



**ITEM ID:** 2024-266-0

**TRANSMITTAL DATE:** September 6, 2024

**MEETING DATE:** September 13, 2024

**TO:** Board of Directors

**FROM:** Lisa Bahr, Chief Customer Experience Officer

**SUBJECT:** Fare Pilot to Test Customer Response to Fare Changes

### **Issue**

The fare policy consultant team from Cambridge Systematics has evaluated the Authority's fare structure and developed recommendations to simplify it, reduce customer confusion, and support the Authority's long-term growth. Staff recommends conducting a pilot program to test customer response to the recommended fare changes.

### **Recommendation**

It is recommended that the Board approve a pilot program to test customer response to changes to Metrolink's fare structure.

### **Strategic Commitment**

This report aligns with the Strategic Business Plan commitments of:

- **Customers Are Our Business:** We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding new and innovative ways to bring them on board. The recommended changes to the Authority's fare structure respond to changing customer needs, streamline fare table administration, and support the Authority's transition from commuter rail to regional rail.
- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees.

## **Background**

The COVID-19 pandemic has significantly altered the operating environment for Metrolink and other commuter rail agencies. Ridership dropped dramatically, and new travel patterns emerged as traditional commuters no longer represent the majority of Metrolink customers.

In early 2021, the Authority conducted a consultant-led Fare Strategy Study to identify opportunities for ridership recovery during the near term. The study also developed a roadmap with transformational strategies for sustainable growth over the mid-and long-term. This included conducting a fare restructuring study to adapt the Authority's fare structure to new post-pandemic travel markets and support the Authority's transition from commuter to regional rail service. Results of the Fare Strategy Study were presented to the Board of Directors at their meeting on March 25, 2022.

## **Discussion**

In March 2023, the Authority retained Cambridge Systematics to conduct a Fare Restructuring Study as the next step in the roadmap to recovery and to modernize the Authority's business practices. The goal was to align the fare structure for long-term ridership growth and regional rail transition.

### **Study Objectives and Methodology**

The fare restructuring study was guided by the following key objectives:

- Analyze customer responses to fares during the pandemic.
- Evaluate if the current fare structure still serves the needs of post-pandemic ridership markets.
- Assess the fare structure at other commuter rail agencies and identify best-practices to capture new ridership markets.

The study team developed a fare model to estimate ridership and revenue impacts resulting from fare policy changes. The model, which includes over ten years of Metrolink fare transaction data, allows the prediction of fare product usage by geographic region and by line. This is accomplished by modeling riders' sensitivity to changes in fares using tested and validated fare elasticities. Another important feature of the fare model is the inclusion of socioeconomic data to estimate the impacts of the fare restructuring on disadvantaged populations, such as minorities and low-income riders.

The consultant team developed different fare structure scenarios and tested how they perform against Metrolink's Board-approved fare policy goals:

1. Recover and grow ridership
2. Enable financial sustainability
3. Ensure equity
4. Enhance customer experience

### **Recommendations**

A final set of recommendations that meet all four policy goals was developed and presented to member agency CEOs and staff. The recommendations discussed below include targeted fare

decreases to grow key ridership markets, simplified fare products that are easier to understand and better aligned with how riders actually use the system, and the introduction of flat-rate passes to support the service optimization and grow leisure travel and visitor markets. The team also reviewed Metrolink's existing fare tables and recommends correcting historical inconsistencies in the application of fare rules.

## **1. Changes to make Metrolink fares more competitive and equitable**

### *a. Adjust Monthly Pass prices to reflect lower trip frequencies*

Despite hybrid work having become common for most commuters, Metrolink's Monthly Passes are still priced for traditional commuters who commute to the office four or more days per week. According to data for the Los Angeles/Orange County metropolitan area, less than half of office workers worked from the office on an average weekday in 2024. That figure has been flat since 2023 suggesting the return to office trend has stalled.

This is also reflected in Metrolink's pass sales. Prior to the pandemic, Monthly Passes accounted for nearly half of ridership. Since the pandemic, that share has fallen to 21%, and it continues to fall. Likewise, Seven-Day Passes account for just over 3% of ridership in 2024, which is down from more than 11% in 2019.

Many of Metrolink's commuter rail peer agencies have lowered their Monthly Passes to meet their customers' needs for less frequent travel. It is recommended the Monthly Pass price be reduced to the equivalent of 25 one-way fares from the current 28 one-way fares. This reduction would bring Metrolink's Monthly Pass price more in line with that of many other commuter railroads, such as Metra (one-way fare multiple of 20) and Caltrain (one-way fare multiple of about 23).

