseline Research of Transit Industry Policies & Practices							60
2 Develop Fare Policy Goals							90
3 Identify Alternatives and Strategies							120
4 Calibrate Fare Model and Analyze Ridership Impacts							150
<i>Preliminary Draft Document</i>							
5 Develop Fare Policy Methodology							180
6 Develop Revenue Distribution Methodology							180

Contract term is through January 2000.