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Committee Sustainable Transport
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Public Transport Fares Review

1. Purpose

This report outlines the scope and approach for the Public Transport Fares Review, and seeks endorsement of guiding principles for the review.

2. Background

The current approach to fares policy and fare setting is described in the 2014 Wellington Regional Public Transport Plan (PT Plan). The approach is based on a comprehensive fare structure review undertaken in 2012/13. Changes proposed in the PT Plan are being implemented incrementally.

Progress has started on simplifying fares and products with introduction of the new Public Transport Operating Model (PTOM) rail contract, and further simplification of fares and products will occur with bus PTOM contracts, scheduled for 2018. However, practical implementation of many of the required fare and ticket changes will depend on introduction of an integrated fares and ticketing (IFT) system.

The timing for IFT has been delayed and is dependent on progress through the National Ticketing Partnership. This has resulted in the need for an interim bus ticketing solution (IBTS) in time for bus PTOM. The delay has also resulted in calls for earlier action on some PT Plan components, such as fare concessions for tertiary students and off-peak fares.

At its meeting of 29 June 2016, Council resolved to undertake a review of the PT Plan's fares and ticketing components, as follows:

- *Agrees to initiate a review of the fares and ticketing components of the Wellington Regional Public Transport Plan, and the related aspects of the Long-Term Plan, as part of the 2017/18 annual plan process.*

- *Notes that Council agreed in its 2015-2025 10-Year Plan to include an allowance for free transfers and off-peak discounts from 2017/18 and agrees to consider, as part of the review, free transfers and off-peak discounts from 2017/18.*

This paper sets out the review's proposed scope and approach. In doing so, it effectively becomes the terms of reference for the review.

The review will need to be carried out within the context of operational changes to public transport under PTOM (both rail and bus), and implementation of an interim bus ticketing solution. As the review needs to be completed in time for the 2017/18 Annual Plan process, there is some urgency to the work.

3. PT Plan context

The Wellington Regional Public Transport Plan (PT Plan) has an objective and supporting policies relating to the fares and ticketing system, as follows:

3. A fares and ticketing system that attracts and retains customers
 - 3a Implement a fares and ticketing system that supports the integration of the public transport network
 - 3b Simplify the existing fare structure
 - 3c Provide concession fares for targeted groups
 - 3d Review fare levels annually to achieve fare box recovery targets, with a preference for small, regular adjustments rather than large, infrequent ones
 - 3e Ensure that all users pay the correct fares

It also has an objective relating to funding, and associated policies:

8. Sustainable funding arrangements that balance user contributions (fares) with public funding
 - 8a Improve value for money from existing public transport funding
 - 8b Achieve farebox recovery targets
 - 8c Advocate for sustainable funding for the Wellington public transport network

Critical objectives for Greater Wellington Regional Council's (GWRC) public transport system are therefore to attract and retain customers and provide a sustainable funding framework balancing fares with public funding (rates and taxes).

The PT Plan proposes the following features as part of its policy on integrated fares and ticketing:

1. Retention of the current 14-zone zone structure
2. Free transfers between vehicles subject to certain eligibility rules
3. Free travel for accompanied children under five years of age

4. Continued free travel for SuperGold card holders outside peak hours
5. A 50 percent concession fare for passengers aged from five to 18 (or until they leave school if that is later)
6. A 25 percent off-peak concession fare on the adult non-cash fare for passengers travelling outside peak times
7. A fare capping regime, limiting total fares paid by a customer for daily, weekly or longer periods
8. A weekend family pass for up to four children under a specified age travelling with a fare-paying adult
9. Possible introduction of a bulk-purchase product, enabling group purchases at a discounted rate. Groups could include tertiary students
10. Possible event tickets, whereby travel by public transport to and from venues would be included in the event ticket price for larger events.

This review will consider each of these features and either support them, or provide a rationale for varying them. Circumstances have changed (such as the need for an IBTS) and new information is available since the IFT system was planned and formalised through the PT Plan; now is a timely opportunity to review the appropriateness, costs and benefits of these proposed features.

4. Scope

The review will address:

- The way in which fares are charged
- The availability and level of discounted or premium fares for various products and concessions
- The proposed timing of any changes.

The review will support the introduction of an interim bus ticketing system in 2018 to coincide with PTOM bus (followed by IFT) and help prepare the Wellington region for changes to the fare regime.