### *b. New discount for Military Veterans*

Currently, military veterans are not eligible for Metrolink fare discounts, unless they qualify for low-income, senior or disabled discounts. Staff recommends extending the existing 10% discount for active military personnel to cover military veterans and apply it to Monthly Passes. The introduction of fare discounts for military veterans responds to a request from the Metrolink Board of Directors. It standardizes the discount for veterans and active military and also expands the number of ticket types to which it can be applied.

## **2. New flat rate passes to capture leisure and visitor travel markets**

### *a. \$15 Systemwide Day-Pass*

Metrolink's seasonal Summer Day Pass offers systemwide travel for a flat \$15 during the summer months. Since it was launched in May 2022, it has exceeded expectations by attracting new riders to Metrolink, which has resulted in increased fare revenue and ridership. It is recommended the promotional systemwide Summer \$15 Day Pass become available year-round as a weekday equivalent to the convenience of the Weekend Day Pass to grow leisure and visitor travel markets.

### *b. \$5 Explore L.A. Day-Pass*

Market analysis for the 2024 service expansion has identified a core market with significant potential for ridership growth centered around the L.A. Union Station hub. With 20% of the total potential ridership demand traveling to or through Union Station,

Metrolink's optimized schedules will bring significant increases in service and better connectivity for trips within this inner zone. To leverage this expanded service and take advantage of the latent ridership demand, staff recommends the launch of a new \$5 flat fare pass valid for unlimited travel between stations within the system's inner zone (Burbank Airport North & South, Burbank Downtown, Glendale, L.A. Union Station, Cal State L.A., Montebello, and Commerce).

This new "Explore L.A. Pass" implements a recommendation from the Fare Strategy Study for a zone fare as an overlay to Metrolink's existing mileage-based fare structure. It forms a counterpart to the systemwide Day Pass but is priced lower to help Metrolink compete with the automobile for local travel within some of L.A.'s most congested corridors. It is aimed at visitors and leisure travelers and leverages the expanded Metrolink service to encourage a mode shift from the car to public transit.

### **3. Fare Simplification**

With ten different ticket types, Metrolink has more fare products than other commuter railroads. The large number of distinct ticket types results in a complex purchasing process at Ticket Vending Devices and on the Mobile App, leading to unnecessary customer confusion, especially for new and infrequent riders. Customer feedback reveals that even existing customers have difficulty understanding differences between varying ticket types, which prevents them from making the most appropriate selection.

It is recommended to streamline the existing fare choices by discontinuing the Round-trip Ticket, the 10-Day Flex Pass, and the 7-Day Pass. Simplifying the fare options reduces fare table complexity and customer confusion. The recommendation follows industry best practices by removing underutilized and duplicative fare products to create a more intuitive and easier to understand fare offering. This will also transition the TVD-issued Student Roundtrip Ticket to a Day Pass which aligns with the mobile Student Day Pass and creates consistency between both platforms.

### **Budget Impact**

See Attachment B - FY25 Member Agency Impacts.

### **Next Steps**

The recommendations are intended to adapt Metrolink's fare structure to a post-pandemic travel market, increase equity and affordability, and support the Authority's long-term transition from commuter rail to regional rail. Fare modeling results project ridership to increase by 120,000 boardings or 1.9% annually. Metrolink rides will also become more affordable for many customers, with a 3.6% reduction in the average fare. There are no changes assumed for the free Student Adventure Pass, and student ridership will be unaffected.

The fare restructuring was designed to achieve fare reductions without loss in revenue. Projections indicate that the recommended changes would have a minimal impact on fare revenue, corresponding to just 0.1% of the approved FY25 fare revenue budget.

Staff recommends testing customer response to the fare changes in a six-month fare pilot. Measures of success for the pilot include increases in ridership, new customer acquisitions for sustainable growth, benefits to disadvantaged populations, changes in ticket sales and fare revenue, as well as customer feedback. Staff will return to the Board with the results of the evaluation in May 2025. If the Board decides to adopt the changes once the pilot has ended in June 2025, staff will initiate the required Title VI process.

Assuming a tentative launch of the pilot on January 1, 2025, the pilot program is estimated to reduce FY25 fare revenue by \$31,121. For comparison, Metrolink currently generates about \$90,740 fare revenue on a single day. Costs would be more than offset by new ridership growth generated by the October 2024 service changes for a net revenue increase of \$232,207 in FY25 (see attachment).

Tentative Timeline

January 1, 2025:	Tentative Launch of fare pilot
May 2025:	Evaluation of fare pilot, determination of next steps
June 2025:	Fare pilot ends

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Approved by: Lisa Bahr, Chief Customer Experience Officer

**Attachment(s)**

[Attachment A - Fare Restructuring Study](#)  
[Attachment B - FY25 Member Agency Impacts Presentation - Fare Restructuring](#)