

Report No.	20-60
Decision Required	

REGIONAL INTEGRATED TICKETING SYSTEM (BEE CARD) DEPLOYMENT APPROACH

1. PURPOSE

- 1.1. To approve an alternative approach to deployment of the Regional Integrated Ticketing System (Bee Card) in the Horizons region.

2. RECOMMENDATION

That the Committee recommends that Council:

- a. receives the information contained in Report No. 20-60 and Annex.
- b. approves the proposed phased approach to implementation of the Bee Card in the rest of the Horizons Region.
- c. approves a temporary reduction in public transport fares, including the introduction of exact cash fares only as shown in Annex A, to support the accelerated deployment approach for the Regional Integrated Ticketing System.
- d. request officers continue discussions with the New Zealand Transport Agency on the potential to enter into a cost sharing arrangement to cover fare revenue reductions created by the use of a temporary simplified fare structure during Phase 1 rollout.
- e. notes that fare levels will be reviewed by the Passenger Transport Committee by December 2020.

3. FINANCIAL IMPACT

- 3.1. Implementation costs associated with the new electronic ticketing system have been included in current budgets. Introducing a temporary reduction in public transport fares is expected to cost approximately \$27,000.00 to \$73,000.00 over the period July to September 2020, this has not been budgeted for in the draft Annual Plan 2020-21. There is the potential for a cost sharing arrangement with the New Zealand Transport Agency, which would reduce the overall cost to council to between \$13,000.00 and \$35,000.00.
- 3.2. It must be noted that separate to the revenue impact associated with the recommendations in this paper that Covid-19 has and will continue to have a significant impact on public transport patronage and therefore fare revenue collection. The ongoing impact has not been accounted for in the Transport budgets in the draft Annual Plan 2020-21, however it is signalled in the narratives.
- 3.3. A regional fare collection plan is being developed by each council to help inform discussions with the New Zealand Transport Agency on funding shortfalls due to the impact of Covid-19 over the 2020-21 financial year.

4. COMMUNITY ENGAGEMENT

- 4.1. The RITS communications plan is currently being revised to support the changed approach to deployment of the Bee Card system. Initial activities will focus on getting Bee Cards to customers, with a second phase of activity focused around targeting concession user groups and the reinstatement of full fares.

19 May 2020

5. SIGNIFICANT BUSINESS RISK IMPACT

- 5.1. The financial impact of reduced patronage and fare revenue presents the biggest risk to the business. This is covered in section three of this report.

6. BACKGROUND

- 6.1. Horizons Regional Council is part of a consortium of nine councils who have jointly purchased a new electronic ticketing system for bus services, known as **RITS (Regional Integrated Transport System)**. RITS replaces the GoCard smartcard technology currently in use on Horizons contracted public transport services and provides a tag on/tag off card based system (the Bee Card).
- 6.2. The Bee Card was launched in Northland in September 2019 as part of a live trial of the scheme. It was then introduced to the Whanganui urban and commuter bus services in December 2019 and was intended to be rolled out across the remainder of Horizons' contracted bus services¹ in early 2020. Following the launch in Horizons, the Bee Card would be rolled out to the remainder of the RITS consortium.
- 6.3. Implementation of the Bee Card in Whanganui was supported by a substantial marketing and communications period in advance of the launch date. The communications approach relied heavily on face to face interaction with customers through:
- Bus drivers handing out cards and supporting collateral to customers
 - Attendance at community group meetings / community events
 - Visits to rest homes/retirement villages
 - Customers presenting at Horizons Regional Council service centre to collect cards, top up and load concessions
 - Use of "ambassadors" on bus and at the bus terminal during the first week of launch to support drivers and customers
- 6.4. A similar approach was planned for the rollout across the remainder of the Horizons region, with greater emphasis on face to face interactions through community visits and provision of on-bus support in the lead up to launch and first two weeks of go-live. As a result of the Covid-19 outbreak, deployment of the scheme across the remaining regions has been put on hold.

7. REVISED RITS DEPLOYMENT APPROACH

- 7.1. Following the Covid-19 alert level 4 announcement, the New Zealand Transport Agency implemented a fare-free policy that enabled the suspension of fare collection across all public transport networks in the country. This policy remained in effect while alert levels 3 and 4 were in place. As part of this policy decision, the Transport Agency also agreed to underwrite fare revenue foregone through to 30 June 2020 and cover 100% of additional costs, such as enhanced cleaning regimes, resulting from Covid-19.
- 7.2. Assessment of the RITS project schedule has highlighted that the traditional rollout approach adopted by regions becomes challenging to achieve in an environment impacted by Covid-19, particularly with the requirements around physical distancing and minimising interactions with the general public. The central government alert level 2 guidance for public transport continues to place emphasis on physical distancing onboard services and at stops/interchanges.
- 7.3. Taking into account the current period of removal of fares and the challenges identified with the traditional card rollout, the RITS consortium has developed an accelerated

¹ Palmerston North Urban/Massey, Ashhurst, Feilding around town and to Palmerston North, Levin to Waikanae, Horowhenua Day Out in Town and Levin/Marton to Palmerston North services.

19 May 2020

deployment model. Under this model, implementation is split into two phases. The first phase includes launching a simplified fare structure and approach to managing concessions. The second phase involves the reinstatement of normal fares and concession registration requirements.

