Board Meeting| 11 December 2018
Agenda item no. 8.7
Closed Session

CONFIDENTIAL

PT Opex / Funding Update (Fares Review)

Recommendations

That the Board:

i. Receives the report.

ii. Approves, subject to additional funding being made available from Auckland Council (AC) and/or New Zealand Transport Agency (Transport Agency), either no increase in public transport fares, or a reduction in public transport fares.

iii. Notes that the Chief Executive is discussing with AC and the Transport Agency the potential for additional funding to mitigate fare increases.

iv. Approves, in the case where additional funding is not secured, fare increases based on the analysis in this paper. Specifically, this includes changes to the PT Fare Schedule as set out in Attachment 1, including:

   a). -10c to +20c fare increases to bus/rail fares;

   b). full alignment of inner harbour ferry with 3-zone bus/train fare to facilitate integration of ferries into zonal structure; and

   c). adjustment of mid harbour and outer harbour ferry monthly pass prices.

v. Delegates to the Chief Executive the ability to change the PT fare schedule to reflect the level of funding received from AC and the Transport Agency, up to the schedule outlined in Attachment 1.

Executive Summary

1. The Regional Public Transport Plan (RPTP) and PT service contracts require an annual review of PT fare schedules to ensure fares keep pace with operating costs and strategic objectives are met. Addressing declining PT farebox recovery, further alignment of inner harbour ferry fares and balancing public transport fares, Transport Agency funding, and AC revenues to budget for cost indexation and new service funding gaps, are the key strategic objectives for the 2019 annual review. The last fare change was in February 2018.

2. The default policy driver for the 2019 annual fare review is RPTP policy 5.5 to maintain fares at a level that will achieve farebox recovery targets and 9.2(b)(vi) to undertake an annual fare review and adjustment to ensure fare increase at least keep pace with increased operating costs with additional modest increase to maintain progress towards farebox recovery target. The annual cost change (Transport Agency indexation) for the June quarter was +3.97% for bus (proxy for rail) and +5.93% for ferry, representing increased contract costs of approximately +$10.5 million per annum.

CONFIDENTIAL

3. The 2018/19 opex budget assumed a $3.7 million annualised fare increase in February 2019 at +2.1%.
4. Current service level growth aspirations and funding pressures from contract price indexation, revenue yield and price efficiency targets have resulted in a ~$15 million 2018/19 opex gap.
5. The recommendations to achieve the policy drivers are:
    - Increase in adult cash fares, affecting 3-zone and 5-zone customers.
    - Adjustment of bus/train HOP fares (across all concession types) from between 5c and 20c, to ensure marginal fare is decreasing, affecting customers across all zones.
    - Increasing 7-zone and 8-zone longer distance tertiary fares by 20c to ensure greater consistency of discount between zones.
    - Decreasing adult 7-zone and 8-zone fares by 10c, in order to continue to realign long-distance fares and make travel more affordable for these customers.
    - Child 1-zone HOP fare has been changed from 99c to $1.05, whilst retaining the 99c child weekend fare special.
    - Increasing mid and outer harbour monthly pass prices to create more consistent pricing between products, whilst continuing to make long-distance travel more affordable for regular ferry customers.
6. As a result of these actions the average fare change for bus/train is +3.2% and +1.5% for ferry, and the farebox recovery ratio would improve by +0.74% from 45.13% to a forecast 45.86%, by achieving a revenue increase of +$3.7 million per annum (excluding GST). An estimated patronage reduction of 830,000 boardings per annum would result from the fare increase.
7. While the average weighted fare changes are higher than CPI of +1.9% - this reflects improving service levels and amenity, and better value for money perceptions as illustrated in the improved PT customer satisfaction results, which are close to an all-time high.
8. While the above analysis and preparations for the Annual Fare Review have been completed for consideration by the AT Board discussions have been taking place with the Mayor’s office, AC and the Transport Agency to assess the potential to offset the fare increase in this Annual Fare Review with additional subsidy. This approach takes account of the expressed desire of the Minister and Associate Minister of Transport to accelerate mode shift through using tools such as fares, and the broader political context of Regional Fuel Tax. An update on these discussions will be provided at the Board meeting.

