

2 December 2009

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Dear Sir

NEW ZEALAND TRANSPORT AGENCY'S DRAFT FAREBOX RECOVERY POLICY AND DRAFT FARE POLICY DECISION-MAKING GUIDELINE

1.0 INTRODUCTION

- 1.1** Hamilton City Council (HCC) welcomes the opportunity to make a submission to the New Zealand Transport Agency's Consultation document on the draft Farebox Recovery Policy and draft Fare Policy Decision-Making Guideline.

2.0 SUMMARY OF HCC'S KEY POINTS

- The principles underlying the draft Policy are fundamentally flawed.
- The draft Policy's key assumption is that patrons are the ones that primarily benefit from using public transport and that they should pay their fair share for services received.
- HCC's view is that public transport is not just about the direct users but is a critical part of an integrated and sustainable transport system.
- The final version of the Policy should fully and accurately measure the benefits of public transport to both direct users and people using motor vehicles.
- Substantial investment into public transport throughout the country is required to ensure that efficient, effective and sustainable transport systems are developed to cope with future needs.
- Funding for public transport over the next three years accounts for 10.3% of the national total. This seems a relatively small amount given the potential benefits that public transport can have on improving the efficiency of all forms of travel.
- As New Zealand's fourth major public transport centre Hamilton appears to be considerably under funded when compared to the three main centres i.e. Waikato receives 2.9% of the national total compared to Auckland (57.7%), Wellington (22.5%) and Canterbury (10.3%).
- The intent of the draft policy will result in an overall reduction in NZTA subsidy funding, on top of the funding reductions that took effect from 1 July 2009 (which resulted in a number of planned Hamilton projects being cut). This situation is inconsistent with HCC's position of aspiring to

provide a balanced and integrated transport system, as well as the national position stated in the Government Policy Statement.

- Provision of an effective, efficient and sustainable public transport system is a critical component of delivering on Access Hamilton - a strategy that envisions a transport network that provides affordable, integrated, safe, responsive and sustainable transport choices.
- Many other factors also need to be looked at to enhance public transport, including ensuring the safety of patrons and the provision of a modern and low emission bus fleet - all of which requires considerable ongoing capital investment e.g. one of the main elements being looked at in Hamilton is to enable and increase journeys made by the mobility impaired, particularly as provision of a service that caters for this group can result in reduced travel costs for people on limited or set incomes.
- Getting people out of cars and onto public transport has the potential to significantly reduce congestion which in turn promotes greater access within cities and regions as well as providing a number of environmental and social benefits.
- HCC is concerned that the intent of the draft policy will result in an overall reduction in subsidy funding from the NZTA.
- Despite the three main regions receiving 90% of NZTA's total available subsidy funding for public transport, they also face a number of development issues (e.g. competition from commercial services, electrification of Auckland's rail service).
- Hamilton's bus patronage has been increasing in recent years in relation to ongoing investment. However if a farebox recovery ratio target is introduced it will have a negative impact on this trend.

3.0 SUBMISSION STRUCTURE

3.1 This submission is structured under the following headings:

1.0	INTRODUCTION
2.0	SUMMARY OF HCC'S KEY POINTS
3.0	SUBMISSION STRUCTURE
4.0	NZTA OPTIONS BEING CONSULTED ON
5.0	SPECIFIC COMMENTS ON THE DRAFT FAREBOX RECOVERY POLICY
5.1	Principles Underlying the Draft Farebox Recovery Policy
5.2	Public Passenger Transport Funding
5.3	Potential Adverse Impact of Introducing a Farebox Recovery Ratio Target on the Development of Hamilton's Bus Service
5.4	Increased Patronage the Result of Ongoing Investment in Hamilton's Bus Service
5.5	Other Investment Factors that Need to be Considered
6.0	CONCLUDING COMMENTS

4.0 NZTA OPTIONS BEING CONSULTED ON

4.1 HCC notes that the NZTA is consulting on two options regarding the setting of farebox recovery ratio targets by regional authorities.

Option 1: Involves all regional authorities setting their own targets using the NZTA's objectives and principles for farebox recovery policies, and in consultation with the NZTA.

Option 2: Sets a 50 percent target for the three main metropolitan centres, with the ability to apply for an alternative ratio target based on NZTA criteria. All other regional authorities set their own targets, but in consultation with the NZTA.

