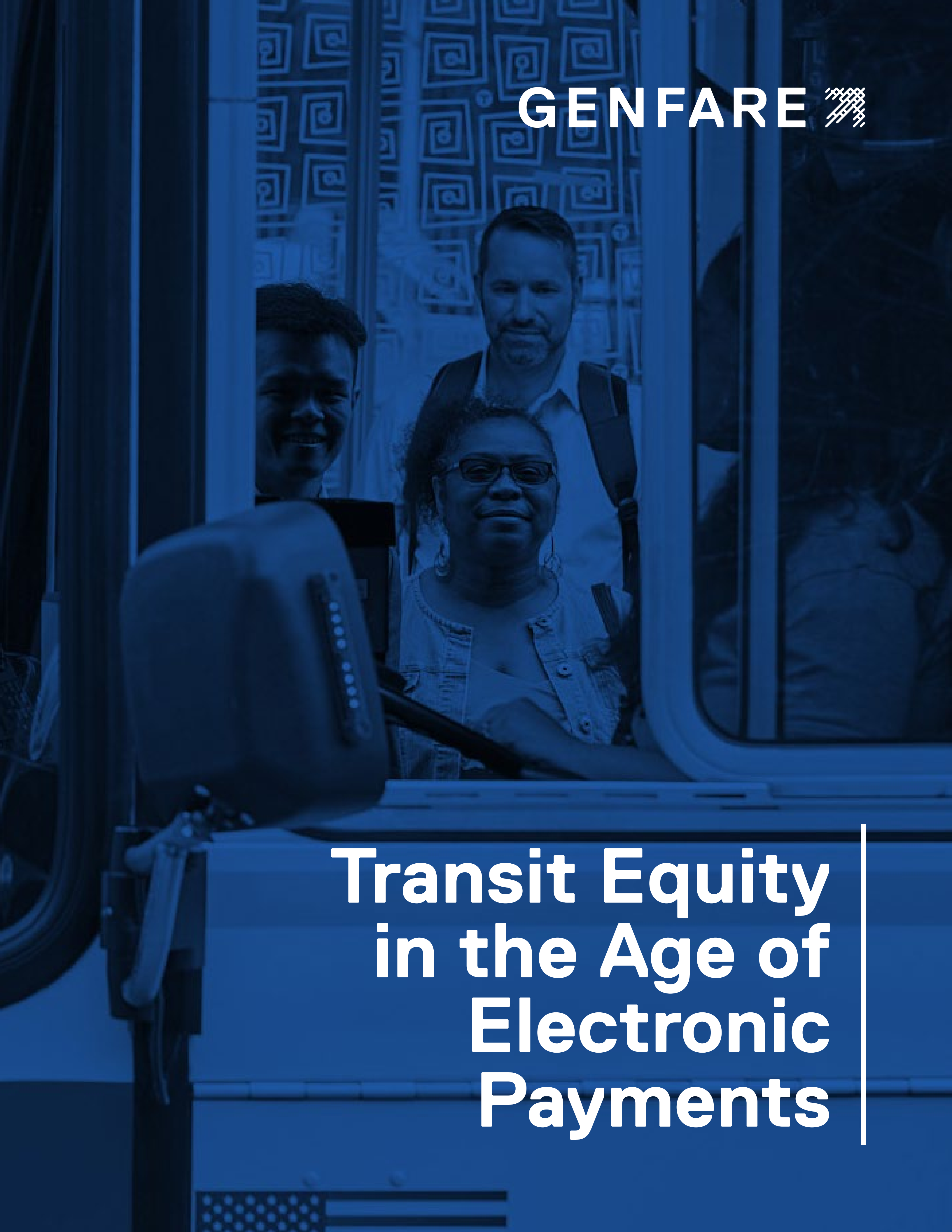
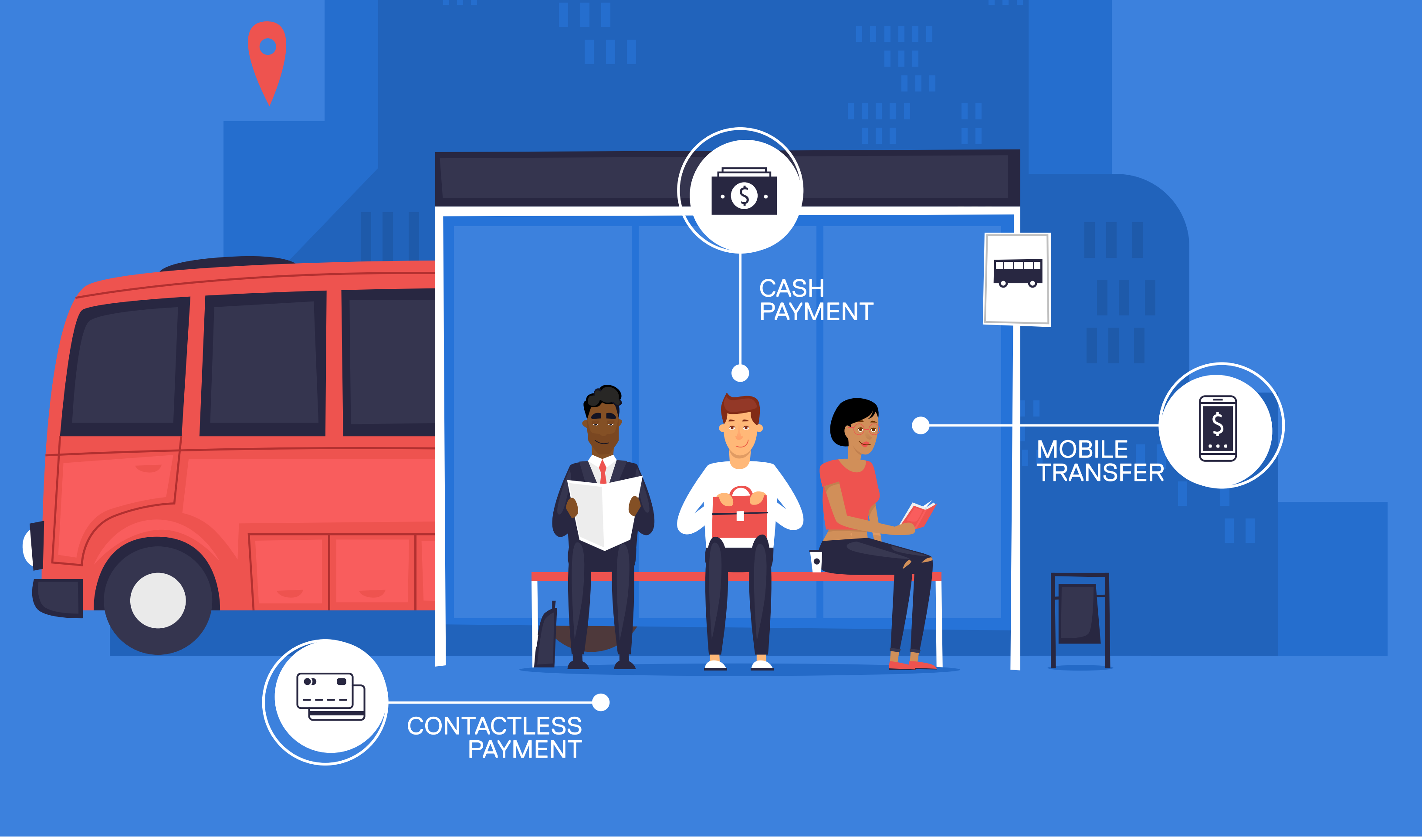


