



CONFIDENTIAL

AGENDA ITEM 15.2   BOARD DECISION PAPER	
<b>To:</b>	The Board
<b>From:</b>	Stacey van der Putten, Director Public Transport & Active Modes
<b>Reviewed:</b>	Mark Laing, Chief Financial Officer Dean Kimpton, Chief Executive Officer
<b>Date:</b>	22 October 2024
<b>Title:</b>	<b>Fare Structure</b>

Reason for inclusion in closed board meeting session	
1. Please state why this report is being considered in the closed board meeting as opposed to the open board meeting. Please refer to the 'reasons for confidentiality' and provide a direct reference to one of these reasons.	To protect information that will soon be publicly available.
2. Please provide an estimated date for release of this report.	7 November 2024

### Aronga / Purpose

1. To seek approval of the proposed 2025 public transport fare increase recommended in the annual review of public transport (PT) fare schedules, and approval of a simplified fare structure. This has been informed by advice contained in the L.E.K. Consulting (LEK) report (Attachment 2).

### Tuku mana / Delegation

2. Approval is sought due to potential for adverse publicity or reputational risk.

### Ngā tūtohunga / Recommendations

That the Auckland Transport Board (board):

1

- a) Approve changes to the public transport fare schedule (Attachment 1), effective 9 February 2025, resulting in a fare increase of +5.2% (weighted average) against an annual change in consumers price index of +3.3% (June 2024).
- b) Approve proposed changes to the fare structure.

### Te whakarāpopototanga matua / Executive summary

3. Auckland Transport (AT) intends to increase PT fares as part of the 2025 Annual Fare Review (AFR). Additionally, AT plans to implement structural changes to the PT fare system based on recommendations from an independent review of the current fare structure.
4. The fare increase is required to keep pace with operating costs, improve farebox recovery and ensure we meet our obligations under the current Statement of Intent (SOI).
5. Proposed fare reforms simplify the fare structure, making it easier for customers to understand and use the services, which aligns with AT's strategic priorities to grow PT, enhance revenue, and improve customer experience.

### Ngā tuinga ō mua / Previous deliberations

Date	Report Title	Key Outcomes
December 2022 Board	Annual PT fare review	The board approved the annual fare review which resulted in an average weighted fare adjustment of +6.5% and a delay of fare change implementation to 1 April 2023 due to half price fares.
November 2023 Board	Annual fare review and fares strategy	The board approved the annual fare review which resulted in an average weighted fare adjustment of +6.2% and noted the commissioning of the external review of AT's fare structure.





CONFIDENTIAL

### Te horopaki / Background

6. PT operating costs are met through a combination of user pays (fares), ratepayer public subsidy through Auckland Council funding, the National Land Transport Fund through New Zealand Transport Agency Waka Kotahi (NZTA) and other funding such as commercial advertising.
7. AT has experienced an unparalleled increase in PT operating costs in recent years.
8. While indexation and cost pressures are starting to ease, a proposed 5.2% fare increase is budgeted and necessary to increase overall farebox recovery.
9. Several factors have now led AT to seek a review of its fare strategy. These include: COVID-19 pandemic and work-from-home impacts, increased cost of living pressures, farebox recovery targets, ambitious emission reduction targets, and the forthcoming National Ticketing System (NTS).
10. In January 2024, AT engaged LEK to conduct an extensive review of its fare structure. This review was concluded in August 2024 and recommended a phased approach to implementing fare structure changes (Figure 1).



Figure 1: Fare structure phased implementation

11. In conjunction with the annual fare review, AT now seeks to implement Package 1A of the fare reforms. This strikes a balance between AT's strategic priorities and customer and community priorities.

### Te hononga ki te “Statement of Intent 2024 - 2027”/ Alignment to Statement of Intent 2024 - 2027

12. The proposed changes to the fare structure align to the SOI 2024 - 2027 as follows:
  - a) Progressing implementation of contactless payments and contributes to supporting NTS functionality by simplifying the fare structure.
  - b) Reducing the operating costs for our shareholder and funder, Auckland Council by reducing net operating costs.
  - c) Simplifies our fares, makes it easier for customers to pay for their PT and provides increased access to the PT network.