4.2 The NZTA also state that *"under both options, all regional authorities have to consult the NZTA as part of the development of their regional public transport plans. In addition, under option 1 or 2, smaller regional authorities will still be required to set a farebox recovery ratio target for public transport services. Since they will have to incorporate the NZTA's objectives and principles for farebox recovery policies when developing their policies and farebox recovery ratio targets, they will effectively have to set a target in excess of their current performance."*

4.3 The NZTA states that the Draft Farebox Recovery Policy is designed to address the following objectives:

- Help improve the effectiveness and efficiency of public transport services.
- Ensure that the costs and benefits of providing public transport services are shared fairly between those who use public transport and those who don't.
- Improve the transparency and consistency of the approach to farebox recovery implemented by regional councils throughout the country.
- Set out NZTA's expectations on having a fair distribution of costs for providing public transport services.
- Arrest the decline in users' contribution to the total cost of providing public transport services. This contribution has been falling for a number of years and is forecasted to continue to decline without intervention.
- Enable the NZTA to undertake better benchmarking and monitoring of farebox recovery ratios throughout New Zealand.

4.4 HCC has a number of specific concerns around these objectives regarding the draft Farebox Recovery Policy and the draft Fare Policy Decision-Making Guideline - these are outlined in Section 5.0 of this submission.

5.0 SPECIFIC COMMENTS ON THE DRAFT FAREBOX RECOVERY POLICY

5.1 Principles Underlying the Draft Farebox Recovery Policy

5.1.1 HCC is of the view that the principles underlying the draft Farebox Recovery Policy are fundamentally flawed. One of the policy's key assumptions is that the primary benefit of public transport is to its direct users and that they should pay their fair share towards the cost of providing services.

5.1.2 The NZTA also state that *"The efficiency and effectiveness of a public transport service is measured by its cost and patronage. This requires a careful balance of contributions from the user (fares), third party funding or other sources, regional authority (rates) and the NZTA"*.

5.1.3 The draft policy focuses on passengers as being the primary beneficiaries of an efficient and effective public transport system and that they should pay their fair share for services received. HCC is of the view that this approach appears to

completely miss the point about the purpose and benefits of public transport i.e. public transport is not just about the benefits to direct users - it is a critical component of ensuring that cities and regions can develop and make effective use of an integrated and sustainable transport system.

- 5.1.4 Getting people out of cars and onto public transport has the potential to significantly reduce congestion, which in turn promotes greater access within cities and regions. For example, Peachgrove Road is a main route in Hamilton that is now far easier to traverse in a car after school than it was three years ago. This is due to the very large uptake of school children using the Orbiter bus (refer Section 5.4 of this submission), meaning parents don't have to pick them up and/or they don't need their own cars.
- 5.1.5 In addition, as Hamilton has a river that effectively divides the city in half some of the main traffic congestion points are the five connecting bridges. Given this it is more cost effective to encourage a shift from motor vehicles (particularly single occupancy vehicles) to public transport, cycling and walking. To enable this to occur, Hamilton requires a network that meets people's needs and is affordable.
- 5.1.6 It should be noted that in the case of single occupancy vehicle usage, Hamilton has the highest rate of any city in New Zealand at 3,600km per person¹. HCC is of the view that the final version of the Policy should fully and accurately measure the benefits of public transport to both direct users and people using motor vehicles.
- 5.1.7 Access Hamilton is a strategy for the city that envisions a transport network that provides affordable, integrated, safe, responsive and sustainable transport choices. Provision of an effective, efficient and sustainable public transport system is a critical component of delivering on Access Hamilton.
- 5.1.8 Cities and regions throughout the country require substantial investment in public transport to ensure that efficient and effective systems are developed to cope with future needs.

5.2 **Public Passenger Transport Funding**

- 5.2.1 The following table shows the NZTA national funding commitments by activity class over the next three years. Funding allocation for the categories of 'public transport service' and 'public transport infrastructure' account for 10.3% of the national total. This seems a relatively small amount given the potential benefits that public transport can have on improving the efficiency of all forms of travel.

¹ Data supplied by New Zealand Transport Agency.

