

Report 17.123  
Date 2 May 2017  
File

Committee Sustainable Transport Committee  
Author Paul Kos, Manager PT Planning

## Public Transport Fares Review – update and decisions

### 1. Purpose

This report provides a process update on the Public Transport Fares Review (Fares Review) and outlines the key decisions on fares required over the remainder of the calendar year.

### 2. Background

At its meeting of 29 June 2016, Council resolved to undertake a review of public transport fares – with the expectation that new fare initiatives could be consulted on as part of the 2017/18 Annual Plan process.

Officers reported to the Sustainable Transport Committee on 10 August 2016 on the proposed scope, objectives, principles and methodology of the review (Report 16.351) and then worked on the review through the transition period to the new Council. A reference group was established to guide the review process and test ideas.

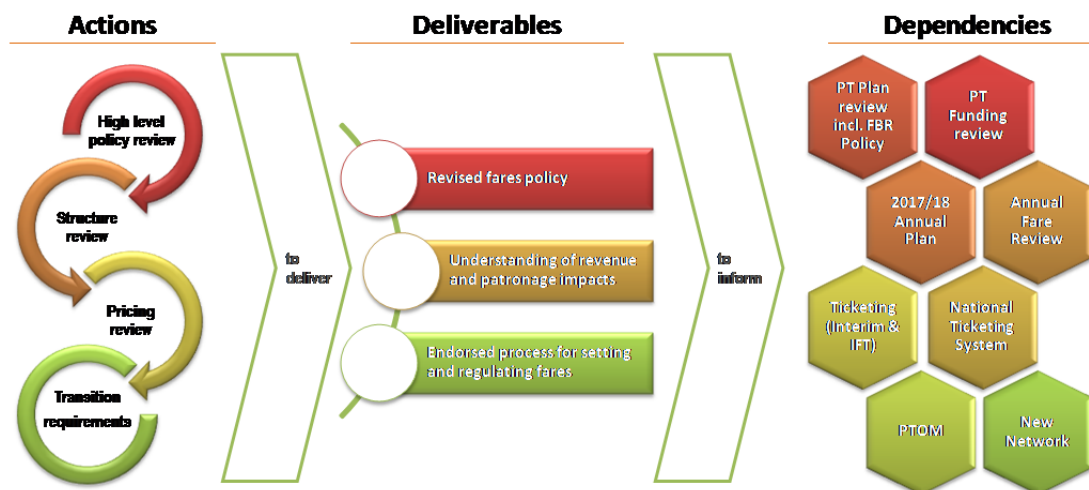
A series of workshops were held with councillors over the New Year to present findings of the review and to seek direction on what (if any) fare initiatives or fare increases should be included in the draft Annual Plan consultation document. As a result, the draft Annual Plan consultation document proposes no changes to fares over the 2017/18 year, but signals an intention to bring in a package of fare initiatives in mid-2018 to align with the new bus contracts and the extension of Snapper as an interim bus ticketing system.

The lead-in time needed to enable fare initiatives to be implemented in mid-2018, means that key decisions on fare initiatives and any potential fare increase needs to be made within the 2017 calendar year. This paper outlines the nature of those decisions and outlines a process on fares that will need to be followed in order for Council to introduce fare initiatives in the 2018/19 year.

### 3. Scope of Fares Review

The Fares Review was undertaken to re-examine the high-level policy for fares set out in the PT Plan, including fare structure, fare pricing, transfers between vehicles, operators and modes, and policies on concessions, including new initiatives such as a tertiary student concession. It also considered options for rationalising fares in preparation for new ticketing systems and options (including fare or rate increases) to fund specific fare initiatives.

The following diagram illustrates the broad scope of the Fares Review and the dependencies with other key public transport related work streams.



### 4. Key decisions to be made

The following discussion summarises the nature of the fares-related decisions that Council will need to make prior to the end of the calendar year. A suggested pathway and timeline for reporting to Committee on these decisions is provided in Section 5 of this report.

#### 4.1 Fare policy decisions

Work to date on the Fare Review process identified the following short list of fare policy initiatives for Council to consider. Most initiatives are based on existing PT Plan policies, however, some new policy initiatives were put forward for councillors to consider.

