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Committee Council
Author Rhona Hewitt, Manager, Bus and Ferry Operations

Fare Structure Review

1. Purpose

To advise Council on progress with the fare structure review, and make a recommendation regarding the proposals to take to public consultation.

2. The decision-making process and significance

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. The adoption of options for consultation, as recommended in this report, is a preliminary decision of low significance.

3. Background

3.1 Why review the fare structure?

The NZ Transport Agency requires, as a condition of its funding, that fare structures be reviewed every six years. The last review in Wellington was in 2005.

As a consequence of this requirement, The Greater Wellington *Regional Public Transport Plan 2011-2021* requires Council to:

“review fare structures at least every six years, with the first review to be carried out in 2011/12” (Method 4, Policy 7.1).

It is also Greater Wellington’s intention to move towards a network wide electronic fare payment system and ultimately to an integrated ticketing and fare system. This fare structure review must take this into account and assist in the ultimate implementation of such a system.

3.2 Review Terms of Reference

The fare structure review began in 2011, with the Economic Wellbeing Committee approving the review Terms of Reference at its meeting on 24 November 2011 (**Report 11.572**).

Included in the Terms of Reference were:

- Provision for the establishment of a Reference Group (made up of operators, users, and regional councillors) to guide the study. Crs Glensor and Bruce were subsequently appointed to the Reference Group
- The process for undertaking the review, the first stage of which is to develop initial fare structure options to take to public consultation
- The aims, objectives and principles of the review, which will guide the choice of the fare structure
- Provision for public consultation on the initial options developed, with further consultation on the final option at a later stage
- Requirements that the review be revenue-neutral, and take into consideration Council's plans for integrated ticketing
- A review timetable.

3.3 Work undertaken to date

Since the 24 November 2011 EWC meeting, the following work has been undertaken:

- A consultant (Ian Wallis Associates Ltd) was appointed to assist in the technical work of the review
- Several meetings of the Reference Group have been held
- The initial tasks (including the collection of information on the current fare structure, and the identification and assessment of possible alternatives, including identifying fare structures elsewhere around the World) have been undertaken
- Fare structure options have been selected, and some recommendations regarding these have been made by the Reference Group.

The initial tasks were aimed at identifying feasible options to take to public consultation. While it was originally intended to develop three or four consultation options, it quickly became clear that within each option there were several sub-options. Thus the final consultation package will require a "pick and mix" type selection involving fare charging methods, ticket types, concession fares etc.

These initial tasks have now been completed. **Attachment One** is a copy of the consultant's summary report, which contains the consultation options.

These options have been developed with, and agreed by, the Reference Group.

The options are discussed further below.

4. Fare structure options

The review covers three main areas:

- The fare charging structure i.e. how the fare is calculated. Options include flat fare systems, distance based systems, time based systems or combinations of all of these
- The fare product range i.e. the ticket types available (such as cash, ten-trip, monthly etc) and the usage rules associated with each tickets
- The fare concessions i.e. who is eligible for concessions and the amount of the concession.

This fare structure review does not address fare levels, or ticketing systems. A fare level review is undertaken by Greater Wellington annually, and assesses fare levels against various Greater Wellington policies, in particular its revenue recovery policy. The annual fare level review does not address structural issues.

The review Terms of Reference required as the first stage of the project the development of broad options which would then be taken to public consultation. These broad options have been developed, and assessed against the various criteria set out in the Terms of Reference.

The options recommended by the consultant (and the Reference Group) to take to public consultation are outlined in detail in Attachment One, and are summarised below.

4.1 Charging structure

The current charging method in Wellington is a distance based system based on 14 concentric zones radiating out from Wellington city CBD.

The basic charging structure options that were considered included:

- a flat fare system (i.e. the same fare for all trips regardless of trip length),
- a section based system, where each trip requires its own fare (the current Wellington system)¹
- a zonal system, with free transfers (with fares based on the number of geographic zones in which travel takes place, and
- a time based system (with fares determined by how long the travel takes).

¹ The distinction between zonal systems and section systems is subtle. Wellington is considered to have a section based system even though it is commonly called a zonal system

The flat fare system and section based systems were eventually discarded from further consideration by the Reference Group because Wellington's network is considered too large for flat fares, and sectional fares are considered inconsistent with Wellington's long-term plans for integrated fares. Time based systems were also discarded as they don't exist in pure form anywhere in the World, at least as the primary charging system, although many systems have time based elements to them and this is a possibility for Wellington (perhaps, for example, with off-peak fares).

It was concluded therefore by the Reference Group that a zonal system was preferred, with fares depending on the number of zones of travel and with free transfers between routes. Any journey would be able to be completed on a single 'integrated' ticket.

It was decided not to take any of the discarded options to consultation for the reasons mentioned above, noting that even within the preferred zonal charging system there are still many decisions required. These largely revolve around the number and type of zones. The options include:

- the existing 14 concentric zones based on the Wellington city CBD
- five "block" type zones rather than concentric zones (the blocks being Wellington city, Porirua, Kapiti, Hutt and Wairarapa)
- seven "block" zones (being Wellington city, Porirua, Kapiti, Lower Hutt, Upper Hutt, South Wairarapa and North Wairarapa).

Within whichever zonal system is selected a more sophisticated "point-to-point" based fare system is recommended be operated once a universal tag-on/tag-off smartcard system is in place. A point-to-point system is based on distance travelled and allows free transfers. The zonal system would then be used only by cash-paying passengers.

Other decisions needed to be made for a zonal charging system involve how the fare is charged. Fares are currently calculated on the basis of a fixed boarding fee (which is about \$2 and which is the same for all journeys) plus a fixed per-kilometre rate (about 13c per km). This is one option for the future, but other options include:

- a system where the fare per kilometre reduces as journeys become longer
- a system where the fare per kilometre increases as journeys become longer.

