

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: July 27, 2012
TO: Frank Busalacchi, Director, Department of Transportation
FROM: Lloyd Grant, Jr., MCTS Managing Director
SUBJECT: Narrative on Review of the Use of Paper Transfers on MCTS Buses

Narrative

This report advises the Committee of MCTS' recommendation to continue the use of paper slips until the introduction of contactless smart cards with the new automated fare collection system. The high potential for lost revenue, increased operating cost and adverse impact on seniors, minorities and low income riders cannot be justified. Furthermore, it is not advised to make a major change of this nature on the eve of launching an entire new fare payment system and fare structure because that will be very confusing for the public.

Lloyd Grant

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: July 27, 2012
TO: Michael Mayo, Sr., Chairperson, Transportation, Public Works & Transit Committee
FROM: Frank Busalacchi, Director, Department of Transportation
SUBJECT: Review of the Use of Paper Transfers on MCTS Buses

POLICY

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

BACKGROUND

Transfers are used throughout the transit industry to allow passengers to move between bus routes in the system. This gives riders flexibility to reach locations that are not provided by a direct connection. Paper slips (paper transfers) have been used as a form of fare media in Milwaukee County for nearly 100 years. These paper slips are issued by bus drivers to transit customers who pay their fare with cash or a prepaid ticket and need to transfer to other bus routes to reach their destinations. The paper slip allows customers free transfer between buses for up to 79 minutes from the time of issuance.

MCTS is presently in the post-award design phase of procuring a new automated fare collection system which will support the use of contactless smart cards. The advanced smart card technology will allow MCTS to phase out paper transfer slips. For those customers using a transit smart card, the farebox will automatically deduct the prepaid fare and simultaneously add transfer time to the smart card. Upon boarding another bus during the transfer time period, the new farebox will automatically recognize the boarding as a valid transfer.

MCTS undertook a review to ascertain whether it is feasible to discontinue the use of paper slips before the automated fare collection system is operational. Alternatives reviewed included a paper day pass and a reduced fare structure. This informational report summarizes the outcome of that review.

One Day Pass Alternative

One day passes have been implemented by some transit systems as a replacement for paper transfers. A one day pass is a prepaid fare form that is valid for unlimited rides on buses until the end of the service day. Consideration was given to selling the existing paper transfer slips at established sales outlets which would effectively discontinue distribution of the paper slips onboard buses by bus drivers. This was determined to be a non-viable alternative largely due to

heightened exposure to potential fraud and lost revenue. Another alternative considered for a day pass was to print a one day pass similar to the existing weekly pass. Printing costs were estimated to triple in order to add adequate security features that are not necessary with the existing time limited paper transfer slips. Added cost of handling the date specific (all day) pass including increased administrative expenses for audit and reconciliation of sales accounts and changes in accounting procedures was another drawback particularly given the investment that would be made for the relatively short period of time that the paper day pass would actually be in use.

Reduced Fare Structure

While some transit systems have implemented a one day pass as a replacement for the paper transfer slips, other transit systems have considered eliminating paper transfers in favor of a significantly lower fare structure. We recognize that eliminating paper transfers removes some administrative and operational issues and reduces fare disputes and fare evasion, but it can also result in substantial loss of revenue and ridership. Furthermore, depending on pricing strategies and the extent of passenger transfer activity, eliminating paper transfers can result in a major fare increase for those riders making more than one transfer to reach their destination. For these reasons, as described in Transit Cooperative Research Program (TCRP) Report 94 titled "Fare Policies, Structures and Technologies: Update," dated 2003, page 17, very few, if any, transit agencies have opted to such an approach.

Our analysis revealed that a reduced fare structure, which applies to cash, ticket and other fare forms, yields an increase in ridership and a substantial decrease in revenue needed to operate the transit system:

<u>Cash</u>	<u>Ticket</u>	<u>Ridership Gain (Loss)</u>	<u>Revenue Gain (Loss)</u>
\$2.25	\$1.75	n/a	n/a
\$2.00	\$1.55	(1,179,000)	\$ 1,936,000
\$1.75	\$1.40	1,181,000	(\$ 1,315,000)
\$1.50	\$1.25	2,552,000	(\$ 5,311,000)
\$1.25	\$1.00	4,686,000	(\$ 9,774,000)
\$1.00	\$0.75	5,399,000	(\$11,634,000)

Revenue losses shown above account for a decrease in fares paid by paratransit customers which by federal rule cannot exceed twice the fixed route fare. While some revenue loss would be expected to be offset by reduced fare evasion, other operating expenses will increase to accommodate the increase in ridership (a need for more buses) or MCTS will not be able to meet service demand (crowded buses, passing up of customers due to overcrowding and lack of service).

Further analysis required by recipients of federal funding was also conducted. The Federal Transit Administration requires that proposed changes in fares be analyzed to determine if the

changes will have a discriminatory impact on low income or minority groups. We determined that a reduced fare structure would have a disproportionately high and adverse effect on those riders. For example, low income riders at MCTS pay their fare with cash at a higher rate (46%) than other riders (40%). For these riders, the cost of a two-bus trip using cash and a reduced fare of \$1.75 per trip would increase their cost from \$2.25 per trip to \$3.50 per trip, or a 56% increase. Similarly, the half fare for a senior is \$1.10 today with a free paper transfer slip for 79 minutes. Even if the cash fare were to be reduced to \$1.75 and the half fare to \$0.85, a two-bus trip using cash would increase the cost of the trip from \$1.10 to \$1.70, or a 55% increase. We estimate that about 19,000 rides per day would be impacted by elimination of paper transfer slips, even with a reduced fare. In addition, intergovernmental agreements with other counties and transit providers would be impacted. Unfortunately, MCTS will not have the ability to mitigate or avoid these adverse effects until the changeover to the automated fare collection system occurs.

Findings and Summary

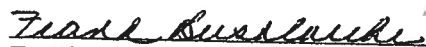
At this particular moment in time, a one day pass or reduced fare would solve some problems associated with fare disputes, but also create other challenges. In view of the potential harm to customers who heavily rely on the transit system, and very high potential for increased operating costs and lost revenue, elimination of paper slips for free transfer between buses is not recommended until a viable alternative by way of smart card technology is available.

RECOMMENDATION

This report is informational only unless otherwise directed by the Committee.

Prepared by: Lloyd Grant, Jr., Managing Director, MCTS

Approved by:



Frank Busalacchi
Director, Department of Transportation

cc: Chris Abele, Milwaukee County Executive
Marina Dimitrijevic, Chairwoman, County Board of Supervisors
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Amber Moreen, Chief of Staff, Milwaukee County Executive Office
John Zapfel, Deputy Chief of Staff, Milwaukee County Executive Office
Pat Farley, Director, Department of Administrative Services
Craig Kammholz, Fiscal and Budget Administrator, Department of Administrative Services
James Martin, Fiscal and Budget Analyst, Department of Administrative Services
Brian Dranzik, Director of Administration, Department of Transportation

SUMMARY

A contract amendment to HSS Inc., security guard services to increase the contract expenditure authority to cover increased expenses of \$800,000. Increase caused by services for the Business Park, Capital Projects, and the Shell pipeline leak

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