	Fare policy initiatives
Committed	Introduce free transfers for new bus network (required with bus network changes)
Current PT Plan policy	Standardise 25% cash premium
	Standardise 50% child discount
Future PT Plan policy	50% youth discount
	25% off-peak discount and remove targeted concessions
Possible new	25% tertiary discount (peak)

policy	Standardise free regional bus connections with rail monthly passes
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Understanding the patronage and revenue implications of these fare initiatives is a critical factor in the decision-making process. Likewise, understanding sequencing and compatibility with ticketing systems is also a critical factor to be considered. Work is ongoing in these areas, and detailed discussion will be included in follow-up reports to Committee.

## 4.2 Fare structure decisions

The Fare Review also considers structural aspects of fares, including the design and location of fare boundaries. Analysis of the current zone-based system suggests that only minor changes are required to zone boundaries.

	Fare structure initiatives
Committed	Remove 3-zone maximum fare in Wellington City (required with bus network changes)
Boundary adjustment	Porirua - move zone 5 boundary outwards to include Titahi Bay, Porirua East and Paremata Station
Anomaly fix	Allocate Ngauranga Station zone (currently zone 1) to zone 3

## 4.3 Fare product transition decisions

Fare products are the tickets customers purchase for travel on the Metlink public transport network. Currently these are numerous and inconsistently applied across the Metlink network, and we have an urgent need to rationalise prior to the introduction of new ticketing solutions.

The Council has endorsed a Fares Products Transition Strategy to guide this process, including consideration of the following initiatives:

	Fare product transition initiatives
Rail products	Simplifying the rail monthly product to improve customer experience and better align with zone-based philosophy
	Reducing reliance on strip tickets and occasional tickets
Bus products	Transition to a reduced selection of Metlink bus products with the introduction of new bus contracts (some operator-specific products will become obsolete)

## 4.4 Fare revenue increase (and PT funding) decisions

This aspect of the Fares Review considers whether any change is required to the level of the base fare (smart card fare). This process normally occurs in February/March each year as part of the Annual Fare Review and Annual Plan processes. If changes are proposed, these typically occur in November.

Given the nature of the fare initiatives being considered for mid-2018, timing for a decision on whether to have a fare revenue increase will be required well before mid-2018 and, ideally, at the same time as the fare policy initiatives are confirmed.

Decisions on the need for a fare revenue increase will also consider: costs of public transport (including other public transport projects); external factors affecting public transport operations (including inflation, oil prices); PT Plan farebox recovery policy; and our User Charges Policy, which is part of our Long Term Plan Revenue and Finance Policy.

#### **4.5 Review of PT Plan farebox recovery policy**

At the high level, the farebox recovery policy concerns the extent to which the costs of providing public transport should be met by public transport users through fare revenue.

Based on NZ Transport Agency guidelines, the current PT Plan sets a target of 55-60% farebox recovery over the entire Metlink network. The PT Plan signals an intent to review and potentially reduce the farebox recovery target to 50% taking into account the fare transition plan and outcomes of the fare structure review.

Reducing farebox revenue requires careful consideration. There is a triangular relationship between fares, costs and subsidies (rates and NZ Transport Agency funding). Any reduction in fare revenue, without an equivalent reduction in costs will increase the subsidy required and consequently the rates that need to be raised. Any increases in costs will require an increase in fare revenue and/or subsidies.

Reducing fare revenue may also impact on NZ Transport Agency's assessment of the GWRC's public transport network as part of their funding process, which could impact applications for any increases to funding.

The fares component of this relationship is primarily addressed via the PT Fares Review. The costs and subsequently the revenue needed from rates and the National Land Transport Fund will be determined as part of the Long Term Plan process and Regional Land Transport Plan development.

Any decisions around fares will need to be considered within this wider framework. There is a need to review the farebox recovery policy and Long Term Plan user charges policy for public transport to determine the appropriateness of the current target range and desire to reduce this to 50% in light of the trade-offs between costs, fares and subsidies.

### **5. Programme of work and consultation**

The following diagram outlines a draft programme for this work, including reporting milestones and consultation.