National Land Transport Programme 2009-2012 Funding Commitments by Activity Classes

Activity Class	Three Year Allocations (\$ million)
New and Improved infrastructure for State highways	3,074.7
Renewal of State highways	633.0
Maintenance and operation of State highways	897.0
New and improved infrastructure for local roads	480.0
Renewal of local roads	696.0
Maintenance and operation of local roads	743.0
Road policing	895.0
Public transport service	630.0
Public transport infrastructure	269.0
Demand management and community programmes	120.0
Walking and cycling facilities	51.0
Sector training and research	18.0
Domestic sea freight development	1.0
Rail and sea freight	3.0
Transport planning	96.0
Management of the funding allocation system	103.2
TOTAL	8,710.0

Source: NZ Transport Agency: National Land Transport Programme 2009-2012 (August 2009).

- 5.2.2 The NZTA note that *"The biggest gains will come from focusing on farebox recovery ratios in Auckland, Wellington and Canterbury, as these regions receive approximately 90 percent of the NZTA's expenditure for public transport services and operations, and account for 91 percent of patronage....In contrast, only a small proportion of funding goes to the remaining regional authorities, where services are often provided for social rather than economic reasons."*²
- 5.2.3 This means that the three main centres account for around \$567 million of the NZTA's total contribution (subsidy) towards regional councils over the next three years (with the total funding allocated being \$630 million for the period 2009-12 in the National Land Transport Programme).
- 5.2.4 Despite these three regions receiving 90% of the total available funding they also face a number of development issues. For example, in Auckland's case:
- Competition from commercial services.
 - After double tracking, electrification is the next most important stage in the development of Auckland's rail network.
- 5.2.5 The remaining 11 regions that receive the balance of \$63 million (i.e. an average of \$5.72 million per region) will always require a higher level of subsidy due to the fact that they have considerably smaller populations (than Auckland, Wellington and Canterbury) that are often coupled with geographic constraints. The NZTA has already acknowledged that *"...only a small proportion of funding goes to the remaining regional authorities, where services are often provided for social rather than economic reasons."*
- 5.2.6 As the country's fourth major public transport centre, Hamilton appears to be considerably under funded when compared to the three main centres i.e. the

² Question and Answer page on New Zealand Transport Agency's website www.nzta.govt.nz

Waikato is estimated to receive only 2.9% of the national total over the next three years compared to Auckland (57.7%), Wellington (22.5%) and Canterbury (10.3%) - refer table below.

Estimated Regional Expenditure on Public Transport 2009-2012

Activity Class	Auckland		Wellington		Canterbury		Waikato		National Total
	Total (\$m)	Share of Total	Total (\$m)	Share of Total	Total (\$m)	Share of Total	Total (\$m)	Share of Total	Total (\$m)
Public Transport Services	346.5	55%	144.5	22.9%	61.6	9.8%	25.6	4.1%	630.0
Public Transport Improvements	172.1	64%	58.1	21.6%	31.2	11.6%	0.6	0.2%	269.0
Total	518.6	57.7%	202.6	22.5%	92.8	10.3%	26.2	2.9%	899.0

Source: NZ Transport Agency: National Land Transport Programme 2009-2012 (August 2009).

5.2.7 HCC is concerned that the intent of the draft policy will result in an overall reduction in subsidy funding for public transport from NZTA, on top of the funding reductions that took effect from 1 July 2009. These reductions in funding will reduce the introduction of new services. For example, Environment Waikato is currently shelving a number of the planned bus transport network expansion projects for Hamilton (as set out in the Waikato Regional Transport Plan 2007 - 2010) as a direct result of recent NZTA national funding cuts. Examples of such projects that will not be going ahead as a result of these cuts include:

- Hamilton East side service hours increased.
- Eastern Loop.
- Rototuna Dial a Ride.

Implementation of these three services would have contributed significantly towards the ongoing development of a reliable, comprehensive and sustainable urban bus network.

5.2.8 As a direct consequence of the NZTA subsidy cuts, bus fare increases for Hamilton and the Waikato have had to be increased across the board from 1 December 2009 to maintain the present level of service.

5.2.9 In addition, as noted in Section 5.2.6 of this submission, Hamilton is already significantly under funded compared with the three main centres i.e. the Waikato is estimated to receive only 2.9% of the national total over the next three years compared to Auckland (57.7%), Wellington (22.5%) and Canterbury (10.3%).

5.2.10 This under funding situation, combined with the national reduction in subsidies as at 1 July 2009, is inconsistent with HCC's position of aspiring to provide a balanced, integrated and sustainable transport system, and with the national position stated in the Government Policy Statement.

