



Finance and Capital Committee

Information Item III-A

September 23, 2021

**Fare Policy Principals and Strategy
Work Session**

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:
202303

Resolution:
☐ Yes ☒ No

TITLE:

Fare Policy and Concepts Work Session

PRESENTATION SUMMARY:

Staff will present an overview of potential fare policy updates and fare concepts for Board consideration.

PURPOSE:

Review potential updates to Metro's fare policy principles and consider potential fare concepts for further development.

DESCRIPTION:

There are no interested parties for purposes of conflicts of interest in this information item.

Key Highlights:

- Proposed Fare Policy Principles changes emphasize that Metro's fares should be customer-focused, simple and convenient, equitable, seamless, and built to drive ridership. Metro's fare policy principles were last updated in November 2010.
- Potential concepts for further development include pricing changes, targeted discounts, changes to fare structure, and updates to pass offerings.

Background and History:

The Washington region is reopening with pandemic-related capacity restrictions lifted by June and school systems now open. Federal relief enabled Metro to avoid severe service cuts and layoffs and is projected to support the base operating budget through FY2023 and contribute to closing an anticipated FY2024 funding gap.

Metro's fares have not increased since 2017, and in 2019 short-term and monthly rail passes were updated to include bus trips. In June 2021, the Board amended the Fiscal Year 2022 operating budget and authorized fare and service changes which took effect in September 2021. Fare changes include

free bus-rail transfers, a \$12 weekly bus pass, \$2 weekend one-way fares, a fall pass sale, and integration of regional bus providers in rail-bus combination passes. These changes address a top customer priority and improved service for existing riders, benefit low income and minority riders who are more likely to ride during off-peak periods and weekends, and support regional recovery as more riders return to school, work, and other activities in Fall 2021.

Discussion:

Fare policy and initiatives have the potential to increase ridership, advance equity and improve the customer experience. While future ridership and revenue remain uncertain as Metro and the region recover from the Covid-19 pandemic, Metro has the opportunity to update its fare policy principles and to consider additional concepts for fare changes.

The following updated Fare Policy Principles are presented for Board consideration:

- **Customer Focused.** Adopt customer-focused fare policies and systems to position Metro as an attractive choice in a competitive travel market.
- **Simple and Convenient.** Make it simple, intuitive, and convenient for customers to purchase fares and take transit.
- **Equitable.** Maintain equitable fares and practices that promote broad access to regional destinations.
- **Seamless.** Create a seamless customer experience across modes and operators to promote regional mobility.
- **Built to Drive Ridership.** Maximize ridership while ensuring adequate revenue and cost efficiency to sustain service.

Potential fare policy concepts for discussion and further development and evaluation include:

- \$1 bus fare
- Cheaper parking
- Discounted fares for low-income riders
- MetroAccess flat fare
- \$2 late night rail fares
- Consolidation of peak and off-peak rail fares
- Updated pass offerings to reflect ridership patterns

Note: These potential fare concepts are for discussion and are not proposals or recommendations at this time.

FUNDING IMPACT:

This is an information item.

TIMELINE:

Previous Actions	<ul style="list-style-type: none"> • November 2010: Board adoption of current fare policy principles • June 2021: Board adoption of all day service, extended system hours, and other adjustments to fare and service policy • July 2021: Staff presented Board with overview of existing fare policy and structure and outlined fare concepts for future consideration
Anticipated actions after presentation	<ul style="list-style-type: none"> • November 2021: Presentation of GM/CEO's FY2023 Budget Recommendation to the Finance and Capital Committee

RECOMMENDATION:

Fare Policy and Concepts Work Session

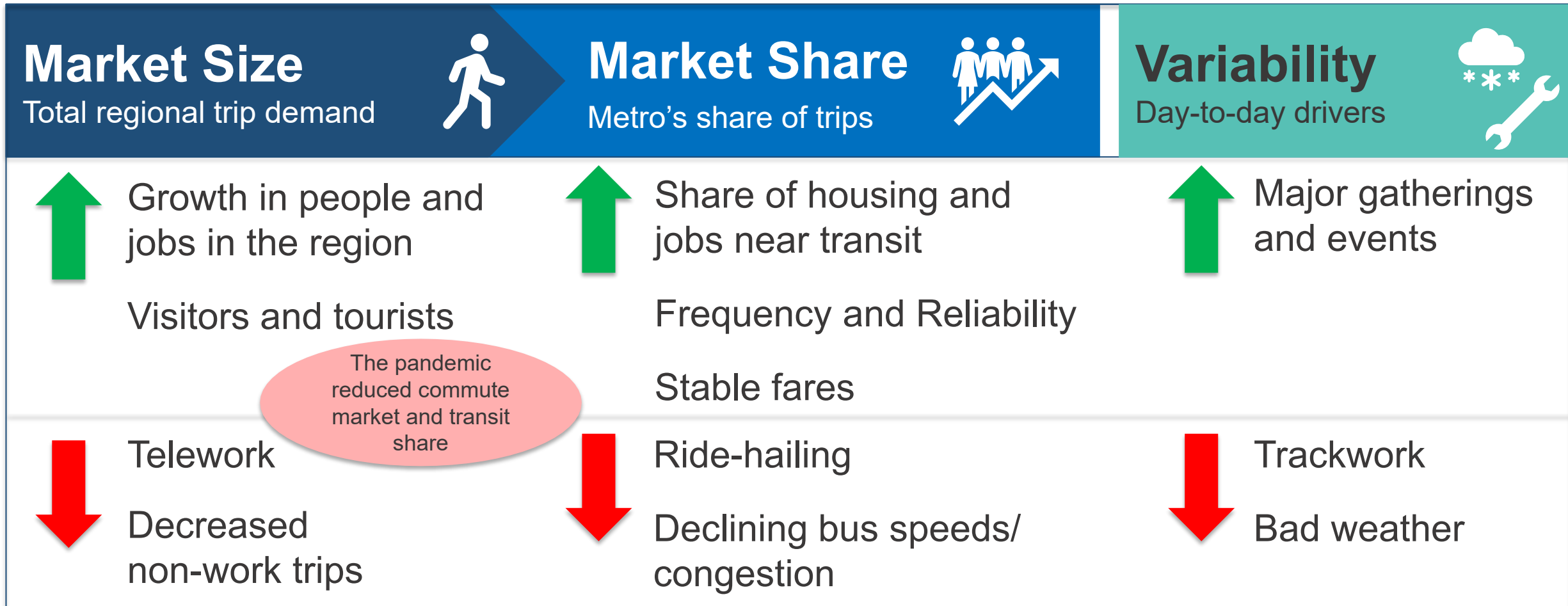
Finance and Capital Committee
September 23, 2021



Purpose

- Review updates to fare policy principles
- Consider potential fare concepts for further development

What drives ridership up and down?



