

MBTA

Remarks (as prepared for delivery) for January 3, 2012 Presentation to

MBTA Board Finance Sub-committee

Charles Planck – Senior Director, Strategic Initiatives

Good morning Mr. Chairman, members of the committee, I am here to provide an overview of the proposed fare and service changes contained in the full report you have received in your materials.

The MBTA is presenting today two proposals for significant fare increases, coupled with significant service reductions. It is our hope that in presenting this information, we can ask you the Board and ask our public to join the discussion about how the MBTA's services should look in the future. It is not our wish to reduce transportation options for any customers but it is our responsibility to present a balanced budget. In light of our increasing operating costs we are faced with choices about the service we will provide in the next fiscal year and with public input on the proposals we are presenting, we hope to reach the best outcome for the most people.

The MBTA is facing a critical budget deficit for fiscal year 2013, projected at \$185m. Since the implementation of the Forward Funding legislation in 2000, MBTA management has made continuous progress in implementing administrative and operating efficiencies in order to deliver more cost-effective service. In fact, for the coming fiscal year, management has already identified \$24m in savings that will occur in FY2013. Were it not for those actions, the proposed fare increases and service reductions would have been even deeper than what we are presenting today. To address the remaining \$161m deficit, the MBTA has prepared two proposals to increase fares and eliminate or reduce the most expensive services we provide in order to be able to meet our statutory requirement to submit a balanced budget this coming spring.

It is important to be clear that these are proposals only and that the MBTA is going to conduct a full public process with at least 20 public meetings to receive public comment on the proposals. No decisions have been made at this point regarding future fare or service levels.

Slide 2: This slide presents an overview of key facts for the two alternate proposals. I will provide additional detail on our approach and methods later in the presentation.

The overall fare increase proposed is 43% in scenario 1 and 35% in scenario 2. (Both scenarios include both fare increases and service reductions, in different proportions.)

Each fare media type is proposed to be increased but the most basic fare, the cost of a single ride trip on the bus would increase from \$1.25 today to \$1.50 or \$1.75. The cost of a single trip on the subway would increase from \$1.70 today to \$2.25 or \$2.40.

In addition to the proposed fare increase alternatives, service reductions are proposed which would be spread across several modes including commuter rail, bus, light rail and ferry. RIDE service area territory would not be reduced but we propose to introduce a premium fare for service in any territory outside of the legally required service area.

The combined changes could impact from 9 to 17% of total annual MBTA ridership.

Slide 3: The MBTA has not raised fares since 2007. In that time, 22 of the 24 U.S. cities with urban rail service have raised fares; Baltimore and Boston are the two that have not had increases. In fact, many transit authorities across the country have also enacted service reductions in that time as the economy has suffered. The MBTA faced similar budget pressure in 2009 and considered a fare increase but through the receipt of additional funding from the state was able to continue to provide service without any changes. Nevertheless, in a continuous effort to keep costs down since 2009, the MBTA has worked with MassDOT to implement the transportation reform legislation and has also kept employee headcount below budgeted levels and implemented single person train operation on the Orange and soon, the Red Lines to reduce our operating costs. These measures have preserved existing service and prices longer than has been possible in other cities but for FY2103, we are faced with a decision on the future of our service.

Slide 4: Our planning for meeting the needs of the FY2013 budget began last summer and in the fall we began meeting with the MBTA Rider Oversight Committee and the Central Transportation Planning Staff to discuss alternative approaches. Numerous fare and service scenarios were presented and considered before these two scenarios were selected for full analysis. In each case we attempted to identify solutions that would impact the smallest number of customers while helping to address the budget deficit. The full CTPS report contains the estimated impact of each scenario to ridership, revenue, equity and emissions and will be available on the MBTA's website after tomorrow's MBTA board meeting.

Slide 5: This slide provides an indication of the MBTA's efforts to increase non-fare revenue sources. This slide includes revenues principally from advertising and real estate transactions. To reduce pressure on the operating budget, the MBTA will continue to aggressively pursue these and other non-fare revenue sources. Overall, non-fare income at the MBTA has grown by 43% since 2000, improving the T's ability to provide service.

Slides 6 , 7 and 8: Since 2007, the MBTA has continuously invested fare revenue and state and federal support to implement numerous service improvements. These improvements have increased capacity, improved reliability, expanded accessibility and introduced new technology for customers and operations staff alike.