GENFARE

Transit Equity in the Age of Electronic Payments



The pandemic changed everything, and transit wasn't spared. Ridership plummeted, and agencies struggled to find ways to safely collect fares from the riders who did show up to board buses and trains. Unemployment and underemployment soared, with devastating financial effects, felt most strongly by low-income workers and minorities in the US. Genfare, along with its agency partners, worked hard to respond to the pandemic's challenges with innovations to promote and ensure both rider and agency staff safety, while ensuring transit service was available to riders that needed it most.

To a certain degree, the pandemic just accelerated trends that were already on the rise, like the proliferation of touchless, cashless payments. For example, Visa reported that while March and April 2020 saw transit fares plummet because of reduced ridership, from April to June, they reported a 187% increase in contactless transit fare payments. Visa's blog notes, "Suddenly, contactless payments have gone from a nice-to-have for speed and convenience to a must-have for safety."[1] Pre-pandemic, Genfare's aim was to enable agencies to accept any and every form of payment a rider can produce, so our vertically integrated fare collection solutions were positioned to continue to evolve, making fare collection easier, safer, and quicker. Exciting developments like multi-modal trip planning rely on electronic payments, and microtransit modes, like bikeshare programs, typically accept only electronic payments.

While these innovations help make transit safer and more efficient while also broadening its appeal, they carry a cost, one that's foregrounded when we talk about fare equity. Transit fare equity absolutely requires that we not only continue to support technology that accepts cash for fares, but also that we invest in improving that technology to make transit safe and accessible for all riders, regardless of their method of payment. We have to consider and innovate for cash for three reasons. First, people still use cash, at rates higher than you might expect. Second, accepting cash for transit fares is required by law. And third, some people rely on cash as their only form of payment, which prevents them from accessing transit discounts and benefits available only to riders who pay electronically.