4.1 Objectives

Taking account of the PT Plan context, the following objectives are proposed for the public transport fares review:

1. To provide a simple and easy to understand fares regime for customers
2. To promote fairness and affordability for customers and funding partners
3. To increase public transport patronage
4. To support integration of the public transport network and the transition to IFT.

4.2 Principles

The following principles are proposed to set the framework by which the fares review will be undertaken and assessed.

1. **Affordability of fares.** GWRC will consider the overall affordability of fares against baseline comparators, including private motor vehicle transport and cost of living indices.

Rationale: Affordability of public transport fares, particularly when compared to private motor vehicle use and the general cost of living, is a key component of retaining existing customers and attracting new ones.

2. **Increasing patronage.** GWRC will consider the impact that fare changes will have on increasing public transport patronage, with the overall objective of increasing patronage in line with targets set in the National Land Transport Programme and the PT Plan.

Rationale: Increasing public transport patronage is a key outcome in the PT Plan. Patronage levels change in response to various factors including public transport service levels, service reliability, the relative affordability of fares compared to other transport options, the perceived value for money of fares, ease of use of public transport and the fare payment system, levels of car ownership, car parking price and availability, and fuel prices.

3. **Reducing complexity.** GWRC will seek to reduce both the number and complexity of fare products.

Rationale: Complexity in a fare structure stems from the nature of the basic structure itself (such as whether the system has “flat fares” or uses a zonal structure with different prices per zone), as well as the number of fare products. Reducing complexity increases patronage by making the public transport system easier to understand and use, and is a prerequisite for the introduction of integrated electronic ticketing.

4. **Rewarding target behaviours.** GWRC will seek to reward target behaviours through development of fares and products which generate quantifiable benefits to users of public transport in return for adopting travel use patterns which benefit the overall network.

Rationale: Fare products can be used to target and reward particular behaviours which support the broader aims for public transport. These target behaviours include increased off-peak travel, more frequent use of public transport, greater use of electronic payment methods and encouraging non users to use public transport.

5. **Improving consistency.** GWRC will seek to implement a fare structure that is consistent in application irrespective of mode of travel.

Rationale: Consistency in the fare structure means that users making similar journeys pay similar fares, regardless of operator or mode, and that journeys between two points are charged the same fare, independent of route, mode or number of transfers. This means that the fare structure is perceived as unbiased towards any particular group or mode.

6. **Farebox recovery targets.** GWRC will develop a fare and product regime which will consider overall farebox recovery targets as set out in the PT Plan.

Rationale: Farebox recovery targets establish the proportion of the cost of providing public transport that is required to be met through fares as opposed to public funding (i.e. rates or NZ Transport Agency (NZTA) funding). The NZTA sets a national target of a minimum of 50% of total operating costs to be met through fares. The council's current target is to meet 55% to 60% of these costs through fares. The fare structure changes outlined in the PT Plan signal a range of changes to the fare structure that would decrease farebox recovery to around 50%.

7. **Enabling incremental change.** GWRC will implement a strategy that enables incremental, managed change to take account of both "winners" and "losers" through any fare and product transformation.

Rationale: Any change to fares will affect some current customers (positively or negatively). The acceptability of any change can be increased by a gradual transition from one fare structure to another, allowing users to adjust their travel patterns in response to the changes made. Making changes incrementally also enables Council and NZTA time to adjust their funding levels and budgets accordingly.

8. **Revenue protection.** GWRC will consider tools, processes and fare products that support effective and efficient revenue protection.

Rationale: Revenue protection, ensuring that all public transport users pay the correct fair for each journey travelled, is a fundamental requirement for equitable use of the public transport network. Fare avoidance places the burden on other public transport users through increased fares to deliver the farebox recovery targets.

9. **Ability to be implemented via ticketing.** GWRC will consider the constraints of any electronic ticketing system in making practical and pragmatic decisions regarding fare and product design and implementation.

Rationale: Fares changes need to be implemented via a ticketing system. Currently, operators provide their own ticketing systems. From 2018, ticketing will become the responsibility of GWRC, initially for bus via the Snapper interim bus solution and then for integrated ticketing with the national ticketing approach. This presents both opportunities and constraints for fares implementation. Changes to fares policy will need to consider both the capability and timing of ticketing solutions as they become available.

4.3 Key components

There are four key components to the fares review:

High level fares policy

- Longer-term policy objectives for fares and ticketing
- Policies relating to zone structure, concessions, transfers, pricing, funding and farebox recovery.