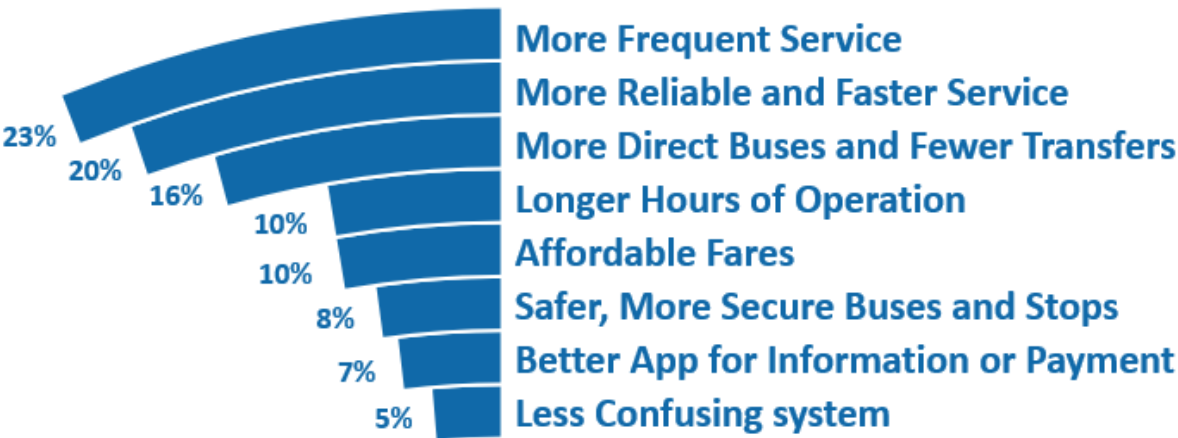
Marketing

Increases awareness and affinity • Changes perception • Reduces anxiety

How customers weigh service and fare policy

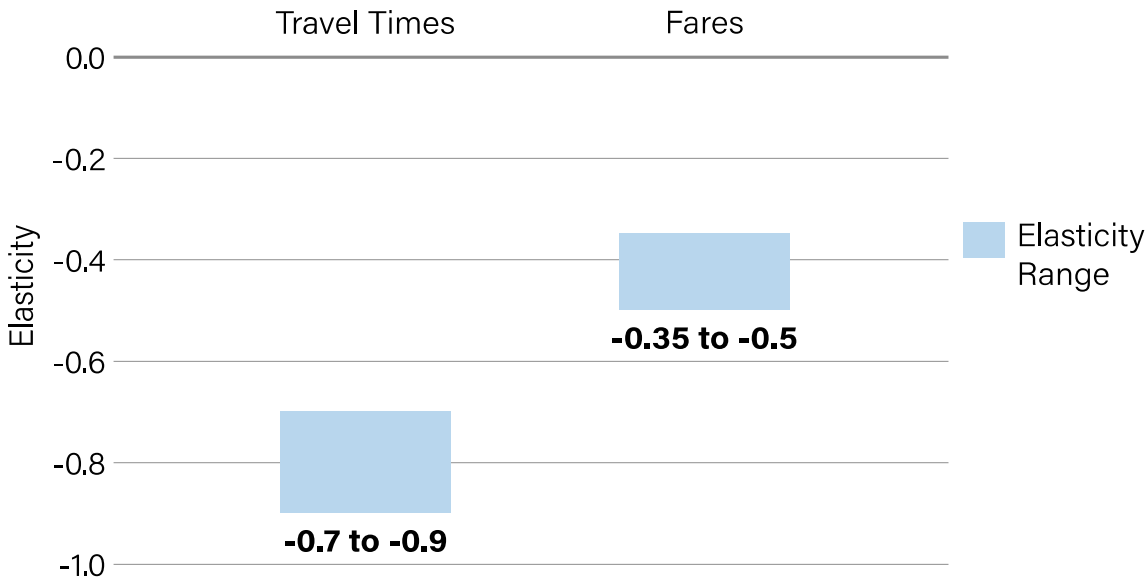
Higher relative importance of service compared to fares is similar across customer surveys and observed behavior

Survey Example: Bus Customer Priorities



Source: Bus Transformation Project Customer Outreach

Ridership Analysis Example: Metrorail Elasticities



Source: "Origin-Destination Land Use Ridership Model for Fare Policy Analysis," National Center for Smart Growth Research and Education, University of Maryland, College Park

