



**August 21, 2017**

**To:** Members of the Board of Directors  
**From:** Jennifer L. Bergener, Managing Director  
**Subject:** Fare Policy Restructuring – Implementation

### **Overview**

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency has concluded a restructuring of the Pacific Surfliner fares to address the inconsistencies that exist in the current pricing and discount methodologies. Staff has finalized the revised fare tables and worked with Amtrak to model the impacts of the proposed fare restructuring. The revised fare tables as well as an overview of the modeling results and implementation plan are presented for Board of Directors review and approval.

### **Recommendations**

- A. Review and approve the proposed fare tables developed as part of the 2017 Pacific Surfliner fare restructuring effort.
- B. Direct staff to begin a 60-day public outreach campaign regarding the proposed fare restructuring, and to return to the Board of Directors with a summary of comments received.

### **Background**

The current fare structure for the Pacific Surfliner has remained largely unchanged since 2013 when a 2 percent increase to the base fare was implemented. Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) staff completed an analysis of the current fare structure and identified areas of inconsistent pricing and discount methodologies that merited adjustment. The principles that guided the restructuring effort were approved by the LOSSAN Board of Directors (Board) on September 19, 2016. On January 30, 2017, the Board subsequently approved the basic fare assumptions and directed staff to return with finalized fare tables.

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***Discussion***

The revised fare structure is based on the Board-approved assumptions below, and was developed in coordination with Amtrak subject-matter experts with extensive experience in this process. The basic assumptions on which the revised fare structure is built are as follows:

- Fares are developed using a consistent distance-based formula, with the cost per mile of travel decreasing as the distance increases.
- Base fares will be calculated and then rounded to the nearest five cents. Currently, base fares are rounded to the nearest whole dollar.
- Discounts for 10-trip tickets are consistent across all station pairs at a static 40 percent. A proposal to limit the use of the 10-trip ticket to a single named passenger, with the period of use being extended to 60 days, is included.
- Monthly pass fares are calculated based on the current zone-based fare structure with minor modifications. Monthly passes on the north end of the LOSSAN rail corridor (station pairs between San Luis Obispo and Camarillo) are calculated based on the single ride base fare multiplied by a factor of 11. Monthly passes for station pairs on the south end of the LOSSAN rail corridor (station pairs between Moorpark and San Diego) are calculated based on a factor of 18, which is in line with Amtrak national practice. This includes where station pairs overlap with Metrolink service. Additionally, in an effort to incentivize travel between underutilized station pairs, the reduced zone for the north end of the corridor was extended further south to include the Camarillo station, whereas previously it stopped in Oxnard.

Utilizing these assumptions, staff has developed the revised fare tables as shown in Attachment A. The fare tables show the revised fare for each station pair under the proposed restructuring. Also included in the table with each fare is the net increase or decrease (in dollars) of the proposal over the current fares.

**Aggregate Impact to Fares**

As previously discussed with the Board, the process undertaken has been an adjustment to the methodology for the calculation of fares, as well as standardization of the discounts offered. What has been accomplished is a normalization, as some fares within each fare type increased while others decreased. The proposed restructuring does not result in an across-the-board fare increase. The percentage change indicated for each of the fare types below

represent the aggregate impact when all adjustments (both plus and minus) are accounted for.

Base fares: Base single-ride fares will increase by approximately 1.76 percent. This is in line with the previously Board-approved guiding principles and basic assumptions which indicated that the aggregate increase to base fares should be no more than 2 percent.

10-Trip tickets: The impact to 10-trip tickets is slightly more significant as this fare type sees a 2.76 percent increase in aggregate. This is primarily due to decreasing the disproportionate discounts previously offered on some station pairs. The inconsistent discounts offered on the 10-Trip ticket fares were one of the first areas of concern raised during staff's analysis of the fare structure. Previous discounts ranged from 18 to 56 percent depending on the origin station. Now a standard 40 percent discount is applied. This does result in a slight aggregated increase, but the standard discount used still exceeds Amtrak's national standard of 30 percent. The reduction to a standard 30 percent discount will be phased in over multiple years to lessen the impact to Pacific Surfliner passengers.

Monthly Passes: Monthly passes see an aggregate *decrease* of 1.48 percent. Efforts were made to incentivize monthly pass usage on both the northern portion of the corridor as well as the longer distance station pairs.

### Modeling Results

As part of the development of the revised fare structure, LOSSAN Agency staff worked with staff in Amtrak's demand forecasting department to model the proposed adjustments. Based on this effort, Amtrak estimates that the proposed modifications would result in a loss of approximately 30,000 riders (from a forecasted 3.12 million) and would increase annual revenue by 1 percent.

### Public Outreach Effort

Although the Pacific Surfliner is not subject to the requirements of Title VI when it comes to the implementation of fare adjustments, LOSSAN Agency staff intends to engage in a comprehensive public outreach campaign to educate and inform passengers and the public about the proposed fare adjustments. The goal is to foster an understanding of the overall goals of the restructuring efforts, as well as clearly show any possible impacts this will have on Pacific Surfliner riders. Efforts will be made to engage community members and allow them to voice their opinions and concerns.

Upon Board approval of the proposed fare tables, staff will begin a 60-day communication and outreach program. This effort will provide information online

and through various social media channels, as well as through printed materials at stations and onboard trains. Additional details regarding the key elements of this campaign can be found in Attachment B.

#### **Additional Considerations**

Additional modifications to existing discount programs are also proposed. The large group discount will increase from 15 to 20 percent. A previously discussed small group discount (groups of 5 or more) met with issues as the Amtrak ticketing system could not implement that type of discount structure. In an effort to provide incentives for small group travel, staff is working with Amtrak to develop targeted discounts, such as a reduced cost fifth ticket when four regularly priced tickets are purchased, or some other type of companion fare discount. As part of the public outreach process, staff will continue to engage our partners and member agencies for recommendations on ways to incentivize small group travel.

#### **Next Steps**

With Board approval of the revised fare tables, staff will begin the 60-day public outreach process to inform, educate, and seek the input of Pacific Surfliner riders and the public. Following the outreach period, staff will return to the Board with any significant findings as well as an implementation schedule for the restructuring, which is currently anticipated to occur during the first quarter of calendar year 2018.

***Summary***

Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency staff has developed a revised fare structure for the Pacific Surfliner service. The revised fare tables as well as an overview of the modeling results and implementation plan are presented for Board of Directors review and approval.

***Attachments***

- A. Pacific Surfliner 2017 Proposed Fare Structure
- B. Pacific Surfliner Fare Restructuring, Public Outreach Strategy

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