Structure

- The analysis will also consider the current zone-based fare structure. Given the comprehensive nature of the previous fare review, it is proposed that this aspect of the review be more about confirming and refining the current zone-based fare structure.

Pricing

- Confirming pricing of a one-zone adult peak-period electronic (i.e. non-cash) payment fare as the “base fare”
- Establishing the levels of cash, off-peak and concession fares relative to the base fare
- Establishing the level of any other discounted fares relative to the base fare
- Establishing the level of discounting for transfers

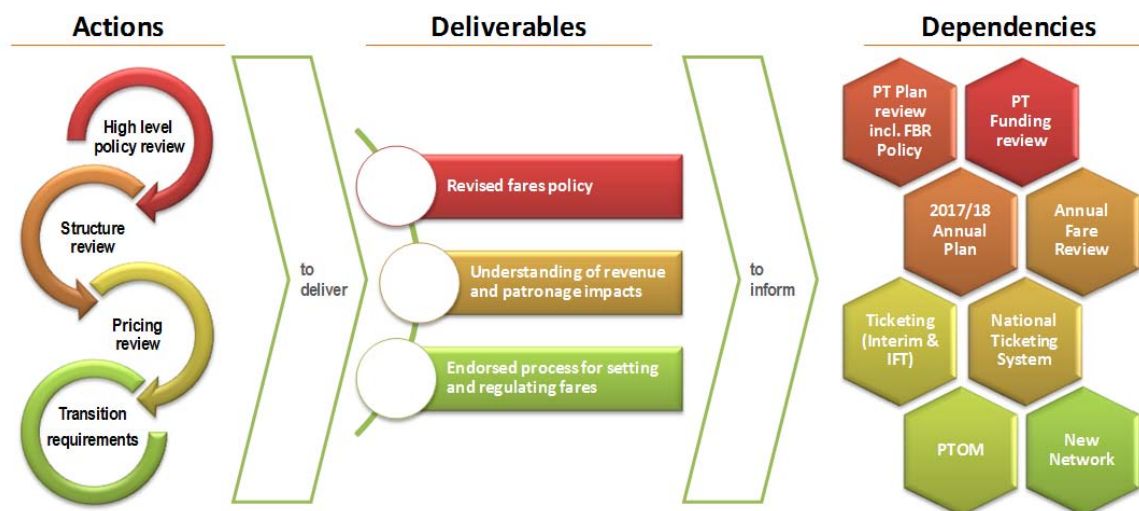
Transition to IFT and PTOM

- The policy framework for the above matters in the lead-up to IFT, and the setting of fare rules. The existing IFT Fares and Products Transition Strategy will inform this work.

Items not in scope

- Review of the Council’s rating model for public transport (this is expected to be incorporated into a broader review of rates policy beginning in 2017).

The following diagram illustrates the four key components (actions), deliverables and dependencies for the project.



5. Review Approach

Any fare changes recommended by the review will be given effect through consultation process via a joined-up 2017/18 Annual Plan process and PT Plan review process. An indicative timeline is shown below:



5.1 Existing processes

Components of the following processes are incorporated into this review:

Process	Frequency	Last Done
1. Fare structure review	6-yearly	2013
2. Annual fare review	Annual	2015
3. PT Plan review (including network design and service reviews)	3-yearly	2014
4. Annual Plan	Annual	2016

5.2 Governance

Council

Councillor involvement is proposed to occur prior to, and post, the election period. Councillors will oversee the establishment and direction of the project via this report and through workshops (for the new Council). It is envisaged that options will be workshopped with Councillors in December 2016, to enable further analysis to be completed and to inform the Annual Plan process in early 2017.

Reference group and targeted engagement

It is proposed to use a special reference group to provide guidance on the project and process. Membership of the reference group is expected to include representation from stakeholders and users.

Targeted engagement with key stakeholder groups, such as operators, will occur through the process.

Internal

Progress on the review will also be reported via existing governance structures set up under the Public Transport Transformation Programme (PTTP), with both internal and NZTA participation.

5.3 Information gathering and analysis

The initial focus for the review will be on information gathering and analysis – which will inform option development. Fortunately good quality information already exists to feed into the process. For example, up to date patronage data (trip numbers per zone and fare category) has already been collected via the last annual fare review process. A model to consider revenue and patronage impacts on fares changes has also been developed. This will be used to inform

options development. Some data gaps (for example, tertiary student patronage) do exist. These will be identified for potential survey analysis.