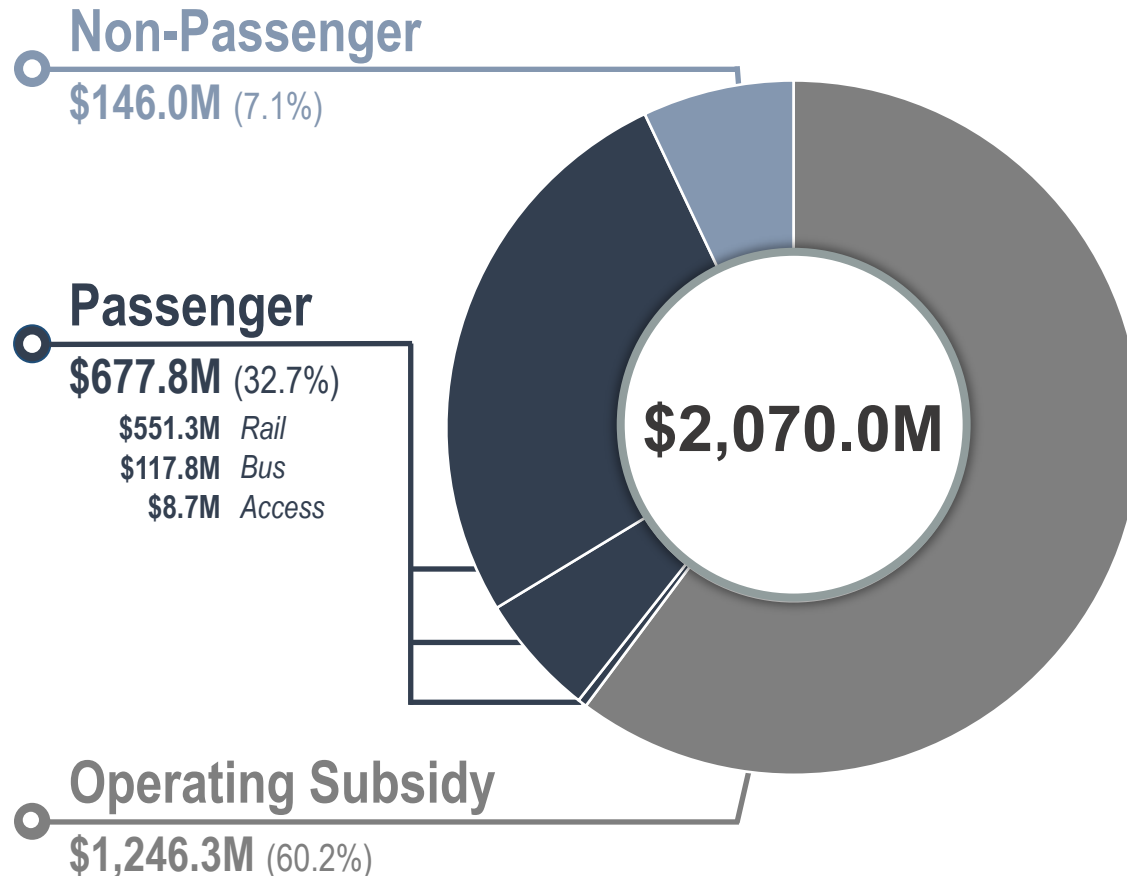


Recent Fare Actions

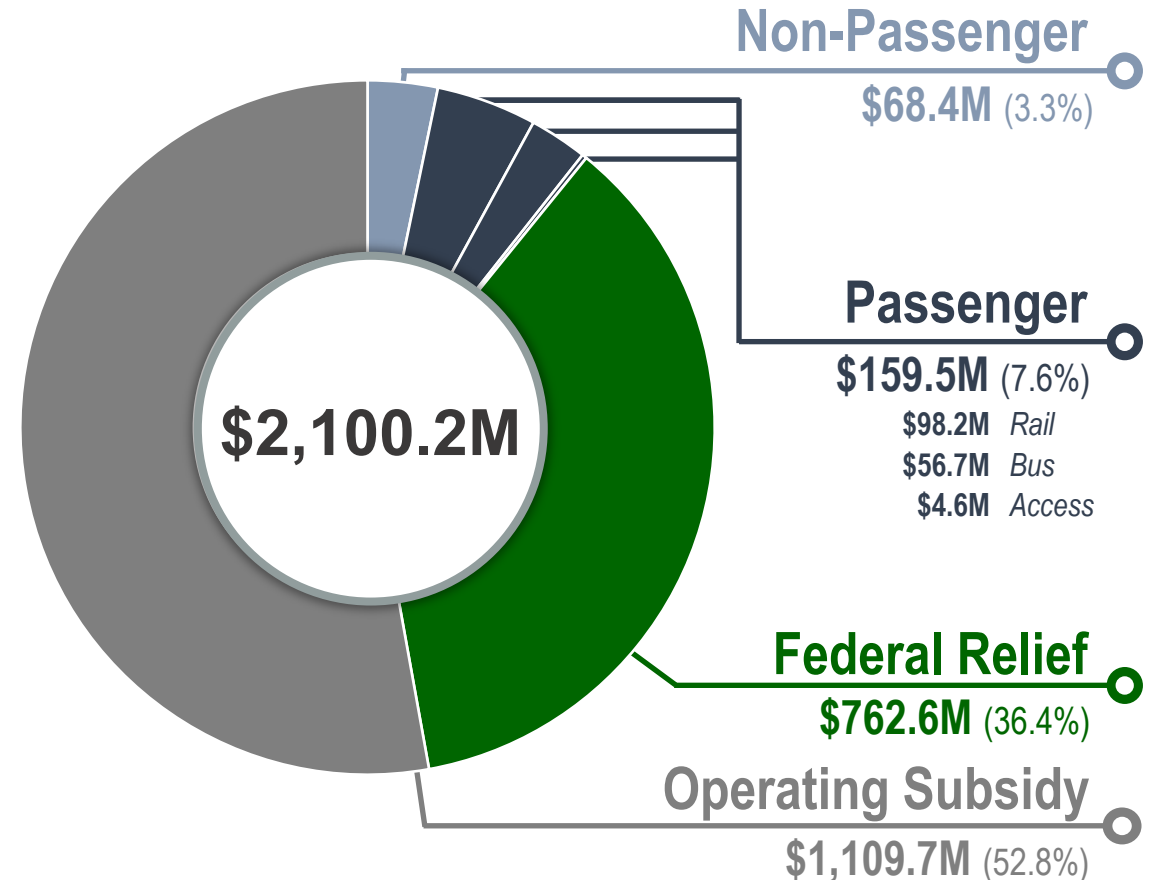
- No fare increases for four years (since June 2017)
- Added bus trips to short-term and monthly rail passes (2019)
- Reduced price of 1-day and 7-day combo rail/bus passes and launched 3-day combo pass (2019)
- Free rail-bus transfers – up to \$2 transfer credit (2021)
- 7-day regional bus pass reduced to \$12 (2021)
- \$2 weekend one-way fares (2021)
- Fall pass sale (2021)
- Rail-bus combo passes including other local bus operators (in progress)