Board Meeting| 11 December 2018
Agenda item no. 8.7
Closed Session

CONFIDENTIAL

Previous Deliberations

9. There have been no previous deliberations since the previous 2018 Annual Fare Review in late-2017.

Strategic Context

10. The Regional Public Transport Plan (RPTP) states that AT should "continue an annual fare review and adjustment process and ensure that fare increases at least keep pace with increased operating costs (as measured through Transport Agency indexation) with additional modest increases when necessary to maintain progress towards the farebox recovery target". AT also has an obligation to review fare price levels annually within some PT service contracts. The last fares review was implemented in February 2018.
11. AT is seeking to continue to fund a step-change in public transport, which needs to balance fare/Transport Agency/AC revenue, as measured by the Farebox recovery target. Currently a budget deficit in excess of $15 million is forecast.
12. Against this backdrop, there is:
    a). A stated desire, both at AC and Central Government, to accelerate mode shift from single occupant vehicles to public transport and active modes
    b). The socio-economic and political dialogue with respect to the impact of Regional Fuel Tax
13. In trying to balance the historical policy and operational expenditure position and the current socio-economic and political climate, AT has been exploring the possibility of additional funding from both the Transport Agency and AC to cover the recurring costs of either no increase to public transport fares, or a reduction in public transport fares. These discussions are ongoing.

Background and Analysis

14. PT fares are regulated through a standard zone-based fare schedule for bus and rail, and a separate point-to-point ferry fare schedule. AT HOP fares are at least 25% cheaper than the equivalent cash fares, and concessionary fares are available for specific customer groups. Child, secondary student and disabled passenger fares are at least 40% off adult HOP, and tertiary students at least 20% off adult HOP. Exempt services (Airbus Express, Waiheke, Devonport and Stanley Bay ferry services) may charge different fares under the Land Transport Management Act 2003 (LTMA).
15. Overseas benchmarking undertaken for the Simpler Fares strategy in 2016 identified that Auckland's short-distance fares (i.e. low congestion benefits) are relatively cheap compared to other cities, while longer-distance fares are more expensive. Over the last four years the real cost of 2-zone/stage fares and longer have reduced in real terms between -0.4% and -20%. The 1-zone fare proposed at $1.95 is still a relatively low price when compared with Australasian jurisdictions. Melbourne charge $2.94 for a zone fare, Brisbane $3.25 ($2.60 off-peak) and Perth $1.98

CONFIDENTIAL

for a "short trip" under 3.4km and $2.79 for a zone of 8 to 10kms. Given Auckland's fare zones radiate out from the CBD at approximately 10km intervals, a 1-zone adult HOP fare of $1.95, still compares very favourably to a 10km car journey, using the IRD claim rate of $0.76/km – or $7.60 for a 10km trip.

16. The considerations when undertaking an annual fare review are summarised at Attachment 2. A balance is required between customer impact and the need to ensure fares keep pace with increasing operating costs. This represents the user pays proportion of PT service costs. The balance is met equally by AC (via ratepayer funding), and the Transport Agency, who each contribute approximately 25% to 28%.

17. Key metrics considered in this fare review include:

    - Transport Agency indexation (annual contract cost increase) of +3.97% for bus/train and +5.93% for ferry to June 2018, adding $10.5 million cost prior to any customer benefit and up from $5.8 million in the previous year. This is higher than forecast in the AT budget at 2%, creating an opex gap.
    - Annual CPI has increased by +1.9% at September 2018.
    - Patronage growth of 4.0m passenger boardings (4.4%) for the 12 months ended September 2018.
    - Patronage growth of approximately 3.3m passenger boardings (8.5%) for the five months to November 2018 since the introduction of the Regional Fuel Tax.

18. The key issues driving the 2019 fare review is the need to address funding pressures. Farebox Recovery Rate (FRR) has also decreased over the past 12 months from 46.8% to 45.13%, and is below the new target range mandated by the Transport Agency. The full extent of PTOM gross price contracts, coupled with integrated fares and new network, are still being played out on the revenue front, placing pressure on the revenue risk Auckland Transport is continuing to face.

