*Draft Final Report*

TransLink® Consortium

# Integrated Fare Study: Executive Summary

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# 1.0 Executive Summary

With over 1.5 million transit trips per weekday on buses, trains and ferries, the San Francisco Bay Area has one of the most diverse and extensive transit networks in the United States. This network is arguably the most complex in the country. Over two dozen transit agencies operate in nine counties, ranging in size from fewer than ten to more than 1,000 vehicles, and fewer than 100 to nearly 700,000 average boardings per weekday. Regional travel on public transit often involves more than one system. While the physical connections between systems are typically in place, it can be confusing and is often costly for customers to transfer among systems, especially with limited regional fare coordination. Minimal or non-existent and inconsistent fare integration among agencies can present barriers to building ridership, reducing congestion, improving air quality, reducing demand for parking at transit stations, and meeting other objectives.

Regional Measure 2 (RM2), which was authorized by Senate Bill 916, was approved by Bay Area voters on March 2, 2004. The measure raised the toll on State-owned toll bridges in the San Francisco Bay Area to fund congestion relief projects, including new ferry service across the Bay, BART infrastructure, construction of the new Transbay Terminal, more express buses, and planning for better transit connections. RM2 requires the TransLink® Consortium to develop a plan by July 1, 2008 for an integrated fare program covering regional rapid transit trips funded by Section 30914.5(e) of the California Streets and Highways Code.

This draft final report for the Integrated Fare Study discusses the alternative fare programs that were evaluated, including the goals, objectives and principles that guided the development of the alternatives, constraints that impacted the pricing of each alternative, and regional ridership and revenue projections for each alternative. It concludes with a discussion of approaches to sharing fare revenue among participating operators and recommendations based on study findings.

**Study Goals, Objectives and Principles**

Study goals and objectives, which were defined in conjunction with the Study Task Force, reflect a combination of the legislative language and intent and the interests and concerns of the Bay Area operators who are members of the TransLink® Management Group (TMG). The broad overall goal of the study, to use TransLink® to encourage greater use of the region's transit network by making it easier and less costly for transit riders whose regular commute involves multizonal travel, and may involve two or more operators, was tempered first by the Task Force and subsequently by the TMG to reflect the agencies' concern that any integrated fare recommended by the study should be "revenue neutral." In this context, revenue neutrality is desired by transit agencies to assure that there is no decrease in operating revenues resulting from the integrated fare proposal, particularly in light of the operating and capital shortfalls the region's transit providers are already facing.

**Regional Fare Alternatives and Pricing Constraints**

The market for an integrated regional fare is the commuters and their commute trips that may be attracted to transit in order to meet the legislative goal of relieving congestion by encouraging greater use of the transit network, including commuters who do not currently use transit at all, commuters who use transit for part of a trip but not the whole trip (e.g., drive to a park-n-ride and then take transit), and commuters who make most of their commute trips but not all of them by transit. In addition, an integrated regional fare product may cause some current transit commuters to shift from existing fare products for reasons of convenience or price.

In the nine-county Bay Area, transit is estimated to account for approximately 10 percent of total commute trips. While some commute trips cannot be served by transit, either because service is not currently available or due to other trip-specific constraints, the Study identified several geographic markets that are served by transit, where large volumes of commute trips are concentrated but with relatively low (less than six percent) shares of the trips made by transit. Another target market is the "partial transit user" who currently drives to a park-n-ride lot or a train station and then completes the commute by transit. With an integrated fare product and connecting transit services that meet commuter needs, these riders might also be induced to use transit to access the lot or station.

In discussions with the Task Force, several integrated fare alternatives were identified and refined and then evaluated to assess their impacts on transit ridership and transit fare revenues. Four concepts (and some variations to them) were evaluated:

- Concept 1: Regional Monthly Pass – a monthly pass valid between specific zones (residence zone and work zone), including travel on local feeder services in the origin zone, the regional operator, and local distributor services in the destination zone. Variations on this concept would reduce the revenue risk by capping the number of trips allowed on the regional service or by limiting local trips to those linked to a trip on a regional provider.
- Concept 2: Regional Pass Plus – building on the BART Plus concept, the regional operator portion of this alternative could be a stored value ticket, stored trip ticket, or pass-based product. It would also provide a pass valid for local travel in specific origin and destination zones. A variation on this concept would further reduce revenue risk by limiting local trips to those linked to a trip on a regional provider.
- Concept 3: Single Ride Discount – a fare valid for a single trip between two specific zones, including travel on local feeder service(s) in the origin zone, a regional operator, and local distributor service(s) in the end zone.
- Concept 4: Trip Value Monthly Pass – a monthly pass valid for transit trips up to and including a specified cash fare, or trip value.