Operating Revenue Sources

FY2021 Pre-Pandemic Budget



FY2022 Budget¹



¹ FY2022 Budget based on September amendment

Draft Fare Policy Principles for Consideration



Customer Focused

Adopt customer-focused fare policies and systems to position Metro as an attractive choice in a competitive travel market



Simple and Convenient

Make it simple, intuitive, and convenient for customers to purchase fares and take transit



Equitable

Maintain equitable fares and practices that promote broad access to regional destinations



Seamless

Create a seamless customer experience across modes and operators to promote regional mobility



Built to Drive Ridership

Maximize ridership while ensuring adequate revenue and cost efficiency to sustain service

Fare policy principles guide development and evaluation of potential fare policy changes

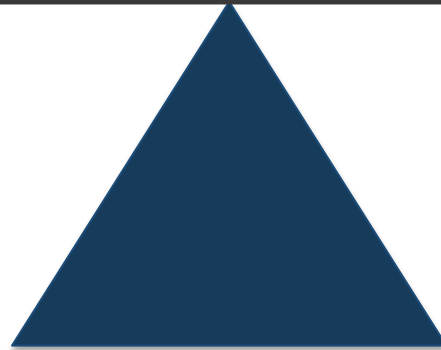
Balancing Considerations in Fare Policy

Simplicity


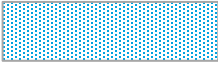
- Greater ease of use and understanding
- Minimized cost of fare collection

Complexity

- Advance revenue and social/equity goals
- Fares vary by value delivered, cost to provide, or rider demographics



Potential Fare Concepts

 Approved / Implemented
 Work Session Concept

Pricing	Targeted Discounts	Fare Structure	Passes
No Fare Increase	Low Income Discounts	Free Rail-Bus Transfers	Student Passes
Promotional Fares	MetroAccess Flat Fare	Rail Flat Fare	Cheaper Bus Pass
\$1 Bus Fare	Youth Discounts	Peak vs. Off-Peak	Passes with Local Bus
Cheaper Parking	Student Discounts	Mileage and Min/Max	Monthly Pass Updates
CPI Adjustment	Employer Subsidies	Zone-Based Fares	Trip-Based Passes
Free Fares	Available Capacity	Fare Capping	Non-Consecutive Pass

Concept: \$1 Bus Fare

- Cheaper fares for mode with higher share of price sensitive customers
- Considerations
 - Pros: Makes buses more affordable; more targeted to low-income riders than rail fare reductions
 - Cons: Loss of revenue to support service; price differential incentivizes using bus over equivalent rail trips



Concept: Charge \$1 bus fare

Replace the \$2 standard bus fare

Bus fares cheaper and equivalent to current Senior/Disabled bus fare.

Concept: Discount Parking

- Parking utilization is currently low and reduced rates could make use of available capacity and encourage more rail ridership
- Considerations
 - Pros: Encourages transit ridership by reducing cost of accessing transit and more fully utilizing parking facilities
 - Cons: May reduce parking revenue; implementation could result in different parking rates across facilities and less predictability over time



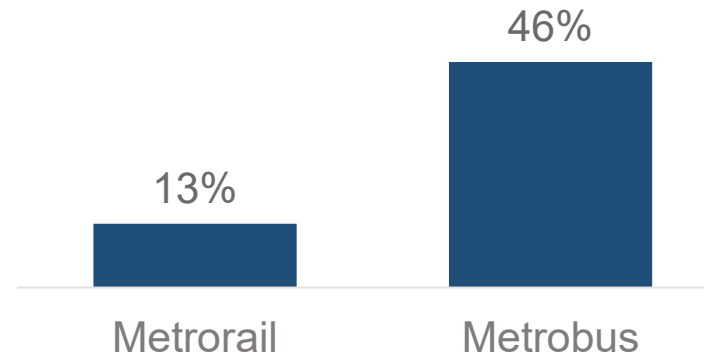
Concept: Set parking rates to target high usage, maximizing rail ridership

***Options include
general daily price
reductions or
free/reduced evening
rates***

Concept: Low Income Discounts

- Low-income riders are more likely to avoid riding due to cost and less likely to receive tax or employer subsidies through SmartBenefits
- Considerations
 - Pros: Targets discounts to most price sensitive/cost burdened riders; likely positive implications for ridership, fare evasion, and long-term ability to raise general fares
 - Cons: Likely reduces near-term revenue

Low Income Share of Ridership, %



Source: Rail and Bus Passenger Surveys

Concept: Low-income riders eligible for Senior/Disabled Fare equivalent

50% of peak fare weekdays and 50% off weekend fare

Qualify through enrollment in designated means-tested programs (e.g., Medicaid or SNAP/EBT)

Randomized controlled trial pilot in development with Lab@DC to begin in CY2022 – providing participants either discounted or free fare and comparing with control group

Concept: Low Income Discounts (Continued)

- Riders could qualify based on enrollment in designated means-tested programs (e.g., Medicaid or SNAP/EBT)
- Potential for integrated discount fare offering with eligibility for: (1) seniors, (2) disabled, (3) low income
- Funded through either jurisdictional reimbursement (e.g., student discount programs) or general subsidy (e.g., senior discount)

Choose how you want to qualify to save 50% off Prime
If you have both, you can choose either one.

☐ SNAP ☐ Other

Enter EBT information
Your EBT card will not be used to pay for your membership.

1. Enter your EBT number Issuing State

Choose State ▼

2. Upload image of EBT card

No file chosen

A valid EBT card is required to qualify for this offer.

☐ I confirm my EBT card is current and valid.

Example: Amazon offers discounted Prime memberships to customers participating in qualifying programs.

