



## Statement on Proposed SEPTA Fare Tariffs

April 2017

The Delaware Valley Association of Rail Passengers supports the proposed FY 2018 SEPTA operating budget. While we do not oppose a fare increase in the coming year, we urge the SEPTA Board to reject proposed Tariffs 1, 112, 132, 154, and 155 and order the General Manager and his staff to honor the promises they made to the public when the New Payment Technology program, now “SEPTA Key,” was proposed.

While nobody likes a fare increase, 6 to 7 percent is in line with the general level of inflation, and the increase is reasonably balanced across the different modes and classes of fares. These routine, predictable fare increases are an important component of a stable fiscal strategy, which contributed to the confidence in SEPTA management that allowed bipartisan transportation funding legislation to be passed in Harrisburg.

This year, our attention is focused on the introduction of SEPTA Key, which is now in the late introductory stages. The SEPTA Key card is now available to the riding public without restriction, and thousands of people are already using SEPTA Key every day. What is left is to introduce the “open payments” component of the system (the ability to pay with a Mastercard or Visa card at the farebox), make SEPTA Key cards available at third-party vendors, allow passengers to link cell phones and other identification devices to a SEPTA Key account, and finally to phase out tokens and paper transfers.

At this point, fare policies and fees should reflect the final implementation of the SEPTA Key system, and not interim or test policies. Customers are now relying on the system as their primary means of fare payment, so “we’re working on it” is no longer an acceptable response when problems with fare policies are found. Also, the proposed tariffs are the tariffs that will govern the system once SEPTA Key is fully implemented, so anything that is missing from the tariffs now is in jeopardy of being lost forever.

We want riders, the SEPTA Board, our region’s elected officials, and the public to know that the tariffs being proposed today show that SEPTA is failing to deliver on many of the promises it made when it asked us to support and pay for the New Payment Technology program. SEPTA sold this quarter-billion dollar project as a modernization that would revolutionize fare payment and make the system easier to use both for everyday commuters and for occasional riders.

In the fare hearings four years ago, we were optimistic for the transit component of the New Payment Technology project, just as we were steadfastly opposed to the proposed plan for NPT on the railroad. We believed SEPTA when they said open payments component would make the system easier for occasional riders to use while the stored value card would obviate the need for exact change and standing in line. The stored value card is now here, and passengers are indeed reaping the benefits. But that was the easy part. If the goal was to replace tokens and exact change with a prepaid farecard, as well as starting the change away from paper tickets on the Railroad, SEPTA could have gotten that done years ago and for millions of dollars less, by purchasing a proven system like the ones used in Boston or Chicago.

But instead, SEPTA insisted on developing their own fare collection system, and convinced the Board to pay hundreds of millions of dollars for it even though there were scores of unanswered questions. Many of those questions still remain unanswered.

In discussions with stakeholders as NPT was being developed, SEPTA said that daily fares would be automatically capped at the one-day pass or Independence Pass level, and that once a passenger's weekly pay-per-ride fares reached the weekly pass rate, a weekly pass would automatically be loaded on the card. These provisions are not in place now, and they are not in the proposed tariffs.

We were told that the system would know when a debit or credit card was being used for a linked trip, so that the customer would be charged the transfer fare when making a transfer trip. But the tariffs make those customers pay the full base fare for every boarding.

Based on the SEPTA-stakeholder discussions four years ago, we accepted the principle of transaction fees for farebox payments made with a debit or credit card. We were told that the smart fare system would bundle those payments so a customer would only have to pay the fee once per day. But the tariffs apply a surcharge to every farebox transaction made by debit or credit.

The critical component of NPT that makes the benefits possible is a smart and thoughtfully-programmed back-end data management system that would be able to track usage of a card and automatically apply the most advantageous fare to each trip. We do not see any plausible explanation for SEPTA's sudden inability to use this data to the customers' advantage. We do not claim this is risk-free; bundling credit card transactions would bring a small risk that a card could be valid at the beginning of the day but not at the end of the day, but this was seen as a very small risk offset by a much larger benefit in passenger convenience and reduced total transaction costs.

We were told that the conversion of zone fares to a flat surcharge on Routes 124, 125, 150, and the Norristown High-Speed Line was necessary to make NPT work on those routes. We were told that this would be easier for the customers. We disagreed in 2013, and warned SEPTA that the surcharges would lead to disputes and ill will. We were right and SEPTA was wrong. The introduction of the surcharges was marked by arguments and even some physical altercations (which are inexcusable). Then in December, once the stored value feature of SEPTA Key was activated for public use, SEPTA was either unable or unwilling to make it work in conjunction with a weekly or monthly transit pass. As a result, they did away with the surcharge, so the fare for a trip to Gulph Mills is the same as the fare for a trip to Queen Village. The problem was so urgent that they couldn't wait six months for these new tariffs to make the change. The problem was so serious that SEPTA was willing to give up revenue in order to sweep the problem under the rug.

Now, as we scrutinize the proposed tariffs, we see further evidence of problems in this area. Notice that Tariff 154 eliminates the \$1.00 senior citizen fare once the turnstiles are switched on and SEPTA Key becomes fully operational on the railroad.

This, Mr. Hearing Examiner, is the dog that didn't bark. If SEPTA was making senior travel free for the sake of making senior travel free, they wouldn't have to wait for the turnstiles, they'd offer free rides starting in July; and they'd be shouting the news to the press and the public instead of hiding it in the details of a tariff where only DVARP would find it. SEPTA has not said whether Lottery Fund reimbursements will cover this lost revenue or whether it will have to come out of the pockets of other farepayers.