19. The FY 2018/19 opex budget has an assumed fare increase to balance the budget at 2.1% or +$3.7 million annualised. In addition, other cost and funding pressures have resulted in a wider opex gap at ~$15 million. Contract indexation alone has increased PT contract costs by +$10.5 million in the last 12 months significantly above the assumed budget scenario. AC's introduction of a Regional Fuel Tax of 10c per litre to pay for transport infrastructure will further impact on indexation payable on PT contracts. With the New Network fully implemented and the current service level growth aspirations a further review of service levels is underway to optimise services.

20. Meanwhile, PT customer satisfaction levels continue to increase from a total (across all modes) of 89.7% in June 2017 to 91.1% in September 2018. This has been driven by improving perceptions of fare value for money since Simpler Fares in August 2016, ongoing New Network roll-out and increasing service frequency, punctuality and reliability.

21. There are two significant considerations, not historically considered as part of the annual review of public transport fares. The first of these considerations is the expressed desire by AC and the Minister of Transport to accelerate mode shift from single occupant vehicles to public transport and active modes. The Minister has expressed a willingness to be more flexible on farebox recovery targets and the Transport Agency signalled in April 2018 that it was willing to look at ways to "*… provide them* [communities] *with affordable travel choice*".

22. The topic of accelerated mode shift was discussed between the AC Councillors and AT Board in a workshop on 31 October 2018. A number of actions have been requested from that meeting to further consider what levers could be pulled to accelerate mode shift and the consequential impact of pulling such levers. A number of these actions are underway but, they will not all be completed prior to the end of March 2019.

Utilisation of Parking Pricing to Accelerate Mode Shift

23. At the November 2018 meeting of the Board of Directors when the Annual Fares Review was informally discussed the Board requested that management consider whether, as part of a tactical package, changes to car parking fees might also support modal shift.
24. AT's Parking Strategy ("Parking Strategy") links price increases for parking specifically to demand (above 85% occupancy) and limits any one increase to up to 15% of the current price for the specific zone. Average occupancy in the wider CBD is currently 90%, enabling a minor increase in pricing.
25. A significant pricing increase would require a change to the Parking Strategy. It is likely that a departure from the current strategy will need to be discussed with key stakeholders. The Parking Strategy went through public consultation in 2015 and this now governs the establishment of new paid parking areas and the price increases in existing areas. A review of the Parking Strategy is planned to commence in 2019.
26. Notwithstanding the constraints in the Parking Strategy that preclude significant wholesale increases across parking zones it is a sound commercial decision to raise parking prices both on-street and in the parking buildings. AT's prices remain low relative to comparative cities globally. Faster than anticipated uptake of the AT Park app (currently at 83,000 downloads) means that customers can now purchase parking fees by the minute rather than the minimum of half an hour from the payment machines on-street. This has negatively impacted parking revenue and made it cheaper to park on the street. AT's current year budget already includes an assumed $2.4 million increase in on-street parking revenues, from price increases for existing parking prices and new paid parking areas.
27. A parking price increase above this is unlikely to result in a significant mode shift as AT controls only 35% of central city parking spaces and an increase in on-street pricing would first shift commuters and longer term parkers into either AT's own off-street facilities or, to commercial operators such as Wilson Parking, who offer tailor made commuter products.
28. It is possible that reducing parking supply (the number of car parks) in the central city and town centres may provide a much more effective alternative to driving a mode shift to public transport and active modes than the increasing of parking fees. This will be considered as an option to drive mode shift in the first quarter of 2019.

CONFIDENTIAL

Social / Political Context

29. Aside from the desire to accelerate modal shift there is an interesting socio-economic and political context. More specifically,

    a). AT have just implemented the New Network across the region. While the implementation has been very successful in generating increased patronage, there has been small pockets of discontent over the withdrawal of some express services, the removal of some school services and not serving some streets as well as previously. This implementation has added significant additional capacity to the bus network.

    b). The introduction of the Regional Fuel Tax is likely to be one of a number of factors encouraging more PT trips (2.5 million more trips in the first four months of this financial year).

    c). There has been significant commentary with respect to the impact the Regional Fuel Tax has had on low income families.

    d). It is less than one year until Local Government elections.

