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April 2, 1997

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Los Angeles County
Metropolitan
Transportation
Authority

TO: BOARD OF DIRECTORS

FROM: LINDA BOHLINGER
INTERIM CHIEF EXECUTIVE OFFICER

SUBJECT: \$.75 OFF-PEAK REDUCED CASH FARE PROGRAM

One Gateway Plaza
Los Angeles, CA
90012

213.922.6000

Mailing Address:
P.O. Box 194
Los Angeles, CA 90053

RECOMMENDATION

Approve a weekday only \$.75 cash fare (\$.35 for elderly and disabled) on all LACMTA buses between the hours of 9:00 p.m. and 5:00 a.m., and discontinue the 10:00 a.m. to 2:00 p.m. reduced cash fare on Line 40/42, effective May 12, 1997.

ORGANIZATIONAL IMPACT

The recommended action fulfills a prior commitment to the Board of Directors to develop an expanded off-peak reduced cash fare program responsive to the requirements of Section III.C. of the Consent Decree that resulted from the bus riders' litigation.

BUDGET IMPACT

The proposed off-peak reduced cash fare program is projected to reduce passenger fare revenue by \$2.75 million annually (\$380,000 for the balance of FY 1996-97). This is consistent with prior estimates for Consent Decree-related costs.

ALTERNATIVES CONSIDERED

A number of alternative off-peak reduced cash fare programs have been evaluated incorporating different combinations of off-peak time periods and subsets of current bus services. Potential revenue losses up to \$22 million annually could be incurred if a \$.75 cash fare were to be offered in all off-peak time periods on all bus lines. Staff has also considered the four months of accumulated experience, to date, with the 10:00 a.m. to 2:00 p.m. weekday \$.75 cash fare demonstration program on Line 40/42 which has demonstrated no measurable change in patronage despite the reduced fare. The recommended off-peak reduced cash fare program appears to target a greater proportion of its benefits (in the form of a reduced fare) to transit dependent riders than would occur in other time periods, and simplifies the public outreach and administrative aspects of the program by offering the benefit systemwide.

BACKGROUND/DISCUSSION

Section III.C. of the Consent Decree states “*Off-Peak Discounts*. The fare shall be 75 cents during off-peak periods on selected lines that are heavily used by transit-dependents, as determined by MTA.” An initial demonstration \$.75 off-peak fare was authorized by the Board of Directors on Line 40/42 between the hours of 10:00 a.m. and 2:00 p.m. on weekdays beginning December 2, 1996. At that time, staff indicated an intention to develop a broader program that would be based, in part, on experience with the demonstration program.

After four months, the weekday 10:00 a.m. to 2:00 p.m. reduced cash fare program on Line 40/42 has shown no measureable change in ridership. This bus line had been chosen for an initial demonstration because it had a relatively high number of transit dependent riders, and unused capacity to accommodate additional ridership that could be induced by the reduced cash fare. Because of this experience, staff is recommending introduction of a more widespread reduced cash fare program in a time period having a potentially greater proportion of transit dependent riders. The recommended late evening and early morning time period on weekdays has about one-seventh of the LACMTA’s off-peak bus ridership (comparable to each of Saturday and Sunday on an annual basis).

The projected annual revenue impact of the recommended program is based upon 28.1 million annual boardings between 9:00 p.m. and 5:00 a.m. on weekdays. An estimated 5.1 million of these boardings involve a cash fare payment (roughly 18%) with a revenue loss per boarding of \$.60 (\$1.35 less \$.75), yielding an annual revenue loss of \$3.1 million. This loss is expected to be partially offset by additional patrons attracted by the reduced cash fare (estimated at 9% of the number of current cash fare-paying riders within the time period) who will contribute \$.75 of new revenue per boarding for a projected annual benefit of \$0.35 million. Thus, the expected net annual revenue reduction from the recommended program is \$2.75 million.

Prepared By: Dana Woodbury
Deputy Executive Officer - Operations Planning & Scheduling



JAMES L. de la LOZA
Executive Officer
Regional Transportation Planning and Development

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