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Fare Integration Task Force
Agenda Item 4a
October 17, 2022
Attachment A

Draft No-Cost & Reduced Cost Transfer Policy Proposal

POLICY & PILOT DETAILS

Fare Integration Task Force
October 2022



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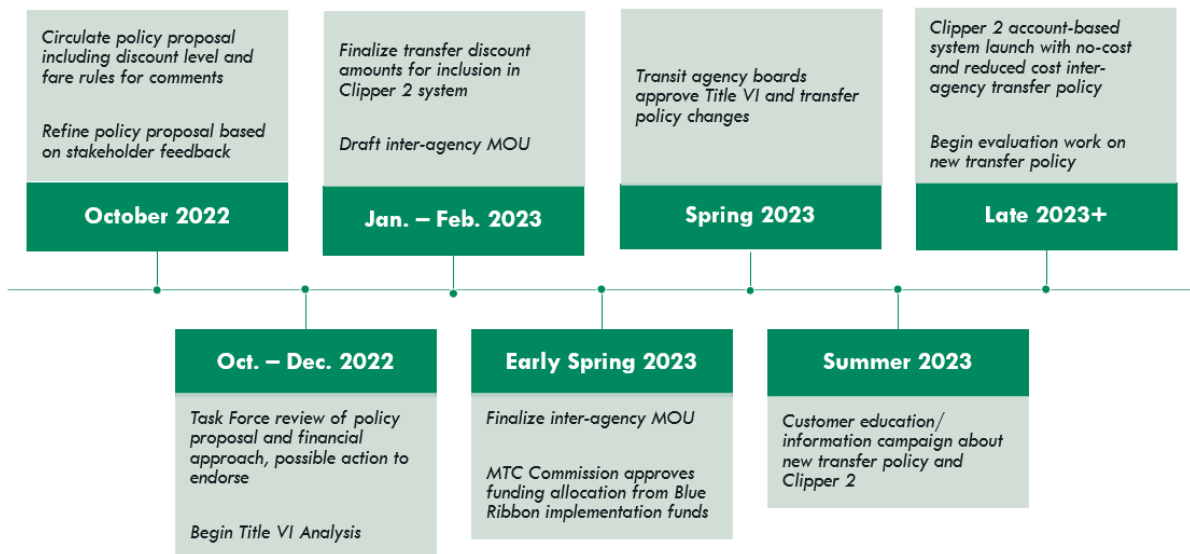
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A. Fare Coordination and Integration Study (FCIS) Transfer Policy Proposal

In November 2021, the Fare Integration Task Force (FITF) adopted a Policy Vision Statement that articulates fare policy goals in the short, medium, and long terms. One key component of this vision is to implement no-cost and reduced cost transfers between transit agencies.

This document provides the first draft of a proposed policy, estimated impacts to customers and operators, and the mechanics for a near-term pilot. It is intended to solicit comments and questions from FITF members, with the goal of refining a policy for subsequent Task Force endorsement, Title VI analysis, and eventual inclusion in an inter-agency Memorandum of Understanding for agency board consideration in the Spring of 2023. The proposed process and timeline for consideration is summarized in the graphic below.



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A.1. Transfer Policy Vision as adopted by the Fare Integration Task Force

Implement no-cost and reduced cost transfers for transit users transferring between different transit agencies beginning in 2023, coinciding with the rollout of the Next Generation Clipper® system/Clipper® 2.

A.2. Summary of Business Case

Today, our region has a patchwork of transfer discounts between various operators. This proposal will strengthen, standardize, and clarify those discounts for the customer. In travel modelling conducted for the Fare Coordination & Integration Study (FCIS), this policy change drives an increase of 25,500 daily trips. Modelling indicated it could require a subsidy of approximately \$22.5M per year (off of a pre-COVID base), which was about 2% of pre-COVID fare revenue for the region, or ¾ of a percent of total system operating expense. The modelled cost per new trip generated came to about \$2.25, which is the best cost-efficiency of any fare integration option tested. The modelled benefits of these discounts were balanced across income levels, with high, middle, and low-income transit riders appearing to benefit roughly proportionally. User research showed that reduced or no-cost transfers were widely understood and valued by transit customers, even despite the variety of fare levels and structures in the region.