30. In this context it would appear that the current socio-political environment is not ideal for increasing public transport fares.

Patronage and Financial Implications

31. Modelling of the fare increase using well researched and proven elasticity factors, with all other factors held constant, suggests that if a 2% increase in public transport fares was to be implemented then on an annualised basis 830,000 current passenger trips would not continue to be made.

32. In previous years AT may have been able to absorb the operational cost associated with a nil fare increase. However, in recent months a number of risks have crystallised which mean that the lost revenue from the fare increase is unable to be absorbed in this current financial year and those impacts are recurrent. $1.7 million additional fare revenue has been allowed for in the current year budget (five months impact) to be obtained from a 2% fare revenue increase and $3.7 million in the following financial year.

33. The financial and commercial analysis suggests that AT should increase fares in line with the main proposal in Attachment 1 of at least 2% to match budget assumptions, and potentially higher than this to reduce the current operational funding gap in accordance with the direction received from AT Directors on the budget gap at the 6 November Finance, Capital and Risk Committee. A budget shortfall which would result from no increase to public transport fares would need to be addressed through additional operating revenue contribution from AC and/or the Transport Agency.

CONFIDENTIAL

External Consultation/Engagement

Operators

34. High-level communication has been sent out to operators regarding the proposed fare changes and they will be given an opportunity to provide feedback. Operators will be notified of the confirmed fare schedule post AT Board approval. Fullers recently aligned the Auckland to Devonport single adult fare with the inner-harbour adult fare at $7.00, noting that they had intended moving this to $7.40.

Customers and Other Stakeholders

35. As with prior annual fare reviews, a formal communications plan will be developed post AT Board approval, including media releases and other marketing collateral. Customers will be notified of any changes at least two weeks in advance of implementation. Media and other stakeholder groups such as public transport advocacy groups will be briefed individually. Small regular increases are less noteworthy than occasional price rises. Key messages would be:

- Small annual changes to fares to align to cost changes, avoid infrequent price spikes, and to fund service improvements
- Continued alignment of inner harbour ferry fares with zonal structure, in preparation for full ferry integration
- Significant increase in service levels in recent months
- Cost of operating increasing at a greater rate
- Real cost of fares continue to decrease

Proposed Approach In the Absence of Additional Funding

Should no additional funding be available from the Transport Agency or AC then it is proposed that a fare increase would be undertaken on the following basis:

Objectives of Annual Fare Review

36. The key objectives of the 2019 Annual Fare Review would be to meet budget revenue assumptions and maintain sufficient farebox recovery share of contract price indexation and the marginal cost of new services, while minimising any patronage loss through fare changes. In addition, mode specific fare structure issues have been addressed as outlined in the sections below.

Auckland Transport
An Auckland Council Organisation

37. A range of options have been modelled to determine impact on:
    - Revenue increase/decrease
    - Patronage growth/loss
    - Average weighted fare change
    - Farebox recovery ratio
    - Key policy drivers.
38. A summary of the options considered is in Attachment 3.

Bus and Rail Services

39. Adjust bus/train HOP fares to ensure marginal difference between fare zone increments is decreasing. This results in progressively reducing the additional cost per additional zone travelled. This would encourage greater long-distance PT travel that contributes to greater positive impact on congestion.
40. A detailed fare schedule proposal is contained in Attachment 1, with key changes proposed as:
    - Increasing 1-zone fares by +2.6% to +7.1%; 2-zone fares by +4.5% to +6.1%; 3-zone fares by +2.1% to +7.4%; 4-zone fares by +1.6% to +4.3%; 5-zone fares by +0.9% to +1.3%; 6-zone fares by+1% to +2.2%; tertiary 7-zone fares by +2.7% and tertiary 8-zone fares by +2.4% to both improve farebox recovery and to ensure marginal fare is decreasing.
    - Decreasing adult 7-zone and 8-zone fares by -0.9% to -1% to continue to make longer-distance PT travel more affordable (higher congestion benefits).
    - Maintaining monthly bus/train pass.
    - Increasing some tertiary fares from between 5c and 20c to ensure greater consistency of discount between zones.
    - Increasing some child fares from between 6c and 20c to ensure marginal apportionment across all fares.
    - Increasing adult 3-zone and 5-zone cash fares
41. Child 1-zone fares previously known as the *"99c child fare"* is now known as the *"99c child weekend fares"* campaign. Child 1-zone fare during the weekdays would be increased to $1.05 (+6.1%) as it was limiting flexibility.
42. The bus/train initial fee (i.e. default fare) would be updated to the corresponding 3-zone fare (i.e., *adult* 3-zone fare for adult user, *child/concession* 3-zone fare for child/accessible concession user, *secondary* 3-zone fare for secondary concession user).