Concept: MetroAccess Flat Fare

- Lower and simpler flat fare for MetroAccess customers
- Considerations
 - Pros: Cheaper and simpler for customers; improved reservation process and fewer fare disputes
 - Cons: Operating cost impact expected to exceed revenue impact due to induced trips; lowers MetroAccess farebox recovery ratio; eliminates direct link between MetroAccess and fixed-route fares



\$4 MetroAccess weekend fare in effect for most trips due to \$2 rail weekend fares and free rail-bus transfers

Concept: Charge a flat \$4 fare for MetroAccess trips

Replace the fare calculated as twice the fixed route equivalent fare, up to a maximum of \$6.50

All MetroAccess fares would be equal to twice the regular Metrobus fare

Concept: \$2 Late Night Rail Fares

- Lower fares to support late-night workers and late-night economy
- Considerations
 - Pros: Benefits late-night workers and encourages use of system during less busy hours; lower cost for reduced service levels
 - Cons: Some revenue reduction; adds additional fare period to weekdays



Concept: \$2 one-way late-night rail fares

One-way trips from 9:30 pm until close would cost \$2, 7 days a week

Late-night fares match weekend fares

Concept: Consolidate Peak and Off-Peak Fares

- Simplify rail fare structure weekdays by eliminating peak/off-peak differential
- Considerations
 - Pros: Simplifies fare structure; encourages more ridership
 - Cons: Significant revenue loss; fares less tailored to riders' higher willingness to pay during rush periods; may generate crowding

Rail Fares	Peak	Off-Peak
First 3 miles	\$2.25	\$2.00
Each additional mile (≤ 6 miles)	\$0.326	\$0.244
Each additional mile > 6 miles	\$0.288	\$0.216
Max fare	\$6.00	\$3.85

Concept: Eliminate rail peak and off-peak differential

Consolidates to single fare period on weekdays

Concept: Updated Pass Offerings

- Adapt to new ridership patterns to encourage more pass sales; passes encourage more ridership by committing customers to transit and reducing the marginal cost of each trip to zero
- Considerations
 - Pros: Better aligns monthly pass offering with evolving ridership patterns and potential to increase revenue by encouraging more customers to commit to transit and ride more
 - Cons: Reduction in revenue from existing pass users



Concept: Update trip multiples on monthly pass to reflect market changes/telework

Reduction from 36 trip multiple to 32 trips – *approximate 4-day workweek equivalent*

Example: \$2 fare level monthly pass reduced from \$72 to \$64 (11% cheaper)





Fare System Modernization Capital Investments

Restoring State-of-Good-Repair and Improving Customer Experience

- Mobile payment launched during FY2021 – Apple and Google
- Metrorail faregate replacement underway
- Metrobus farebox replacement design underway – implementation begins in CY2022
- Pilot test of Metrobus rear-door payment targets also planned to begin CY2022
- Initiated market research on back-office systems modernization; will improve flexibility to support future fare policy



Back-office fare system upgrades could enable new capabilities

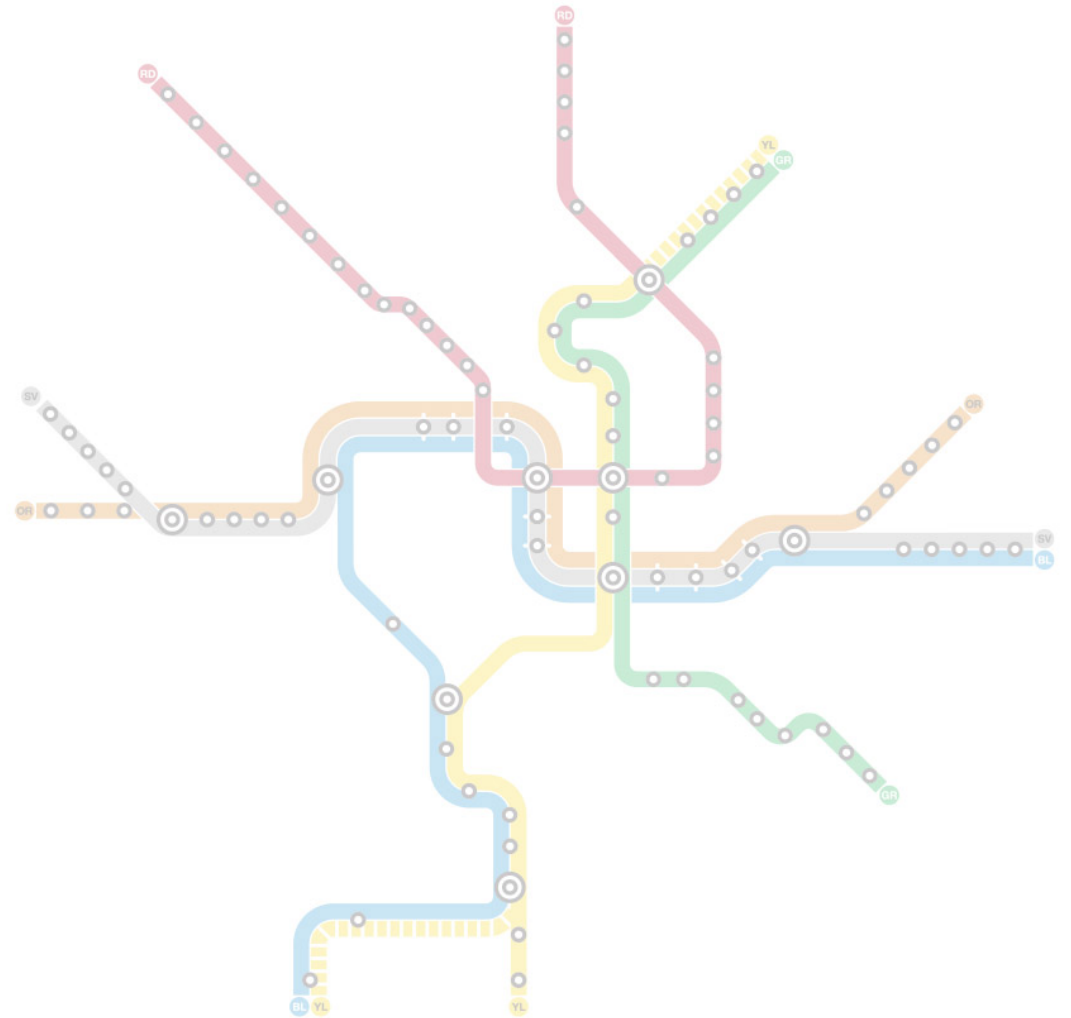
- **Real-time Communications** – Cellular/fiber connections between fare readers and back office enables faster card updates [currently 1+ day on bus, hours on rail, immediate on mobile]  *Meets customer expectation of real-time availability of added funds or passes*
- **Account-based System** – Value or pass information is stored in agency back-office of fare payment system rather than on card/fare media  *Integrates customer funds across multiple media (cards/mobile)*
- **Open Payments** – Payment taken directly from customer's debit/credit card (physical or mobile) after tapping at card reader  *Reduces effort needed for fare payment, especially for infrequent riders*
- **Fare Capping** – Allows riders to “pay-as-you-go” for pass-like products by limiting amount charged over a period (e.g., day, week, month) to a defined cap  *Improves simplicity and equity and encourages loyalty / additional trips*

