Finance & Administration Committee

Information Item IV-B

October 9, 2014

Metrorail Ridership Discussion

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

Action	Information	MEAD Number: 201077	Resolution: Yes	No

TITLE:

Metrorail Ridership Discussion

PRESENTATION SUMMARY:

This presentation will cover Metrorail's recent ridership history, the challenges of the post-recession environment, the opportunities that Metro is taking advantage of, and the reasons for optimism about long-term ridership growth and the need for continued capacity investment.

PURPOSE:

The purpose of this presentation is to provide the Board with a high-level overview of the near-term challenges and opportunities facing Metrorail ridership, as well as the long-term outlook. This presentation is part of the budget development process for FY2016 and will provide the Board with guidance on how ridership forecasting will impact revenue projections and the overal FY2016 budget.

DESCRIPTION:

Key Highlights:

- The Washington region is in a transition period as federal employment declines. That transition is posing a challenge to Metrorail, and this challenge will be felt in the FY2016 budget. But as outlined here and in the Momentum plan and update, forecasts indicate that future population and employment growth will remain strong for both the region and Metrorail.
- After a 15-year period of consistently strong ridership growth (averaging over 3 percent annually) due to revitalization and federal government growth, Metrorail ridership declined slightly during the recession and then more substantially in the last two years.
- Washington was the only region of the top 15 in the country (by total employment) to show a decline in gross regional product (GRP) from 2012 to 2013. The economic impact was felt not only on Metrorail, but also on the region's major roadways, where congestion actually declined.
- But the medium- and long-range forecasts remain positive, with other job sectors (professional, health, education) replacing federal jobs and with population growth remaining steady.
- Factors such as telework and alternative work schedules, growth in bus and bike modes, and rail pricing offer additional challenges to Metrorail. At the same time, reduced trackwork, increased marketing and outreach, and continued development around Metrorail stations provide opportunity.
- From an operating perspective, Metro needs to encourage riders at all times of

day, making all kinds of trips, whether through marketing, or changes to pricing, or other efforts. From a capacity investment perspective, Metro needs to focus on the busiest period (i.e., the mid-week rush hour peak). That demand has stayed steady despite the recent challenges and should pick up again as the region strengthens.

Background and History:

Metrorail and the region's economy are tightly linked. Annual ridership increased 50 percent during that period 1996 to 2009 (from 150 million trips to almost 225 million trips), or an average annual growth rate of over three percent per year. This growth was region-wide and primarily the result of two broad trends:

- the revitalization of the urban core, not only in the District (stimulated by the opening of the Green Line), but also in places like Bethesda, Silver Spring, and the Rosslyn-Ballston Corridor; and
- post-9/11 growth in federal employment.

Together, the revitalization and added employment allowed Metrorail to grow its original core market of longer-distance, downtown-oriented commuting trips while at the same time adding ridership in shorter, urban-focused trips, including off-peak evenings and weekends.

When the recession hit in 2008-09, the Washington economy initially fared relatively well, and Metrorail also fared well compared to many other transit agencies, which experienced substantial ridership losses. But the last few years have been difficult. Even if ridership figures are adjusted for one-time impacts like Hurricane Sandy and the extreme winter weather of 2013-2014, it is still clear that Metrorail is being negatively impacted by the regional economy.

Discussion:

The Washington region has been hit by changes to federal employment since 2011. These changes include sequestration, the retirement (and non-replacement) of older federal employees, and the winding down of military efforts overseas. Direct federal employment peaked at the end of 2010 and has declined steadily since then. Federal contractor employment is harder to track, but professional and business services peaked at the beginning of 2013 and have also declined since then. Jobs in the information sector have declined as well. Altogether, as estimated by the Center for Regional Analysis at George Mason, the Gross Regional Product (a counterpart to GDP at the national level) declined the Washington metro area in 2013. Washington was the only metro area of the top 15 regions in the country to show a decline last year.

