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*COALITION FOR SMARTER GROWTH***

April 27, 2010

Board of Directors
Washington Metropolitan Area Transit Authority
600 5th Street, NW
Washington, DC 20001

Re: Improving Structure of Proposed FY 2011 Fare Increases

Dear Member of Metro's Board of Directors:

As the Board moves to final consideration of the FY2011 operating budget, we want to draw your attention to one matter that has not received sufficient thought on the part of the General Manager and the Board—the structure of the proposed fare and fee increases. We are appreciative that the Board of Directors elected to go to public hearing with a very broad set of fare policy options for comment and, as a result, the Board now has discretion to adopt the most innovative fare policy proposals. We are disappointed, though, that, while the General Manager's budget proposal does include a few policy innovations, it falls far short of potential and instead follows the politically expedient approach of across-the-board fare increases, which will lead to far greater ridership losses than other approaches to raise the same amount of revenue from riders. We thus urge the Board to improve upon the General Manager's proposal in ways described by this letter.

Fare policy innovations are needed to help achieve the following objectives:

- (1) maximize the number of transit trips for each dollar of operating assistance;
- (2) maximize use of existing capacity;
- (3) collect revenue efficiently (e.g., increase SmarTrip use to reduce system costs and operational delays); and
- (4) maintain jurisdictional and social equity.

Following these principles, we believe that there are places where it makes sense to go first for increased revenues from riders, where the impacts would be less harmful than other revenue-raising alternatives, and even in some cases provide system benefits. Conversely, tapping some other potential revenue sources from riders should be avoided, such as where heavy ridership losses per dollar raised would result at times when the system has plenty of capacity. Maximum revenues should be secured through mechanisms that cause the least harm before other sources of revenues are considered.

We are especially pleased that, at the Board's request, Metro staff provided revenue estimates for a range of measures that we and others suggested be analyzed. As apparent from Metro's

analysis, some of the General Manager's proposed fare increases would lead to substantially greater ridership losses per dollar raised than others.

Partially driven by Metro's evaluation, we have come to the conclusion that to encourage better utilization of existing rolling stock, and in recognition of the fact that more than 40% of peak-period riders are Federal employees whose commutes are paid for by the Federal government, the following fare and fee increases—which are modifications of or additions to the General Manager's proposal—are worthy of our explicit endorsement:

- replace the General Manager's proposed \$0.10 peak-of-the-peak surcharge on all rail trips with a \$0.50 peak-of-the-peak surcharge, but only for rail trips that traverse the congested core, so as to better spread ridership throughout the peak ridership period;
- impose a new peak-of-the-peak bus surcharge of \$0.25 during the time that the peak-of-the-peak rail surcharge is also imposed, so as not to induce riders to shift from rail to bus and also to spread peak bus ridership (note: the bus peak-of-the-peak surcharge should be erased for trips entailing both bus and rail by raising the transfer discount by \$0.25 during the peak-of-the-peak time);
- instead of merely maintaining the very small \$0.10 cash-payment surcharge for bus patrons, as proposed by the General Manager, the cash/SmarTrip price differential should be maximized to discourage cash payment and to significantly speed boardings; and
- rather than increasing parking charges across the board by \$0.50 per day and by \$5 for Monthly Reserved Parking permits, price increases should be concentrated at stations where daily lots fill and waiting lists exist for Monthly Reserved Parking (e.g., a \$1.15 daily increase would be appropriate at parking lots that Metro's data show are 100% or more "used," \$0.50 where utilization rates are between 85 and 100%, and no increase otherwise; similarly, the price of Monthly Reserved Parking permits should increase by \$10 where there are waiting lists, but otherwise not increase).

Additionally, we endorse the following:

- scale back the proposed \$4 flat fare for Metrorail use after midnight to instead apply the "regular" peak fare (as per the original General Manager Catoe proposal), as the high flat fare would be a strong disincentive for close-in riders to use Metrorail for short-distance trips when there is both plenty of system capacity and cab service available.

When imposing additional charges for the purpose of improving system efficiency, it is important that great care be used in designing the structure of charges, as suggested above. This would enable Metro to truthfully tell the public that such new charges, by encouraging behavioral changes in the limited instances where they would lead to measurable operational improvements, are bettering the system for everyone while reducing system costs. The above recommendations are designed specifically for this purpose.

In addition to the modifications and additions that we recommend above, we believe the following fare increases proposed by the General Manger should be enacted as proposed:

- surcharges on using paper fare cards for rail to increase revenues coming from occasional riders and also to expedite the transition away from paper fare cards which would offer some long-term savings on equipment purchase and maintenance costs;
- the reduction of the allowable transfer period from three to two hours (\to minimize the number of single-fare roundtrip bus rides));
- increasing airport bus fares since alternative airport transportation would still be more expensive; and
- various proposed changes to MetroAccess fares.

Conversely, we believe that off-peak fare increases, for rail and bus, should be kept to a minimum, below the levels proposed by the General Manager, as the magnitude of the proposed increases would result in substantial ridership losses per dollar raised during times when there is excess system capacity. Substantially increasing off-peak bus fares, in particular, would hit some of Metro's poorest riders the hardest.

Thank you again for providing the public this very timely opportunity to express our views on how best to structure Metro's fare and fee increases for FY2011. We look forward to continuing to work closely with Metro's Board and staff to together provide the best system possible for riders and the communities in which we live, work, and shop.

Sincerely,

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