



Wellington region fare structure review

Draft Terms of Reference (9 November 2011)

1. Introduction

This document sets out the terms of reference for the Wellington region fare structure review, to be conducted by Greater Wellington Regional Council. The review is scheduled to be completed by 30 September 2012.

The implementation of the review outcomes will depend on what those outcomes are, but it is intended to implement the outcomes as soon as practicable.

The fare **structure** is the way in which fares are charged (and not the actual fare levels). It includes:

- how the fare is calculated (currently a distanced based zonal system, with some fares also based on time of travel)
- the mechanism used to charge the fare (currently a mixture of cash, smartcards and paper tickets)
- the amount of discount that may apply to multi-trip fares (currently approximately 20% discount for ten trip/smartcard fares, with monthly tickets three times the price of a ten-trip, and term passes 2.5 times the price of a monthly ticket)
- the availability and amount of any concessions that may be available to certain parts of the population (currently virtually the only Greater Wellington funded concession is for children, with the child price being 50-60% of an adult fare. Free SuperGold Card travel could also be considered to be a concession, although it is funded by central government).

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

2. Background

The Greater Wellington *Annual Plan for 2011/12* requires that Greater Wellington “complete a review of public transport services fare structures in the region”.

The Greater Wellington draft *Regional Public Transport Plan*, based on NZTA funding requirements, requires that fare structures be reviewed every six years. The Plan also identifies that the next review should be conducted in 2011/12.

The last Greater Wellington fare structure review took place in 2005/06, at which time the current integrated zonal fare structure was introduced. Minor changes to the fare structure have occurred since that time. Changes include removing the concession for the over 60’s (in response to the introduction of the Government’s SuperGold Card free off-peak travel scheme).

The current fare structure is based on 14 zones, with the fare charged depending on how many zones the traveller passes through. Distance travelled is thus the main determinant of fares. Within the zonal system there are also some off-peak fares available on certain train services.

There are approximately 250 different fare products currently available in the region. The zonal system generally applies equally to bus and train, although there are some services that have their own specific fare-levels within the zonal system (for example, the harbour ferry and the Airport Flyer).

A mixture of paper based tickets and electronic tickets (such as the *Snapper* card available on Go Wellington and Valley Flyer, and the Mana/Newlands *Smartcard*) are available, but the tickets are only available for travel on the services provided by the ticket issuer. There are only limited opportunities to transfer between the same or other service providers without needing a new ticket and paying a new fare.

Ticket types vary between modes. Rail has paper-based single, ten-trip, monthly and term tickets, and has peak and off-peak fares (although these are not available on all lines). Bus passengers mostly use smart-cards. Concessions of approximately 50% of the adult fare are available on all services for children. Some other operator-provided concessions exist on some services (e.g. students receive a concession on the ferry, and the blind travel free on trains).

The fare structure, basic fare products and fare levels are generally set by Greater Wellington. Operators are able to have their own fare products within that structure, and set the fares for those products. The *Go Wellington 30 Day Pass* is an example of a fare product set by the operator.

The operators of commercial services, such as the Airport Flyer, set their own fares for those services (although they usually do so within the basic fare structure e.g. they use the standard zonal, ticketing and concession structure).

The introduction of smart-cards on buses has had an increasing influence on the fare structure, with most bus journeys now being paid by smartcard. Smartcard

fares offer a 20% discount over cash fares, and because of this there are essentially no smartcard based multi-trip fares. The trains still have a paper based fare system and as such are able to offer ten-trip, monthly and term tickets.

It is Greater Wellington's intention to move towards a network wide electronic fare payment system and ultimately to an integrated ticketing and fare system. The timing of this is partly dependent on the introduction of such a system in Auckland (because of NZTA requirements), but Greater Wellington has given a high priority to such a move and thus this fare structure review must take this into account.

3. Aims, objectives and principles

3.1 Aim of fare structure review

The aim of the fare structure review is to provide an opportunity to test the current and possible alternative fare structures against a set of principles. The review provides the opportunity to:

- consider future requirements such as electronic ticketing and integrated ticketing and integrated fares
- consider fare structures ideas proposed by the public, users, operators and councillors
- consider how best to deal with known anomalies and issues in the current structure.