CONFIDENTIAL

43. Sky Bus service increases one way fare (and initial fee) from $18 to $19 for adult, accessible, secondary and tertiary users and decreases one way fare (and initial fee) from $18 to $16 for Super Gold users.

44. Weighted average fare change limited to +3.2% relative to +1.9% CPI, reflecting also improving services.

Ferry Services

45. Following on the strategy adopted for the Annual Fare Review for 2018, the key driver for the ferry review is to fully align the three ferry “zones” of inner, mid and outer harbour services, to the 3-zone, 5-zone and 8-zone bus/rail fares respectively, in preparation for full integration of ferries into the Simpler Fares structure.

Inner Harbour services (Birkenhead/Northcote Point, Bayswater)

46. The proposed changes to inner harbour adult HOP (+10c), adult cash (+50c), and child HOP (+30c) would mean these fully aligned with the 3-zone bus/train fares, providing equity for ferry users relative to distance travelled.

47. This is dependent on Fullers willingness to accept the same changes for Devonport.

Other services

48. Mid harbour (Beach Haven, Half Moon Bay, Hobsonville, West Harbour) adult HOP fares would be by +10c, adult cash by +50c and tertiary HOP by +5c to mirror the 5-zone bus/rail change.

49. Fares for the local Beach Haven to Hobsonville connecting service would increase as the same rate as the 1-zone bus/rail fares (+2.6% to +7.1%).

50. Outer harbour (Pine Harbour, Gulf Harbour) adult HOP fares would decrease by -10c and tertiary HOP will increase by +20c. Rakino Island fares would not change.

CONFIDENTIAL

Ferry monthly passes

51. A review of monthly pass prices was undertaken to ensure a consistent approach and marginal discount is applied for regular customers. Recommended changes are outlined below:

Monthly pass	Current price	Proposed AT HOP adult fare	43 x single price*	Monthly savings	% discount	Proposed price	Monthly savings	% discount	Change in pass price
Inner harbour (3 zone)	$150	$4.90	$210.70	$60.70	29%	$150	$60.70	29%	$0
Mid harbour (5 zone)	$250	$7.60	$326.80	$76.80	23.50%	$255	$71.80	22%	$5
Outer harbour (8 zone)	$325	$11.10	$477.30	$152.30	32%	$330	$147.30	31%	$5

*43 trips is considered the average use of a monthly pass

Financial Impact

52. The overall forecast financial impact from the fare schedules proposed is as follows:

Mode	Average weighted fare increase	Revenue increase (excluding GST)	Change in FRR	Patronage impact
Bus and Train	+3.2%	$3.4M (+2.1%)	+0.75% to 42.29%	-800k journeys (-1.1%)
Ferry	+1.5%	$0.3M (+2%)	+0.63% to 78.75%	Nil (given price inelasticity of ferry market)
Total	**n/a**	**$3.7M**	**+0.74% to 45.86%**	**As above**

53. The target FRR policy is for a 46-50% user pays contributions. The proposed 2019 fare changes would improve the current ratio by +0.7% from 45.13% to a forecast 45.86%.