Pricing constraints were defined for each of the integrated fare concepts based on market data and concerns that the fare should not undercut the revenues generated by each of the transit agencies' existing fare structures, as mandated by the TMG.

**Study Results and Recommendations**

With the "revenue neutral" constraint, ridership and fare revenue results were similar for each concept. Although transit users are price sensitive, the requirement to maintain revenue neutrality for the transit agencies means that prices of regional integrated fare products must be set at levels that offer minimal savings over existing fares. In addition, despite the absence of a comprehensive integrated fare option in the Bay Area, there are cases where individual operators have

developed integrated pass or transfer agreements. For example, SFMTA's Fast Pass is valid on BART within San Francisco and generates 12 million boardings per year; on the Peninsula, agreements between Caltrain, SamTrans and SCVTA enable Caltrain riders who have passes for trips of two or more zones to travel free on SamTrans and SCVTA. Many of those agreements will migrate to TransLink® as more transit agencies implement the system. For reasons like these, ridership levels are unlikely to increase substantially as a result of implementing a revenue neutral integrated fare.

The analysis of integrated fare alternatives projects regionwide ridership increases on the order of 300 to 500 boardings per weekday and very small negative impacts on annual regional fare revenues ($160,000 to $340,000). Compared to current average Bay Area weekday boardings of approximately 1.5 million, ridership would increase less than 0.2%. Consequently, if revenue neutrality is an unavoidable constraint, it is the recommendation of this study that no further steps be taken to develop a regional integrated fare product.

However, the Integrated Fare Study did develop and evaluate several regional fare products that could be viable if revenue neutral pricing were not a constraint. In particular, the Trip Value Monthly Pass is attractive for reasons such as the following:

- It is simple, making it easy to understand, explain and use. In fact, the concept has been implemented successfully in the Seattle area.
- It does not require transit operators to make any changes to their fare structures. For operators that do not currently offer a monthly pass, the pricing strategy could address concerns about introducing a pass-based product.
- It does not require the creation of geographic zones across the region, which can be complicated to explain, understand and use, but uses the implicit zones that are already in place based on each operator's service area and fare structure, including BART's 43x43 station fare matrix, and the geographic zones that Caltrain and Golden Gate Transit have defined. Customers avoid paying extra because the pass is priced to the cash fare of the service used instead of the most expensive trip possible among different operators by zone pair.

- It avoids some zone-based pricing in the Monthly and Regional Pass Plus alternatives that is counterintuitive (e.g., a monthly pass from San Francisco to Peninsula is more expensive than a monthly pass from San Francisco to Silicon Valley because taking BART to SFO is more expensive than taking Caltrain to Redwood City).
- It provides a monthly pass, consistent with RM2 requirements.
- It is flexible and will accommodate changes in operator fare structures (e.g., introduction of peak/off-peak fares, or services that are priced at a premium or a discount).
- Its flexibility will also readily accommodate changes in cash fares. Unless a specific face value did not already exist, users would simply purchase a pass with the appropriate face value.
- Its flexibility would also easily accommodate additional rider groups and their associated price structures, such as seniors, persons with disabilities and youth.
- It could be implemented prior to a full TransLink® rollout, although the effectiveness of the program would increase as more of the regional operators and the larger feeder/distributor operators participated.

Given the revenue neutrality constraint, the Trip Value Monthly Pass approach cannot be pursued further at this time because it would require pricing the fare at a level that would not result in meaningful ridership gains.
In conclusion, although Bay Area transit agencies are experiencing increased ridership as a result of gas prices, the creation of a *revenue neutral* integrated fare in and of itself is not likely to increase ridership. In fact, because the cost of the pass will be high in order to maintain revenue neutrality, it is likely that investments in marketing, promotions, service, and service connectivity improvements will attract additional transit riders more effectively than a revenue neutral integrated regional monthly pass.

In evaluating alternative pricing structures to determine those that would be revenue neutral, a broad range of prices was evaluated, including some that yielded non-revenue neutral results. If revenue neutrality were not a constraint (e.g., if transit agencies were able to accommodate a limited impact on fare revenue or if a funding source could be identified to subsidize the cost of implementation), some alternatives such as the Trip Value Monthly Pass may merit further

consideration. Transit agencies in other cities have implemented non-revenue neutral approaches to regional fare integration and similar alternatives could be considered for the Bay Area.