This white paper explores the three reasons why we must continue to support and develop best practices for accepting cash payments and also provides recommendations for actions that will allow transit to serve all riders equitably, regardless of income level or payment method.

[1] Visa, "Transit riders are getting on board with touchless payments," July 16, 2020, usa.visa.com/visa-everywhere/blog/bdp/2020/07/14/transit-riders-are-1594762921880.html, accessed 3/23/2021.

Cash is popular

It's easy to read statistics like the 187% increase in contactless transit fare payments that Visa reports and believe that we're on the cusp of being cashless. As it turns out, we're not.

What was the state of cash one year into the pandemic? Doug Pertz, CEO of Brinks, the company known for its fleet of armored trucks, says his company handled 6% more cash last year than in prior years, adding that 35% of U.S. brick-and-mortar purchases continue to be made with cash. Pertz explained, "That clearly suggests cash isn't going away."[2]

Additionally, the Federal Reserve experienced unprecedented demand for currency due to the pandemic. Currency in circulation increased by $226 billion between 2019 and 2020, far more than usual. The Fed expects to order the printing of as many as 3.8 billion new bank notes in the coming year, up 66% over the previous year.[3]

The *2020 Findings from the Diary of Consumer Payment Choice*, produced by the Federal Reserve Bank of San Francisco, demonstrates that cash usage changed little from its 2018 report, indicating that the pandemic didn't cause a significant decline in cash usage, particularly for small value purchases. The 2020 report reveals consumers used cash for 26 percent of all payments, consistent with the finding from 2018. In addition—and this fact is of particular interest for transit—cash is used heavily for small-value payments, about 47 percent of payments under $10.[4] Given that the vast majority of transit fares fall below the $10 threshold, cash is frequently used for transit, so frequently used that we can't afford to ignore it or phase it out.

Title VI

Title VI, §601 of the Civil Rights Act of 1964, along with related federal law and regulation prohibit discrimination in programs or activities receiving federal financial assistance.[5]

Low-income riders make up a significant proportion of transit riders— bus riders in particular[6]—and are likely to account for an even larger percentage until transit usage returns to pre-COVID levels. Electronic fare payment commonly requires a bank account and access to expensive technology—a smart phone at minimum. Many low-income Americans, including many minorities, lack these amenities. According to recent research, 14% of Black households and 12% of Hispanic households are unbanked[7], and 20% of Black adults and 21% of Hispanic adults do not have smart phones.[8]

The statistics above create a clear case for linking income, race, access to technology, and the use of cash. Cash riders are transit's most vulnerable users—the ones most dependent on it. Title VI requires transit agencies to treat such riders equitably, and in practice, federal regulators have held that means continuing to accept cash fares. It also means not penalizing cash use.

[2] Clifford, Tyler, "Cash usage has increased amid the pandemic, Brinks CEO says," CNBC, Feb. 23, 2021, www-cnbc-com.cdn.ampproject.org/c/s/www.cnbc.com/amp/2021/02/23/cash-usage-has-increased-amid-the-pandemic-brinks-ceo-says.html, accessed 2/26/2021.

[3] Board of Governors of the Federal Reserve System, "2021 Federal Reserve Note Print Order," Oct. 6, 2020, www.federalreserve.gov/paymentsystems/coin_currency_orders.htm, accessed 2/26/2021.

[4] Kim, Laura et al., "2020 Findings from the Diary of Consumer Payment Choice," Federal Reserve Bank of San Francisco, https://www.frbsf.org/cash/publications/fed-notes/2020/july/2020-findings-from-the-diary-of-consumer-payment-choice/, accessed 3/22/2021.

[5] A partial list of relevant documents includes the Civil Rights Restoration Act of 1987; 49 CFR Part 21 – Nondiscrimination in Federally-Assisted Programs of the Department of Transportation – Effectuation of Title VI of the Civil Rights Act of 1964; Executive Order 12898 – Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, §1-101; and FTA Circular 4702.1B – Title 6 Requirements and Guidelines for Federal Transit Administration Recipients.

[6] For example, in the District of Columbia, 48% of Metro bus riders are low income vs. 18% of rail riders.

[7] Kutzbach, Mark et al., "How America Banks: Household Use of Banking and Financial Services – 2019 FDIC Survey," Center for Financial Research, Division of Insurance and Research, Federal Deposit Insurance Corporation, October 2020, p.2, www.fdic.gov/analysis/household-survey/2019execsum.pdf, accessed 1/7/2021

[8] Pew Research Center, "Mobile Fact Sheet," www.pewresearch.org/internet/fact-sheet/mobile/, accessed 1/7/2021

Cash and fare equity

Chances are a significant percentage of riders will always use cash because they don't have much choice. Why is cash such a problem when it comes to fare equity? Because many of the discount opportunities available to transit riders aren't accessible for low-income riders who happen to rely exclusively on cash.