3.2 Objective of the fare structure

The objective is to have a fare structure which:

- is equitable for those using the system
- is simple and easy to understand
- reflects the policies of the *Regional Public Transport Plan*
- maximises patronage while achieving the necessary level of fare-box recovery.

3.3 Review principles

Principles to be considered when undertaking the review are set out below:

- Simple and easy to understand – users must be readily able to understand the structure
- Equitable – users across the network pay the same for equivalent services
- Encourage patronage growth
- Discourage the use of cash – pre-paid tickets speed boarding and fare collection process

- Consistent with future requirements for electronic ticketing and integrated fares
- Compatible with PTOM – PTOM is the new Public Transport Operating Model being developed by the Government, regional councils and bus operators. PTOM provides for a new way to procure bus services
- Deliver sufficient revenue – the fare structure must generate sufficient revenue to meet the current fare-box recovery policy as specified in the *Regional Public Transport Plan*
- Meet policy objectives of local and central government
- Consider the needs of the transport disadvantaged
- Be compatible with service delivery changes likely to occur in the near future, such as those resulting from the Wellington Bus review
- Be easy to implement, particularly from a transport provider perspective, and must allow easy calculation of revenue changes when adjustments are needed to operator contracts
- Enable the most efficient use of the network.

4. **Scope**

The review will address the fare structure in the Wellington region. It will address:

- The way in which fares are charged
- The mechanisms for charging
- The discounts for smartcards and multi-trip tickets
- The availability and level of concessions.

The review will not consider:

- Fare levels
- Fares for commercial services
- Any changes to the fare-box recovery policy.

The review has a medium term perspective. NZTA and the Greater Wellington *Regional Public Transport Plan* require that a review must be undertaken at least every six years and thus another review will occur in six years time. The review in particular should help prepare the Wellington region for the introduction of integrated ticketing and integrated fares (although it is recognised that subsequent changes are likely to be required depending on the integrated system introduced in Wellington).

The review will take into account the current policies laid out by the *Regional Land Transport Strategy*, *Regional Public Transport Plan*, *Annual Plan* and any other relevant Council documents.

Many fare structure matters have already been identified over recent years, and these will be addressed as part of this fare structure review. These matters are outlined in Appendix A.

5. Review process

The fare structure review process will be undertaken in several stages:

- (a) Preliminary planning
- (b) Information collection, identify alternative structures, choose two or three options
- (c) Development of chosen options
- (d) Initial consultation with public and operators
- (e) Identify and develop preferred option
- (f) Final consultation with public and operators
- (g) Final design and approval
- (h) Implementation.

A description of the tasks associated with each stage is set out below. A proposed timeframe is provided in section 6 below.

(a) Preliminary planning

The Preliminary planning stage will involve confirming the project Terms of Reference with Council (including confirmation of the objective of the fare structure and the principles for carrying out the review), initial discussions with operators, establishing the reference group, and drawing up a detailed work plan.

The operators have an interest in the fare structure and will play a vital role in this review. It is proposed to discuss these terms of reference with the major operators before obtaining final approval of the Council. The establishment of a reference group is discussed in section 7 below.

(b) Information collection, identify alternative structures and choose two or three options

The current Wellington region fare structure will be identified in detail. Relevant patronage data (trip numbers per zone and fare category) will be collected and analysed.

Research will be undertaken into alternative fare structures, with examples (elsewhere in NZ and overseas) identified of each. An evaluation framework,

based on the key principles, will be developed, and used to evaluate these fare structures. Particular relevance will be placed on the likely patronage and revenue impacts on the Wellington public transport system.

Previous submissions to Greater Wellington on fare issues (such as those made to the draft Regional Public Transport Plan and Council Annual Plans) will be collected and analysed.

The relevance of fares structures in Auckland is particularly important to the review. As NZTA push towards a national fare system it is important that whatever Wellington does is consistent with what NZTA/Auckland Transport is developing in Auckland. This first stage of the review will therefore identify what is happening in Auckland and progress with the national system.

A progress report will be presented to the Council workshop on 2 February 2012.

(c) Development of chosen options

This stage will involve the further development of the two or three options identified in stage b, with specific Wellington implications identified for each. Some basic modelling may be required to identify some of the likely patronage and revenue implications. It is likely that the status quo will be one of the options, thus allowing comparison between the options.