This economic impact was not just felt on Metrorail. Congestion on the region's roads also peaked in 2010 and has not yet recovered to those levels, as measured by 'travel time index,' the ratio of congested travel time to free-flow travel time. Congestion on the region's interstates, in particular, continues to decline. Some of this is likely due to changes in commuting patterns, but the impact of the economy is clearly apparent.

In the long-term, the federal government is not going away, but most observers do not see it as a source of future growth. Despite this, the region remains a desirable place to live and work, and various medium- and long-term forecasts reflect that. Estimates for 2025 provided by Moody's show total federal employment continuing to decline slightly, but outweighed by robust growth of 15-20% in sectors such as professional services, education, health, and state/local government. These are all sectors in which Metrorail has and will continue to compete strongly for ridership. Similarly, overall population growth for the region is forecast at approximately 13% by 2025.

And by 2040, using the estimates embedded in TPB's constrained long range plan, the region expects to see total employment up 35% and total population up 25%.

The macroeconomic shifts in the regional economy are driving overall trends. But there are a number of other factors having an impact, both positive and negative. These include challenges such as changing commuting patterns, growth in other modes, and pricing, as well as opportunities, such as reduced trackwork, marketing, and development around stations.

Telework and AWS

Changing commute patterns, particularly in the form of telework and alternative work schedules, are an area of continuing investigation for Metro. Staff hope to be able to draw stronger conclusions soon from longitudinal SmarTrip data, but some good information can be taken just from surveys and from broader data sources. The latest OPM surveys indicate that more than 10% of federal employees telecommute at least once a week, although only 3% spend a majority of their time away from the office. That statistic covers many employees living outside the Washington region, however, and detailed data on non-federal workers is difficult to find, so those results are so far only suggestive.

The ridership data requested by the JCC at the half-hour level also provides some useful insights. We continue to see a decline in Friday travel relative to midweek (Wednesday) travel, which is consistent with AWS or occasional telework. But most interestingly, even during a period of overall ridership decline, ridership in the peak of the peak (from 7:30am to 9:00am) stayed flat. This is worth keeping in mind, since capacity investments must be made to handle the peak of the peak.

Growth in Bus and Bike

A second challenge for Metrorail is continued growth in bus and bike modes. From a regional transportation planning perspective, of course, this is good news – people have more options for their trips, and they are using them. For bus in particular, this is due to Metro's own actions. Metrobus in 2014 is an excellent value – an attractive, well-maintained, reliable fleet, with frequent and convenient service, for a low fare. And increasingly, we see choice riders, who in the past might have avoided bus and sought out rail, making the opposite choice.

Bicycle commuting in DC has doubled in mode share (from 2.2% to 4.5%) in just 4 years, propelled by a number of factors, including more painted and protected lanes and the success of Capital Bikeshare. A recent study which surveyed CaBi users provided a useful assessment – in the urban periphery, transit and bikeshare complement each other, allowing for certain trips to be made that would have been more difficult with just transit. But in the urban core, bikeshare is a substitute for transit. For shorter trips, it can

be easier and cheaper to grab a bike at the nearest corner than to head down into a rail station and wait for a train.

Pricing

One of the bigger challenges facing Metro is the reduction in the federal transit subsidy, along with the related changes requiring clawback of unused funds at the end of the month. In the past, when demand was growing and the transit benefit covered all or most of even the longest regular commutes, Metro was able to raise fares regularly without risking much ridership loss. Now, a park-and-ride customer starting at Vienna or Shady Grove and commuting into downtown faces a total fare of roughly $16 per day, or $320 per month assuming 5-day-a-week commuting. That is well above the monthly transit benefit amount of $130, and the parking benefit is still at the higher level of $245. Of course, driving means more gas and wear-and-tear on your car and time spent navigating traffic – but at the margin, some people are going to make that shift. Also, as discussed previously, the FY2013 fare increase, which was approximately 25% for off-peak trips, did have a negative impact on off-peak and discretionary trips.