Off-peak discounts are a further consultation sub-option. Options include:

- not having off-peak fares
- having off-peak fares, in which case the following need to be considered:
 - the time periods in which off-peak fares would be available

- the level of the discount offered
- should the peak service be in the peak direction only or in both directions.

4.2 Product range

It is assumed that in the near future all regular users will be using stored-value smartcards (such as on Go Wellington, Mana and Valley Flyer services), and will not be using paper based tickets (such as the current Tranz Metro ten-trip tickets and monthly passes).

Issues to be addressed for regular users include:

- should cards be stored-value smartcards only, with users paying a maximum in a week of say the ten most valuable trips (with all other trips that week being free), and no periodical options (such as monthly options) be available?
- or should smartcards also have a periodical option available (such as a monthly option), for travel in a defined zone or zones, with a stored value option available for other trips?

Issues for infrequent users (who use cash) include:

- should free transfers be allowed for those using cash tickets?
- should there be a premium on cash tickets compared to stored value cards, and if so, what should it be?

4.3 Concessions

Currently the child concession is the only universally available concession fare available in the Wellington region, and the discount rate for the child concession fare is approximately 50% of the adult fare (although it does vary because of rounding and other issues).

The child discount is currently available to those aged 5-15, and those aged 16-19 years in school uniform or a production of a current school photo ID.

Some other concessions (generally ones inherited by Greater Wellington) are available on certain services (e.g. the ferry has a tertiary student concession; the trains have concessions for a few people registered with the Royal NZ Society of the Blind, and IHC; and in Wellington city a small number of beneficiaries still have a historic concession on Go Wellington bus services).

Options to consider include who should be eligible for a concession, and how much the discount should be.

Options for consultation proposed by the Reference Group include:

- Children – extend the current concession eligibility to provide a discount to all children 5-19 years (inclusive) in full time primary and secondary education
- “Youth” – with a discount for 5-19 year olds regardless of attendance at school, this would cover all children and young people under 20 years (including those in their early years of tertiary education and young workers)
- Tertiary students:
 - As per current situation i.e. no discount
 - Extension of the child concession to include all full time tertiary students
 - Extension of the “Youth” concession to include all children and young people under 20 years
- Seniors:
 - As per current situation i.e. no discount other than the SuperGold scheme
 - Extend the SuperGold scheme to cover 3pm – 6.30pm
- People with disabilities and people on Work and Income benefits
 - As per current situation (i.e. a very small number of people with specific disabilities offered concessions on some services)
 - No concession and phase out the existing concessions

The Reference Group has a preference for which concessions should be available and it is intended to make this preference clear in the consultation material. One of the preferences of the Reference Group is for a “Youth” concession (excluding the extension to all full time tertiary students), noting that the cost of introducing concessions could be met only by raising the adult fares and/or reducing the concession discount rate, and that the other potential concession groups will benefit if an off-peak fare is introduced under the “charging system” options.

5. Conclusion

There are many issues on which to consult and partly for this reason the consultant and the Reference Group have been very careful to only put up realistic and feasible options (although of course those responding to the call for feedback will be able to put forward other options).

Because of the number and complexity of some of the options there is a need for structured consultation and the provision of a full explanation of the options and their potential impacts.

6. Consultation

A comprehensive consultation plan is being drawn up with the assistance of the Reference Group. Targeted and general consultation is proposed for the various options. Targeted consultation will initially involve face-to-face meetings with groups (such as local authorities, tertiary education institutes, resident groups, Grey Power etc) with a direct interest in the issues and then general web-based consultation with public transport users.

The more general web-based consultation will occur immediately after the targeted consultation.

A web-based consultation questionnaire, together with an information pack, will form the basis of the consultation. These materials are currently being developed.

7. Next Steps

Once the Council has approved the options for consultation, the next step in the review involves planning and preparing for the consultation. This planning and preparation is likely to take until the end of June. Targeted consultation will then take place in July 2012, with a wider consultation phase scheduled for August/September.

A report back to the Economic Wellbeing Committee on the outcome of the consultation is scheduled for the 25 October meeting of that Committee.

After that further work will be undertaken to identify the preferred option. This is expected to be presented to Council at the end of this year. Further consultation will then occur on the preferred option in February/March 2013, and the final design work will then be done. The final package is expected to be put to Council for approval in April/May 2013. Detailed implementation planning will then occur, with implementation likely to be on a gradual basis, and will partly be dependent on progress with other projects such as integrated/electronic ticketing.

8. Progress Review

The Terms of Reference acknowledged the likely complications and potential time delays in undertaking the review, and provide for a progress review at this stage of the project.

It is clear that the review will take longer than first thought. The original timetable in the Terms of Reference had the first round of consultation taking place in April/May 2012, with the review to be completed by the end of September 2012.

This timetable is now no longer feasible and a revised programme, based on the times detailed in section nine above, is at **Attachment Two**.

9. Communication

No communication is needed at this stage.

10. Recommendations

That Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Agrees to consult on the options listed in Attachment One of this report, and as summarised in this report*
4. *Notes that a full consultation plan is being prepared by the review Reference Group*
5. *Agrees to amend the Terms of Reference to include the revised timetable as shown in Attachment Two*
6. *Notes that reports on progress with consultation will be reported back to the Economic Wellbeing Committee.*

Report prepared by:

Report approved by:

Rhona Hewitt
Manager, Bus and Ferry
Operations

Wayne Hastie
Group Manager, Public
Transport

Attachment 1: Summary review report

Attachment 2: Revised project timetable