Month 2017	Tasks
May, June	<ul style="list-style-type: none"> <li>• pre-engagement on tertiary fares and funding (statutory stakeholders, tertiary sector, local councils, NZTA)</li> <li>• on-going analysis and modelling of fare initiatives</li> <li>• firm-up fare products transition plan</li> <li>• councillor workshop (7 June)</li> </ul>
July, August	<ul style="list-style-type: none"> <li>• fares consultation package drafted</li> <li>• consultation package endorsed by STC (8 August)</li> <li>• consultation over August/September (4 weeks)</li> </ul>
September, October	<ul style="list-style-type: none"> <li>• councillor workshop - early October</li> <li>• final package endorsed 31 October</li> <li>• decision on fare revenue increase 31 October</li> <li>• decision on fare-box recovery policy 31 October</li> </ul>
December	<ul style="list-style-type: none"> <li>• transition to implementation begins</li> </ul>

The decisions required through this process are of high public interest. They may also trigger the significance policy in the PT Plan, which requires consultation to take place in accordance with our special consultative procedure.

The draft programme proposes consultation in two stages. The initial pre-engagement stage (with statutory stakeholders, the tertiary sector, local councils and NZTA) focuses on tertiary fares and funding issues, and also wider funding policy.

The second stage will comprise a broader and more formal public consultation process on a proposed package of fare initiatives. This is planned to occur in the second half of August to enable a final package to be presented to the Committee in October.

## 6. PT Plan review

Depending on the nature and scale of fares related decisions ultimately made via the Fares Review, it is likely to require the PT Plan to be varied in some way or form.

There are two aspects to consider in reviewing the PT Plan:

1. Short term implementation of fare initiatives – for example, some changes may be required to bring in fare initiatives in time for the new contracts and new bus network for Wellington City. This could occur via a variation to the existing PT Plan.
2. The need for, and timing of, a comprehensive review of the PT Plan. While the PT Plan has had two minor updates over the past year, a comprehensive review will be required in the near future due to the extent of changes occurring in the public transport environment.

A paper setting out timing and overall approach to a comprehensive review of the PT Plan will be brought to Committee in June or August – this will need to consider:

- Fundamental changes to fares policy that comes out of the Fares Review, including whether a change is required to farebox recovery policy or our overall approach to concessions
- Timing and linkages to the review of the Regional Land Transport Plan, including the statutory requirement to undertake a review of the PT Plan following endorsement of the Regional Land Transport Plan
- Further changes required as a result of the PTOM bus contracts, including possible changes to fleet
- Emerging policy and practice on customer experience
- Progress and timeframes for integrated ticketing via the National Ticketing Programme
- Potential changes to the network or programme of works as a result of the ‘Let’s Get Wellington Moving’ project
- Updates to the Regional Rail Plan
- NZTA guidance and policy, including national farebox recovery policy and related changes to SuperGold funding.

## **7. Consideration of Climate Change**

The matters requiring decision in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

### **7.1 Mitigation assessment**

*Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.*

Officers have considered the effect of the matters on the climate and recommend that the effect is not significant. Fare initiatives are designed to increase public transport patronage which will contribute to an overall reduction in gross regional greenhouse gas emissions.

### **7.2 Adaptation assessment**

*Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.*

Officers recommend that climate change impacts have no direct relevance to the matters addressed by this paper.

## **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). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

### **8.1 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 the Council's significance and engagement policy and decision-making guidelines into account. While the topic of fares is of considerable interest to the Committee and the public, the paper sets out processes for future decision-making. No decisions on fares are proposed in this paper.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

## **9. Recommendations**

*That the Committee*

- 1. Receives the report.*
- 2. Notes the proposal to pre-engage statutory stakeholders, the tertiary sector, local councils and the NZ Transport Agency on tertiary fares and funding.*
- 3. Notes the extent and nature of decisions that will be required to enable fare initiatives to be implemented in line with the intent signalled in the draft Annual Plan 2017/18 consultation document.*
- 4. Agrees to the proposal to develop a package of fare initiatives for consultation with the public in August/September 2017.*
- 5. Notes that a paper setting out the pathway for a comprehensive review of the PT Plan will be reported to the Committee later in the year.*

Report prepared by:

**Paul Kos**  
Manager, Projects and  
Planning

Report approved by:

**Wayne Hastie**  
General Manager, Public Transport