



Report 10.325
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Committee Transport & Access Committee
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NZTA Farebox Recovery Policy

1. Purpose

To advise the Committee of the release of the NZ Transport Agency (NZTA) farebox recovery policy, and consider its impact on this Council.

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 NZ Transport Agency

Farebox recovery addresses the proportion of operating costs covered by fares.

In October 2009 NZTA released a discussion document which proposed that regional councils be required to have farebox recovery policies which included a target minimum recovery ratio for that region. A number of options were put forward. This Council made a submission on the draft.

NZTA has now released its policy (see **Attachment 1** to this report).

3.2 Current farebox recovery levels

The latest farebox recovery levels (as calculated by NZTA) are shown in **Attachment 2**. The levels show Wellington at 55.0% for 2008/09 (the highest in NZ, and up from 53.5% in 2008/09), with the national average 45.9% (down from 46.5%). The range is 13.7% to 55%¹.

3.3 Greater Wellington

This Council already has a farebox recovery policy, which requires that fares should cover between 45 and 50% of costs. This Council calculates farebox

¹ These latest numbers vary from those previously published by NZTA, which has recently recalculated the numbers

recovery in a slightly different manner to NZTA – we treat debt servicing costs, commercial services, and SuperGold income slightly differently. Our method results in a lower ratio compared to the NZTA calculation method.

Using our method of calculating the ratio, we are predicting a ratio of 48% this financial year.

4. The new policy

Features of the NZTA policy include:

- Regional councils are required to use their Regional Public Transport Plans to set a farebox recovery policy for the whole network, and for each mode, by 1 January 2012
- A farebox recovery target or target range is required, plus an explanation as to why this target has been chosen and how it will be achieved
- NZTA (and others) will be able to influence that policy and target through the Regional Public Transport Plan consultation process
- Council should achieve the target within three years of it being set
- No direction or guidelines as to what the target for each region should be are provided, but a national target of 50% will be set, to be achieved by 2018 (and it is implied that this is should be the target for at least Auckland, Wellington and Canterbury)
- A standard formula for calculating farebox recovery
- Regional councils must undertake annual reviews of fare price levels, discounts, concessions and ticket types
- Regional councils must review their fare structures at least every six years.

5. Comment

5.1 Our submission

The main points of this Council's submission on the policy as originally proposed were:

- There was a lack of evidence supporting a particular recovery ratio (this has been removed by putting the onus on regional councils to establish their own policy)
- There was a focus on recovery by route rather than by network (this has been removed)
- The inclusion of capital costs, particularly relating to rail was uncertain (this has been clarified, and capital costs are not now included)

- The Council was concerned that the majority funder i.e. councils, were being dictated to by the minority funder i.e. NZTA (this has been resolved by allowing councils to set their own policy, albeit under strong influence by NZTA).

5.2 Impact on this Council

The NZTA policy does not specify a particular recovery rate for each council – it only requires each council to have a policy in its Regional Public Transport Plan which includes a target recovery ratio. This target can be set at whatever level the council considers appropriate (after consultation). NZTA will attempt to influence that policy and target through that submission process, and will presumably encourage Auckland, Wellington and Canterbury to set a target of at least 50%.

The only target set by the NZTA policy applies to NZTA itself – to achieve a 50% national farebox recovery rate by 2018. In order to achieve this, NZTA acknowledges that the recovery rates in Auckland, Wellington and Canterbury (who receive over 90% of NZTA funding) must be around 50%.

Given that this Council already has a farebox recovery policy, and that we are achieving 55% recovery (on the basis of the NZTA calculation), it seems that the new policy will have little immediate effect on this council.

6. Next steps for this Council

It will be confusing for this Council to use a different method of calculating the farebox recovery ratio to that proposed by NZTA. It is therefore appropriate for this Council to revise our existing farebox recovery policy (which is contained in the LTCCP - Revenue and Financing Policy) to align it with the NZTA calculation method. This revision could occur during the development of the next Council LTCCP, or as part of consultation on the Regional Public Transport Plan.

The farebox recovery policy will also need to address the issues required by NZTA (why we have set the target at the level we have, how we intend to achieve/maintain the target etc). This will be done as part of the development of the new Regional Passenger Transport Plan.

We will need to review the fares every year (we do that now), and review the fare structure within six years.

7. Communication

No communications are required.

8. Recommendations

That the Committee:

1. ***Receives the report.***

2. *Notes the content of the report.*
3. *Notes the contents of the new NZTA fare recovery policy; and*
4. *Notes that it has no immediate impact on this Council.*

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Attachment 1: NZTA farebox recovery policy

Attachment 2: NZTA farebox recovery rates