Next Steps

- Request Board action on updated fare policy principles
- Further development and evaluation of potential fare concepts
- Present GM/CEO's FY2023 Budget Recommendation to Finance and Capital Committee in November 2021



Appendix



Ongoing Service and Fare Initiatives

Summer 2021

Approved: Service improvements

▪ **Metrobus service**

- 2 am service on 34 lines, 7 days
- Peak, full day, and weekend service restorations

▪ **Metrorail service**

- Rail open until midnight, 7 days starting July 2021

Labor Day 2021

Approved: Service and fare improvements

▪ **Metrobus service**

- 20 lines with 12 minutes or better service, 7 am to 9 pm, 7 days a week; 16 lines at 20 minutes or better
- 46 additional routes with service restored or improved

▪ **Metrorail service***

- Improved frequencies:
 - 10 minutes or better peak
 - 12 minutes or better all day
 - 15 minutes or better late night
- Rail open until 1 am Friday and Saturday

▪ **Fares**

- Free rail-bus transfers, \$12 weekly bus pass; passes with local bus, \$2 weekend flat fares;

2022

Planned: 7 new rail stations open

- Reston Town Center
- Herndon
- Innovation Center
- Dulles Airport
- Loudoun Gateway
- Ashburn
- Potomac Yard

Current Metro Fare Policy Principles

Adopted by Metro Board of Directors, November 2010

Metro Fare Policy Principles

Ensure and enhance customer satisfaction

Establish a mechanism to allow customers to determine their fares easily

Optimize the use of existing capacity

Establish equitable fares and ensure compliance with federal regulations

Facilitate movement between modes and operators throughout the region

Encourage the use of cost-effective media

Generate adequate revenue while maximizing ridership

Rail and Bus Fare Structures

Rail fare structure

- Distanced-based fares
 - First 3 miles at flat rate
 - Per-mile fee after first 3 miles
 - Max peak fare of \$6.00
 - \$2 weekend flat fare approved
- Rates higher during peak periods

	Peak	Off-Peak
First 3 miles	\$2.25	\$2.00
Each additional mile (≤6 miles)	\$0.326	\$0.244
Each additional mile >6 miles	\$0.288	\$0.216
Max peak fare	\$6.00	\$3.85

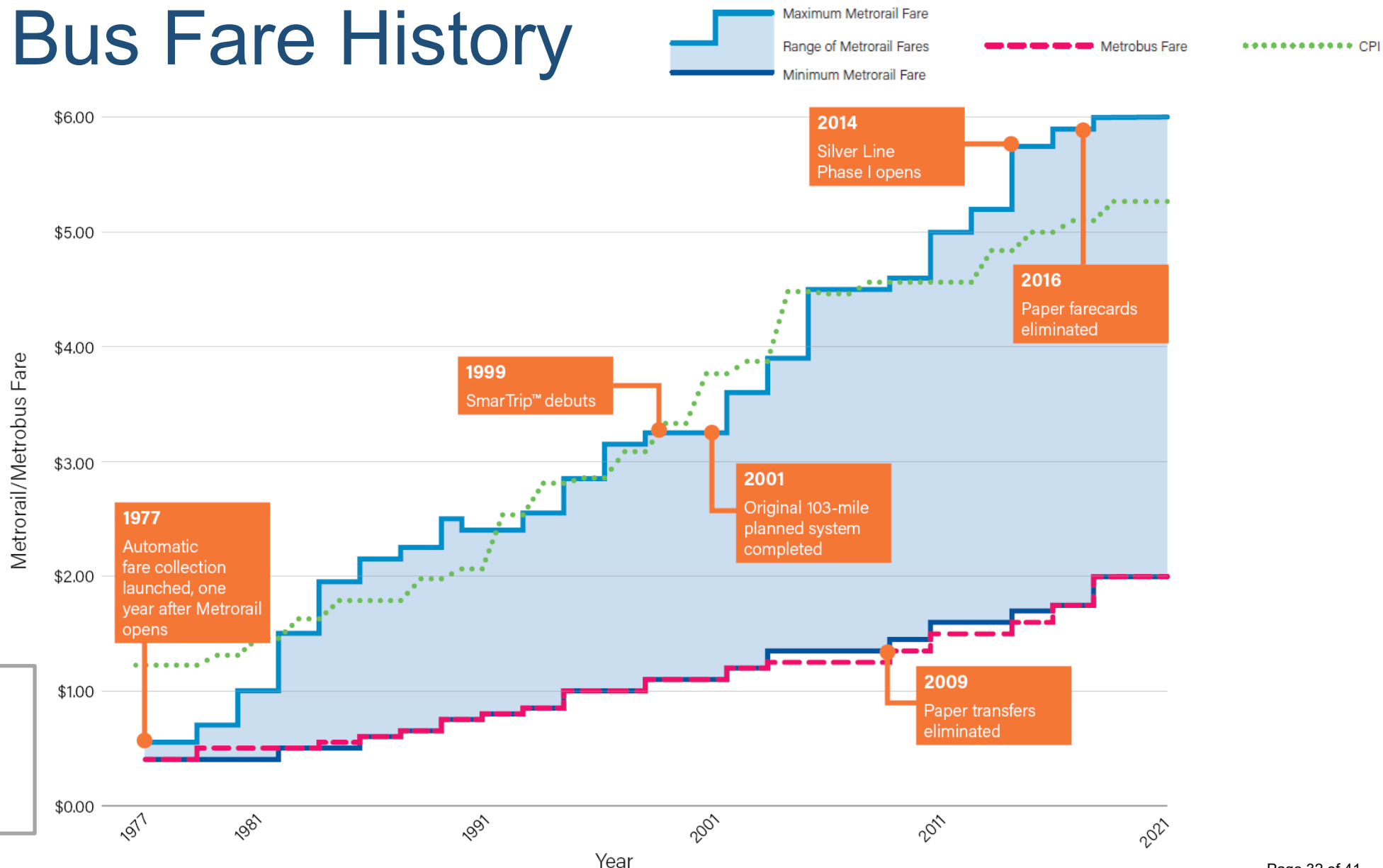
Note: Senior and Disabled Fares are 50% of the Peak Fare Charged

