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# Public Transport Annual Fares Review 2018

## Recommendations

That the Board:

- i. Receives the report.
- ii. Approves changes to the PT Fare Schedule at Attachment 1, including: a) 0c -15c fare increases to zone 1, 2 and 4 bus/rail fares; b) closer alignment of inner harbour ferry fares to zonal fare structure in preparation for full ferry fare integration; and c) adjustment of ferry monthly pass prices to ensure a consistent approach to pricing is applied.
- iii. Notes the strategic factors being patronage growth, a step change in public transport and fare integration between bus and rail; and tactical fares/NZTA subsidy/Council subsidy balancing to in-part pay for cost indexation and new service funding gaps.
- iv. Notes that implementation of fare changes is targeted for Sunday 11 February 2018.

## 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 fare/NZTA/Council revenues to pay for cost indexation and new service funding gaps, are the key strategic objectives for the 2018 annual review. The last fare change was in January 2017.
2. The default policy driver for the 2017 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 (NZTA indexation) for the June quarter was +2.4% for bus (proxy for rail) and +3.2% for ferry, representing increased contract costs of approximately +\$5.8M per annum.
3. The reforecast 2017/18 and 2018/19 opex budgets identify a \$5-\$7m funding gap at present for PT services. Funding pressures include contract price indexation, bus New Network service increase aspirations, rail timetable increases, Ferry service level increases, bus capacity increases, NZTA rail financial assistance rate reduction, reduced NZTA concession funding.
4. The recommendations to achieve the policy drivers are:

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- Increasing some 1-zone, 2-zone and 4-zone fares from between 5c and 14c to both improve farebox recovery and create greater consistency between marginal fare steps, hence reward longer-distance PT travel (which has greater congestion benefits).
  - Increasing some tertiary fares by 7c to 10c to ensure greater consistency of discount between zones.
  - Decreasing adult and child 3-zone fares by 5c to 8c *and* increasing inner harbour ferry fares to create full alignment (except child HOP) with 3-zone bus/rail fares, in preparation for full integration of ferries into the Simpler Fares structure.
  - Increasing all monthly pass prices (except mid-harbour ferry monthly) to create more consistent discounts between products.
5. As a result of these actions the average fare change for bus/train is +2.4% and +2.1% for ferry, and the farebox recovery ratio will improve by +0.56 from 46.8% to a forecast 47.4%, by achieving a revenue increase of +\$2.7M (excluding GST).
6. While the average weighted fare changes are slightly higher than CPI of +1.7% - this reflects improving service levels and amenity, and better value for money perceptions as illustrated in the rapidly improving PT customer satisfaction results, which are at an all-time high.

## Previous deliberations

7. There have been no material changes made to this paper or its recommendations since the Customer Focus Committee on 2 October 2017.

## Strategic context

8. 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 NZTA 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 its PT service contracts. The last fares review was implemented in January 2017.
9. AT is seeking to continue to fund a step-change in public transport, which needs to balance fare/NZTA/Council revenue, as measured by the Farebox recovery target. Funding gaps to achieve growth and service level aspirations are currently at \$5m-\$7m for 2017/18 and \$26-\$30m for 2018/19 for PT services.

## Background

10. 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

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services (Airbus Express, Waiheke, Devonport and Stanley Bay ferry services) under the Land Transport Management Act 2003 (LTMA) may charge different fares.