### Me mōhio koe / What you need to know

13. 2024 benchmarking shows that Auckland continues to offer relatively low short-distance fares, ranking well against peers at 7th place overall for affordability. Longer-distance fares (15km or more) benchmarks poorly, ranking 33rd place for affordability, out of 44 global cities included in the benchmark.
14. AT did not review PT fares between 2020 and 2022, keeping them at nil increase as part of our COVID-19 pandemic response, despite significant operating cost increases over the same period.
15. While annual inflation (measured via NZTA published indices) and the consumer price index (CPI) have started to decrease, these have been high for the past two years.

Year	Consumer Price Index (CPI)	Increase in fares
2018	1.5%	2.4%
2019	1.7%	1.9%
2020	1.5%	3.2%
2021	3.3%	0.0%
2022	7.3%	0.0%





CONFIDENTIAL

Year	Consumer Price Index (CPI)	Increase in fares
2023	6.0%	6.5%
2024	3.3%	6.2%

Table 1: Annual CPI (12 months to the June 2024 quarter)

- 16. NZTA indexation was 4.9% for the past financial year and CPI is 3.3% as at June 2024.
- 17. PT operating costs have increased by \$63m in the last financial year through contract indexation, increased track access charges and additional service provision.

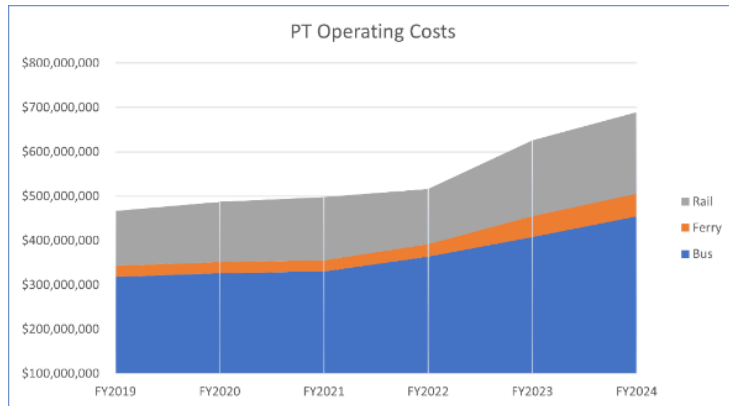


Figure 2: PT Operating costs

- 18. Ferry cost recovery has declined due to the integration of ferry fares in 2020, because these fares are directly linked to zones within the integrated fare table. The current fare integration has not allowed us to proportionately adjust ferry fares without negatively affecting bus and rail passengers.
- 19. AT proposes an increase to ferry fares as a part of the fare structure review, as this enables us to utilise zones 5 to 9 exclusively for ferry fares.

### Fare structure review

- 20. AT has not reviewed its PT fare structures since the current zone-based fare structure was introduced in 2016.
- 21. LEK was commissioned to conduct the fare structure review based on their expertise in PT pricing and payment strategies.
- 22. The objective of the review was to help AT identify opportunities to revise the fare system, with the primary focus on responding to passenger behavioural changes, simplifying the product suite, adding customer value, improving transport equity, and supporting growth in PT patronage and revenue.
- 23. Seven distinct reforms have been recommended to evolve AT's fare system to meet these objectives. AT seeks approval to implement Package 1A of the fare reforms, which include the following changes:
  - a. Consolidation of fare zones from 14 to 9 to simplify the system and reduce fare complexity, thus making it easier for customers to understand and potentially increasing patronage.
  - b. Simplification of the fare table to four zones, which will cover 99% of current journeys and reduce the number of unique peak travel fares from 59 to a more manageable number, thereby decreasing administrative overheads and customer confusion.
  - c. Enable ferry fare flexibility to better align ferry operation costs with revenue, ensuring sustainable service provision without excessively burdening other transport modes.
  - d. Removal of the off-peak discount, which has not been successful in modifying travel behaviour as intended.
- 24. In addition, a \$50 seven-day fare cap was successfully implemented in July 2024, which benefits bus, rail and inner harbour ferry customers.
- 25. Fare structure changes described as Package 1B and Package 2 (refer Figure 1) are subject to further investigation.
- 26. Examples of fare changes are summarised below in Table 2 below





CONFIDENTIAL

Journey Examples	Current Fare	From 9 February 2025	Change %
Beachlands to Sylvia Park	\$6.00	\$4.65	-22.5%
Gulf Harbour to Westgate	\$6.00	\$4.65	-22.5%
Kumeu to Takapuna	\$6.00	\$4.65	-22.5%
Pukekohe to Albany	\$9.60	\$7.65	-20.3%
Hibiscus Coast to City	\$7.40	\$6.25	-15.5%
Helensville to City	\$8.50	\$7.65	-10.0%
Rosedale to Penrose	\$7.40	\$7.65	3.4%
Airport to New Lynn	\$6.00	\$6.25	4.2%
Westgate to Penrose	\$6.00	\$6.25	4.2%
Mission Bay to Pt Chevalier	\$4.45	\$4.65	4.5%
Panmure to Henderson	\$4.45	\$4.65	4.5%
Kingsland to Parnell	\$2.60	\$2.80	7.7%
Botany Downs to Airport	\$2.60	\$2.80	7.7%

