

# Appendix C: Fare Increase Analysis





October 17, 2007

To: Transit Division Managers

From: Chris Martinez, Contract Analyst

**SUBJECT: Ticket Fare Increase Analysis**

This memo is to summarize an analysis performed on Mountain Metropolitan Transit's (MMT) current ticket fare structure. The analysis will show the affect of a \$0.25 increase in the Basic Fare and its price affects on the rest of the fares. The analysis will also compare MMT's fare structure with other transit agencies of equal size or fare structure. A revenue calculation will reveal the amount of revenue that would be hypothetically collected based on ticket sales for through October 10, 2007. Finally, a recommendation with justification will be made based on the information presented.

**Fare Modification Based on \$0.25 Increase Using Current Fare Structure**

Attachment #1 provides a side-by-side comparison of MMT's current fare structure and the price affect of a \$0.25 increase. Under the current structure, with the exception of the Express Fares, all other fares are calculated based on the Basic Fare of \$1.25. The calculation of each fare is summarized under "Price Determination". The only pass that did not have a direct calculation was the 31-Day Ticket w/Zone pass as the price was determined by simply adding \$10 to the cost of the 31-Day pass.

A \$0.25 increase in the Base Fare represents a 20% increase in the overall price. The table on the right displays the result of the increase into the Basic Fare and its price affects on the fares. To follow suit, 20% was added to the Express Fare and the appropriate price calculations based on the current structure were performed. All prices have been rounded up. The cost difference between the current prices and the affects of the \$0.25 increase are shown under "Cost Difference". In summary, all fares are increased by 20% as a result of the proposed \$0.25 increase.

**MMT Fare Structure Evaluation to Comparable Transit Agencies**

In this portion of the analysis, MMT's fare structure was measured up against the following transit agencies: RTD, Nashville MTA, San Joaquin RTA, Grand Rapids, MI and Charlotte, NC. These agencies were selected based on the size of the agency, fleet, employees, and similar fare structures. A quick summary is given in regards to specific findings of each transit agency comparison.

***RTD: Denver, CO:***

- Basic Fare and Discounted Fare for seniors, ADA, Express and Discounted Express Fares are calculated the same as MMT.
- Student fare is 50% of Basic Fare (\$0.75) ages 6-19. No Child Fare

- Offers a 10 Ride Ticket at \$13.50 which would be \$30 if it were a 22 Ride like MMT's, so price is equal.
- Calculated its 10 Ride Tickets for seniors, ADA, and Students by simply multiplying discounted fares by 10 rides (\$7.50) with no additional discounts.
- Monthly Fare Pass is calculated by simply multiplying basic fare by 36 rides (\$54)
- RTD offers a 10% discount on its 10 Ride Express Tickets
- Monthly Express Pass is calculated by multiplying 36 rides by the basic fare (\$99)

#### ***Nashville MTA:***

- Basic Fare is \$1.25. Senior, ADA fares are 50% of basic fare (\$0.60).
- No Student pass. Youth Fare (5-19) is \$0.70.
- In comparison, the 20 Ride Pass price is equal to MMT's 22 Ride Pass.
- Offers only a 5% discount on a 20 Ride pass for Seniors, ADA
- Calculates its Monthly Fare Pass by multiplying basic fare by 48 rides (\$54)
- Express Fare is \$1.75 and only offers a 20 Ride Express Pass by multiplying 20 rides by the Express fare (\$34.75)

#### ***San Joaquin RTA :***

- Basic Fare is \$1.25. Senior, ADA fares are 50% of basic fare (\$0.60).
- Student Fare (5-College) is \$1.00.
- Child under 4 is no charge. If there are more than 3 children with one paying adult, then \$1 per additional child.
- 10 Ride ticket for Adults, Students, and seniors are calculated by multiplying 10 rides by the appropriate fare, no additional discounts.
- 31 Day Fare Pass is calculated by multiplying 40 rides by the basic fare (\$50)
- Only Express Fare of \$1.60 is available.