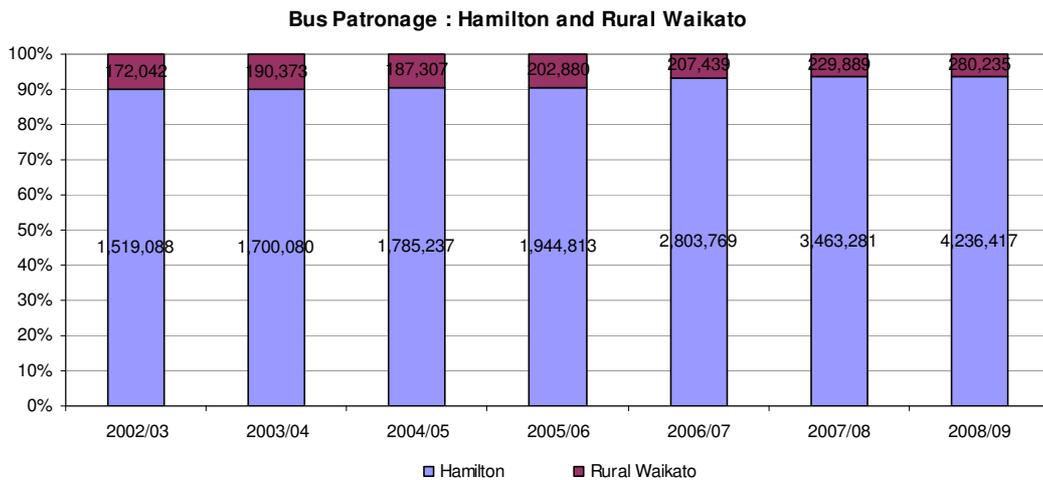
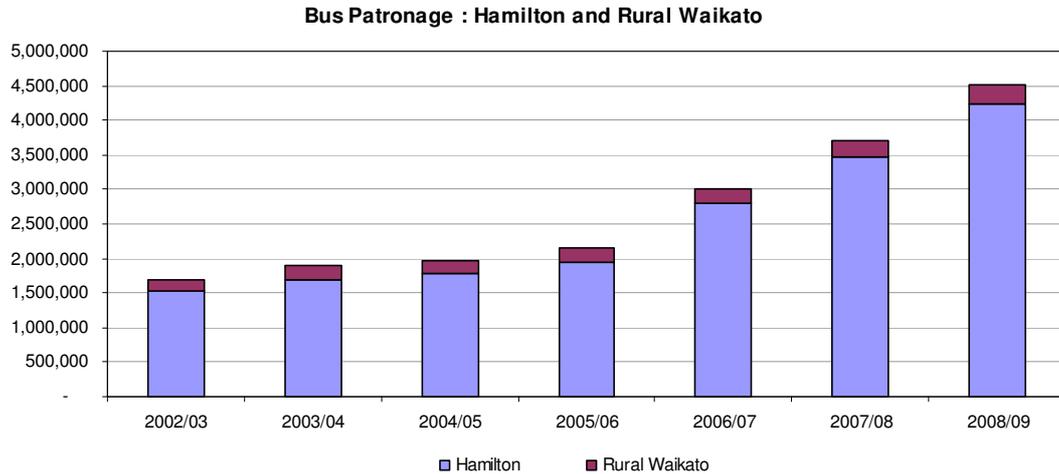
5.3 Potential Adverse Impact of Introducing a Farebox Recovery Ratio Target on the Development of Hamilton's Bus Service

5.3.1 In Hamilton's (and the Waikato's) case, the city's public passenger transport service (which is focused solely on buses - there is no rail, train, ferry or tram component) is relatively young and still developing.

5.3.2 HCC is of the view that establishing a farebox recovery ratio target for the Waikato would seriously harm the ongoing development of the Waikato's bus

service/network (in particular Hamilton City) which could in turn jeopardise the trend of increasing patronage that has been occurring over the past eight years i.e. There has been a 178.9% increase in patronage of Hamilton's bus service between the 2002/03 financial year (1,519,088 passenger trips) and 2008/09 (4,236,417 passenger trips).

5.3.3 In the same period rural passenger trip numbers increased by 62.9% (from 172,042 in 2002/03 to 280,235 in 2008/09 - refer following graphs).