Table 2: Fare change examples

**Risks and mitigations**

- 27. Aligning implementation of these fare reforms to coincide with the annual fare increase in February 2025 is dependent on successful completion of Open Loop and Auckland Integrated Fare System (AIFS) infrastructure work currently underway. These programmes of work are both on track, however the risk to be managed is to ensure sufficient test resource and the availability of test environments for proposed changes.
- 28. Removing the off-peak discount and simplifying concession fares are expected to increase revenue but could also discourage some users. The proposed ferry fares increase could have a similar impact on frequent commuters who rely on these services for daily commuting.

- 29. Proactive communication strategies and public engagement will be crucial to explain the reasons behind the fare reforms and their expected benefits.
- 30. The recent addition of the \$50 seven-day fare cap will mitigate the cost increase for frequent commuters. Noting the \$50 fare cap itself will be reviewed periodically.
- 31. Not to increase fares as proposed will impact our ability to offer PT services that meet the operational performance and farebox recovery expectations of our funders (council and government).

**Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts**

- 32. The average publicly funded cost per customer has escalated considerably in recent years. This has disproportionately impacted train services due to suppressed demand with on-going disruption and increased track access charges.

	Average publicly funded portion	Average fare cost to customer
Bus	\$4.66	\$1.91
Train	\$12.34	\$3.06
Ferry	\$9.85	\$3.25
Overall	\$6.18	\$2.17

Table 3: Average public funding by mode

- 33. Forecast financial impact from the annual fare review changes proposed are:

Mode	Average weighted increase	Revenue increase (excl. GST)	Change in Farebox	Patronage impact
Integrated Fares	+5.2%	\$4.3m (+2.4%)	+1.15% to 34.79% (from 33.64%)	-1.0m journeys (-1.4%)

Table 4: Forecast financial impacts





CONFIDENTIAL

- 34. The average weighted fare changes of +5.2% is above CPI of +3.3% (annualised to June 2024), and necessary to assist in the ongoing Farebox recovery efforts. The patronage impact is modelled using AT’s standard fare review elasticities.
- 35. Implementing fare reforms in package 1A along with the annual fare review allows AT to balance multiple objectives, including simplifying the fare structure, improving farebox recovery, and enhancing fairness and accessibility.
- 36. The additional farebox impact of package 1A is +\$3.3m in revenue.

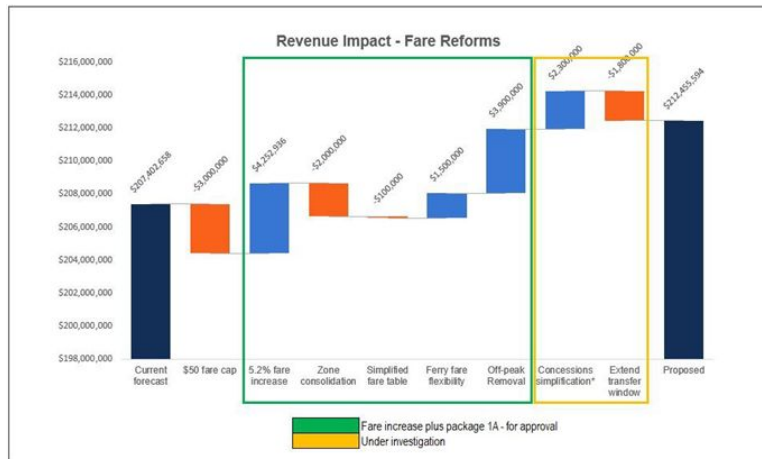


Figure 3: Revenue impact of farebox reforms

### Ka whaiwhakaaro ki te Tiakanga Taiao / Climate change and sustainability considerations

- 37. A reduction in PT patronage may increase transport emissions and climate change impacts.