#### ***Charlotte, NC:***

- Basic Fare is \$1.30. Senior, ADA, and Student (1-High School), and children 12 & Under fares are 50% of basic fare (\$0.65).
- 10 Ride Ticket offers a 15% discount of Basic Fare, but not additional discount for 10 Ride Senior,ADA.
- 31 Day Fare Pass is calculated by multiplying 40 rides by the basic fare (\$52)
- Express Fare is \$1.75 with discounted fare at 50% discount (\$0.85)
- 10 Ride Express offers a 15% discount
- Monthly Express Pass is calculated by multiplying 40 rides by the express fare (\$70)

#### **Findings:**

In this analysis, there were a couple of structures that were consistent between agencies:

- A. Senior, Medicare, ADA, Student, and Child fares were consistently 50% of the basic fare. Following this methodology would eliminate three passes (Student, Child, and 22 Ride Student).
- B. MMT calculates its 22 ride and 31 day pass based on rides and a discount. Most agencies don't offer a discount. They essentially calculate the number of rides a rider will take and multiply it by the basic fare. For example, there are essentially 20 business days in a month. If the rider uses a pass to work and back, that translates to 40 rides a month. Other agencies use this calculation to offer their Monthly pass by multiplying 40 rides by the basic fare. The true can be said by offering a 10 Ride Pass as this would translate to a One Week Pass. Discounts averaging 10% were found in the 10 and 20 Ride passes.

**Recommendation:**

Based on the information presented, the following options are presented:

- I. The "Clean & Simple" – Maintain the current fare structure, increase the basic fare by \$.25 and let the other fare prices follow suit.
- II. If MMT is to ultimately reduce the number of tickets, it would be wise to make the Student, Child, and Senior-ADA passes the same price. In addition, the monthly pass should be calculated based on rides, not number of days in a month. The same can be applied to the Express Monthly pass. Attachment #6 is a representation of a new ticket structure that would help MMT transition into 2008, but prepare the structure for future change if it wants to eliminate the number of passes.

**Revenue Collection:**

Under the current fare structure, MMT has collected \$845,893 in recorded revenue as of October 10, 2007 (Bus Sales by Category Spreadsheet). By implementing a \$0.25 increase, holding all sales the same, recorded revenue would be \$1,017,900. The increase would have, hypothetically, increased revenue by \$172,007.

By implementing a \$0.25 increase and slightly modifying the fare structure, holding all sales the same, recorded revenue would be \$1,195,860. This option would, hypothetically, increase revenue by \$349,967.

**Past MMT Fare Structure**

<i>Basic Fare Information</i>	<b>Price</b>
Basic Fare	\$ 1.25
Basic Fare for Senior, medicare, disabled	\$ 0.60
Basic Fare with Zone Fare	\$ 2.10
Student Fare - Ages 12 - High School	\$ 0.95
Child Fare	\$ 0.60
22 Ride Adult ticket	\$ 25.00
22 Ride Student ticket	\$ 18.75
22 Ride Child, Senior, Medicare, Disabled ticket	\$ 12.00
31 Day Pass	\$ 35.00
31 Day Ticket w/Zone Pass	\$ 45.00

<i>Express Fare Information</i>	<b>Price</b>
Express Fare	\$ 2.00
Discounted Express Fare (Snrs, Medicare, ADA)	\$ 1.00
22 Ride Express ticket	\$ 40.00
31 Day Express ticket	\$ 50.00

**Current MMT Fare Structure**

<i>Basic Fare Information</i>	<b>Price</b>
Basic Fare	\$ 1.50
Basic Fare for Senior, medicare, disabled	\$ 0.75
Eliminated Zone Fare	
Student Fare - Ages 12 - High School	\$ 0.75
Child Fare	\$ 0.75
22 Ride Adult ticket	\$ 30.00
22 Ride Student ticket	\$ 15.00
22 Ride Child, Senior, Medicare, Disabled ticket	\$ 15.00
31 Day Pass	\$ 54.00
Eliminated Zone Fare	

<i>Express Fare Information</i>	<b>Price</b>
Express Fare	\$ 2.50
Discounted Express Fare (Snrs, Medicare, ADA, Students)	\$ 1.25
22 Ride Express ticket	\$ 50.00
31 Day Express ticket	\$ 62.00