11. Overseas benchmarking undertaken for the Simpler Fares strategy 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 4 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 \$1.90 is still relatively cheap when compared with Australasian jurisdictions. Melbourne charge \$2.80 for a zone fare, Brisbane \$3.20 (\$2.56 off-peak) and Perth \$1.98 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 \$1.90, compares very favourably to a 10km car journey, using the IRD claim rate of \$0.61/km – or \$6.10 for a 10km trip.
12. 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 in order to address the national farebox recovery ratio (FRR) target of 47-50%. This represents the user pays proportion of PT service costs. The balance is met equally by Council (via ratepayer funding), and NZTA, who each contribute approximately 25%.
13. Key metrics considered in this fare review include:
  - NZTA indexation (annual contract cost increase) of +2.4% for bus/train and +3.2% for ferry to June 2017.
  - CPI of 1.7% for the 12 months to June 2017.
  - Patronage growth of 5.92M passenger boardings (7.1%) for the 12 months ended August 2017.
14. The key issues driving the 2018 fare review is the need to improve farebox recovery and to help Auckland Council remain within their funding limit to maintain their current credit rating. FRR has decreased over the past 12 months from 47.9% to 46.8%, and is now below the target range mandated by the NZTA. This has primarily been driven by the increasing migration of customers from cash to HOP post Simpler Fares introduction, with resultant lower yield given HOP fares are cheaper than cash. To the extent AT has been able to achieve saving, e.g. the current PTOM process, these have been used to drive up customer service levels rather than offset cost increases. A modest increase is therefore needed to offset cost increases.
15. Contract indexation alone has increased PT contract costs by +\$5.8M in the last 12 months. The anticipated Council funding increase in 2018/19 will cover the ratepayer portion of this. However, given the wider financial pressures highlighted above there are limited options to recoup the balance from other areas (e.g. cutting services). The current service level growth aspirations under the New Network, result in a \$5m-\$7m opex gap in 2017/18, growing to \$26-\$30m in 2018/19 once the New Network is fully implemented, even after Statement of Intent patronage targets have been met. As such, a number of projects have already been deferred or scaled back to account for this. A further review of service levels is underway.

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16. Meanwhile, PT customer satisfaction levels are at an all-time high, at 91.3% across all modes in the latest customer survey. This has been driven by improving perceptions of fare value for money since Simpler Fares in August 2016, ongoing New Network roll-out, facility improvements, and increasing service frequency, punctuality and reliability.

## **External Consultation/Engagement**

### **Operators**

17. Communication regarding the proposed fare change was sent to operators in early-October, with an opportunity to provide feedback. Operators will be notified of the confirmed fare schedule post AT board approval. Fullers recently increased fares on its Exempt services – Devonport to Waiheke

### **Customers and other stakeholders**

18. A formal communications plan will be developed post 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 will be:

- Majority of fares are unchanged.
- Small annual changes to fares to align to cost changes, avoid infrequent price spikes, and to fund in part service improvements.
- Continued alignment of inner harbour ferry fares with zonal structure, in preparation for full ferry integration.

## **Issues and options**

### **Summary of objectives**

19. The key objectives of the 2018 annual fare review are to ensure 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.

20. A range of options have been modelled to determine impact on: revenue increase/decrease; patronage growth/loss; average weighted fare change; farebox recovery ratio; and key policy drivers. A summary of the options considered is in Attachment 3.

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## **Bus and rail services**

21. Given the relative low cost of Auckland's short-distance fares, targeting relatively small increases to 1 and 2-zone HOP fares will provide additional revenue in a funding-constrained environment, while allowing the majority of fares to remain unchanged.
22. In addition, it is desirable to ensure the marginal difference between fare zone increments is decreasing. This results in progressively reducing the additional cost per additional zone travelled, and rewards greater long-distance PT travel.
23. A detailed fare schedule proposal is contained in Attachment 1, with key changes being:
  - Increasing 1-zone fares by +2.7% to +5.3%; 2-zone fares by +4.8% to +7.8%; and 4-zone fares by +1.6% to +2.9% to both improve farebox recovery and create greater consistency between marginal fare steps.
  - Decreasing adult and child 3-zone fares by -1.0% to -2.9% to facilitate alignment with inner-harbour ferry fares.
  - Increasing monthly bus/train pass by \$5 (+2.4%).
  - Increasing some tertiary fares from between 7c and 10c to ensure greater consistency of discount between zones.
  - No change to cash fares, as they are meeting current policy objectives and were increased quite substantially under Simpler Fares.
24. Child 1-zone fares have not been changed given the "99c child weekend fare" campaign collateral. However, this limits flexibility, and over the next 12 months the messaging will change to "1-zone child weekend fare".
25. The tertiary bus/train initial fee (i.e. default fare) will also be changed to the tertiary 3-zone fare (currently *adult* 3-zone fare) for consistency and equity with other concession groups.

## **Ferry services**

### Inner-harbour services (Birkenhead/Northcote Point, Bayswater)

26. The key driver for the ferry review was to ideally fully align inner-harbour ferry fares with 3-zone bus/train fares. This would complete the alignment of 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.
27. In practice, this would have required an increase of +30c (+12.5%) for the child HOP inner harbour fare, which was considered too high. As such the recommended increase of +20c (+8.3%) for child HOP, means this would be the only ferry fare not aligned with a bus/train zonal equivalent.
28. The proposed changes to adult HOP (+20c), adult cash (+50c), and tertiary (+10c) would mean these fully aligned with the 3-zone bus/train fares.