A report, seeking agreement to consult on the selected options, will be brought to EWC at its March 2012 meeting.

(d) Initial Consultation with public and operators

Initial consultation will be undertaken with the public and key stakeholders in April 2012 on the two or three options developed under stage c. Consideration will be given to combining this consultation with any other consultation being undertaken by Council at the time.

Public consultation will be invited via targeted advertising on trains and buses and in the local media. Specific forums will be held for key stakeholders and transport operators.

Key stakeholders are likely to include territorial authorities, DHBs, Iwi, residents' and progressive associations, tertiary institutes and high schools, groups representing people with disabilities, user representatives (such as PT Voice), major organisations with a likely public transport interest, and Grey Power. Those who submitted on the Regional Public Transport Plan will be specifically invited to submit and attend forums.

It is not intended to provide an option to hear submissions.

A report on the submission process, outlining the issues raised, will be presented to the May 2012 meeting of EWC.

(e) Identify and develop preferred option

An evaluation of the two or three options will be undertaken and used together with the public/operator feedback to identify a preferred option.

A report will be prepared for the EWC meeting in July and EWC will be asked to confirm a preferred option.

(f) Final consultation with public and operators

Some targeted consultation will be undertaken with the preferred option. This will involve discussion with operators, discussions with any groups particularly affected, and discussions with the public through focus groups.

(g) Final design and approval

The final fare structure, together with an implementation plan, will be developed. This will be considered by EWC in September 2012. Full approval of Council will subsequently be required.

(h) Implementation

Implementation will be dependent on the outcome of the review. It is likely that an implementation pathway will be identified because while some identified changes may be able to be implemented relatively quickly, others are likely to take longer. Some outcomes are likely to require changes to operator contracts which are likely to take some months to negotiate, and some detailed modelling of the impact of any changes on each contract price may be required to assist with this. Other changes may be dependent on other related improvements being made, such as network-wide electronic ticketing being introduced.

Other changes may be dependent on PTOM, funding etc.

6. Timeframe

The timeline for the project is set out below. While the Council Annual Plan requires the review to be completed in the 2011/12 financial year, it is considered that a thorough review with full councillor and public involvement cannot be achieved by that date. The timeframe below has the review being completed in September 2012.

Stage	Key tasks	Indicative dates
<i>a. Preliminary</i>	<p>Consideration of Draft Terms of Reference (Economic Wellbeing Committee workshop)</p> <p>Discussions on ToR with operators</p> <p>Establishment of reference group</p> <p>Development of a Communications Plan</p> <p>Report to EWC (including seeking approval of terms of reference)</p>	<p>13 October 2011</p> <p>October/November</p> <p>October/November</p> <p>October/November</p> <p>24 November 2011</p>
<i>b. Information collection, identify alternative structures, and choose two or three options</i>	<p>Assess Greater Wellington and NZTA policies, gather patronage data, gather data on potential fare structures, prepare evaluation framework, identify two or three options (including addressing concession fares, peak/off-peak fares, and fare products)</p> <p>Report to Council workshop</p>	<p>November/December 2011</p> <p>2 February 2012</p>
<i>c. Development of chosen options</i>	<p>Further development of identified options</p> <p>Report to EWC (seeking agreement to consult)</p>	<p>February 2012</p> <p>15 March 2012</p>
Progress Review	By EWC	15 March 2012
<i>d. Initial consultation with public and operators</i>	<p>Public and key stakeholder consultation using chosen options</p> <p>Report to EWC (including summary of consultation)</p>	<p>April 2012</p> <p>29 May 2012</p>
<i>e. Identify and develop preferred option</i>	<p>Identify, using consultation feedback and evaluation framework, preferred option. Develop option further</p> <p>Report to EWC (including identification of preferred option)</p>	<p>June 2012</p> <p>26 July 2012</p>
<i>f. Final consultation with public and operators</i>	Public and key stakeholder consultation based on preferred option	August 2012
<i>g. Final design and approval</i>	<p>Detailed fare structure design</p> <p>Report to EWC</p>	<p>August 2012</p> <p>13 September 2012</p>
<i>h. Implementation</i>	Detailed implementation planning	September/October 2012

7. Governance

The review will be led by Greater Wellington. Public transport operators will be involved and consulted throughout the process. Key milestones will be reported to the Greater Wellington Economic Wellbeing Committee.