### Ngā whakaaweawe atu anō / Other impacts

Relationship	Consulted Y/N	Views and Perspectives Received
Māori	Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/>	
Elected members	Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/>	
Council Controlled Organisations	Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/>	

### Ā muri ake nei / Next steps

- 38. Following board approval, relevant Council Group endorsement will be sought. Milestones and timelines are detailed as follows:

Activity	Date
Establish project group to prepare and test fare changes	November 2024 / December 2024
Design marketing & communications strategy and campaign materials	November 2024
Launch campaign and circulate materials across network	January 2025
Distribute new fares schedule to operators	January 2025

### Ngā whakapiringa / Attachments

Attachment #	Description
1.	Proposed Fare Schedule FY2024-25
2.	LEK - Auckland Transport Fare Review (saved in Design & Delivery Committee Resource Centre in Diligent)








CONFIDENTIAL

Board Meeting | 29 October 2024  
Agenda item no. 15.2  
Closed Session

### Te pou whenua tuhinga / Document ownership

Submitted by	Recommended by	Approved for submission
David Stephenson <b>PT Growth Manager</b>	Stacey van der Putten <b>Director Public Transport &amp; Active Modes</b>	Dean Kimpton <b>Chief Executive</b>
		



**Attachment 1 – Proposed Fare Schedules FY2024-25**

**Annual fare review**

<b>AT HOP</b>						
Product	Normal Fare	Proposed Fare	Fare change (Proposed vs Current)	% change (Proposed vs Normal)	Approx % of Peak pax affected	No. forecast pax affected
Adult CityLink	\$0.70	\$0.85	\$0.15	21.4%	0.4%	131,565
Adult 1 zone	\$2.60	\$2.80	\$0.20	7.7%	21.9%	7,825,135
Adult 2 zone	\$4.45	\$4.65	\$0.20	4.5%	28.9%	10,355,692
Adult 3 zone	\$6.00	\$6.25	\$0.25	4.2%	10.2%	3,660,325
Adult 4 zone	\$7.40	\$7.65	\$0.25	3.4%	3.0%	1,064,559
Adult 5 zone	\$8.50	\$8.70	\$0.20	2.4%	0.1%	47,764
Adult 6 zone	\$9.60	\$9.75	\$0.15	1.6%	0.0%	5,241
Adult 7 zone	\$10.70	\$10.80	\$0.10	0.9%	0.0%	731
Adult 8 Zone	\$11.80	\$11.85	\$0.05	0.4%	0.0%	103
Adult 9 Zone	\$12.70	\$12.75	\$0.05	0.4%	0.0%	0
Child CityLink	\$0.35	\$0.45	\$0.10	28.6%	0.0%	14,653
Child 1 zone	\$1.35	\$1.45	\$0.10	7.4%	18.2%	6,523,115
Child 2 zone	\$2.60	\$2.75	\$0.15	5.8%	6.1%	2,195,177
Child 3 zone	\$3.55	\$3.70	\$0.15	4.2%	2.0%	722,121
Child 4 zone	\$4.40	\$4.55	\$0.15	3.4%	0.4%	143,984
Child 5 zone	\$5.10	\$5.25	\$0.15	2.9%	0.0%	9,417
Child 6 zone	\$5.50	\$5.65	\$0.15	2.7%	0.0%	2,982
Child 7 zone	\$5.90	\$6.00	\$0.10	1.7%	0.0%	160
Child 8 Zone	\$6.30	\$6.35	\$0.05	0.8%	0.0%	38
Child 9 Zone	\$6.60	\$6.65	\$0.05	0.8%	0.0%	3
Tertiary CityLink	\$0.55	\$0.65	\$0.10	18.2%	0.0%	4,020
Tertiary 1 Zone	\$2.00	\$2.15	\$0.15	7.5%	0.8%	303,547
Tertiary 2 Zone	\$3.50	\$3.70	\$0.20	5.7%	1.4%	487,332
Tertiary 3 Zone	\$4.80	\$5.00	\$0.20	4.2%	0.5%	186,464
Tertiary 4 Zone	\$5.90	\$6.10	\$0.20	3.4%	0.1%	48,434
Tertiary 5 Zone	\$6.80	\$6.95	\$0.15	2.2%	0.0%	2,255
Tertiary 6 Zone	\$7.65	\$7.80	\$0.15	2.0%	0.0%	326
Tertiary 7 Zone	\$8.50	\$8.60	\$0.10	1.2%	0.0%	22
Tertiary 8 Zone	\$9.30	\$9.35	\$0.05	0.5%	0.0%	108
Tertiary 9 Zone	\$9.60	\$9.65	\$0.05	0.5%	0.0%	0

