

Report 12.228
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Committee Council
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2012 Public Transport Fare Increase

1. Purpose

To confirm the new public transport fare schedule to be implemented on 1 October 2012.

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).

2.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance policy and decision-making guidelines. Officers recommend that the matter be considered to have medium significance.

The matters requiring decision will have a moderate impact on a large number of residents and ratepayers.

Public transport fare changes have had a history of generating public interest within the region.

The proposed 3% fare revenue increase is consistent with the Council's approved 10 year plan 2009-19 and the Draft Long-term Plan 2012-22.

2.2 The decision-making process

Officers have taken into account the principles set out in section 14 of the Act and the need to manage the Council's resources prudently.

Officers advise that there is no process for making this decision explicitly set out in the Act or any other enactment.

3. Options

Officers consider that the Council has the option to increase the fare revenue or decline to increase the fare revenue.

Officers consider all options available have been appropriately identified and assessed.

4. Community views and preferences

Views and preferences are already known to the Council due to previous engagement with the community, and public submissions have been received through the Long-term Plan process.

5. Background

5.1 Council decisions

The Council is required¹ to undertake an annual public transport fare level review. At its meeting on 27 March 2012, Council considered a paper (**Report 12.79**) 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. Council also noted that user contribution levels are predicted to fall below the Council target levels² within the next two years.

Council agreed that, subject to approval of the Long-term Plan 2012-22 by Council, fares be increased from 1 October to generate a revenue increase of 3%.

Council agreed, as a basis for discussion with transport providers, that a five year programme of fare increases be developed that ensures even fare increases across all fares at around 3% per year over the five years. Transport providers have since agreed a fare schedule based on this approach.

Consultation on the proposed fare revenue increase was undertaken through the Long-term plan process. The draft Long-term Plan 2012-22 released in March 2012 assumed a fare revenue increase of 3% per year from an increase in fares, and this was highlighted in the Plan. A summary of submissions on the proposed fare increases was reported to Council in Attachment 1 of **Report 12.195**, along with officer comments. The fare revenue increase assumed in the Long-term Plan has remained unchanged after the public submission process.

6. The proposed new fare schedule

6.1 The approach

A copy of the proposed fare schedule to take effect from 1 October 2012 is at **Attachment 1**. This schedule has been agreed with transport providers.

As indicated above, the approach this year was to develop a five year programme of increases to ensure that over the five years, all fares increase by

¹ Through its Regional Public Transport Plan and NZ Transport Agency funding policies

² As set out in the Council Farebox Recovery Policy

the same amount (about 3% per year) over the length of the programme. This approach was taken because:

- Council has assumed a 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 only come into affect once the increase rounds up to the nearest 50 cents, which may be more than a 3% increase. 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.

This approach was discussed and agreed with the transport providers, and the schedule at Attachment 1 shows the effect of the first year of the programme.

6.2 The effect

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

In 2012 the impact is:

- Adult cash fares for zones 3-14 will increase by 50c (increases of between 3 and 11%). Other adult cash fares will be unchanged
- Adult multi-trip tickets (ten trip, smartcard and monthly tickets) will all increase by 3%, except for the one-zone fares which remain unchanged³
- Child cash fares for zone 7-9 and 13-14 will increase by 50c (increases of between 5 and 11%). All other child cash fares will be unchanged
- Child multi-trip tickets (ten-trip, smartcard, monthly and term tickets) will all increase by 3% except for one-zone fares which will remain unchanged⁴.

Based on the five year programme, in 2013:

- Adult cash fares in zones 2, 7-8 and 11-14 will increase by 50c (increases of between 3 and 14%). All other adult cash fares will be unchanged
- Adult multi-trips will all increase by 3%, except one-zone fares which remain unchanged

³ This is required in order to maintain the multi-trip discount to the equivalent cash fare

⁴ This is required in order to maintain the multi-trip discount to the equivalent cash fare

- Child cash fares for zones 4-6, and 10-12 will increase by 50c (increases of between 7 and 17%). All other child cash fares will be unchanged
- Child multi-trips will all increased by 3% except one-zone fares which will remain unchanged.

