Powered By:
REBEL

Caltrans Integrated Mobility

Connecting the dots on transportation innovation across California, the U.S., and the world.

October 22, 2024

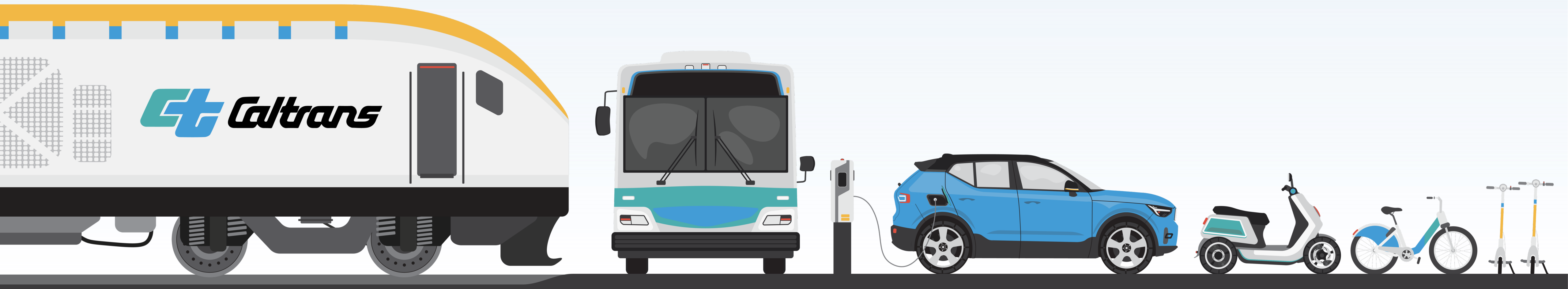


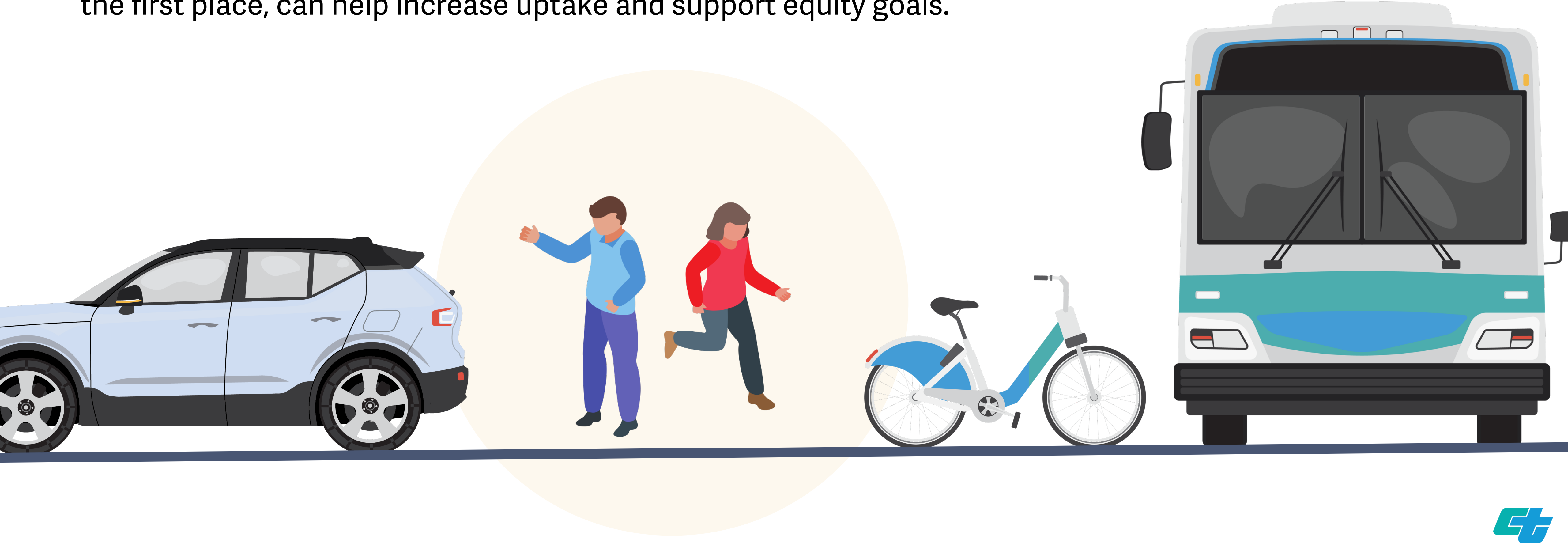
Photo by Vitaly Gorbachev

Discounts, Incentives, & Rewards

Lowering the Cost of Sustainable Mobility

Increasing the use of sustainable transportation requires both supply and demand interventions.