Source: Environment Waikato

5.4 Increased Patronage the Result of Ongoing Investment in Hamilton's Bus Service

5.4.1 The significant increase in Hamilton's bus patronage over the past eight years corresponds to the increased investment and provision of new and improved services/initiatives in the city's bus network over this period i.e. Direct payments by Environment Waikato to bus operators for the past eight financial years and investment by HCC into services and infrastructure (including bus stops/shelters and subsidies into key services such as the Chartwell Express, the Orbiter and the Central City Shuttle).

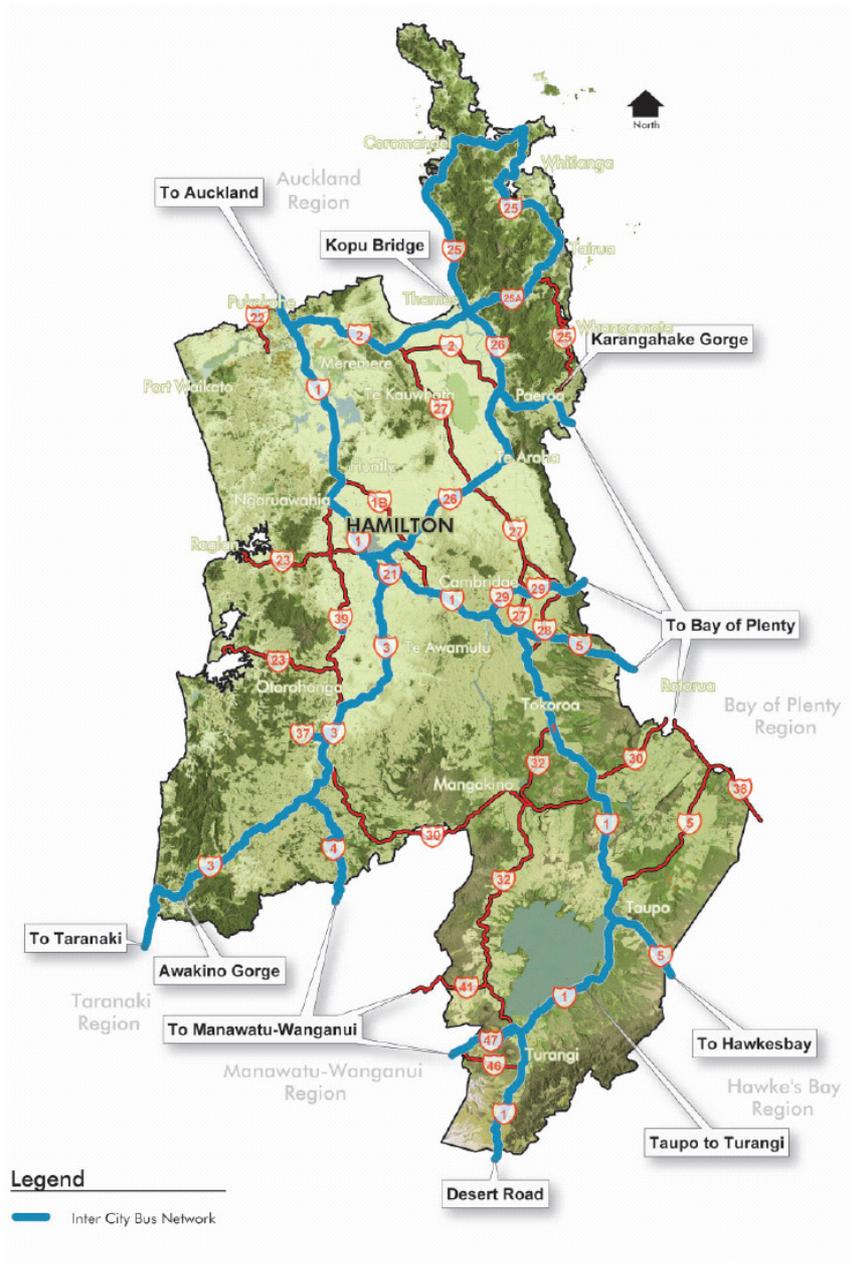
5.4.2 In particular, introduction of the Chartwell Express, the Orbiter and the CBD Shuttle Service in 2005/06 have contributed significantly towards driving growth in Hamilton's bus patronage. In total HCC has contributed \$1.468 million towards these three services between 2005/06 and 2007/08.