The MBTA is proud of its record of improvements but we know we can do more. In 2012 and beyond, we expect to be introducing countdown clocks for subway arrivals, renovating Government Center Station, including accessibility improvements and continuing to make improvements to our key bus routes with available stimulus funding.

Slide 9: In preparing the alternative proposals, the MBTA considered both an all-fare solution to the \$161m deficit and an all-service reduction approach. We believe the neither of those extreme approaches is appropriate. An all-fare solution would require at least a 60% fare increase and the number of customers ultimately turned away by such prices would soon reduce the revenue gains from increased fares. Alternately, an all-service reduction solution would so dramatically affect the size of the MBTA's services that we would no longer resemble the mobility option we do today for 175 communities. The proposals ultimately selected for full analysis are thus a combination of fare increases and service reductions. While neither proposal is appealing to the MBTA or its customer population, the statutory budget requirement is pressing, and thus we present these alternatives for public comment and we intend to finalize a preferred approach after that public process. We recognize that these proposals will leave some of our current customers with no MBTA service in their area but we have attempted to retain the services that have highest utilization, thus protecting as many customers as we can.

Slide 10: In our development of the proposals, we employed several principles that are consistent with the MBTA's fare policy.

First, we have kept bus fares lower than subway fares.

Second, we have worked to retain the overall simplicity of fare structures that was achieved in 2007 with the introduction of the CharlieCard and CharlieTickets.

Third, we have continued to use price to incentivize the use of CharlieCard and monthly passes throughout the system. The reduced number of purchase transactions with these fare media lowers the T's administrative costs, and the tap feature of the Card and pass improves boarding time on buses and speeds customer passage at turnstiles. We have also preserved discounted and free transfers across modes.

The law provides that student and senior fares may be set at no more than 50% of the base fare. Today, the MBTA has several student and senior fare media that are priced at about 33% of the base fare. We have proposed increasing these fare media types to the full 50% of the base fare.

The law also provides that RIDE paratransit services are priced at no more than two times the base fare. Today the T has several RIDE prices that are priced below the 2x level and proposes increasing all RIDE fares to twice the base fare.

Finally, we are proposing the elimination of tokens as valid fare media. Since the 2007 conversion to the CharlieCard and CharlieTicket media, token use has declined to negligible numbers. Eliminating this fare media type will reduce the MBTA's administrative costs and further simplify the fare structure.

When considering service reductions we examined each route or service for its cost per passenger trip to the MBTA and considered each of the most expensive services we provide. In bus, for example, the cost per passenger trip to the MBTA above the fare revenue received is as high as \$10 per person on two routes (#355 and #500) and is over \$5 per passenger for at least 12 other routes. In contrast, the

most productive routes, in terms of cost to the MBTA per passenger are under one dollar per trip. Typically the most expensive routes to operate are those with the lowest ridership. In our proposals, these most cost-inefficient routes are eliminated, reducing the MBTA's operating costs while impacting the smallest possible number of customers.

In addition, the proposals spread the impact of service reductions across several modes of the system, including commuter rail, ferry, light rail and bus.

Slide 11: This slide provides more detail on the fare and service proposals. Because of different fare media types including single ride, weekly, monthly and CharlieCard vs. CharlieTicket prices, the actual increase for each mode and each media type varies somewhat.

The full report, available on mbta.com tomorrow, includes maps and detailed listings by route number of each service that is affected by these proposals.

Slide 12: The modeling process the MBTA uses to project the impacts to these changes produces an expected range of impacts to ridership and revenue. Shown on slide 12 are the projected high end of these impacts with scenario 1 reducing overall annual passenger trips by up to 13% and scenario 2 by up to 17%. In each case, the projected increase in fare revenue and the projected reduction in operating costs allows the MBTA to meet its legal requirement to submit a balanced budget.

Slide 13 provides an illustration of the impact of the proposals to our bus passengers. In this example, for scenario 1 we are proposing to eliminate 26% of our existing bus route miles, but because the selected routes have very low ridership, we are able to protect 98% of today's bus system customers and retain their service.

