STAFF REPORT

TO: Operations Committee
AC Transit Board of Directors

FROM: David J. Armijo, General Manager

SUBJECT: Clipper Outreach Efforts & Usage

BRIEFING ITEM

RECOMMENDED ACTION(S):
Consider receiving Quarterly Report on Clipper Outreach Activities and Usage.

EXECUTIVE SUMMARY:
This report covers the six-month period, July through December 2013; going forward, a quarterly update will be brought before the Board. The District continues to experience a steady increase in Clipper usage, as reflected in total number of tags and penetration rate. Several initiatives implemented in 2013 and planned for 2014 are directed toward improving Clipper participation throughout the region and improving Clipper availability through the retail network. The planning process for the next version of Clipper for 2019 is underway as a collaborative effort among the transit operators and MTC.

BUDGETARY/FISCAL IMPACT:
There is no budgetary or fiscal impact associated with this report.

BACKGROUND/RATIONALE:

Clipper Usage
Clipper usage on AC Transit continues to steadily increase, with the number of tags in 2013 having increased 15% over 2012. The AC Transit penetration rate also continues to improve, reaching the highest levels of 32.3%, 33.4% and 31.3% in September, October and November, respectively. (Penetration rate is calculated by the monthly tag total divided by 1/12 of the annual ridership figure provided on our website.) In comparison with other agencies, AC Transit ranks below BART and Muni (approx. 50%), Golden Gate Transit (approx. 42%) and Sam Trans (approx. 35%), and above VTA (27%). Cal Train and the ferries range between 75-90%. 

**Youth and Senior Outreach**

In August, MTC and Clipper operators throughout the region implemented a program whereby seniors and youth can now apply for Clipper cards by mail, email or fax. As a response to this effort to reach customers, AC Transit eliminated the requirement for photo ID’s for youth as of mid-November. In the first four months of the program, almost 4,000 cards were issued to youth and seniors throughout the region using the new process. The Customer Service Center, which processed over 4,700 cards between July and November, issued only 86 in December for those customers who wanted a card the same day. Preceding this development, staff were engaged in ongoing outreach to enroll students for the start of the school year. In September, three outreach events were conducted at Bayfair Mall in San Leandro, Hilltop Mall in Richmond, and Newpark Mall in Newark.

**College & Employer Programs**

Over this six-month period, more than 19,000 EasyPasses were loaded or reactivated on Clipper cards through the EasyPass college, employer, and residential programs. The Marketing Department contracted with two new multi-employer clients during this period—the Berkeley Chamber of Commerce and the City of Berkeley’s goBerkeley program—adding a potential of 1,140 new Clipper card users.

MTC, UC Berkeley and AC Transit are working together to integrate the UC Berkeley Class Pass with Clipper. New options in technology now allow us to realize a long-standing goal of moving away from stickers on student ID cards, and thereby capture up to 4 million tags annually on Clipper and provide valuable ridership data.

**Retail Vendor Network**

Of the total 358 vendor locations in the Clipper program, 70 are located in Alameda County and 44 in Contra Costa County. As previously reported, Cubic’s contractual obligation to support the set number of vendor locations is fulfilled, and new outlets cannot be established without Cubic support. However, MTC is launching a pilot campaign in February focusing on targeted

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**Table:**

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<tr>
<th>Clipper Product</th>
<th>2009</th>
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<th>2012</th>
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<tr>
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advertising and outreach in the vicinity of eight low-performing retailers, five of which are in AC Transit’s service area (three in Oakland, one in Emeryville, and one in San Leandro). MTC is working with those retailers to enhance the visibility of Clipper services and place outdoor advertising locally. Bus stop and community outreach will be conducted, with incentives for both the customers and the retailers. Depending upon the success of this program, these efforts may be expanded to other low-performing retailers.

Survey of Cash Paying Customers
MTC, with the input of AC Transit, Muni and VTA, will be conducting a survey of cash customers in an effort to document challenges they have in using Clipper. Customers at sixteen AC Transit locations will be invited to participate in in-person interviews, and Clipper promotional materials/cards will be provided. Future marketing efforts can then be directed at addressing the concerns identified.

Other Clipper Improvements
Several initiatives are underway to assist new and current Clipper users: A new “Guide to Clipper” replaces two brochures used until recently, which caused some confusion to customers. Work at MTC/Cubic is underway to accept “backup funding sources” for customers with credit cards online—so if a credit card expires, a second card on file can be automatically utilized, while the customer can continue to use the card and products. “Multiple funding source” functionality was added to allow Clipper Direct customers to provide a supplemental funding source to fund any differences between pre-tax transit benefits and the cost of monthly or recurring passes. The Clipper website was streamlined to make ordering a card and adding value much easier. And a mobile website was launched.

AC Transit Clipper Marketing Activities
A confluence of factors—the upcoming fare policy and pricing changes, the new mail-in program for Senior and Youth cards, the recent removal of the photo requirement for Youth cards, and the other regional program improvements cited above—presents an excellent marketing opportunity to encourage more AC Transit riders to switch to Clipper. Although the reach of the retailer network is not ideal, staff believes there is substantial growth potential for Clipper usage under the current options for acquiring cards and loading value.

Starting in the next few months and extending at least until the end of the calendar year, Marketing will develop and execute an aggressive campaign to increase Clipper adoption, and will fund and staff the effort using TPI (Transit Performance Initiative) incentive funds from MTC. Staff will collaborate with MTC wherever possible to leverage MTC’s ongoing marketing programs.