A.3. Proposed Policy Change

A.3.1. Summary

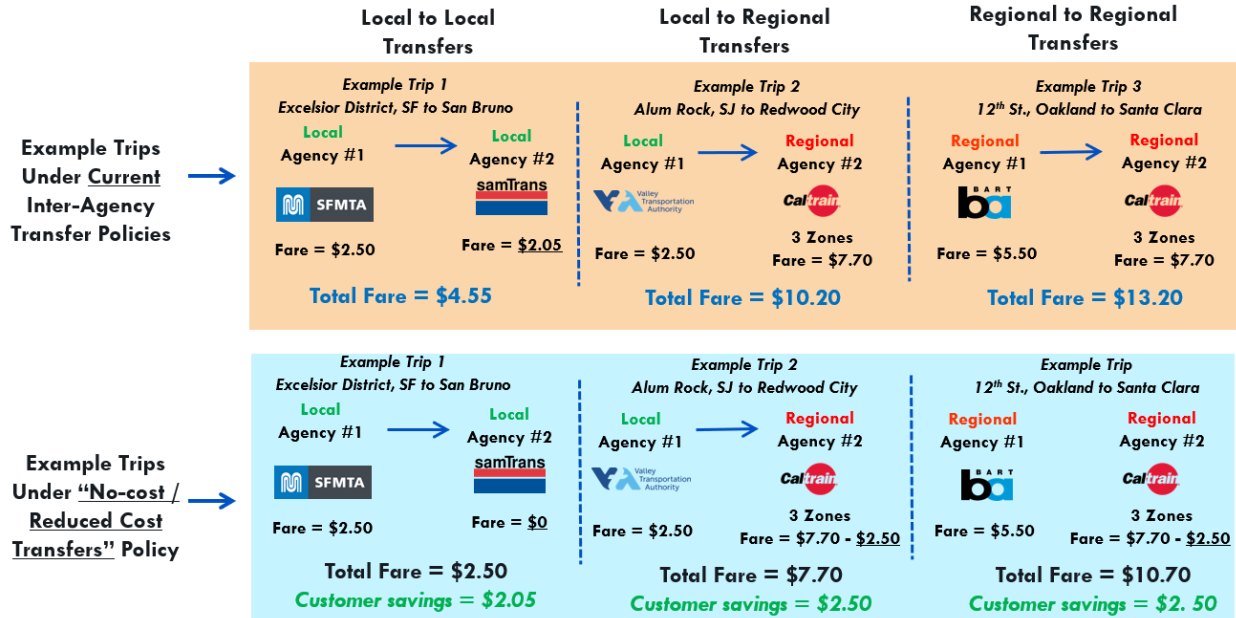
When making a trip that requires transferring between participating transit agencies, riders pay the full fare on just the first agency used. Any transfer to another agency within two hours of the first boarding is free up to a limit of \$2.50 per transfer.