5.4 Options development

This stage will involve the development of a series of fares policy options, with specific implications identified for each. Modelling will be required to identify the likely patronage and revenue implications. The baseline will be the status quo. Another point of comparison may be the ultimate fares policy as currently set out in the PT Plan.

The options development stage will also consider:

- Off-peak fares, including the existing inconsistencies between rail and bus and between rail lines
- Approach to concessions, including tertiary student and other targeted concessions
- Forecast network changes and transfer mechanisms
- Fare product rationalisation
- The ability to implement fares changes through ticketing
- Potential changes to fare zones (e.g. boundaries or numbers of zones)
- Fare levels and pricing.

Options will be workshopped with Councillors later in the year, following the election of the new Council.

5.5 Consultation

The process for the review is driven by the need to inform the 2017/18 Annual Plan process.

Given the tight timeframes and proposal to use a reference group to guide the process, it is proposed to use a combined Annual Plan/PT Plan consultation process in early 2017.

6. Implications for ticketing

Fare changes need to be implemented via a ticketing system. Currently, with multiple bus operators (each with their own ticketing systems), the timing and method of introducing fare changes need to be negotiated with each operator, even though GWRC has the authority to set fares.

Council officers are currently working with Snapper Services Limited (Snapper) to provide an interim bus ticketing solution (IBTS) for the PTOM bus environment, starting in 2018. The IBTS would effectively extend the Snapper scheme to buses operated by other companies besides NZ Bus, but will not include trains or ferries.

The move to the IBTS provides both opportunities and constraints for fares implementation. For example, the introduction of IBTS provides a limited opportunity to simplify fares and to move to more standardised products. The details of any fare and/or product transitions will be resolved through the Fare

Media Transition Plan for buses, with appropriate councillor input and communications.

But while there are opportunities under IBTS, there are also constraints. The short term application of IBTS and the principles and objectives relating to its procurement mean that the development of new functionality for the Snapper scheme will not be funded as part of the IBTS.

In November last year, Council endorsed the following principle as part of the fares and products transition work:

“Existing free transfers on and between bus and rail will be retained and any new transfers required as a result of changes to the network will avoid penalising customers.” (Report 15.533, November 2015)

Under some journey scenarios, it is potentially complex to implement this principle with existing Snapper transfer capability. Options for providing acceptable, easily understood and simply communicable transfer functionality for the changed bus network via IBTS are currently being investigated.

The policy and regulatory matters associated with all relevant current fares and ticketing policies in the PT Plan need to be assessed, with cost and revenue implications predicted through appropriate models and research. This complex issue will be analysed in more detail and brought back to the Committee for resolution in the next term of Council. Whatever solutions are developed, suitable communications and marketing activities will be needed to advise customers and members of the public.

6.1 Timeline and Milestones

Task	Notes	Timeline
Scope and methodology	Report to STC	10 Aug 2016
Establish reference/advisory groups	Confirm membership	Aug 2016
Information gathering, analysis and option development	Engage contractors/consultants Develop policy options Modelling Evaluation and analysis	Aug – Dec 2016
Stakeholder engagement	Targeted engagement	Sep – Dec 2016
Report back to Council	Workshop on progress, to include: <ul style="list-style-type: none"> - Options analysis - Modelling - Reference group feedback - Recommendations and next steps 	Dec 2016
Adopt revised policy for consultation	Council report, consultation document, SOP including revised policy and associated budget	Mar 2017
Consultation via AP and PT Plan process	Public information Submissions	Apr 2017

	Hearings	
Endorse AP and PT Plan changes	Council report	Jun 2017

7. Communications

A communications plan will be developed to guide messaging and communications for the review.

Full consultation and associated communications will occur via the Annual Plan and PT Plan review processes in 2017.

8. 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).

8.1 The significance of the decision

Part 6 requires GWRC to consider the significance of the decision. The term ‘significance’ has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking into account the Council’s significance and engagement policy and decision-making guidelines. Due to the procedural nature of this decision officers recommend that the matter be considered to have low significance. Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

8.2 Engagement

Any changes to fares policies recommended in the review will be consulted on in the usual manner as part of the Annual Plan process in 2017.

9. Recommendations

That the Committee:

1. *Receives the report*
2. *Notes the content of the report.*
3. *Adopts the principles to guide the Public Transport Fares Review process.*

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