

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: January 9, 2012

TO: Supervisor Michael Mayo, Sr.,
Chairperson, Transportation, Public Works & Transit Committee

FROM: Frank Busalacchi, Acting Director, Department of Transportation
Lloyd Grant, Jr., Managing Director, MCTS

SUBJECT: New Fare Collection System Update

POLICY

MCTS periodically provides informational updates to the Committee on transit issues.

BACKGROUND

Efforts towards procurement of a new fare collection system for the Milwaukee County Transit System (MCTS) began in April 2009 after award of a \$7 million grant in Section 5307 transit formula funds under the American Recovery and Reinvestment Act (ARRA) to replace MCTS' 26 year old fare collection system.

The new fare collection system being procured for MCTS supports the use of contactless smartcards for passes and tickets, and the validation of cash fares. A smartcard is a pocket-sized plastic card that contains an embedded computer chip that stores and transacts data. This data is usually associated with either stored value, information or both. The technology accompanying the new fare collection system will significantly improve data collection of fares paid and passenger boarding. Also, transit bus operators and customers can benefit from smartcard technology because the card can be easily tapped against a reader built into the farebox allowing for faster boarding, particularly during peak times. Implementation of a new payment system will offer new methods for different fare products and improve customer convenience.

At the January 2011 and September 2011 Committee meetings, MCTS reported that introduction of the smartcard is expected to reduce the quantity of paper transfers issued by bus drivers by at least 25% because paper ticket fare media will be replaced by the smartcard. MCTS also reported to the Committee that paper transfers would continue to be available to cash paying customers, and the smartcard fare structure would be designed in a way to incentivize cash customers to adopt or switch over to the smartcard. MCTS will monitor the transaction payment data to determine a point in time when it will be less disruptive to change fare policy moving away from paper transfers.

Fare Collection System Update

At this juncture, MCTS is well into the procurement process which will culminate in an award to the successful bidder to produce and install the new fare collection system. As is customary with large dollar value procurements, multiple addendums to the original Request for Proposal (RFP) issued in June 2011 have taken place in response to bidder questions and providing clarification about the technical fare system specifications. Numerous responses were received and technical reviews were initiated by the five person technical review team. Subsequently, bidders were invited to demonstrate their products and make presentations during the weeks of December 5 and 12, 2011. On December 29, 2011, responsive bidders were directed to submit clarifications of their proposals and re-pricing by January 31, 2012.

Thereafter, the technical review team is expected to make a determination of the successful bidder. We anticipate issuing a letter of intent to award in the first quarter of 2012. Upon initiation of a purchase order, based upon information provided by bidders, it is anticipated that the new fare collection system and fareboxes can be installed and operational within 24 months. A timeline for implementation will be established upon selection of a vendor for the new fare collection system.

Paper Transfers

The contactless smartcard is a pre-payment system that includes the ability to automatically machine encode a limited period of time for free transfer to other bus routes. However, for customers who use cash, a transfer system would be necessary if no changes are made to the current fare policy. Today, about 30% of MCTS customers pay their bus fare in cash on a daily basis, and about 30,000 paper transfers are issued to transit customers each day.

In April 2010, MCTS reported to the Committee its intent to procure a fare collection system that would eliminate the use of paper transfers. After reviewing the capital, operating and maintenance costs associated with various fare collection systems, the smartcard system emerged as the recommended alternative. Subsequently, as noted above, MCTS reported to the Committee that it would not be pursuing procurement of a fare collection system with added equipment for the dispensing of card type transfers to customers. Instead, it was anticipated that paper transfers would continue to be used for a limited period of time to allow time for cash paying transit customers to transition to the smartcard. The labor union representing MCTS bus drivers has expressed dissatisfaction with plans to purchase a new fare collection system that does not include equipment to automatically dispense card type transfers so that bus drivers do not have to physically hand out or validate paper transfers. MCTS management concurs that disputes between bus drivers and passengers about the validity of paper transfers will be substantially reduced with the elimination of paper transfers. However, MCTS management also believes that two major changes in the fare system should not be attempted at the same time. The introduction of contactless smartcards will replace the current weekly and monthly passes and tickets with a machine validated fare form. A value deduction card will be used to replace

paper tickets which results in at least a 25% to 33% reduction in the quantity of paper transfers issued or distributed by bus operators on a daily basis. This change alone is a significant step in the direction of moving away from paper transfers.

The most common method of issuing a machine issued and readable transfer is by adding a ticket reader and issuing machine (TRIM) unit to the farebox. A TRIM unit adds at least \$800,000 to the capital purchase cost of the fare collection system. A TRIM unit has moving parts and card (transfer) stock must be supplied daily. The additional material costs, daily servicing and maintenance of the TRIM units are projected to add \$500,000 to \$875,000 in annual operating costs. Also, any malfunction of the TRIM unit while in revenue service can result in service delays and customer inconvenience. The industry is moving away from TRIM unit swipe systems to contactless systems for ease of use, customer convenience and reduced operational costs. Changes in fare policy can be made to move away from paper transfers with cash and contactless payment systems.


Finally, paper transfers have been in use at MCTS for over 35 years. A hurried approach to the elimination of paper transfers is not recommended. Instead, MCTS recommends an approach that allows time for public education of smartcards and the eventual phase-out of paper transfers over a period of 12 to 18 months after the new fare system is fully functional. We would expect to undertake a more detailed analysis into an approach to gradually phase out the use of paper transfers. A policy could be adopted to eliminate paper transfers after cash revenues decrease below 15% of total farebox revenue, for example. MCTS will work to develop a fare payment policy that reduces and/or eliminates paper transfers over time at a point that is least disruptive to the ridership base.

RECOMMENDATION


This report is informational only.

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and Lloyd Grant, Jr., Managing Director, MCTS

Approved by:



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