A.3.2. Transfer Rule Details

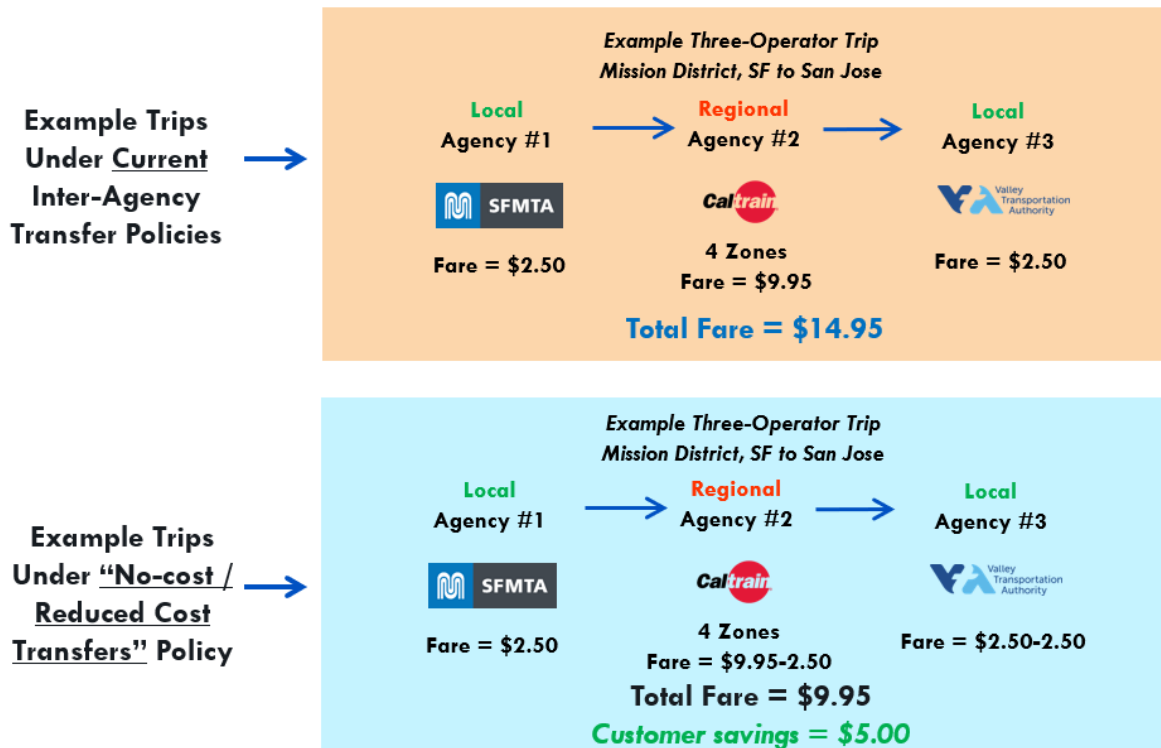
- **Inter-agency transfer definition:** An inter-agency transfer occurs when a rider boards a transit vehicle and then subsequently boards another transit vehicle operated by a different agency within a 2-hour (120 minute) period.
- **Per-transfer discount limit (full fare riders):**
 - When making an inter-agency transfer, customers using Clipper receive a discount equivalent to the single-ride Clipper fare for amounts up to a limit of \$2.50 per transfer. Customers would be charged for fare amounts above the limit.
 - The full-fare transfer discount limit is set at \$2.50 because it is currently the highest local bus fare in the region. As a result, the policy offers customers free transfers to any local service. Transfers to longer trips on distance- or zone-based regional services (or premium-fare bus services) will result in additional costs for travel over the price of local bus fare.
- **Per-transfer discount limit (discount fare categories):** Clipper customers using discount fare categories (e.g., Senior, Youth, START, etc.) would be subject to a discount limit proportional to the fare charged. For example, a rider transferring to a service on which that rider is entitled to a 50% Senior discount would receive a free transfer for amounts up to \$1.25.
- **Trips with three or more operators:** Discounts are also applied on each additional operator used during the 120-minute window, so that the customer only pays the equivalent of one full fare during that period.
- **No negative fares:** The discount is applied to the fare paid *after* making the transfer and cannot result in a negative fare for that segment.

A.3.3. Examples

Examples (two operators)



Examples (three operators)