While mobility providers and government agencies focus most of their efforts on making sure there are sustainable travel options available, **lowering the costs of these options**, especially for those who struggle to afford mobility in the first place, can help increase uptake and support equity goals.



Equity-based discount and rewards programs can lower the cost of sustainable mobility for target populations.

For agencies hoping to implement these kinds of programs, there are many elements of program design to consider:

Enrollment & Participant Verification

Administrators must be able to **verify applicants' eligibility**. This can include collecting documents, maintaining online applications, and integrating with data sources that can provide information about applicants' income or other attributes (age, disability, home address, etc.)

Tracking Benefits

Many benefit programs have limited funding that may not be able to cover the cost of subsidized travel for the entire eligible population. **Real-time tracking of participation and benefits usage** is necessary to adequately manage programs and ensure that available funds don't run out.

Distribution Mechanisms

Distributing funds (or the appropriate payment credentials) to program participants can be challenging. Administrators should focus on **efficient delivery and ease of access for participants**. They must also consider which distribution mechanisms the desired mobility service providers can accept.

Customer Care

Ongoing customer support is often required for recipients to troubleshoot. Customer care agents, web-based FAQs, and other support capacity must be able to accommodate the unique questions participants may have about accessing their specific benefit.

One of the most important decisions about program design is how funding is delivered to lower costs for participants.

To distribute funds and increase demand, programs rely on three primary strategies:

Discounts

- Delivered to users **at the time** of their purchase, reducing the cost by a pre-set amount
- More difficult to scale across many mobility service providers
- Often distributed through **dedicated payment methods** (like a discounted fare card), though they can also be applied to open loop payments
- Requires service providers to **know who is eligible** for the discount when charging for services

Incentives

- Delivered to participants **before** their travel, covering the full cost
- Model of traditional subsidy programs, providing money up-front for a specific purposes
- Typically use **checks, pre-paid cards, pre-loaded accounts, or redeemable credit**
- Often require some kind of **purchase restriction,** for example with Merchant Category Codes (MCCs), to ensure that funds are spent appropriately

Rewards

- Delivered to users **after** their purchase, often to reimburse some or all the costs incurred
- Used often in the commercial sector to incentivize specific behaviors
- Can be delivered through non-monetary "**perks**" like earned free rides or with "**cash back**"
- Program funder must be able **track usage data** to trigger rewards, so privacy protection / participant consent is key

In transit, discounts like reduced fares are the most popular way to lower costs for eligible riders.

Of the largest 50 **transit agencies** by ridership in the U.S., **38%** offered low-income **discounts** in September 2023.

Of the agencies offering low-income discounts, the **majority offer a 50% fare discount** to income-eligible riders. Most of these agencies deliver the discounts with dedicated fare media, but agencies with open loop payments are also starting to allow discounted travel with bank cards.

Read more about low-income discounts for transit in our September 2023 newsletter.

For tolling, we've seen a mix of discounts and incentives to reduce costs for low-income drivers.

In a scan of U.S. **toll operators**, we found diverse low-income programs, some currently active and some proposed, with different models for how subsidies would be delivered to eligible drivers.

Some programs offered **discounts** between 25-50% on tolls, automatically applied when scanning registered drivers' transponders.

Others offered **Incentives** like $100 toll credits up front, or free passes that could be used with local transit operators.

We've also seen the private sector using rewards to increase sustainable travel among customers.

Various payments companies have used different types of "cash back" to promote their products, offering different levels of subsidy. This has been especially popular in New York, since open loop payments on transit are popular.

FutureCard™

- **100% cash back** on all NYC subway rides during promotional period (December 2023)
- **$5 cash back** every time you reach OMNY fare cap
- **25% cash back** on Revel EV carshare rides (S)

mastercard

- **$10 cash back** for purchases with New Jersey Transit, triggered by accompanying restaurant week purchases in NYC (S)

