

By email

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Dear Mr Randle

Request for information OIA 2018-14

I refer to your email dated 21 January 2018 which was received by Greater Wellington Regional Council's (GWRC) on 21 January 2018. You have requested the following information:

"1) Can I please have a copy of any Reports, presentations or workshop material on the public transport costs and supporting funding of the new PT network since September 2017 ? Please include any appendices.

2) Can I please have a copy of any Reports, presentations or workshop material on the impact of the public transport costs on fares and/or the Farebox Recovery Ratio for the new PT network since September 2017 ? Please include any appendices.

3) Can I please have a copy of the detailed Farebox Recovery calculations that includes the public transport costs of the new PT network ?

4) Can I please have a copy of the detailed public transport costs for the new PT network used in the calculation of the Farebox Recovery as outlined in 2) ?

5) Can I please have a copy of the detailed revenue estimates for the new PT network used in the calculation of the Farebox Recovery as outlined in 2) ?"

GWRC's response follows:

Clarification on statements made in your request for information

In your request for information, you have stated that:

"[...]Multiple GWRC Reports associated with the 2017 Fare Review stated that the PT fares would again be reviewed once the final costs for the new PT network were confirmed. The following are quotes from these reports:[...]"



For the avoidance of doubt, the lines that you have quoted from the GWRC reports 17.123, 17.269 and 2017.382 do not state that the public transport fares would again be reviewed once the final costs for the new bus network were confirmed.

In implementing the Policy 3.d of the Regional Public Transport Plan (PT Plan), GWRC annually reviews fare levels to determine the extent of any fare adjustments for the purpose of (a) compliance with the farebox recovery targets and (b) forecasting expectations of fares revenue in relation to gross operating costs through the Long Term Plan/Annual Plan process.

The review of fares for compliance with the farebox recovery policy measures actual performance against the farebox recovery targets for the previous year. This is a requirement of the NZ Transport Agency (NZTA) as set out in the farebox recovery policy in the PT Plan.

The approach to identify the expectation of fares revenue in relation to gross operating costs is set out in the current approach for funding allocation in the Revenue and Financing Policy in the Long Term Plan (LTP). This approach seeks to balance the gross costs associated with provision of public transport services in relation to farebox revenue, the rates share of funding, and the government's contribution to funding in the form of grants or subsidies. The approach in the LTP provides for budget assumptions around fares and is the basis of the public transport rating model.

Although both the farebox recovery policy and the approach for funding allocation in the LTP seek to establish the proportion of the cost of providing public transport required to be met through fares, the formulas used are not the same in terms of cost or revenue. For example, the gross cost in the LTP approach includes dept servicing and infrastructure maintenance costs. These costs are not captured in the calculation of the farebox recovery ratio set out in the regional farebox recovery policy. Likewise, the NZTA farebox recovery formula currently includes SuperGold revenue and costs associated with the commercial services that are deemed to be exempt under the new network, which are not included in the LTP approach.

Any decision around fares needs to take account of the differences between the two measures and the way they include or exclude costs or revenue items.

The fares review in 2016/17 was broader than an annual fare review both in its scope and the range of factors considered. The review addressed the fares policy (primarily concession policy), fare structure, pricing and the need for simplification of fares to enable transition to the integrated fares and ticketing system. In relation to farebox recovery, the review was based on an approach to deliver fare proposals within the budgets set out in the long term and annual plans.

In doing so, the review provided a forecast of the changes to fares revenue as a result of implementing the new fare package and also considered the potential impacts of the changes in fares revenue under the new fares package on farebox recovery targets. As a result, there has been no need to undertake any further review of fares through the LTP process for the purpose of forecasting the fare revenue.

However, to identify whether the fares proposal was within the LTP budget, the forecasted fare revenue needed to be weighed against the anticipation of the operating expenditures under the new network, the impacts on rates and NZTA share of funding. In the absence of the complete knowledge of the costs due to the ongoing negotiations on the Directly Appointed Units at the time of the fares review in 2017, GWRC maintained to reconsider the costs in relation to the revenue needed from fares, rates and the government grants as part of the LTP process. This was expected to enable a decision on further fare adjustments taking account of the potential changes in the cost structure under the new contracting environment and the impact of any adjustments and budget setting on rates and government funding.

Response to request for information

1) Can I please have a copy of any Reports, presentations or workshop material on the public transport costs and supporting funding of the new PT network since September 2017 ? Please include any appendices.

Since September 2017, there has been one workshop presentation to councillors with information related to public transport costs and supporting funding of the new public transport network. GWRC will release to you all of the information contained within this document which is covered by your request. We are currently preparing this document for release. This document will be sent to you shortly.

The consideration of costs associated with the new bus network has been part of the long term planning and budgeting process.

The GWRC 2018/19 proposed budget have not yet been finalised. Once finalised, the proposed budget in the LTP will be available for public consultation. The consultation documents for the LTP will also include details of the costs and funding information associated with implementation of the new bus network under the Public Transport Operating Model (PTOM) that will commence from end of April this year.

We will provide you with a copy of this information after it is considered by Council at its meeting on 14 March 2018.

2) Can I please have a copy of any reports, presentations or workshop material on the impact of the public transport costs on fares and/or the Farebox Recovery Ratio for the new PT network since September 2017 ? Please include any appendices.

Since September 2017, there has been no further review of fares or detailed calculations of the farebox recovery ratio in relation to the costs associated with the new bus network and services. Therefore, no report, presentation or workshop material has been produced in relation to the review or calculations of farebox recovery ratios since September 2017.

Some very high level preliminary analysis has begun on review of the GWRC's farebox recovery policy, but the analysis has not resulted in any report or deliverable at this time.

As advised above, the costs and fare revenue associated with the new bus network are budgeted in the proposed LTP. The LTP consultation documents will be released for public review after 14 March 2018.

3) Can I please have a copy of the detailed Farebox Recovery calculations that includes the public transport costs of the new PT network ?

Please refer to the answer under question 2.

4) Can I please have a copy of the detailed public transport costs for the new PT network used in the calculation of the Farebox Recovery as outlined in 2) ?

Details of the costs and funding information associated with the implementation of the new bus network will form part of the consultation documents for the LTP. This will be considered by Council on 14 March 2018.

5) Can I please have a copy of the detailed revenue estimates for the new PT network used in the calculation of the Farebox Recovery as outlined in 2) ?

Details of the revenue and funding information associated with implementation of the new bus network will form part of the consultation documents for the LTP, which will be considered by Council on 14 March 2018.

If you have any concerns with the decision(s) referred to in this letter, you have the right to request an investigation and review by the Ombudsman under section 27(3) of the Local Government Official Information and Meetings Act 1987.

Yours sincerely



Wayne Hastie
General Manager, Public Transport