AC Transit Fare Policy and Clipper
Under the new fare policy approved for FY15, Clipper customers will receive a modest discount when using electronic cash on their cards: the Adult fare will be $2.00 rather than the cash fare of $2.10, and Senior/Youth/Disabled $1.00 rather than the cash fare of $1.05. While the new Day Pass Accumulator at $5.00/$2.50 will be offered equally to both Clipper and cash customers on AC Transit, the Clipper option will have the advantage of accumulating the
benefit as rides are taken, rather than the customer having to make a decision up front to purchase the paper day pass. Work is currently underway by Cubic to develop the Day Pass Accumulator on Clipper, with an expected completion date well before the new fare policy goes into effect July 1, 2014. Staff will be closely monitoring, including testing of the new product, in collaboration with MTC staff.

**Clipper Long Range Planning Process**
The current contract with Cubic for the Clipper program ends in November 2019. In 2013, Clipper transit operators in the region and MTC became actively engaged in a long-range planning process for the procurement of the next version of the program, dubbed “C2.” AC Transit Executive and administrative staff participate in the Executive, Steering and Long Range Committees which meet regularly to craft the vision for the new system and the concept of operations, while work continues on fare simplification initiatives and other improvements to the current system.

Attachment No. 1 to this report, Clipper Next Generation Update, provides an overview of this effort.

**ADVANTAGES/DISADVANTAGES:**
This report is being provided to inform the Board of Directors of the activities and usage of the Clipper program.

**ALTERNATIVE ACTIONS:**
This report does not recommend an action.

**PRIOR RELEVANT BOARD ACTIONS/POLICIES:**
None.

**ATTACHMENTS:**
1. Clipper Next Generation Update

**Department Head Approval:**
Tom O’Neill, Chief Technology Officer

**Reviewed by:**
David J. Armijo, General Manager

**Prepared by:**
Victoria Einhaus, Customer Services Manager
The Clipper card allows seamless travel between Bay Area transit agencies

• Clipper is accepted as fare payment on several agencies (AC Transit, BART, Caltrain, Golden Gate Transit/Ferry, SamTrans, SFMTA/Muni, VTA), which together account for 95% of regional transit rides
• Water Emergency Transportation Authority (WETA) ferry service launched Clipper in June 2012
• Napa and Solano County agencies are scheduled to be complete Summer 2014
Fare value is stored on the Clipper card

- The card stores value equivalent to cash (called e-cash), tickets, and/or passes
- Add value channels:
  - Retail outlets (Walgreens, local merchants, etc.)
  - Self-Service Machines (Muni, BART, GGT, VTA)
  - Employer programs
  - By phone and web
- Load it, tag it, go
Clipper was the first regional smart-card system implementation in North America. And many of today's issues are a result of a now nearly 15 year old system design and equipment. The region's varied and complex fares further exacerbate the complexity of designing and maintaining the system. Furthermore, the system was designed by ERG but is now being maintained by Cubic.

Note that Clipper use grew from 2 to 19 Million transactions in a very short 2 1/2 years. Also recent independent customer service surveys have noted that 90% of Clipper users are satisfied with the card payment system.
Planning for the Future of Clipper

- Contract with Cubic ends in November 2019
- System limitations
  - System architecture is from the late 90s
  - Device components approaching end-of-life
  - Complex regional policies limit flexibility
  - Layering in new technologies to integrate with the existing Clipper® system would likely be expensive and risky
- Preparing for new procurement
  - C2 Executive, Steering and Long-Range Committees meeting regularly
  - Work on vision for new system, concept of operations, and fare simplification underway

Current Clipper® System supports:
- 4,000 fare products
- 12,000 fare combinations

Challenges of having so many fare products and fare combinations:
- Implementation (especially testing)
- Operations/maintenance (especially testing)
- Customer support (phone, web, retail)
- Customer experience
Our main focus is on the customer. We want a simple to understand payment solution for all modes of travel and travel between agencies. We also have a goal to minimize the costs of any new system. Finally, we are aware that policies and fare structures are going to change, and technology is going to change, so we want the new system to be as flexible as possible.

We are networking with peer agencies nationally and internationally (Chicago, Washington DC, London, Toronto, Seattle) to share information and take advantage of lessons learned.
This schedule shows the tremendous amount of work required to get to implementation of a new system by or before 2019. Our goal is to have a new system running in parallel prior to the end of the existing program.

Those of us working on Clipper C2 know that much work lies ahead, but that this is a crucial investment in a system that is now integral to using transit in the Bay Area.
Four major metropolitan cities are starting new systems or implementing next generation fare payment systems: Chicago, Toronto, London, and Washington DC. Each is experimenting with various contracting and technology strategies.

In these new systems, customers will be able to use credit/debit cards and mobile devices for payments. Several of the new systems have put effort into simplifying fare rules and improving regional mobility, another benefit to the customer. The systems leverage the capabilities of smart phones, tablets, and the web to provide easy access to data, send messaging about expiring passes, create easy purchase portals, and develop a positive relationship between the agency and the customer. With the cloud's ability to transfer and configure large sums of data, these systems will lessen the burden of Agency IT staff, and provide easier access to information that can help agencies with planning, budgeting, and customer outreach. We are optimistic that we will be able to capture many of these benefits in the next generation Clipper® system.