



Report 11.243
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Committee Council
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Fare Increase 2011

1. Purpose

To confirm the new fare schedule to be implemented on 1 September 2011.

2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

3.1 Council decisions

At its meeting on 15 March 2011, Council considered a paper (**Report 11.49**) on the annual public transport fare review. Council noted that farebox recovery (the proportion of the costs of providing the service paid by the passenger) was within the target range set by Council (45-50%) but was forecast to fall below the target in 2012/13. Council agreed that a fare increase that generated extra revenue of 3% was required.

Council considered various fare increase options set out in report 11.49, and recommended, as a basis for discussions with operators, a 5% increase in the price of multi-trip tickets. It is proposed that the increase take effect on 1 September 2011.

Discussions with operators have been held and a new fare schedule, based on the recommendations of Council, has been agreed.

The Proposed Annual Plan for 2011/12 released in March 2011 assumed in its budgets a fare revenue increase of 3% from an increase in fares. This was highlighted in the Plan. This assumption has remained unchanged after the public submission process.

4. The proposed new fare schedule

A copy of the proposed fare schedule is at **Attachment 1**.

The focus this year on multi-trip tickets is a result of the multi-year approach to fare setting. The last increase (in October 2010) increased the price of single trip cash fares as well as all fares for trips of more than 11 zones. Multi-trip ticket prices (ten trip, smartcard, monthly and term tickets) were not increased in 2010 (other than for the GST increase which took effect at that same time).

This year the increases have been applied to multi-trip tickets (generally 5%) and not to cash single trip fares.

Some exceptions to this general rule exist – the increase is 5% except where this would reduce the discount on multi-trip fare below the 20% discount guideline for ten trip fares.

And rounding requirements have meant that some increases are slightly more than 5%.

4.1 The changes

The main changes proposed to the fare schedule are set out below. These changes have been developed and agreed by the region's principal transport operators.

4.1.1 Cash fares

Adults

No changes are proposed for cash single trip fares for the city zone and 1 - 8 zone trips. A 50cent increase (which equates to an increase of between 3% - 5%) is proposed for 9-14 zone trips for adults because without such an increase the ten trip discount to cash would drop below 20% which would mean no increase in these multi-trip ticket prices (which would jeopardise the 3% increase in revenue target).

Child

No changes are proposed for city section and 1-9 zone trips. A 50 cent increase is proposed for 10-14 zone trips based on the same rationale as for the adult fares, as well as taking a multi-year perspective which shows smaller increases for these fares compared to other fares). This equates to increases of between 5.9% and 8.3%.

4.1.2 Ten trip and smartcard fares

Adults

Most adult ten trip/smartcard fares have increased by 5%. But in order to preserve the 20% multi-fare discount some fares have increased by less than that. And the city section and 1 zone tickets have not increased at all because of this.

Child

Other than the 1 zone fare (which has remained the same to preserve the multi-trip discount), child fares have also increased about 5% (and a range of 3.7% - 7.3%). The larger increases are due to rounding, which particularly affects the lower price fares (the 7.3% increase translates into a \$0.15 increase per trip).

4.1.3 Monthly and term pass fares

Adults

The monthly fare is set at three times the ten-trip fare. This means that the proposed increase for monthly fares is generally 5%, but ranges between 3.3% and 5.2% (except the 1 zone ticket which remains unchanged) to preserve the multi-trip discounts.

Child

There is no increase for one zone tickets. All others increase by between 4.2% and 5.6%.

4.1.4 Others

It is proposed that some other tickets also change. There include:

Special Johnsonville fares

As heralded during the 2010 fare increase, it is proposed that the special three-zone fares that apply only on the Johnsonville line (the monthly, Peace Train, and school term passes) be abolished. The standard fares will now apply.

Stadium train fares

It is proposed that these special fares on the stadium trains increase by \$2 per round trip for adults, and \$1 for children.

Passengers may also use their usual multi-trip tickets on these services.

Rover tickets

The price of the Day Rover, Three Day Rover and Group Rover tickets has been kept the same.

After Midnight fares

The price of these tickets has been kept the same.

Otaihanga and Paekakariki fares

The price of the tickets on these services has been increased because these fares did not increase in 2010.

Kapiti, Hutt and Wairarapa Plus tickets

The price of these tickets has increased in line with the standard monthly fare increases.

4.1.5 Wairarapa train minimum fare

Until recently a minimum fare applied on the Wairarapa train. This was aimed at discouraging non-Wairarapa passengers (who have other alternatives) from using the train. The minimum **cash** fare is an eight zone fare (\$9.50), and those using a Hutt Valley **ten-trip** ticket must pay a cash surcharge (\$1 per trip on Upper Hutt tickets and \$5 on Waterloo and Petone tickets). The minimum fare applies in both directions

As part of the recent package aimed at reducing over-crowding issues, the minimum fare was temporarily removed on services from Masterton (but retained on services to Masterton). This change seems to have been well received by passengers and not caused any implementation problems and thus it is recommended that the change be made permanent.

4.1.6 Commercial fares

Many of the fares in the fare schedule are for services registered as commercial and as such are set by the operator. We are still awaiting details of some fares (final details will be tabled at the meeting) but it appears that all commercial fares will increase in line with the standard increases applied by this Council. These fares cannot be changed by Greater Wellington – they are shown for completeness purposes only.

4.2 Extra revenue generated

This increase is estimated to deliver to this Council a 3% increase in revenue for 2010/11. The likely reduction in patronage arising from the increase has been taken into account.

No detailed modelling of the extra revenue was undertaken this year due to the relatively simple nature of the increase proposed (approximately two thirds of all trips are made using multi-trip tickets. Thus an average fare increase of 5% will generate a revenue increase of about 3.3%, which in turn will result in a 3% revenue increase after deducting the standard allowance for a reduction in passenger numbers resulting from the fare increase).

4.3 Flow-on effects

There are a number of flow-on effects of any fare increase. The reimbursements for SuperGold may need to be adjusted (reimbursement 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 payments for products such as Kapiti Plus, which are tied to certain fares, may also need to be adjusted.

4.4 Implementation date

It is proposed that the new fare schedule be introduced on the 1 September 2011.

5. Consistency with proposed farebox recovery policy

Council is currently developing its farebox recovery policy. The new policy is included in the draft Regional Public Transport Plan.

The fare changes proposed in this paper are consistent with the proposed policy.

6. Next steps

The next step in the fare increase process is to negotiate the flow-on changes to the transport operator contracts. The process for contract negotiation is relatively straightforward, and well established. The process includes calculations of the revenue increases to the operators (and thus the reduction in contract price), and includes assessments on revenue of the negative patronage impacts. It should be noted that the 15 March Council resolution was that the fare increase would only be introduced in the event that the financial benefits of the increase flow to Greater Wellington.

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 operators have met the objective of the Council that the financial benefits from the fare increase flow back to the council and not the operators.

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.

7. Communication

The standard fare increase communications will apply.

8. Recommendations

That 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 operators with a view to it being introduced on 1 September 2011.***
4. ***Agrees to delegate to the Chief Executive the authority to determine that the negotiations with the transport operators have met the objective of the Council that the financial benefits from the fare increase flow back to the Council and not the operators.***

5. *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 operators.*

Report prepared by:

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Attachment 1: Proposed Schedule of Fares 2011