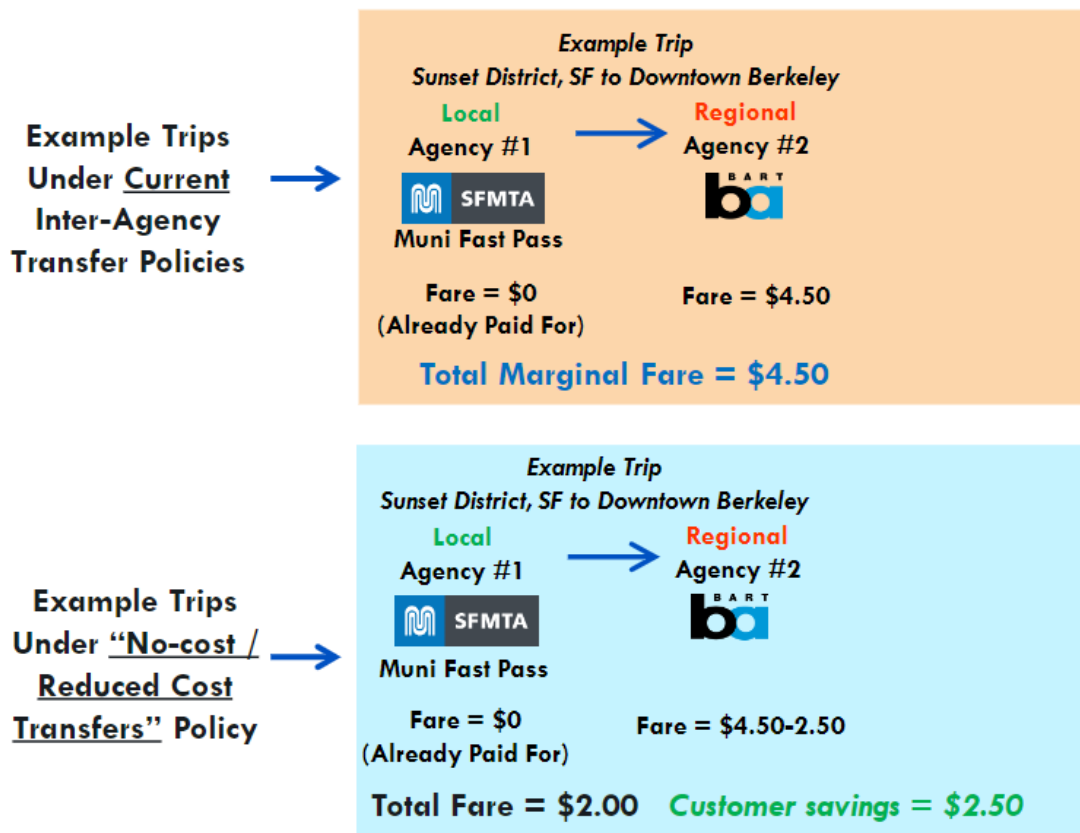
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A.3.4. Transfer discount interaction with agency pass products

In the transfer rules described in section A.3.2., discounts are always applied to the fare paid *after* making the transfer and cannot result in a negative fare for that segment. As a result:

- When a customer transfers *to* a service for which they have a pass product, no additional discount is applied because that leg of the trip is already zero fare.
- Customers transferring *from* a service on which they have a pass product but *to* a service for which they do not would receive the applicable discount on the second (and subsequent) leg(s).

Examples (with operator monthly pass)



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Pass product issues and considerations for policy reviewers:

- Note that this proposal results in directionally imbalanced discounts for pass holders: those making a two-agency round trip would receive a transfer discount in one direction but not the reverse. This type of imbalance does currently exist for some current transfer discount offerings in the region.
- This policy as proposed would offer less new benefit to the typical pass-holder than to single-ride fare payers. However, many agency-specific monthly pass holders already receive a substantial discount relative to full fare.
- This policy as proposed is likely to introduce an imbalance in foregone revenue between agencies. For example, an estimated 25% of transfers between AC Transit and BART are made by riders who have an AC Transit pass. For these trips, the transfer rules would introduce a new discount applied to the BART fare for those transferring from AC Transit to BART, but no additional discount to the AC Transit fare when the same connection is made in the opposite direction. To adjust for this imbalance, some additional administrative structure may be required in the future. Options include:
 - A “settlement model” to distribute revenue within the Clipper system, or
 - A funding allocation formula, separate from the Clipper system, that accounts for this imbalance
- The FCIS project management team proposes to introduce the transfer discount policy as described in this section during an initial pilot phase. The need for adjustments through a settlement model or funding allocation formula would be assessed as part of pilot evaluation.
- An alternative to the proposed policy would be to not offer a transfer discount in either direction to pass holders. No discounts for pass holders would avoid creating an imbalance in foregone revenue between operators and reduce the cost of the policy overall but could also result in the loss of existing transfer discounts for some riders who currently receive them.
- This policy interaction also raises implementation questions within the Clipper system. For example, passes and products currently always take precedence over cash and any change to this would likely need to take place at the regional level. As such, the interaction between this policy and how it related to each operator's pass or product needs to be determined. Additionally, not all trips with passes are zero fare – e.g., local fare credit on SamTrans or VTA with a Caltrain 2-zone or greater monthly pass.