Reduced Trackwork Impact

As reported previously, Metro has reduced the intensity of weekend trackwork closures. Customers have noticed and responded, and weekend ridership has increased in recent months. We expect this trend to continue.

Marketing and Outreach

Our customer service groups are working hard to encourage and generate ridership. This includes the rollout of the new convention pass, which was approved by the Board as part of the FY2015 budget; a partnership with the Washington West Film Festival to provide discounts for travelers who use Metro to reach the festival; “Silver Saturdays” discounts at Tysons Corner Center during the holiday shopping season; and a series of job fairs, concluding on October 9th and put on by the Tysons Partnership, at each of the four Silver Line stations in Tysons. Over 1000 positions have been listed on the event’s website.

Development Around Stations

Even with the overall downturn in total ridership the past couple of years, there have been noticeable ridership increases at those stations where major development has occurred. That has been particularly true recently for locations such as NoMa, Navy Yard, and Dunn Loring. And station-area development in the region is not yet saturated – as indicated in the Momentum update, there are over 100 million square feet of development under construction or proposed in the region around Metro's rail stations.

FUNDING IMPACT:

This is an information item only, to provide the Board with guidance on the upcoming FY2016 budget development.	
Project Manager:	Thomas J. Webster
Project Department/Office:	CFO/OMBS

TIMELINE:

Previous Actions	September 2014 - FY2014 operating budget performance report
Anticipated actions after presentation	November 2014 - FY2016 operating budget preview December 2014 - GM/CEO presentation of proposed FY2016 operating and capital budgets

RECOMMENDATION:

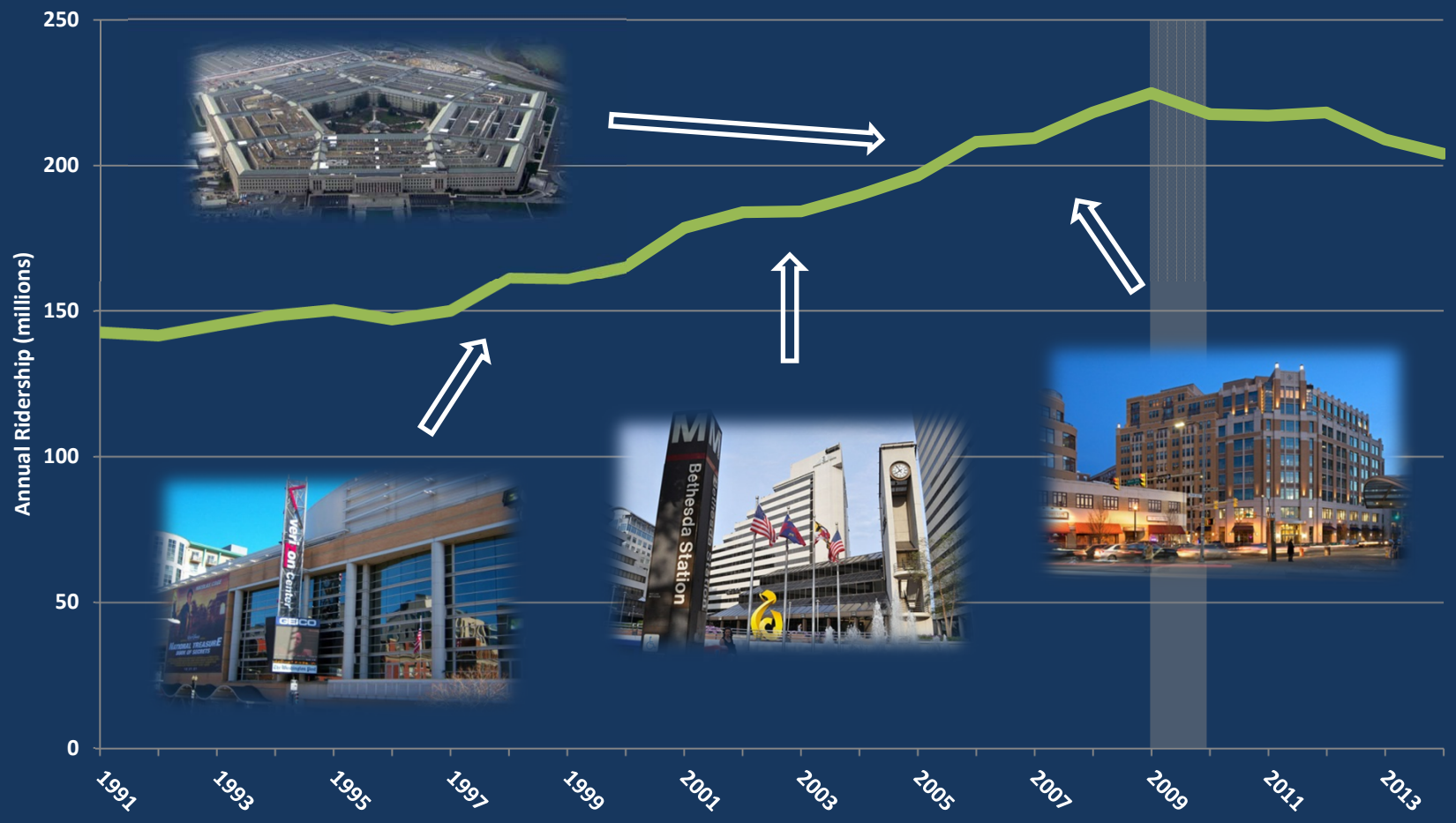
No recommendation -- information item only.