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Other services

29. Mid harbour (Beach Haven, Half Moon Bay, Hobsonville, West Harbour) child HOP fares will increase by +5c to mirror the 5-zone bus/rail change.
30. Fares for the local Beach Haven to Hobsonville connecting service will increase as the same rate as the 1-zone bus/rail fares (+2.7% to +5.3%).
31. Outer harbour (Pine Harbour, Gulf Harbour), and Rakino Island fares will not change.

Ferry monthly passes

32. Given the policy objective to make long-distance travel more affordable for regular customers, it is logical to offer proportionally greater discounts for longer-distance trips. In practice, the aim is to make progressive adjustments to ferry pass prices to ensure the discount is greater the longer the distance served (i.e. the mid harbour monthly pass will eventually have a higher discount than inner harbour). 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)	\$145	\$4.80	\$206.40	\$61.40	30%	\$150	\$56.40	27%	\$5
Mid harbour (5 zone)	\$250	\$7.50	\$322.50	\$72.50	22%	\$250	\$72.50	22%	\$0
Outer harbour (8 zone)	\$310	\$11.20	\$481.60	\$171.60	36%	\$325	\$156.60	33%	\$15

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

33. The outer harbour price of \$325 has been recommended as it matches the current price of the Fullers Waiheke monthly pass, which will be favourable in negotiations with operators to bring both Waiheke and Pine Harbour services onto this pass.

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## Financial impact

34. 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	+2.4%	\$2.4M (+1.5%)	+0.55% to 46.8%	-600k journeys (-0.8%)
Ferry	+2.1%	\$0.3M (+2.1%)	+0.67% to 80.16%	Nil (given price inelasticity of ferry market)
<b>Total</b>	<b>n/a</b>	<b>\$2.7M</b>	<b>+0.56% to 47.4%</b>	<b>As above</b>

35. The target FRR policy is for a 50% user pays contributions. The proposed 2018 fare changes would improve the current ratio by +0.56% from 46.8% to a forecast 47.4%.

36. It is estimated that approximately +\$2.7M of additional annual revenue will be generated across all modes. This 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.

37. The average weighted fare changes of +2.4% for bus/rail and +2.1% for ferry, while slightly higher than CPI of +1.7% 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.

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## Next steps

No.	Description	Timeline
1	Seek AT Board approval on recommendations	24 October 2017
2	Inform Mayor's office	November 2017
3	Feedback to operators on new Fares Schedule	November 2017
4	HOP system development and testing	Nov 2017 – Jan 2018
5	Media and customer communications prepared	Nov 2017 – Jan 2018
6	Fare changes implemented	11 February 2018

## Attachments

Attachment Number	Description
1	Proposed 2018 fare schedule
2	Annual PT fare review considerations
3	Summary of fare scenarios modelled



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## Document ownership

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## Glossary

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

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Attachment 1 – Proposed 2018 fare schedule – Bus and Train