Over the course of the five year programme, all fares will increase. That increase will average 3% per year, but in some individual years the increases will be higher than 3%. For example, the three zone adult cash fare will increase in 2012 from the current fare of \$4.50 to \$5.00. That is an 11.1% increase, but that fare does not increase again over the five year programme.

Throughout the programme the multi-trip discounts compared to the cash fare are maintained (ten-trip and smartcard fares are discounted 20% compared to cash, and monthly rail tickets are set at three times the ten-trip ticket price).

6.3 Other changes

The city zone fare has been deleted. This was because, after the 2011 increases, the only difference between the city zone and the one-zone fare was a ten-cent difference in the smartcard fare (\$1.50 for the city section fare compared to \$1.60 for the one-zone fare).

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. Non-standard fares include the stadium fares (recently renamed as Wellington Event Tickets), the various day and weekend passes, the after-midnight fares, and some of the “Combo” tickets (which allow bus and train travel).

The increases in these non-standard fares are set out below:

- The price of the Wellington Event Tickets is unchanged
- The rail day, three day weekend, and group rover tickets have increased by 8%, 5% and 14% respectively (these fares did not increase in 2011)
- The Wairarapa excursion tickets (these are essentially day return tickets) have increased by 5%
- The combo tickets (Otaki, Waikanae and Whitby) have not increased
- Ferry fares have increased by an average of 4-5% (ferry fares did not increase in 2011)
- After midnight fares have increased by 8% (largely due to the rounding required for these cash-only fares).

All these fares are also shown in the fare schedule at Attachment 1.

6.4 Commercial fares

Many of the fares in the fare schedule are for services registered as commercial and as such are set by the operator. The Airport Flyer fares are an example of commercial fares. Most commercial fares have been increased by the provider of the services with the increases in line with the standard increases applied by the Council. These commercial fares cannot be changed by Greater Wellington – they are shown in the schedule at Attachment 1 for completeness purposes only.

6.5 Extra revenue generated

This fare increase is estimated to deliver to this Council a 3% increase in revenue (on an annual basis) for each year of the programme.

6.6 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 products such as Kapiti Plus, which are tied to certain fares, may also need to be adjusted.

6.7 Implementation date

It is proposed that the new fare schedule be introduced on 1 October 2012.

6.8 Fare structure review

Councillors will be aware that a review of the fare structure is also currently being carried out. The structure review and the fare level review are different exercises but the fare level review has been very conscious of the work being undertaken in the structure review and has, as far as is possible, taken into account the work being undertaken in the structure review. Decisions made in the fare structure review will influence future fare level reviews.

7. Consistency with proposed farebox recovery policy

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.

8. Next steps

The next step in the fare increase process is to negotiate the flow-on changes to the transport provider contracts (the contract prices need to be adjusted to ensure it is Greater Wellington and not the providers that benefit from the increases). The process for contract negotiation is relatively straightforward, and well established. The process includes calculations of the revenue increases to the providers (and thus the reduction in contract price), and includes assessments on revenue of the negative patronage impacts. It should be noted that the 27 March 2012 Council resolution specified that the fare

increase would only be introduced in the event that the financial benefits of the increase flow to Greater Wellington ie providers should be no better off or worse off from the Council introduced fare changes.

We propose to use the methodology outlined in the NZ Transport Agency Procurement Manual 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 objective of the Council that the financial benefits from the fare increase flow back to the Council and not to the providers.

In addition it is recommended that the Chief Executive be delegated authority to make minor changes to the proposed fare schedule that might arise from the negotiations with operators.

9. Communication

The standard fare increase communications will apply.

10. Recommendations

That the Council:

- 1. **Receives** the report.*
- 2. **Notes** the content of the report.*
- 3. **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 2012.*
- 4. **Agrees** in principle to adopt the five year approach to fare increases, noting that in effect this sets the fares for the duration of the programme.*
- 5. **Agrees** to delegate to the Chief Executive the authority to determine that the negotiations with the transport providers have met the objective of the Council that the financial benefits from the fare increase flow back to the Council and not to the providers.*
- 6. **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:

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Attachment 1: Proposed new 2012 fare schedule