Washington Metropolitan Area Transit Authority

Metrorail Ridership Discussion: Challenges and Opportunities

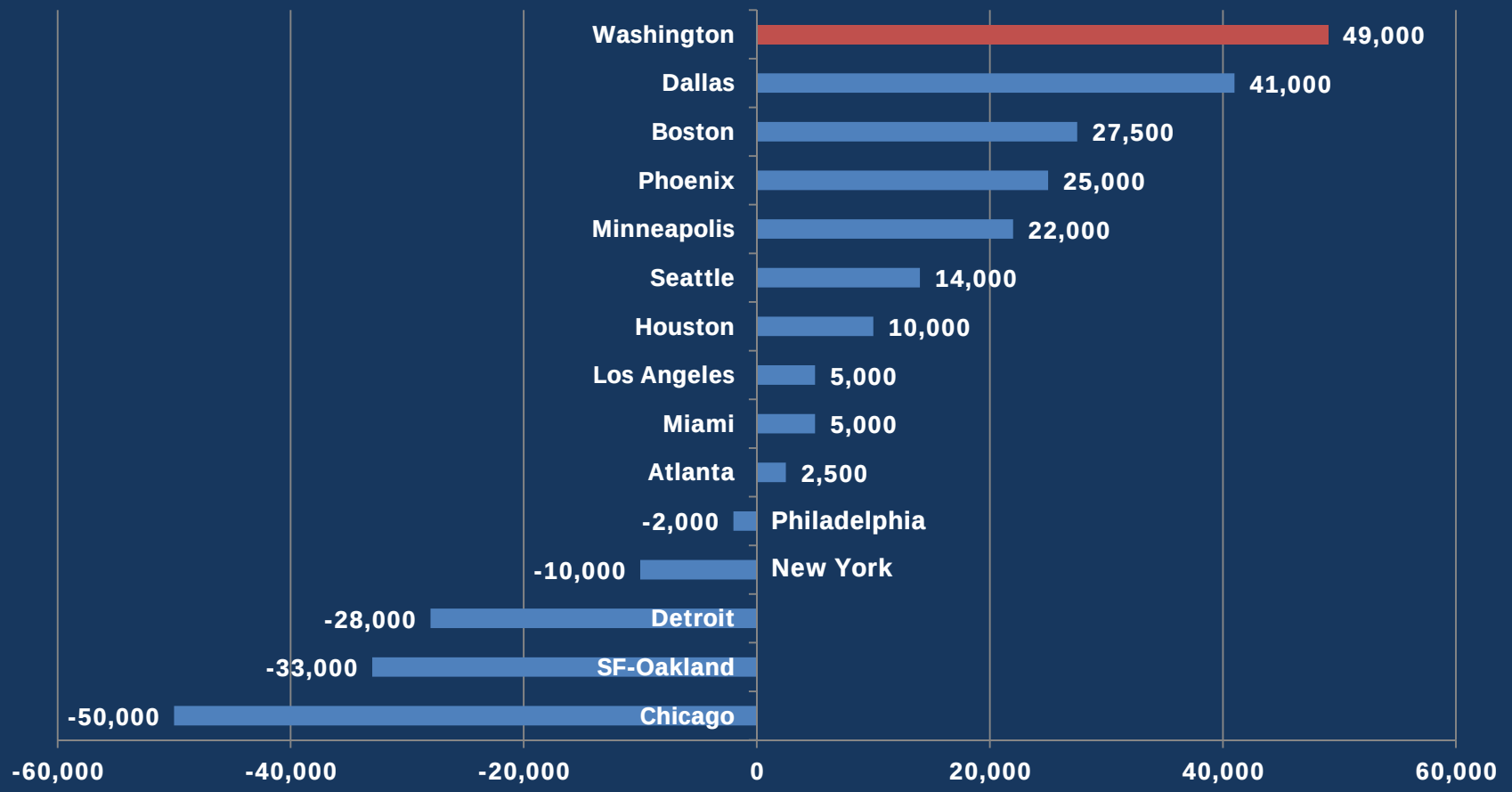
Finance & Administration Committee
October 9, 2014