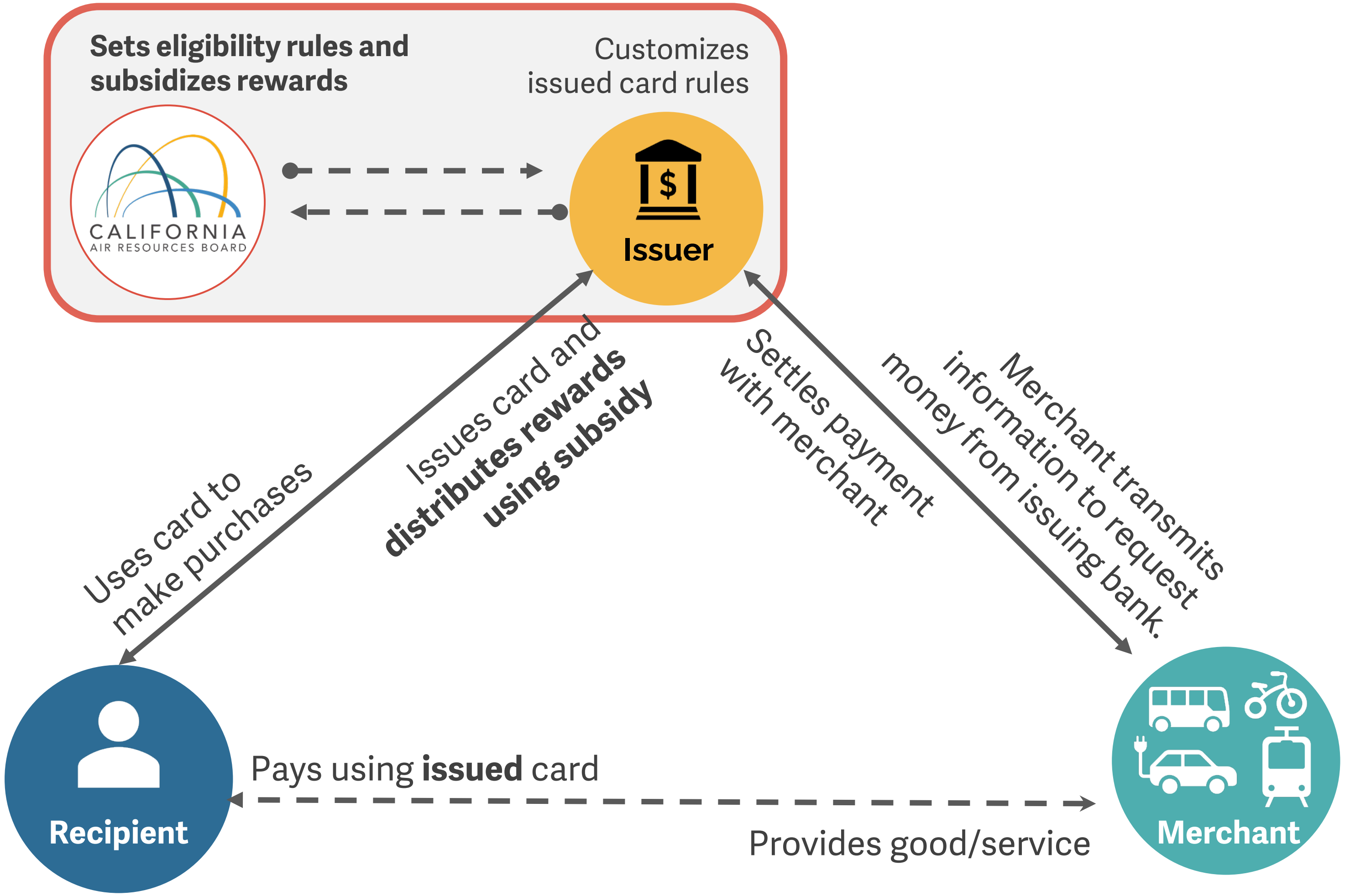
Cash App

- **$1 "boost"** for every MTA Subway ride following fare increase in late 2023 (S)

The public sector can learn to use rewards to lower mobility costs, increasing demand for sustainable transportation.

As part of CIM's partnership with the **California Air Resources Board (CARB),** we are exploring how rewards can be used to lower transportation costs. Earlier this year, we conducted a market sounding focused on exactly this topic, hoping to understand what the opportunities and constraints of this approach might be.

The diagram to the right shows the hypothetical scenario in which a funder, like CARB, can **provide the money for a rewards program with multiple mobility service providers.** In this program, CARB would issue cards to participants, and would automatically reimburse them for some or all of the costs on eligible purchases like transit.



EXIT

Questions, feedback, or have a topic you would like to know more about? Please reach out to isaac.sonnenfeldt@rebelgroup.com

New to the Newsletter? Subscribe here.