- 5.4.3 The CBD Shuttle Service commenced in April 2006 with 2,095 passengers using the service within the first month of operation. This increased to over 8,000 passengers in May 2006. Patronage of Hamilton's CBD shuttle bus service continues to grow, with over 153,000 people using the service in 2008/09. The free service runs every 10 minutes around the city centre. People who use the shuttle become aware of how comfortable and convenient bus transport has become, which in turn encourages them to utilise other city bus services. This realignment in perception of public transport has contributed to the overall increase of bus usage in the city.
- 5.4.4 The Orbiter bus service commenced operating in July 2006. It circles the city every 15 minutes in both directions, linking key trip attractors in both a clockwise and an anticlockwise direction. A real-time information system was also installed at bus stops throughout Hamilton (including at the majority of bus stops on the new Orbiter route) so that passengers can better plan their journey.
- 5.4.5 A new Chartwell Express bus service from Thomas Road to Hamilton's central city commenced in February 2006. This is a fast-track service aimed at commuters.
- 5.4.6 Most of the 11 secondary regions are in the 'development stage' of growing their public transport systems and are likely in the medium term to struggle to generate sufficient patrons that would justify the introduction of a farebox recovery ratio target. A combination of less subsidy and a control on minimum farebox recovery (i.e. aggressive recovery targets) equates to limited future public transport growth.

Current Hamilton Bus Route Network



Intercity Bus Network in the Waikato Region



5.5 Other Investment Factors that Need to be Considered

5.5.1 As the NZTA can appreciate, trying to get people out of private vehicles and onto public transport requires much more than merely providing 'the basics'. In Hamilton's case, considerable thought and planning is undertaken by both Environment Waikato and HCC to encourage increasing bus patronage. In addition to analysing routes and frequency of services, a host of other factors are also looked at, including ensuring the safety of patrons and the provision of a modern and low emission bus fleet - all of which requires considerable ongoing capital investment. For example, one of the main elements being looked at is to enable and increase journeys by the mobility impaired, particularly as provision of a service that caters for this group can result in reduced travel costs for people on limited or set incomes.

- 5.5.2 To reiterate - HCC is strongly of the view that introduction of a farebox recovery ratio target for the 11 'secondary ' regions (including the Waikato) will place considerable pressure on the continuation of such essential investment, which in turn will impact on the growth trend of patrons that has occurred over the past eight years.
- 5.5.3 The Waikato Regional Passenger Transport Plan 2007 - 2010 has developed nine desired Outcome Areas for regional passenger transport that are based on the Outcome Areas identified in the 2006-16 Waikato Regional Land Transport Strategy i.e. (1) Economic development (2) Safety and personal security (3) Access and mobility (4) Public health (5) Environmental sustainability (6) Integration (7) Responsiveness (8) Energy efficiency (9) Funding.
- 5.5.4 The full Outcome Area regarding 'Funding' is *"Providing an affordable and cost effective passenger transport system where users contributions (fares) are set at a fair level that encourages use of public transport over private transport"*.
- 5.5.5 Traffic modeling carried out as part of the reviewed Access Hamilton transport strategy has shown that it will be difficult for Hamilton to build its way out of the congestion created by forecast city growth in the next 30 years. This means that one of the key ways to achieve a vibrant, functioning city is by investing in alternative modes of transport and by making wise land use decisions. The provision of a comprehensive and efficient public transport system is critical to making this happen.

6.0 CONCLUDING COMMENTS

- 6.1 HCC trusts that the points made in this submission are helpful to the New Zealand Transport Agency when considering all submissions to the Draft Farebox Recovery Policy and Draft Fare Policy Decision-Making Guideline.
- 6.2 HCC would welcome representatives from the New Zealand Transport Agency to visit Hamilton and view the city's bus service to see what has been achieved, particularly over the past 10 years.
- 6.3 HCC **does wish to be heard in support of this submission** if hearings on the Draft Farebox Recovery Policy and Draft Fare Policy Decision-Making Guideline are to be held by the New Zealand Transport Agency.
- 6.4 If you require clarification of the points raised in this submission, or additional information, please contact Philip King (HCC's Access Hamilton Co-ordinator) in the first instance on 07 838 6991 or email philip.king@hcc.govt.nz

Yours faithfully



Michael Redman
CHIEF EXECUTIVE