Metrorail Ridership: Past 25 Years



Regional Growth 2009-2010

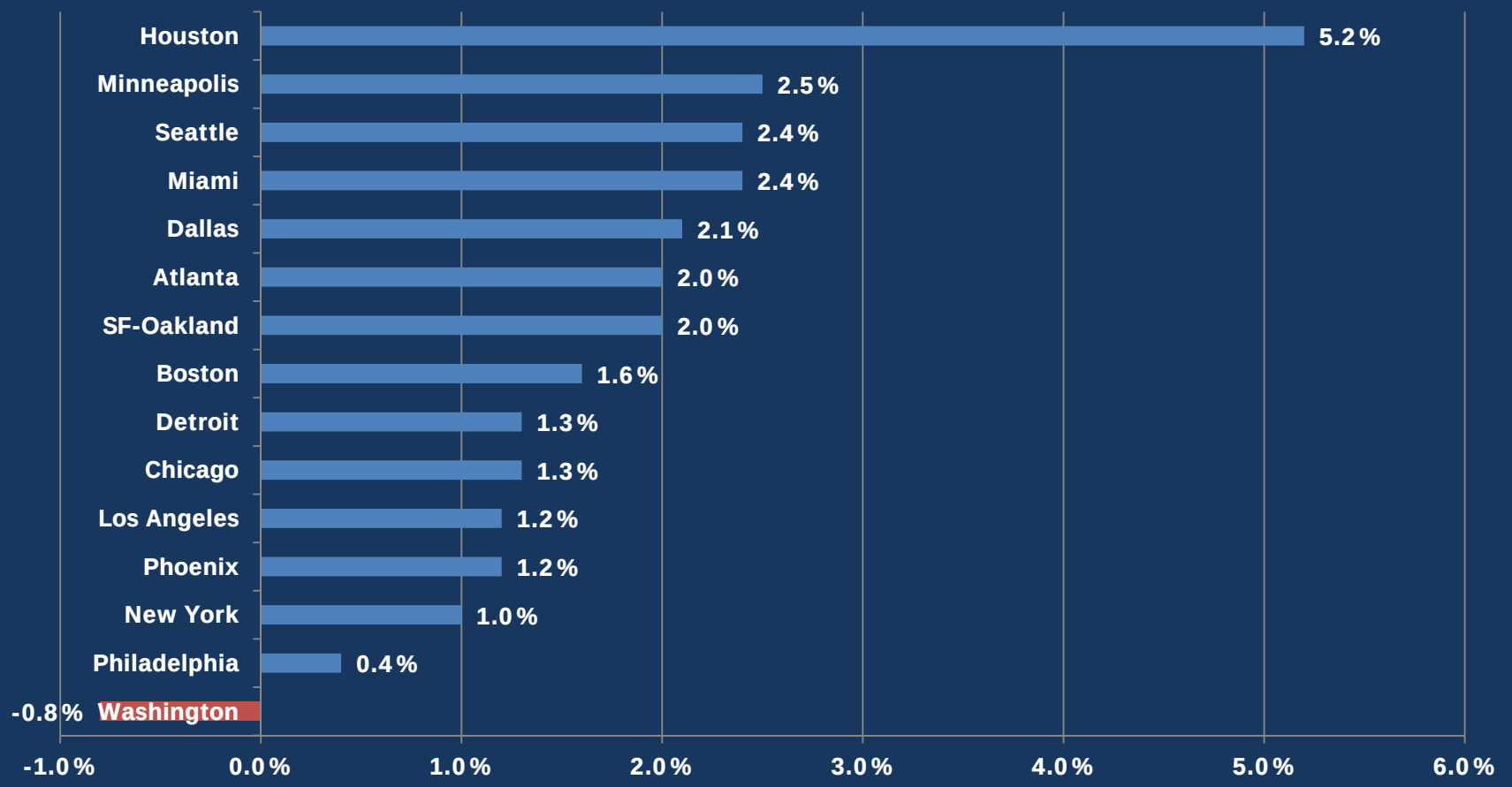
Job Growth / Decline in 15 Largest Employment Metros, Nov 2009 to Nov 2010