Slide 14: In scenario 2, because it is coupled with a lower fare increase, we proposed eliminating a greater number of services. In this case, the proposal includes a much more dramatic reduction, with the elimination of a full 78% of bus route miles. Again, because we are protecting the most heavily utilized bus routes, even with this reduction, 76% of our bus system passengers retain their service as it is today. The MBTA does not want to leave any of our customers without a travel option but we believe that given the operating cost pressures we are facing that these proposals protect as many of our customers as possible.

Slide 15: For the MBTA's RIDE paratransit service we are not proposing any reduction in service but rather introducing a new fare structure and what we have called a premium service fare territory. The MBTA is legally required to provide RIDE service within 0.75 miles of our fixed route bus service. Today the MBTA typically provides RIDE service beyond this defined area and throughout the entirety any community where we have fixed route service. This greatly expands today's RIDE service territory and operating costs. For RIDE service the cost per passenger trip to the MBTA, above the fare revenue received, is nearly \$40 per trip, far above the cost of any other service. The proposals presented here first increase the RIDE fare to twice the base fare as allowed by law and introduce a premium fare for any customer outside the legally defined service area. Thus, today's RIDE passengers will still have the opportunity to receive the same service while the new fare structure will help defray one of the fastest

growing cost areas in our operation. In scenario 1, our 2011 data indicate that 92% of our RIDE customers were within the proposed base fare area and will not be subject to the premium fare. In scenario 2, 72% of our customers will not be subject to the premium fare. These changes to a more closely defined service area and the introduction of a premium fare are consistent with paratransit services in many other cities across the country and we believe that while the increases are necessary, they are applied in a manner that affects as few people as possible.

Slide 16: This chart provides an overview of the projected ridership impact to each mode from the proposed service reductions. In each case we have attempted to protect as many of our customers as possible from the impact of the proposed service reductions.

Slide 17: This slide provides additional information regarding other proposed fare structure changes. Each of these changes is designed to improve boarding times, reduce time spent on customer transactions and reduce the MBTA's administrative costs. Additionally, we are proposing to bring student and senior fares up from 33% to the legal limit of 50% of the base fare. Finally, we are proposing several changes to commuter rail tickets to reduce fare evasion, encourage reverse commute ridership and reduce the number of on-board cash sales.

Slide 18: It is important to be clear that the MBTA started this process by considering a wide range of potential actions. This slide provides information on several possible individual options, some of which we have included in our proposals. The choices here give you and our customers the opportunity to look at different responses and understand their impact to the system. It is important to note that while the 60% fare solution appears to work on paper, we do not think this is a viable proposal because indications are the high fare price would turn away so many customers that the revenue gains indicated would not be realized. We hope this information and other information we will post on our website will help enable a thorough public discussion about how to shape the future of the MBTA's services.

Slide 19: Our next steps are threefold. First, MBTA management, working with MassDOT, will continue to aggressively identify and implement operating and administrative efficiencies to allow us to deliver as much service as possible with the available funding. We are not resting on our accomplishments in this regard.

Second, our information efforts begin today with this briefing and expand tomorrow when we will post full information on the proposals on our web site. That information will include details on every fare media type, descriptions of the affected service and our assessment of the impact of these proposals to ridership, revenue, equity for environmental justice communities and air quality. We will also provide comparative information on the proposed fares and how they look with regard to fare prices in other comparable cities. Even under these proposed increases, Boston transit service will be priced below that of many other cities.

Third, our outreach will make information available to our customers, legislators, the MBTA Advisory Board and interest groups throughout the region. We encourage everyone to join the discussion by attending any of our 20 public meetings or by writing to us through email or regular mail. At those public meetings and hearings, we will provide detailed information about the proposals and take

comment and input so we can move forward with the best decision for the MBTA and for our customers.

Slide 20: Finally, a word about the proposed calendar going forward. Beginning this month we will engage the public for input and prepare for the Board a full summary of the comments we receive. Staff will prepare a final recommendation to the Board for March and request a vote of approval at the April board meeting with the final proposal going into effect for July first, the start of the new fiscal year.

While we fully understand that any fare increase or service reduction will create a hardship for some of our customers, we have worked to identify solutions that impact the fewest number of our passengers but that still allow the MBTA to operate effectively and meet the core transportation needs of our region. We look forward to a thorough discussion of these alternatives with you and with the public to arrive at the best possible solution. Thank you.