This could get worse. It appears that the fundamental problem is that SEPTA can't figure out how to make a card work as both a pass and a stored value wallet for payment of fare supplements. If this is the reason the 124/125/NHSL surcharges had to be abolished and senior citizen rail trips will be free, there won't be a way for TrailPass users to pay for travel beyond the zone of their pass. Will this force SEPTA to abolish zone fares on the Railroad the way they had

to on the 124 and 125? If so, what will this do to revenue, and to ridership on the in-city rail routes once fares have to be flattened?

While we have already shown you enough evidence that the tariffs should be rejected, SEPTA has failed to address many of our criticisms and concerns from the last fare hearings and from previous budget hearings, even though they have had years to do so. We continue to hold the following positions on the fare structure and on the implementation of SEPTA Key:

- SEPTA continues to stonewall the public when it comes to explaining what Regional Rail customers will have to do once SEPTA Key is activated on the RRD. At present, rail riders need only to keep their passes visible for inspection, or put their tickets out for collection. Will every rider now have to hand over his or her Key card to the conductor so it can be validated? Or worse yet, hand over a Mastercard or Visa card, a school or work ID, or a cell phone? How is this going to do anything other than make travel more inconvenient?
- We oppose the continued flattening of SEPTA's fare structure, through elimination of transit fare zones and reducing the number of railroad fare zones. We don't deny that they make the system more convenient to manage, but they hurt the economic efficiency of the fare structure and make SEPTA fares more inequitable.
- We oppose SEPTA's current transfer policy, which penalizes riders who do not have a direct SEPTA route available for their trip and promotes inefficient use of the system. Even though it is cheaper to provide the trunk haul of a transit trip on the Subway or El, SEPTA's transfer policy encourages passengers to stay on the less efficient bus routes and make them even less efficient. Even SEPTA has acknowledged this point in past editions of the Annual Service Plan.
- We continue to support a compromise plan of charging \$1.00 (in lieu of a zone fare) for transfers made at or outside a cordon roughly corresponding with Margaret-Orthodox and Frankford Stations, Olney and Fern Rock, Chestnut Hill, 69th Street Terminal, and Pattison/AT&T stations. Within that cordon, in inner-city Philadelphia, transit transfers should be free when passengers use a SEPTA Key or compatible debit/credit card and not cash.
- We will support abolition of paper transfers and charging cash customers the full base fare for every unlinked trip if and when Key cards become widely available and SEPTA allows credit and debit card users the same free and reduced-price transfer rates that SEPTA Key users get.
- We continue to call on SEPTA to make a simple intermodal fare available to all riders making a trip that uses both Regional Rail and transit lines. Transit trips connecting to or from Regional Rail should cost \$1.00 when payment is made with a SEPTA Key or compatible debit/credit card and not cash. Furthermore, this intermodal discount should be offered to PATCO and NJ Transit riders once their respective fare payment systems gain the ability to communicate with SEPTA's system.
- We continue to recommend that SEPTA abolish monthly and weekly ride limits on passes for those customers who have properly registered their cards. The back-end system should be smart enough to identify when the pattern of use of a card is consistent with such improper uses as cloning a card, handing the pass back to a second rider, or selling swipes at a turnstile. In those instances, the card can be de-activated and the owner warned that such attempts at fare evasion are subject to prosecution.

No doubt, significant progress has been made in the last 12 months, but the SEPTA Key project is years behind schedule and millions over budget. While our members report that the system is working well for transit riders who used tokens or a weekly or monthly pass; those are just a fraction of SEPTA's total customer base.

As much as some customers like SEPTA Key, it is not without problems right now. The most serious immediate problem with SEPTA Key for transit passengers is the minimum \$10.00 "Travel Wallet" (stored value) reloading transaction. This minimum needs to be completely abolished, and abolished immediately. First, it is a hardship to persons who for reasons of low income or poor money management skills have a hard time gathering such a sum. Second, there will be times when the amount of value left on a card is not enough for the fare a passenger needs to pay. We will accept a modest fee to be charged if passengers make small reload transactions (less than \$3.00) using a credit or debit card, but cash reloads should never carry a fee, and should be available in increments as small as 5 cents.

DVARP opposes revised tariff 112, the tariff covering the PATCO joint fare. This tariff would completely abolish any fare discounts for intermodal SEPTA/PATCO travel instead of using the SEPTA Key to make travel more convenient and affordable for passengers. Worse yet, it would fail to give any discounts to PATCO Freedom Card users when transferring from one SEPTA route to another, even though the SEPTA Key system will have a record of the first trip, just as it will for riders using SEPTA's own card. And to add insult to injury, SEPTA will require Freedom Card users to pre-register and to have a minimum stored value balance of 20 dollars just to take a single ride on SEPTA!

SEPTA blames PATCO for this stipulation, but it just demonstrates a failure of back-end integration and an unwillingness to accept even the slightest risk in the interest of customer service. We oppose abolishing the paper round-trip and return-trip transfer tickets until such time as SEPTA and PATCO can come up with a solution that won't worsen things for their intermodal customers.

Throughout the rollout of the NPT system, complete and easy-to-understand information about it has been virtually impossible to get. SEPTA does not have any public documents telling just what customers will pay for various combinations of trips using different payment options, like a trip from Oxford Circle to City Hall and back using a debit Visa card. We cannot tell you whether this is intended to leave critics in the dark and unable to mount effective opposition to SEPTA's new fees and surcharges, or whether they truly haven't figured everything out yet.

Instead, it's been left to DVARP to sift through the tariffs and provide you, Mr. Hearing Examiner, and you the riding public with the full story, free of self-serving spin and obfuscation. For this reason alone, you should recommend the rejection of these tariffs.