Source: George Mason Univ., Center for Regional Analysis

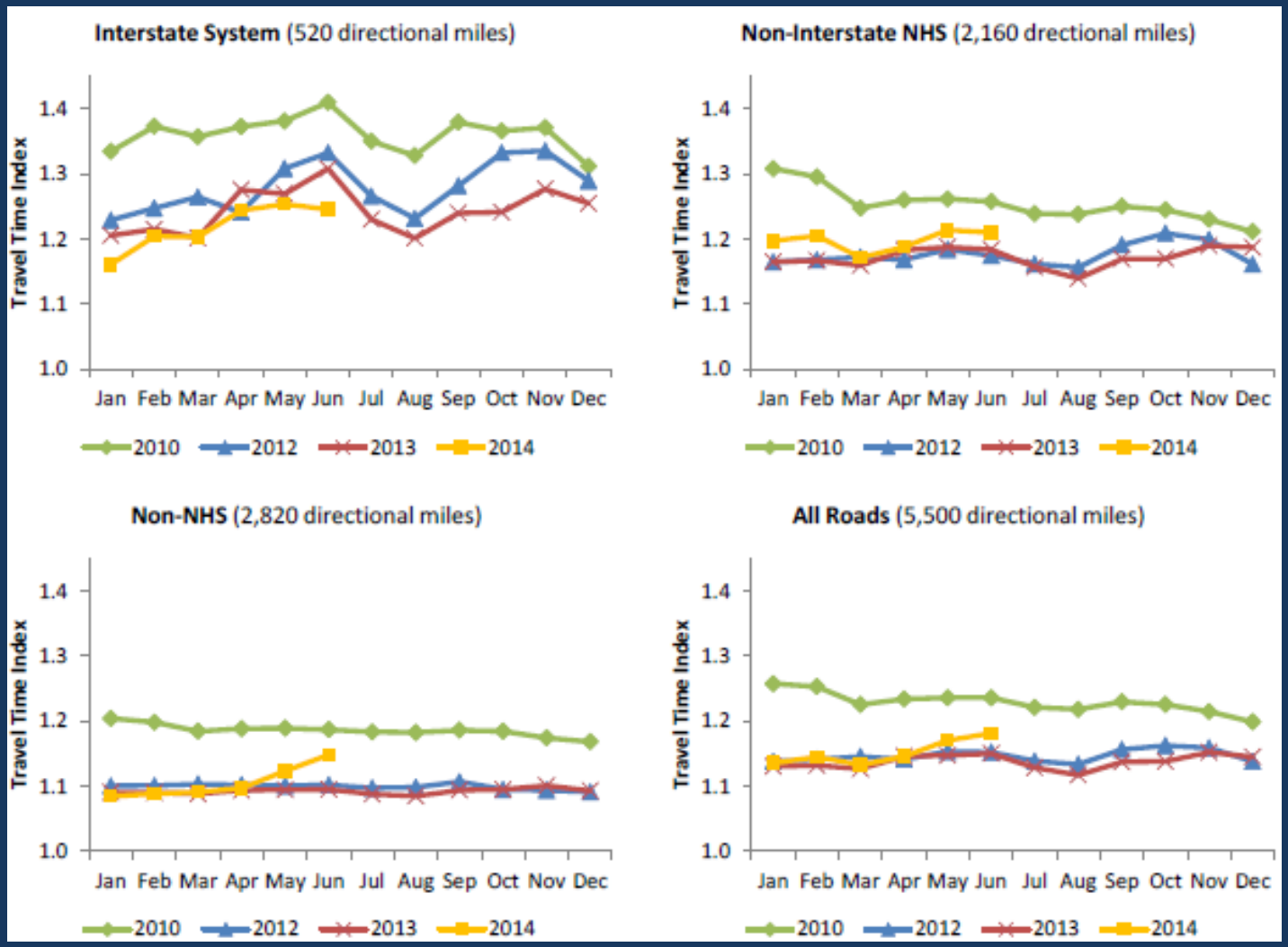
Regional Growth 2012-2013

Percent Change in Gross Regional Product (GRP) in 15 Largest Employment Metros, 2012-2013



Source: George Mason Univ., Center for Regional Analysis

Impact Also Felt on Roads



Source: TPB, *National Capital Region Congestion Report (2014 Q2)*

Forecasts Remain Positive as Region's Character Shifts

- By 2025 (Moody's)
  - Federal jobs slightly down
  - Balanced by 15-20% growth in professional/business, education, health, leisure/hospitality, and state/local government
  - Population up 13%
- By 2040 (TPB)
  - Employment up 35%
  - Population up 25%

What Else Is Happening?

- Additional challenges:
  - Changing commute patterns
  - Growth in other modes
  - Pricing
- Additional opportunities:
  - Reduced trackwork impact
  - Marketing and outreach
  - Development at stations