CONFIDENTIAL

54. It is estimated that approximately +$3.7 million of additional annual revenue will be generated across all modes. This meets the AT 2018/19 financial year opex budget assumptions and will contribute to reducing AT's current revenue gap and is prudent within increasing funding constraints and recent cost increases through indexation and service level increases across bus and rail.
55. The average weighted fare changes of +3.2% for bus/rail and +1.5% for ferry while slightly higher than CPI of +1.9% reflects improving service levels and amenity. The patronage impact is modelled using standard mathematical elasticities and does not take into account better value for money perceptions as illustrated in the rapidly improving PT customer satisfaction results.

Next Steps

No.	Description	Timeline
1	Seek AT Board approval on recommendations	11 December 2018
2	Inform Mayor's office	December 2018
3	Feedback to operators on new Fares Schedule	December 2018
4	HOP system development and testing	December 2018 – January 2019
5	Media and customer communications prepared	December 2018 – January 2019
6	Fare changes implemented	10 February 2019

Attachments

Attachment Number	Description
1	Proposed 2019 Fare Schedule
2	Annual PT Fare Review Considerations
3	Summary of Fare Scenarios Modelled

Board Meeting| 11 December 2018
Agenda item no. 8.7
Closed Session

CONFIDENTIAL

Document Ownership

Submitted by	Colin Homan **Group Manager Transport Services Development**	
Recommended by	Mark Lambert **Executive General Manager Integrated Networks**	
	Mark Laing **Executive General Manager Finance**	
	Cynthia Gillespie **Executive General Manager Planning and Investment**	
Approved for submission	Shane Ellison **Chief Executive**	

Glossary

Acronym	Description
AT	Auckland Transport
FRR	Farebox recovery ratio
LTMA	Land Transport Management Act 2003
RPTP	Regional Public Transport Plan 2015

Auckland Transport
An Auckland Council Organisation

ATTACHMENT 1

Proposed 2019 Fare Schedule – Bus and Train

AT HOP Product	Current Fare	Proposed Fare	Per journey change	% change	Approx % of bus & train pax
Adult CityLink	$0.50	$0.50	$0.00	0.0%	1.0%
Adult 1 zone	$1.90	$1.95	$0.05	2.6%	17.7%
Adult 2 zone	$3.30	$3.45	$0.15	4.5%	22.3%
Adult 3 zone	$4.80	$4.90	$0.10	2.1%	6.9%
Adult 4 zone	$6.20	$6.30	$0.10	1.6%	1.2%
Adult 5 zone	$7.50	$7.60	$0.10	1.3%	0.1%
Adult 6 zone	$8.80	$8.90	$0.10	1.1%	0.0%
Adult 7 zone	$10.10	$10.00	-$0.10	-1.0%	0.0%
Adult 8 Zone	$11.20	$11.10	-$0.10	-0.9%	0.0%
Child CityLink	$0.30	$0.30	$0.00	0.0%	0.1%
Child 1 zone	$0.99	$1.05	$0.06	6.1%	8.9%
Child 2 zone	$1.94	$2.05	$0.11	5.7%	3.9%
Child 3 zone	$2.70	$2.90	$0.20	7.4%	1.1%
Child 4 zone	$3.60	$3.70	$0.10	2.8%	0.2%
Child 5 zone	$4.50	$4.50	$0.00	0.0%	0.0%
Child 6 zone	$5.10	$5.15	$0.05	1.0%	0.0%
Child 7 zone	$5.60	$5.60	$0.00	0.0%	0.0%
Child 8 Zone	$6.00	$6.00	$0.00	0.0%	0.0%
Tertiary CityLink	$0.40	$0.40	$0.00	0.0%	0.2%
Tertiary 1 Zone	$1.40	$1.50	$0.10	7.1%	3.6%
Tertiary 2 Zone	$2.45	$2.60	$0.15	6.1%	6.9%
Tertiary 3 Zone	$3.75	$3.75	$0.00	0.0%	2.6%
Tertiary 4 Zone	$4.70	$4.90	$0.20	4.3%	0.6%
Tertiary 5 Zone	$5.80	$5.85	$0.05	0.9%	0.1%
Tertiary 6 Zone	$6.70	$6.85	$0.15	2.2%	0.0%
Tertiary 7 Zone	$7.50	$7.70	$0.20	2.7%	0.0%
Tertiary 8 Zone	$8.20	$8.40	$0.20	2.4%	0.0%

