

Report 13.652
Date 30 May 2013
File TD/07/11/02

Committee Council
Author Tass Larsen, Manager Projects and Planning

2013 Public Transport Fare increase

1. Purpose

To confirm the new public transport fare schedule to be implemented on 1 October 2013

2. The decision-making process and significance

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

2.1 Significance of the decision

The subject matter of this report is part of a decision-making process that will lead to the Council making a decision of medium significance within the meaning of the Local Government Act 2002.

Council has the option to increase public transport fare levels by various amounts, or to not increase fares. Community views have been received through the 2013 Annual Plan process, and are also known to the Council through previous engagements with the community, including through preparation of the Long-Term Plan 2012-22, which assumed revenue increasing as result of the 2013 fare review. All options have been appropriately identified and assessed.

3. Background

The Regional Public Transport Plan requires that fares be reviewed annually, with a preference for small, regular changes to fare levels rather than large infrequent changes¹.

¹ Regional Public Transport Plan 2011-21 Policy 7.1, Methods 2 & 3

In 2012 Council developed a five year programme of increases to ensure that over the five years, all fares would increase by the same percentage over the length of the programme. This approach was taken because:

- Council has assumed a standard 3% increase in fare revenue per year for the next ten years, and hence a long-term approach is appropriate
- A long term approach allows increases to be planned to take into account the fact that increases to cash fares are only made once the increase rounds up to the nearest 50 cents. Considering the increases over a number of years can ensure that over the long-term the average increase for these passengers is not higher than the increases for others
- It helps ensure evenness and fairness over the five year programme, and allows for small regular fare increases rather than much larger intermittent increases.

The impact of the programme is that in each year only some cash fares change, but over the length of the programme all fares increase by the same amount.

At its meeting on 26 February 2013, Council considered a paper (Report **13.40**) on the annual fare level review. Council noted that the draft Long-term Plan 2012-22 assumed a fare revenue increase of 3% per year from 2012/13 onwards, but agreed to budget a public transport fare revenue increase of 2% is on the grounds that:

- it is the minimum increase that will achieve Council's target farebox recovery, and therefore takes into account affordability concerns
- it is consistent with Council's preference for small, regular changes to fare levels rather than large infrequent changes.

Achieving a 2% increase in fare revenue requires standard non-cash products to increase by approximately 2.5% (increases range from 2.4 - 2.7% as a result of rounding). As part of the 5 year programme, adult cash fares for zones 8, 11, and 12 and child cash fares for zones 11 and 12 would each increase 50 cents.

Council also agreed that zone 1 non-cash fare levels would be increased by 3.8 per cent to avoid a larger increase next year, and that consequently the discount on cash for zone 1 smartcard and ten-trip fares will be 17% which is less than the target of 20%.

The draft Annual Plan highlighted the proposed changes in fare revenue and fares. A summary of submissions on the proposed fare increases was reported to the Annual Plan 2013/14 Hearing Committee (Report **13.634**), along with officer comments. Council noted on 12 June 2013 that the Hearing Committee did not recommend any changes to the public transport fare increase proposal (Report **13.645**), and confirmed the fare revenue assumption as part of the finalisation of the Annual Plan.

4. Comment

A copy of the proposed fare schedule is at **Attachment 1**. This schedule has been agreed with transport providers and, in addition to the standard 14 zone multi-trip, cash, and rail monthly fares, includes:

- Other ‘non-standard’ fares, including combination fares and passes
- Commercial fares.

The five year programme has not been applied to the relatively few “non-standard” fares because many of these fares are related to the standard cash fares and only change in relation to the cash fares. These fares are agreed with the operators each year, and the major changes proposed to these non-standard fares are:

- The Wairarapa excursion tickets (these are essentially day return tickets) have increased by 3.4-4.8%
- Ferry 10-trip and monthly fares have increased by 1.7 – 2.8%
- The price of the following tickets will not increase:
 - Wellington Event Tickets,
 - the rail day, three day weekend, and group rover tickets,
 - Metlink Explorer
 - combo tickets (Otaki, Waikanae and Whitby)
 - after midnight fares

These fares are shown in the fare schedule at Attachment 1.

Many of the fares in the fare schedule are for commercial services and are set by the operator. Many commercial fares have been increased by the provider of the services with the increases in line with the standard increases proposed by the Council. These commercial fares are shown in the schedule 1 for completeness purposes only.

At the Council meeting on 26 February 2013, Cr Aitken requested a socio-economic analysis of the affordability of the proposed fare increase. This analysis has been prepared and will be presented to the meeting.

The fare changes proposed in this paper are consistent with the Council farebox recovery policy, and are needed to maintain the targets set in that policy. It is proposed that the new fare schedule be introduced on 1 October 2013, consistent with the normal timeline.

4.1 Flow-on effects

There are a number of flow-on effects of any fare increase. The reimbursements for SuperGold card usage will need to be adjusted (reimbursement from Government is currently at 65% of the average adult cash fare, and as some cash fares are increasing this will mean an increase in SuperGold reimbursement payments).

This Council's reimbursement to providers for some products is tied to certain fares, and may also need to be adjusted.

5. Next steps

Following Council decisions, the next step is to negotiate the flow-on changes to the transport provider contracts. The 28 February 2013 Council resolution specified that the fare increase would only be introduced in the event that the financial benefits of the increase flow to Wellington Regional Council ie providers should be no better off or worse off from the Council introduced fare changes.

The process for contract negotiation is well established and relatively straightforward, and includes calculations of the revenue increases to the providers (and thus the reduction in contract price), and assessments of the revenue impacts of the negative patronage impacts. The methodology outlined in the NZ Transport Agency Procurement Manual is used as the starting point in our negotiations with operators.

It is proposed that the Council delegates to the Chief Executive the authority to determine that the negotiations with the transport providers have met the test that the financial benefits from the fare increase flow back to the Council and not to the providers, and that the Chief Executive be delegated authority to make minor changes to the proposed fare schedule that might arise from the negotiations.

6. Communication

The standard fare increase communications will apply, including updates to the Metlink tickets and fares information, and publicity material in the period prior to 1 October 2013.

7. Recommendations

That the Council:

1. **Receives** the report.
2. **Notes** the content of the report.
3. **Notes** that Council has taken a five year approach to fare increases.
4. **Notes** that a public transport fare revenue increase of 2%:
 - a. *is the minimum increase that will achieve Council's target farebox recovery, and therefore takes into account affordability concerns*

- b. is consistent with the Council preference for small, regular changes to fare levels rather than large infrequent changes.*
5. ***Agrees** that the proposed new fare schedule at Attachment 1 be used in negotiations with the transport providers with a view to it being introduced on 1 October 2013.*
 6. ***Agrees** to delegate to the Chief Executive the authority to determine that the negotiations with the transport providers have met the Council objective that the financial benefits from the fare increase flow back to the Council and not to the providers.*
 7. ***Agrees** to delegate to the Chief Executive the authority to make minor changes to the proposed fare schedule that might arise from the negotiations with the transport providers.*

Report prepared by:

Report approved by:

Tass Larsen
Manager Projects and
Planning

Wayne Hastie
General Manager, Public
Transport