(a) Project management

The Project Sponsor will be responsible for the overall decision making, including directing the Project Manager. The Project Sponsor is Wayne Hastie, General Manager, Public Transport Group.

The Project Manager will be responsible for the overall management of the project as directed by the Project Sponsor. The Project Manager is Rhona Hewitt, Procurement Manager.

It is likely that external consultants will be used to manage the day-to-day work to be undertaken. Different consultants are expected to be required for the different tasks (such as modelling, economic assessments etc).

(b) Reference Group

Greater Wellington will set up a Reference Group to help guide the review. The Reference Group will be made up of the users, providers, and funders of the public transport system. The Group will include a representative of each of the major Wellington transport providers (NZ Bus, Mana, and KiwiRail), two user representatives (nominations for which will be sought via the Metlink website and Metlink newsletter), and two regional councillors.

Consideration was also given to including transport operator staff and union representatives, and representatives of major users such as tertiary institutions, schools, and major employers. However it was not possible to include all these organisations on the Reference Group, and it was considered that the views of these groups would better be obtained through forums addressing specific issues.

The role of the reference group is to provide advice and guidance to the project manager and ensure that major stakeholders are informed of major developments. Terms of reference will be drawn up for the Group, which will meet on a regular basis, most likely on a monthly frequency, and as required for major milestones.

Note that the project calls for consultation with transport operators, and while some of this can be undertaken through the reference group, it is likely that some will be undertaken on a one-to-one basis with the individual operators.

(c) Internal Technical Working Group

An internal Greater Wellington technical working group will also be set up. Terms of reference for this group will be drawn up, and the main aim of the Group will be to ensure the wider public transport issues within Greater Wellington, such as the Wellington Review, integrated ticketing and modelling issues, will be taken into consideration.

(d) **Economic Wellbeing Committee involvement**

The EWC will be involved as much as possible throughout the review. A report on progress will be made to each committee meeting. EWC will approve the membership of the Reference Group and will have two representatives on the Reference Group.

(e) **Deliverables**

Deliverables will consist of public consultation material, reports to the Economic Wellbeing Committee, and a final report outlining the full process and outcome.

The review will be considered to be complete once the final report has been prepared and accepted. Ongoing implementation and monitoring will continue beyond that point, but will not be considered to be part of the review project.

8. Budget

The project is expected to cost \$200,000 and will be funded through existing budgets. Most costs are associated with external consultants and public consultation (brochures to households, posters and advertising in local media).

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Appendix A: Matters raised previously to be considered as part of the review

- Minimising transfer penalties
- Requests for tertiary, beneficiary, and disabled concessions
- The need to standardise/simplify eligibility for, and an identification system for, child concessions
- Cross-town trips in Wellington City, and the three zone fare cap
- Fare product inconsistency across modes (e.g. there are monthly tickets on trains but not on buses)
- Rail tickets are “station-to-station” whereas bus tickets don’t have this restriction
- Off-peak fares are offered on some services (primarily on rail) but not others
- Inconsistencies between rail line for rail off-peak fares (e.g. Johnsonville Line)
- Rounding of fares, including the 50c cash rounding
- Standardising designated rail off-peak services with availability of SuperGold Card travel
- Modelling to find the point which maximises patronage and fare revenue
- Understanding fare elasticities, particularly short-term and long-term
- The level of discounts for those eligible for concessions
- Changes to/reductions in, the number of fare zones
- Outer zones are further apart compared to the inner zones
- Third party funding (such as occurs with some Wellington services to Victoria University, and occurs through tertiary institutions in Palmerston North, Wanganui and Invercargill)
- Fare levels for inner city trips
- The use of pre-paid fares to speed up peak-time trips
- The existence of premium fares (such as for the ferry and Airport Flyer)
- Regular user discounts
- Inclusion of PT fares in major event tickets and special event fares
- Encouraging the use of shoulder periods

- Should focus be on promoting (through fare structure) lower cost services? For example, should bus fares be lower than rail fares (if buses cost less to operate than trains)?
- Bus replacements fares – should the standard rail fare apply when buses replace train services?

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