Cash Product	Current Fare	Proposed Fare	Per journey change	% change	Approx % of bus & train pax affected
Adult CityLink	$1.00	$1.00	$0.00	0.0%	0.2%
Adult 1 zone	$3.50	$3.50	$0.00	0.0%	3.0%
Adult 2 zone	$5.50	$5.50	$0.00	0.0%	1.5%
Adult 3 zone	$7.00	$7.50	$0.50	7.1%	0.4%
Adult 4 zone	$9.00	$9.00	$0.00	0.0%	0.1%
Adult 5 zone	$10.00	$10.50	$0.50	5.0%	0.0%
Adult 6 zone	$12.00	$12.00	$0.00	0.0%	0.0%
Adult 7 zone	$13.50	$13.50	$0.00	0.0%	0.0%
Adult 8 zone	$15.00	$15.00	$0.00	0.0%	0.0%
Child CityLink	$0.50	$0.50	$0.00	0.0%	0.0%
Child 1 Zone	$2.00	$2.00	$0.00	0.0%	2.1%
Child 2 Zone	$3.00	$3.00	$0.00	0.0%	0.5%
Child 3 Zone	$4.00	$4.00	$0.00	0.0%	0.1%
Child 4 Zone	$5.00	$5.00	$0.00	0.0%	0.0%
Child 5 Zone	$6.00	$6.00	$0.00	0.0%	0.0%
Child 6 Zone	$7.00	$7.00	$0.00	0.0%	0.0%
Child 7 Zone	$7.50	$7.50	$0.00	0.0%	0.0%
Child 8 Zone	$8.00	$8.00	$0.00	0.0%	0.0%

Simpler Fares - Products	Current	Proposed	Per Product Change	% Change	Approx. % of bus & train pax affected
Monthly Bus Train	$215.00	$215.00	$0.00	0.00%	1.50%
AT HOP Day Pass	$18.00	$18.00	$0.00	0.00%	0.30%

Ferry

	Service/product	*Current fare*	*Proposed fare*	*Per trip change*	*% change*	*Approx % of ferry pax affected (exc the*
Inner Harbour	**Bayswater, Birkenhead, Northcote Pt, Devonport/Stanley Bay (commercial - dependent on Fullers)**					
	Adult HOP	$4.80	$4.90	$0.10	2.1%	23.6%
	Adult Cash	$7.00	$7.50	$0.50	7.1%	6.7%
	Child HOP	$2.60	$2.90	$0.30	11.5%	2.4%
	Child Cash	$4.00	$4.00	$0.00	0.0%	2.7%
	Tertiary HOP	$3.75	$3.75	$0.00	0.0%	3.2%
Mid Harbour	**Half Moon Bay , West Harbour, Hobsonville, Beach Haven**					
	Adult HOP	$7.50	$7.60	$0.10	1.3%	8.6%
	Adult Cash	$10.00	$10.50	$0.50	5.0%	1.6%
	Child HOP	$4.50	$4.50	$0.00	0.0%	0.5%
	Child Cash	$6.00	$6.00	$0.00	0.0%	0.3%
	Tertiary HOP	$5.80	$5.85	$0.05	0.9%	1.3%
Outer Harbour	**Gulf Harbour, Pine Harbour**					
	Adult HOP	$11.20	$11.10	-$0.10	-0.9%	5.0%
	Adult Cash	$15.00	$15.00	$0.00	0.0%	0.8%
	Child HOP	$6.00	$6.00	$0.00	0.0%	0.3%
	Child Cash	$8.00	$8.00	$0.00	0.0%	0.1%
	Tertiary HOP	$8.20	$8.40	$0.20	2.4%	0.9%
Local Service	**Beach Haven to Hobsonville**					
	Adult HOP	$1.90	$1.95	$0.05	2.6%	0.0%
	Adult Cash	$3.50	$3.50	$0.00	0.0%	0.0%
	Child HOP	$0.99	$1.05	$0.06	6.1%	0.0%
	Child Cash	$2.00	$2.00	$0.00	0.0%	0.0%
	Tertiary HOP	$1.40	$1.50	$0.10	7.1%	0.0%
Specialty Service	**Rakino****					
	Adult One Way	$40.00	$40.00	$0.00	0.0%	0.0%
	Adult Return	$63.00	$63.00	$0.00	0.0%	0.0%
	Adult Ten Trip	$280.00	$280.00	$0.00	0.0%	0.0%
	Child One Way	$23.00	$23.00	$0.00	0.0%	0.0%
	Child Return	$35.00	$35.00	$0.00	0.0%	0.0%
	Child Ten Trip	$155.00	$155.00	$0.00	0.0%	0.0%
	Family Pass	$90.00	$90.00	$0.00	0.0%	0.0%