AT HOP	Current Fare	Proposed Fare	Per journey change	% change	Approx % of bus & train pax affected	No. forecast pax affected
Product						
Adult CityLink	\$0.50	\$0.50	\$0.00	0.0%	1.0%	762,977
Adult 1 zone	\$1.85	\$1.90	\$0.05	2.7%	16.5%	12,188,999
Adult 2 zone	\$3.15	\$3.30	\$0.15	4.8%	21.4%	15,746,458
Adult 3 zone	\$4.85	\$4.80	-\$0.05	-1.0%	6.2%	4,550,274
Adult 4 zone	\$6.10	\$6.20	\$0.10	1.6%	1.0%	746,804
Adult 5 zone	\$7.50	\$7.50	\$0.00	0.0%	0.1%	63,743
Adult 6 zone	\$8.80	\$8.80	\$0.00	0.0%	0.0%	4,226
Adult 7 zone	\$10.10	\$10.10	\$0.00	0.0%	0.0%	529
Adult 8 Zone	\$11.20	\$11.20	\$0.00	0.0%	0.0%	0
Child CityLink	\$0.30	\$0.30	\$0.00	0.0%	0.1%	61,284
Child 1 zone	\$0.99	\$0.99	\$0.00	0.0%	8.3%	6,148,164
Child 2 zone	\$1.80	\$1.94	\$0.14	7.8%	3.6%	2,647,446
Child 3 zone	\$2.78	\$2.70	-\$0.08	-2.9%	1.0%	729,101
Child 4 zone	\$3.50	\$3.60	\$0.10	2.9%	0.2%	115,256
Child 5 zone	\$4.45	\$4.50	\$0.05	1.1%	0.0%	14,347
Child 6 zone	\$5.10	\$5.10	\$0.00	0.0%	0.0%	1,258
Child 7 zone	\$5.60	\$5.60	\$0.00	0.0%	0.0%	142
Child 8 Zone	\$6.00	\$6.00	\$0.00	0.0%	0.0%	25
Tertiary CityLink	\$0.40	\$0.40	\$0.00	0.0%	0.3%	190,654
Tertiary 1 Zone	\$1.33	\$1.40	\$0.07	5.3%	4.0%	2,937,056
Tertiary 2 Zone	\$2.35	\$2.45	\$0.10	4.3%	7.6%	5,607,672
Tertiary 3 Zone	\$3.65	\$3.75	\$0.10	2.7%	2.9%	2,134,092
Tertiary 4 Zone	\$4.60	\$4.70	\$0.10	2.2%	0.6%	454,022
Tertiary 5 Zone	\$5.80	\$5.80	\$0.00	0.0%	0.1%	39,752
Tertiary 6 Zone	\$6.70	\$6.70	\$0.00	0.0%	0.0%	2,037
Tertiary 7 Zone	\$7.50	\$7.50	\$0.00	0.0%	0.0%	328
Tertiary 8 Zone	\$8.20	\$8.20	\$0.00	0.0%	0.0%	17

  

Cash	Current Fare	Proposed Fare	Per journey change	% change	Approx % of bus & train pax affected	No. pax affected
Product						
Adult CityLink	\$1.00	\$1.00	\$0.00	0.0%	0.3%	208,508
Adult 1 zone	\$3.50	\$3.50	\$0.00	0.0%	4.4%	3,223,047
Adult 2 zone	\$5.50	\$5.50	\$0.00	0.0%	2.2%	1,648,896
Adult 3 zone	\$7.00	\$7.00	\$0.00	0.0%	0.6%	422,408
Adult 4 zone	\$9.00	\$9.00	\$0.00	0.0%	0.1%	100,557
Adult 5 zone	\$10.00	\$10.00	\$0.00	0.0%	0.0%	11,159
Adult 6 zone	\$12.00	\$12.00	\$0.00	0.0%	0.0%	0
Adult 7 zone	\$13.50	\$13.50	\$0.00	0.0%	0.0%	0
Adult 8 zone	\$15.00	\$15.00	\$0.00	0.0%	0.0%	29
Child CityLink	\$0.50	\$0.50	\$0.00	0.0%	0.0%	18,802
Child 1 Zone	\$2.00	\$2.00	\$0.00	0.0%	2.5%	1,853,381
Child 2 Zone	\$3.00	\$3.00	\$0.00	0.0%	0.7%	483,021
Child 3 Zone	\$4.00	\$4.00	\$0.00	0.0%	0.2%	134,361
Child 4 Zone	\$5.00	\$5.00	\$0.00	0.0%	0.0%	33,000
Child 5 Zone	\$6.00	\$6.00	\$0.00	0.0%	0.0%	4,115
Child 6 Zone	\$7.00	\$7.00	\$0.00	0.0%	0.0%	44
Child 7 Zone	\$7.50	\$7.50	\$0.00	0.0%	0.0%	0
Child 8 Zone	\$8.00	\$8.00	\$0.00	0.0%	0.0%	0

  

Simpler Fares - Produ	Current	Proposed	Per Product Change	% Change	Approx % of bus & train pax affected	No. forecast pax affected
Monthly Bus Train	\$210.00	\$215.00	\$5.00	2.4%	2.3%	1,701,046
AT HOP Day Pass	\$18.00	\$18.00	\$0.00	0.0%	0.0%	27,703