Bus fare structure

- Metrobus fares flat throughout the system, \$2 per trip
- Higher prices charged for express bus routes, airport lines

Regular Metrobus, MetroExtra, Metroway, REX	\$2.00
Airport routes (B30, 5A)	\$7.50

Rail and Bus Fare History



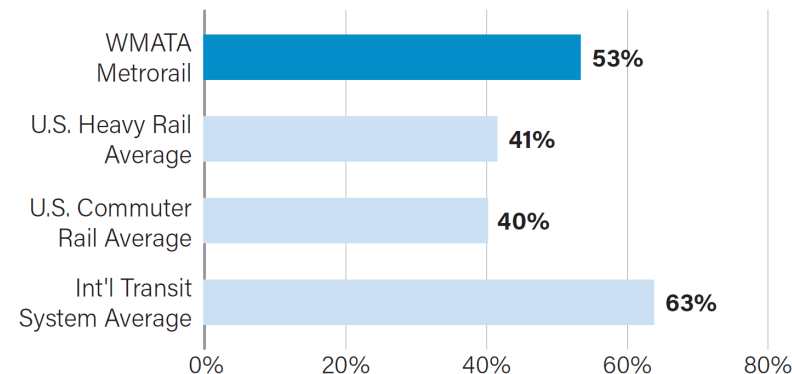
Comparison to Other Transit Agencies

- Metrorail distance-based fare structure aligns with about half of international systems
- Metro has higher rail cost recovery and lower bus cost recovery than many domestic agencies

Comparison of Fare Structures of International Metros in Community of Metros (CoMET)

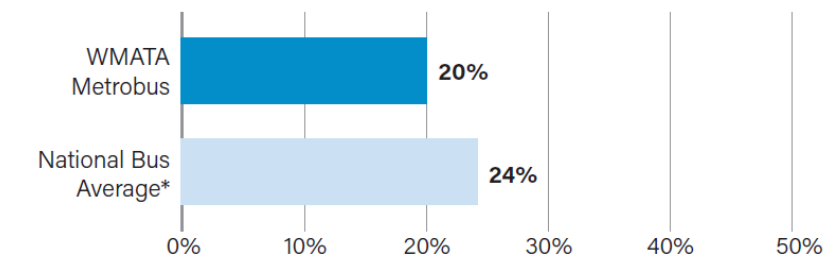


Average Farebox Recovery Ratio - Heavy Rail and International Transit Systems



Average Farebox Recovery Ratio
n=15 U.S. Heavy Rail Systems, 25 U.S. Commuter Rail Systems, 45 International Transit Systems

Average Farebox Recovery Ratio - US Bus Systems



n=50 Local Bus Systems

Pre-Pandemic: 2017 FTA National Transit Database

Existing Pass Products

	Bus/Rail Combo	Rail	Bus
1-Day Unlimited	✓		
3-Day Unlimited	✓		
7-Day Unlimited	✓		✓
7-Day Short Trip	✓		
Monthly Unlimited	✓		

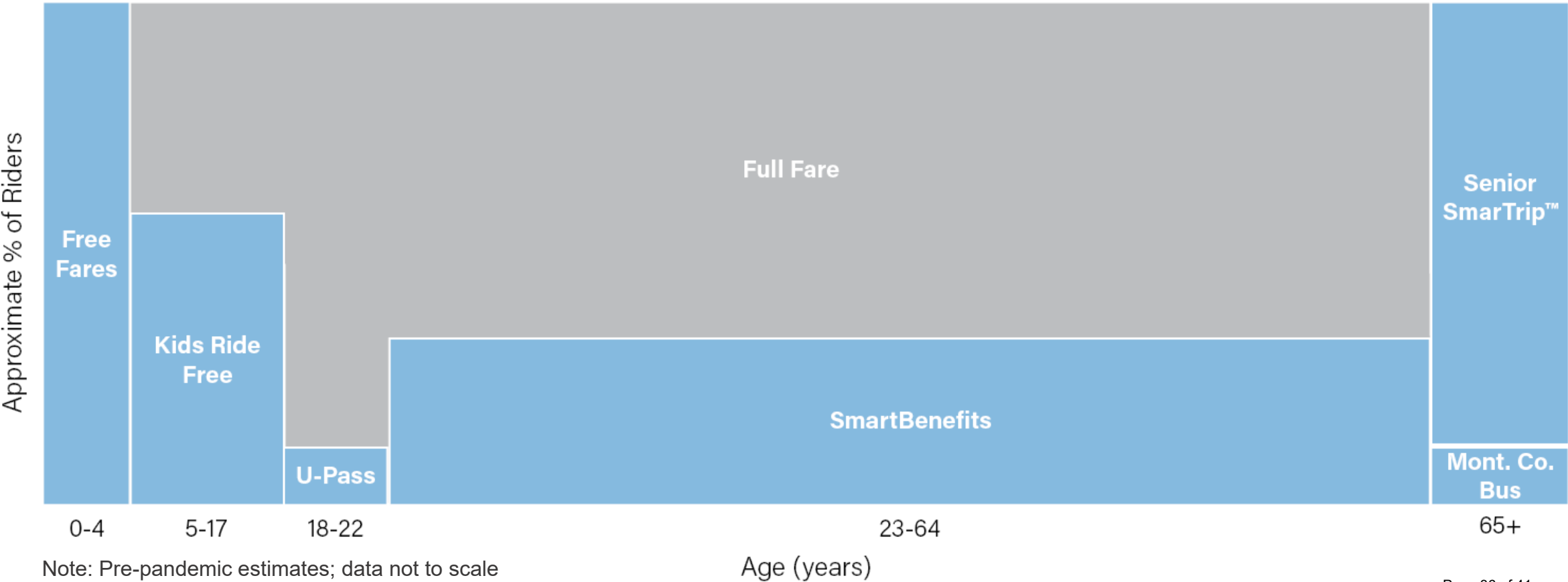
Typical impacts of fare changes on ridership

