

## **MTC Transformative Projects 2018**

**Name of submitting organization: SPUR**

**What type of project are you proposing?**

**Roadway; Transit; Both; Other**

Operational

**What is the project purpose – i.e., what challenge are you trying to solve?**

Each transit operator in the Bay Area sets its own fare policy. As a result, riders content result with a hodgepodge of different fare structures, products, discounts and prices across the region. A bus, rail or ferry ride in one location can vary widely in cost from another; a discount may or may not be granted for transferring from one transit system to the next. Disparate and disjointed fares make navigating transit inefficient and cumbersome and drive up the cost to run Clipper. The lack of regional fare integration presents barriers to growing transit ridership and building trust in transit as a practical option, while limiting the region's ability to maximize our investments in new transit infrastructure. If the Bay Area continues down this disconnected path, operator fare policies will continue to evolve independently of one another leading to even greater inconsistency and divergence. The purpose of this project is to simplify fares by creating a regional integrated fare structure, that is, one common fare structure for the region.

**Describe the project in detail - where is it located? Who would it serve? What specific improvements would it make?**

This purpose of this project is to design an integrated fare structure for the 9 county Bay Area. Based on our research, fare by distance where the fares vary based on the measured distance between journey origin and destination is the optimal fare structure for the Bay Area. With this fare structure, multi-leg journeys would be priced continuously as if they were a single journey. This fare structural is likely the best for the region because it can help grow transit ridership for markets that currently have fare barriers; offers an ability to manage distribution of demand between service types; and, unlike zones, supports polycentric commute patterns. Fare by distance is how transit pricing is approached in several regions around the world including Singapore, Sydney, Beijing, Seoul and Hong Kong; Vancouver is planning to move from fare by zones to fare by distance.

The specifics of fare by distance for the Bay Area are as follows:

- Distance bands should be priced by service type (rail, regional bus, local bus and ferry), regardless of operator or geography, to reflect the different underlying operating costs and usage patterns for each service type.
- A "journey" should be defined one or more trips on transit services where transfers between services occur within 90 minutes.
- Distance bands should be consistent for all services types to reduce confusion, although the base fare, which would cover a base distance, could vary by service type.
- There would also need to be a maximum fare to ensure transit remains competitive with private car trips, especially for longer distance travel.
- In the Bay Area, the average distance for bus trips ranges from 2-8 miles with an average length of roughly 4 miles; regional bus trips 12-24 miles; ferry trips 11-15 miles; and rail trips 13-26 miles. This suggests that trips up to 4 miles could be allowed on base fare alone, before additional fare by distance is applied. In effect, this would mean that nearly all bus trips would be a flat fare.

- Fare by distance is compatible with time of day pricing and we recommend an off-peak discount be applied to rail fares.
- New Clipper card readers would need to be purchased to facilitate fare by distance. However, emerging technologies such as Bluetooth are making it possible to charge by distance without requiring riders to physically tap out.
- Different fare products could be offered with fare by distance pricing. Riders could purchase a monthly pass that covers the distance between the stations they most commonly travel; trips that exceed the distance covered by the pass, would be paid for using stored value. Or, the region could offer an “inner core cap” that aligns with where the region’s high frequency bus and transit service is offered (e.g. San Francisco, the Peninsula, and East Bay) and an “outer core cap” that aligns with longer distance trips and, potentially.
- This project would require a significant marketing budget of \$2-\$3 million to ensure that riders are aware of the changes and understand them.
- To reduce the risk of falling revenues from fare integration, funding should be set aside to compensate operators for possible losses, if any, and reward them for participating. Any new funding stream should be linked to operating costs and level of service as well as to key performance indicators regarding regional coordination. Any financial assistance should be calculated based on actual ridership data using Clipper.

Because instituting a common fare structure for the region is a transformational change, we are also proposing the region consider, as an interim step, aligning transfer windows and discounts. Transfer windows could be aligned at 90 minutes and the transfer discount could be, at minimum, \$1.00. To meaningfully encourage transit use, the transfer discount needs to be set to a level where it is likely to impact behavior. Aligning transfer windows and discounts has the added advantage of making it easier to develop multi-operator fare products, as each agency would be defining a “trip” in the same way.

This project would serve current and potential Bay Area transit riders. That said, this project would in particular serve transit riders with low-incomes as having to having to pay two or more different fares can put a multi-operator trip — and the access to opportunity it provides — out of reach. Specific improvements include reducing friction on transit trips, increase transit utilization, and increase transit affordability.

### **What is the greatest opportunity associated with this proposed project?**

The region is in the process of updating the Clipper card. Clipper 2.0 process presents a tremendous opportunity for the region to address and correct the current system’s limitations. Conceiving and designing all the pieces of the new system provides the optimal time to rethink and reimagine fare policy — which is the building block of Clipper, after all. This opportunity may not come again for another decade. Regions around the globe have used their fare payment card update as an opportunity to streamline and simplify fares and create multi-operator fare products.

Ultimately, approaching public transit fares strategically *as a region* offers new opportunities to support and grow transit ridership, optimize the use of new transit investments and help us meet our goals for a thriving and sustainable region. This is pressing issue: The transit network in the Bay Area is expanding and being designed explicitly for connections among travel modes (and therefore transit operators). The extent to which connecting will be a part of transit trips is poised to grow exponentially and yet, we don’t have a fare policy that supports the types of trips we’re are building for. Regional fare integration can help us maximize our investments in new transit infrastructure. Furthermore, public transportation

may be left out of the new mobility marketplace. Without integrated fares, it will be difficult for the region's transit operators to participate in mobility subscription products or pay as you go offerings that cross multiple operators and modes.

**What is the greatest risk associated with this proposed project? Example include: environmental impacts, unproven technologies, potential community opposition, etc.**

Regional fare integration is complicated. Any change impacts millions of people every day; even small changes can have many direct and indirect impacts. No single municipality or transit agency can solve this problem alone. They will all need to work together to harmonize fare structures and develop regional passes that work on multiple systems, in multiple cities, and make it attractive to use transit for all types of trips, not just commute trips. Integrating and simplifying fares will not be easy. It will require investment at the regional level from individual operators, cities and employers, as well as riders. It will also require detailed policy changes, agency by agency and city by city. Regional fare integration requires a collaborative and inclusive decision-making process and will ultimately require changes to governance and fare setting responsibility.