Changing Commuting Patterns

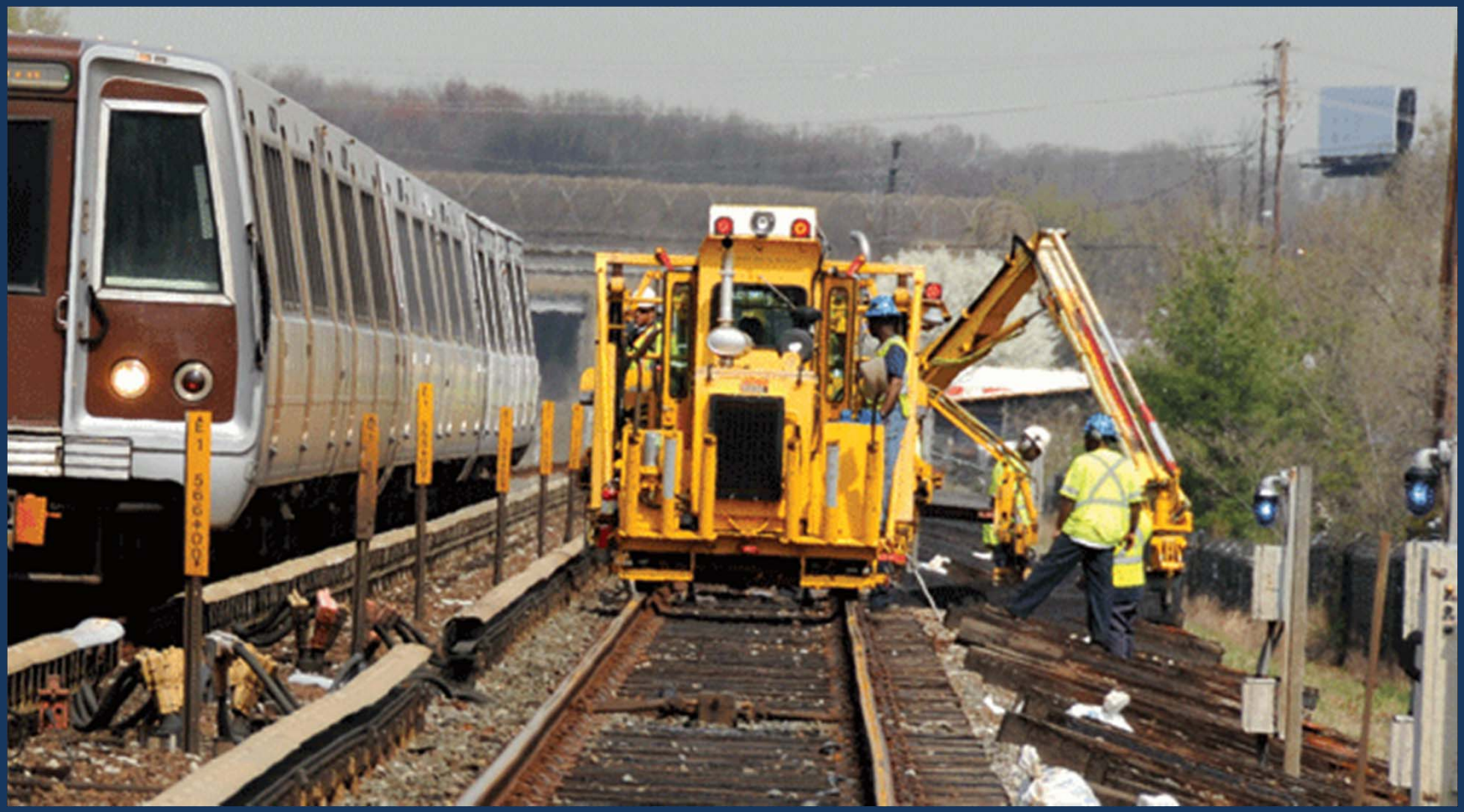
- Telework can be attractive for employees (more flexibility) and employers (lower overhead costs)
- Lots of anecdotal evidence of telework/AWS impact, but comprehensive data is more difficult

Growth in Bus and Bike

Pricing

- Transit benefit reduction
- Peak – potential shift at margin to driving
- Off peak – fewer discretionary trips

Reduced Trackwork Impact



Marketing and Outreach

TYSONS Partnership | Building America's Next Great City

Development Around Stations

Near-Term vs. Long-Term

- Regional transition may be difficult in the near-term
- Long-term population and employment projections remain good
- Metro 2025 investments are for the long-term, mid-week peak

Next Steps

- Continue to refine revenue and ridership estimates
  - Current guidance for FY16 budget development is flat to slightly down
- Push for transit benefit return to parity with parking
- Continue marketing destinations to promote off-peak ridership
- Begin analysis of fares for FY2017