- **Fare changes affect revenue more than ridership:** Lower fares typically increase ridership but decrease revenue; higher fares typically decrease ridership but increase revenue
- **Ridership impacts from fare or service changes build over time** – only about half of impact occurs within the first year
- **Bus riders are typically more price sensitive than rail riders**
- **Rail riders are more price sensitive for shorter, off-peak trips;** less price sensitive for longer, peak period trips

Riders benefit from subsidized fares

Discounts offered based on age, disability, or participation in school or employer-based programs

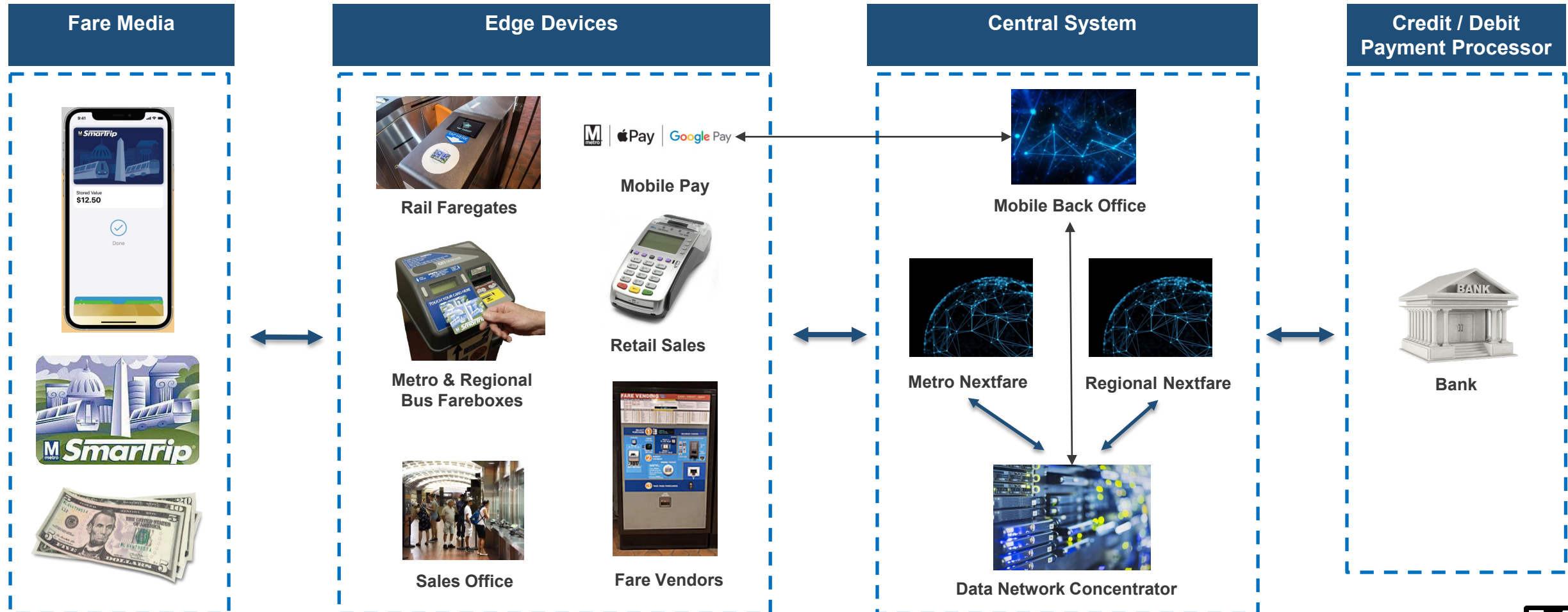
Approximate Share of Riders with Subsidized Fares by Age Group



Note: Pre-pandemic estimates; data not to scale











Regional Fare Collection Ecosystem



Transit operates in a competitive environment

- Customers have multiple travel options; time and cost of trips influence customers' decision-making
- Transit is often cost competitive and usually a less expensive option, especially for individual trips
- Transit is most time-competitive for long rail trips and less competitive for trips that require transfers with long wait times

Service | Long Term Options

- Continue to monitor ridership and regional trends and consider additional service changes
- With additional resources, Metro could:
 - Offer more frequent, all-day service  
 - Expand high frequency bus segments to the branch line level 
 - For one-third of lines included, the highest frequency applies only to the trunk segments
 - Add additional lines to the all-day high frequency network 
 - Offer high frequency for more hours of the day – e.g., starting earlier at 6 am or extending later until 10 pm  
 - Increase the frequency standard – e.g., 10 minutes  
 - Restore more pre-pandemic service 