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A.3.4. Paratransit

Users of paratransit services will benefit from the above transfer policy changes through corresponding changes to paratransit fares, which are generally defined as 2x the cost of a regular fixed-route transit fare.

Paratransit issues for reviewers:

Due to system constraints, there will be no discounts between paratransit service and regular transit service at all within the Clipper system as they will not be recognized as a Clipper agency within the system upon Next Generation Clipper® launch. With more work on the paratransit provider side this may be supported, as they could use trip history APIs to determine if the rider is transferring; however, this would require additional resources to implement. Staff likely need to involve BAPAC in developing recommendations around paratransit inclusion in this program.

B. Implementation Approach

B.1. Pilot and Timeline

This policy is proposed to be implemented initially on a pilot basis, with agencies committing to offer free and reduced-price transfers beginning with the launch of the Clipper 2 account-based system targeted for late 2023 (mid Fiscal Year 2024) and continuing at least through June 2025 (i.e., the end of Fiscal Year 2025) but with a goal of 24 months.

The FCIS project management team (staffed by BART and MTC) will prepare an evaluation of the pilot and its effects on travel behavior, revenue, and customer experience before the end of 2024.

Subject to pilot findings, MTC and transit agencies will work together to develop funding model a that can support continuation of this policy on a permanent basis while continuing to maintain and expanding transit service to customers.

B.2. Revenue Impacts and Pilot Funding Model

The FCIS Business Case modelling estimated that implementing no cost and reduced cost transfers would result in gross revenue impacts of \$28.5M, offset by an estimated \$6M in revenue from new trips generated, for a net revenue impact of \$22.5M region-wide in 2021 dollars. MTC identified \$22.5M of funding to support implementation of no-cost and reduced cost transfers through the Transit Transformation Action Plan implementation funding pool. The FCIS project team proposes to use these funds to mitigate or eliminate financial risk to transit operators for participation in the proposed pilot.

The pilot duration that this initial funding could sustain depends upon several factors, including:

- The specific funding allocation approach
- The degree to which an estimate of revenue from new trips generated is factored into the estimates of revenue impact
- Real-world outcomes, including the rate of growth in ridership and transfer activity and future fare increases

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- Additional funding opportunities. The FCIS project management team agencies (BART and MTC) will also seek to identify and pursue additional funding opportunities to ensure that the duration of the pilot is least 24 months.

Beginning at an upcoming Fare Integration Task Force meeting (targeting November 2022), the project team will bring forward proposed funding model options for discussion.

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Attachment: Actual fare Discount Resulting from Policy – Sample for Clipper Adult Base Fare by Agency/Agency Group
 Full adult fare – Other Fare Categories would be proportionally lower based on discount amount

Transferring to	Transferring from													
	AC Transit	BART	Caltrain	East Bay	Golden Gate Transit	Napa Solano	SamTrans	SF Muni	Union City	VTA	WETA	SMART	Corridor 101	Sonoma
AC Transit		2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
BART	2.50		2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Caltrain	2.50	2.50		2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
East Bay	2.00	2.00	2.00		2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Golden Gate Transit	2.50	2.50	2.50	2.50		2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Napa Solano	1.75	1.75	1.75	1.75	1.75		1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
SamTrans	2.05	2.05	2.05	2.05	2.05	2.05		2.05	2.05	2.05	2.05	2.05	2.05	2.05
SF Muni	2.50	2.50	2.50	2.50	2.50	2.50	2.50		2.50	2.50	2.50	2.50	2.50	2.50
Union City	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00		2.00	2.00	2.00	2.00	2.00
VTA	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50		2.50	2.50	2.50	2.50
WETA	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50		2.50	2.50	2.50
SMART	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50		2.50	2.50
Corridor 101	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80		1.80
Sonoma	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	

Service Type Key Regional-Regional Local-Local Local-Regional

Discount fare categories (i.e. Senior, Youth, RTC, START) will receive transfer credits as above, commensurate with the agency's fare policy (e.g. \$1.25 credit for Seniors on Muni).
 Some agencies are shown in groups (e.g. "East Bay") above; however, each agency's fares and discounts will determine discount amounts (e.g., WHEELS ≠ WestCAT).