For example, fare media good for multiple rides are commonly offered at a discount. But multi-ride passes are often too costly for low-income riders, who can afford to pay for only one ride at a time. Many low-income riders have limited opportunities to buy electronic fare media because they live in "retail deserts"—impoverished communities lacking food markets, drugstores, and other convenience shops where fare media are commonly sold.

In addition, paper transfers are often discontinued by transit agencies when electronic fare payment is implemented. As a result, cash fare riders must pay an additional full fare when transferring between routes, essentially doubling the cost of a one-way transit ride. In contrast, electronic transfers typically are encoded on fare cards automatically when the fare is first paid, enabling card users to transfer at little or no cost.

And finally, many transit operators have historically provided federal, state and local social service agencies with low-priced fare media—typically single-ride magnetic tickets—for distribution to disadvantaged clients. Transit agencies adopting contactless chip cards (smart cards) commonly discontinue magnetic tickets in favor of paper smart cards. These cards cost more than magnetic media and are offered to social service agencies at a higher price, limiting the agencies' ability to aid disadvantaged lower-income users.

If low-income cash riders are unable to take advantage of multiple ride discounts, can't benefit from electronic transfers, and have fewer opportunities to obtain reduced-price fare media from social service agencies, then we don't have fare equity.

Top 3 Takeaways

01.

Transit's role is to serve all riders equitably, regardless of income level or payment method. Be creative in payment options – barcoded paper transfers, cash TVMs at bus stops and retail networks topping off smart cards. These are readily available solutions that will enhance your riders' experience.

02.

Now more than ever, we have the ability to meet the varying rider demands around payment preference. Utilize technology to meet your ridership's rising expectations—take whichever form of payment is in their pocket.

03.

Cash isn't going anywhere anytime soon. Cash riders are transit's most vulnerable users—the ones most dependent on it. Work to ensure your future fare collection plans include the needs of your entire ridership.

Fare equity recommendations

As we emerge from the pandemic and begin to envision what the world of transit should look like, it is vital that we consider the effect of any changes on fare equity. Cash—the one payment medium everyone has access to—should continue to be accepted on buses and in rail systems. Cash-accepting rail turnstiles may be a thing of the past, but at least some of an agency's ticket vending machines (TVMs) should continue to accept cash, not just bank cards.

Smart cards and other electronic fare media should also be made as widely available as possible. In communities lacking shops to serve as retail outlets, kiosks and transit centers equipped with TVMs or ticket counters can be provided at major transfer points and other busy locations. In addition, TVMs and attended point of sale terminals can be equipped to allow riders to conveniently top off their smart cards with cash.

Additionally, while minimizing reliance on paper in transit has clear benefits, eliminating it altogether disproportionately disadvantages low-income riders. Therefore, the elimination of paper transfers should be reconsidered. Some Canadian cities issue barcoded paper transfers that can be automatically accepted by scanners on fareboxes or validators. Also, social services agencies can be provided with the ability to distribute inexpensive barcoded paper tickets to their clients to replace discontinued magnetic tickets.

The responsibility for transit equity doesn't just rest at the agency level, though. The US Congress produces transportation funding legislation, which could and should include language requiring that transit equity be taken into account when funding new capital projects. Likewise, vendors—like Genfare—should incorporate specific language that addresses fare equity when submitting proposals for fare collection solutions.

Fare equity is a complex, evolving challenge, and it will require the efforts and ingenuity of government, vendors, and transit agencies to arrive at a solution.

Moving forward, together

2020 was a bleak year, and it's likely that we'll look back on it as a watershed moment, one in which life before looked quite different from life after. One of the few benefits of difficult times is the opportunity for innovation—solutions to new and existing problems. One of the problems with innovation is that it doesn't tend to be equitably experienced. Too often, innovation benefits the people with the most disposable income, rather than the people who might need the most help. Sure, a business that might choose to accept only electronic payments might be able to slightly reduce person-to-person contact, but that business also excludes as customers anyone who relies solely on cash as their method of payment.

Discontinuing the use of cash simply isn't an option for transit, as the practice would discriminate against categories of people... the very people, it's worth noting, who rely most heavily on public transit.

Now more than ever, the transit industry is uniquely poised to implement practices and policies that promote fare equity regardless of method of payment. Technological innovation that magnifies challenges for low-income riders, while maximizing benefits to higher-income riders is not equitable. In our watershed moment, the transit industry must do our part to ensure that innovation and fare policies support, rather than undermine the true goal of equity.