**AT HOP Pass products**

<b>Simpler Fares - Products</b>	<b>Current</b>	<b>Proposed</b>	<b>Per Product Change</b>	<b>% Change</b>	<b>Approx % of pax affected</b>	<b>No. forecast pax affected</b>
Monthly Bus Train	withdrawn	withdrawn	\$0.00	0.0%	9.8%	26,696
AT HOP Daily Cap	\$20.00	\$20.00	\$0.00	0.0%	28.4%	77,216
AT HOP Weekly Cap	\$50.00	\$50.00	\$0.00	0.0%	0.0%	0
Ferry Inner Monthly	\$180.00	\$195.00	\$15.00	8.3%	5.4%	14,762
Ferry Mid Monthly	\$285.00	\$310.00	\$25.00	8.8%	56.3%	152,895
Ferry Outer Monthly	\$370.00	\$400.00	\$30.00	8.1%	0.0%	0
Ferry Waiheke Monthly	\$370.00	\$419.00	\$49.00	13.2%		

**Cash Fares – No change**



**Annual fare review with Package 1A fare reforms**

<b>AT HOP</b>						
Product	Normal Fare	Proposed Fare	Fare change (Proposed vs Current)	% change (Proposed vs Normal)	Approx % of Peak pax affected	No. forecast pax affected
Adult CityLink	\$0.70	\$0.85	\$0.15	21.4%	0.4%	131,565
Adult 1 zone	\$2.60	\$2.80	\$0.20	7.7%	21.9%	7,825,135
Adult 2 zone	\$4.45	\$4.65	\$0.20	4.5%	28.9%	10,355,692
Adult 3 zone	\$6.00	\$6.25	\$0.25	4.2%	10.2%	3,660,325
Adult 4 zone +	\$7.40	\$7.65	\$0.25	3.4%	3.0%	1,064,559
Child CityLink	\$0.35	\$0.45	\$0.10	28.6%	0.0%	14,653
Child 1 zone	\$1.35	\$1.45	\$0.10	7.4%	18.2%	6,523,115
Child 2 zone	\$2.60	\$2.75	\$0.15	5.8%	6.1%	2,195,177
Child 3 zone	\$3.55	\$3.70	\$0.15	4.2%	2.0%	722,121
Child 4 zone +	\$4.40	\$4.55	\$0.15	3.4%	0.4%	143,984
Tertiary CityLink	\$0.55	\$0.65	\$0.10	18.2%	0.0%	4,020
Tertiary 1 Zone	\$2.00	\$2.15	\$0.15	7.5%	0.8%	303,547
Tertiary 2 Zone	\$3.50	\$3.70	\$0.20	5.7%	1.4%	487,332
Tertiary 3 Zone	\$4.80	\$5.00	\$0.20	4.2%	0.5%	186,464
Tertiary 4 Zone +	\$5.90	\$6.10	\$0.20	3.4%	0.1%	48,434

**Ferry fare increase**

Ferry Integrated Zones	Included Ferry services	Fare Zones	Ferry Zone Premium	Included land zones	Stages	Current Fare	Proposed Fare	Fare change (Proposed vs Current)	% change
Inner	Stanley Bay, Bayswater, Northcote Point and Birkenhead	3Z (2L+1P)	1Z	Lower North Shore+ City	3	\$ 6.00	\$ 7.40	\$ 1.40	23%
	Devonport	3Z (2L+1P)	1Z	Lower North Shore+ City	25				
Mid	Half Moon Bay	5Z (2L+3P)	3Z	Manukau North + City	6	\$ 8.50	\$ 9.75	\$ 1.25	15%
	Beach Haven	5Z (2L+3P)	3Z	Lower North Shore+ City	6				
	Hobsonville and West Harbour	5Z (2L+3P)	3Z	Waitakere + City	6				
Outer	Pine Harbour	8Z (2L+6P)	6Z	Beachlands + City	8	\$ 11.80	\$ 12.75	\$ 0.95	8%
	Gulf Harbour	8Z (2L+6P)	6Z	Hibiscus Coast+ City	8				



Closed Board Meeting | 29 October 2024

[Agenda item 15.2b Attachment 2, Auckland Transport Fare Review \(LEK report\)](#)

Please click the above link to view the document saved in the Design and Delivery Committee Diligent Resource Centre.

To access the linked paper:

- Click on the link provided.
- On completion of the attachment review , please click "Back to previous" at the bottom lefthand side of your screen to return to the meeting book.