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Ferry

	Service/product	Current fare	Proposed fare	Per trip change	% change	Approx % of ferry pax affected (exc the islands)*	No. forecast pax affected
Inner Harbour	<b>Bayswater, Birkenhead, Northcote Pt, Devonport/Stanley Bay (commercial - dependent on Fullers)</b>						
	Adult HOP	\$4.60	\$4.80	\$0.20	4.3%	21.5%	773,846
	Adult Cash	\$6.50	\$7.00	\$0.50	7.7%	7.9%	67,741
	Child HOP	\$2.40	\$2.60	\$0.20	8.3%	2.0%	251,109
	Child Cash	\$4.00	\$4.00	\$0.00	0.0%	3.4%	109,627
	Tertiary HOP	\$3.65	\$3.75	\$0.10	2.7%	3.0%	6,658
Mid Harbour	<b>Half Moon Bay , West Harbour, Hobsonville, Beach Haven</b>						
	Adult HOP	\$7.50	\$7.50	\$0.00	0.0%	7.9%	284,640
	Adult Cash	\$10.00	\$10.00	\$0.00	0.0%	2.0%	13,685
	Child HOP	\$4.45	\$4.50	\$0.05	1.1%	0.4%	38,150
	Child Cash	\$6.00	\$6.00	\$0.00	0.0%	0.3%	55,970
	Tertiary HOP	\$5.80	\$5.80	\$0.00	0.0%	1.6%	114,857
Outer Harbour	<b>Gulf Harbour, Pine Harbour</b>						
	Adult HOP	\$11.20	\$11.20	\$0.00	0.0%	4.2%	151,420
	Adult Cash	\$15.00	\$15.00	\$0.00	0.0%	1.0%	9,929
	Child HOP	\$6.00	\$6.00	\$0.00	0.0%	0.3%	32,891
	Child Cash	\$8.00	\$8.00	\$0.00	0.0%	0.1%	34,921
	Tertiary HOP	\$8.20	\$8.20	\$0.00	0.0%	1.0%	100,773
Local Service	<b>Beach Haven to Hobsonville</b>						
	Adult HOP	\$1.85	\$1.90	\$0.05	2.7%	0.0%	690
	Adult Cash	\$3.50	\$3.50	\$0.00	0.0%	0.0%	328
	Child HOP	\$0.99	\$0.99	\$0.00	0.0%	0.0%	110
	Child Cash	\$2.00	\$2.00	\$0.00	0.0%	0.0%	13
	Tertiary HOP	\$1.33	\$1.40	\$0.07	5.3%	0.0%	75
Specialty Service	<b>Rakino**</b>						
	Adult One Way	\$40.00	\$40.00	\$0.00	0.0%	0.0%	181
	Adult Return	\$63.00	\$63.00	\$0.00	0.0%	0.0%	1,424
	Adult Ten Trip	\$280.00	\$280.00	\$0.00	0.0%	0.1%	2,557
	Child One Way	\$23.00	\$23.00	\$0.00	0.0%	0.0%	68
	Child Return	\$35.00	\$35.00	\$0.00	0.0%	0.0%	242
	Child Ten Trip	\$155.00	\$155.00	\$0.00	0.0%	0.0%	331
	Family Pass	\$90.00	\$90.00	\$0.00	0.0%	0.0%	388

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

\*\*Hop fares not applicable

Ferry Passes	Current	Proposed	\$ change	% change	% affected	No. affected
Day Pass	\$18	\$18	\$0.00	0.0%	0.2%	6,658
Inner Harbour	\$145	\$150	\$5.00	3.4%	5.6%	202,197
Mid Harbour	\$250	\$250	\$0.00	0.0%	3.2%	8,773
Outer Harbour	\$310	\$325	\$15.00	4.8%	2.2%	278,977

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**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	NZTA indexation (with operator submissions) <sup>1</sup>
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) <sup>2</sup> 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 <sup>3</sup>	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).

<sup>1</sup> If any operator(s) believe the NZTA 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.

<sup>2</sup> Excludes consideration of any fare increases

<sup>3</sup> Any fare increase will lead to a calculated patronage loss based on mathematical elasticities.

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Attachment 3 – Summary of fare scenarios modelled

Option	IMPACT				Fare policies met
	Revenue	Patronage	Av fare change = CPI	Farebox recovery	
1. Increase all fares at CPI (1.7%)	✓	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. -\$2.7m = Unit 33 upper Harbour crosstown service or 77 new bus shelters or development for ferry fare integration and daily caps	X	✓	X	XX	X