* Will not sum to 100% as excludes Devonport/Stanley Bay Fullers products and SuperGold

Ferry Passes	Current	Proposed	$ change	% change	% affected
Day Pass	$18	$18	$0.00	0.0%	0.2%
Inner Harbour	$150	$150	$5.00	0.0%	7.0%
Mid Harbour	$250	$255	$5.00	2.0%	3.3%
Outer Harbour	$325	$330	$5.00	1.5%	2.2%

ATTACHMENT 2

Annual PT Fare Review Considerations

It is good industry practice to review indexation of public transport fares annually. To derive a recommended fare schedule, AT undertakes an analysis of cost, revenue and patronage movements to estimate the net commercial impact. This provides an initial determination for fare schedule changes and is assessed against a range of variables/drivers. A summary of the relationship between the various inputs is illustrated below:

No.	Inputs/drivers	Targets/use of input	Sources
1	Operating costs (% change)	% revenue change should at least equal % cost change	Transport Agency indexation (with operator submissions)[1]
2	Policy framework	Changes should be consistent with policy framework	RPTP policies, SOI targets
3	Strategic objectives	Changes should facilitate/contribute to any AT strategic projects (e.g. integrated fares)	Desktop analysis
4	Relativity between products/discounts	Consistent % concessions/discounts	Desktop analysis
5	Patronage trends	If patronage is decreasing, large fare increases are not recommended	KPI report
6	Customer impact	Changes should have a positive customer impact (e.g. 50c rounding speeds up boarding)[2] or explain rationality for higher fares.	Desktop analysis
7	Average weighted fare change	Average % fare change should be similar to CPI	Patronage by product profile ex Business Objects
8	Patronage impact	Changes should minimise any impact on patronage[3]	Elasticity analysis
9	Revenue impact	% revenue change should at least equal % cost change Farebox recovery ratio should not decrease	Desktop analysis using (8) and (9)

It will not be possible to achieve all targets, as some are mutually exclusive. Therefore, AT will need to balance any competing demands and trade-offs to derive a fare schedule that best meets the overarching objectives of the RPTP. Note the above list is not ranked in order of importance – all variables are considered equally (i.e. it's not a weighting exercise).

[1] If any operator(s) believe the NZ Transport Agency indexation does not adequately cover their cost increases, they can make a submission to AT explaining why (with sufficient evidence), and AT will take this into consideration along with the other variables above.

[2] Excludes consideration of any fare increases

[3] Any fare increase will lead to a calculated patronage loss based on mathematical elasticities.

ATTACHMENT 3

Summary of Fare Scenarios Modelled

	IMPACT				
Option	**Revenue**	**Patronage**	**Av fare change = CPI**	**Farebox recovery**	**Fare policies met**
1. Increase all fares at CPI (1.9%)	✓	X	✓✓✓	X	✓
2. Reduce long distance fares only	XXX	✓✓	XX	XXX	✓
3. Increase fares so revenue increase fully recovers mode indexation (with no subsidy)	✓✓✓	XXX	X	✓✓✓	✓
4. Targeted changes to address key objectives (recommended)	✓✓	X	✓	✓✓	✓✓✓
5. No change; which would require cost cuts to balance budgets, e.g. -$3.1m = Unit 33 upper Harbour crosstown service or 92 new bus shelters	X	✓	X	XX	X