- 7.4. Key to moving forward with deployment is that outstanding development issues have been resolved to a satisfactory level. The consortium Governance Group has endorsed the new approach and a number of councils have committed to this model, with others still to get formal council approval.

8. PRE-LAUNCH

- 8.1. Prior to launching Phase 1, Bee Card hardware (driver consoles and tag on/off devices) will be installed on buses. Our fleet has been pre-wired for the new system, meaning that the changeover only involves decommissioning the old ticketing equipment and connecting the Bee Card devices. Work has already started on installs in Dunedin and will progress to Invercargill, Queenstown, Waikato and the Bay of Plenty (subject to council approvals) before commencing work in the Horizons region. The installs could commence here as soon as the week of 8 June 2020.
- 8.2. Free fares would continue to be offered once the hardware is installed and drivers would record passenger trips via a count button, as is the current practice. Basic driver training is planned through a series of short videos, covering different features of the system, as well as hard copy information to be distributed to staff. Drivers will be supported with more comprehensive training as we move towards Phase 2, covering the more complex aspects of the system. Driver trainers in Palmerston North were trained alongside the Tranzit Whanganui drivers in October 2019 and are familiar with the system.
- 8.3. During the pre-launch phase, distribution of Bee Cards would commence through contactless channels such as the Bee Card website, with a view to commencing the next phase (Phase 1) five to six weeks after the hardware installs.

9. PHASE 1

- 9.1. Removal of concession fares (discounted fares for certain user groups) during Phase 1 reduces the need for concession registration and validation prior to system launch. To negate the need for concessions during the initial launch period, a simplified standard cash and smartcard fare is proposed. Details of the recommended simplified flat fare structure is shown at Annex A.
- 9.2. Some user groups such as SuperGold Card or tertiary free travel customers would still receive their free fare entitlement but would not require a Bee Card during Phase 1. They would instead access free travel through showing their ID to the bus driver who records the trip using a count button. This is the same approach as was used before Covid-19.
- 9.3. While there is currently no national expectation or requirement to remove cash fares completely from public transport services as part of our Covid-19 response, initiatives to eliminate or reduce on-board cash (and ensure its safe handling) are encouraged. Guidance from the Ministry of Health on the safe handling of cash fares for public transport services is expected, however has not yet been received.
- 9.4. There is a strong push in some regions to remove cash fares altogether. This has some advantages, namely security for drivers, faster load time for services and improved data for councils as all trips will be tag on/tag off. Removal of cash fares also better supports contact tracing should it be required. Conversely, some customers may claim they are disadvantaged by having to get a card and there is potential reduction in the likelihood of use by infrequent travellers.

19 May 2020

- 9.5. The use of cash on our services varies by network. Looking at our three main urban networks, the percent of trips paid for by cash in 2018-19 are as follows:

Network	Percent cash usage (fare paying trips only)	Percent cash usage (all trips)
Palmerston North Urban/Massey	40 %	13 %
Whanganui Urban	57 %	34 %
Feilding around town / Feilding to Palmerston North	24 %	19 %

*total trips includes customer who do not pay a fare for travel (SuperGold Card, tertiary unlimited access scheme participants and children under five years old).

- 9.6. The use of an exact fare contactless cash dropbox is recommended as part of reinstating fare collection in the Horizons region during Phase 1. This minimises the interaction between customer and driver and assists with managing perceived risks around the handling of cash but still provides opportunity for customers who are not able or willing to utilise a Bee Card to continue to travel.
- 9.7. On bus top ups of smartcards require the exchange of card and cash between driver and customer and is an area where it is more difficult to manage perceived safety risk. In some regions with existing tag on/tag off smart card systems (Auckland's AT Hop Card and Wellington's Snapper Card), on bus top ups are not permitted but are provided via web portals and retail networks. It is recommended that for at least the Phase 1 rollout, on bus top ups of Bee Cards are not provided for but that this be reviewed as part of the transition to Phase 2. Instead, customers are directed to top up via the Bee Card website, through phone payments (currently in discussion with consortium regions to utilise existing call centre phone payment set up) or through Council front of house (post alert level 2).
- 9.8. Due to the way in which tariff information is loaded into the Bee Card back office system, it should be noted that changes to the fares in Palmerston North will also apply to the Whanganui network. Separating the two services would require a complete rework of the back office information for these two networks and significant retesting effort, so is not recommended. The introduction of a short term simplified flat fare structure across the Region may also help to stimulate use of public transport particular in areas which have been experiencing declining patronage, such as Whanganui and Feilding.
- 9.9. The estimated date for commencement of Phase 1 is 20 July. The final deployment programme for the consortium will be confirmed as councils secure local approvals for the revised approach.

10. PHASE 2

- 10.1. Phase 2 reinstates the full fare offering, including concessions. Note that some concession groups such as SuperGold Card may not be brought on to the Bee Card scheme immediately, this is at the discretion of Council. An alternative would be to transition these customer groups at a later point in time through a targeted engagement programme.
- 10.2. The return to full fare charging presents an opportunity for the Passenger Transport Committee/Council to consider the wider fare offering and whether continuation of a simplified fare structure is a preferred way forward. Simplification of fares is one method to encourage greater use of public transport services and could be used as a tool to support our overall patronage recovery.

19 May 2020

- 10.3. Retail locations such as iSites in Palmerston North, Whanganui and Feilding would be brought online during Phase 2, providing additional options for customers to be able to access cards and top up.
- 10.4. Phase 2 would commence in September. This could be reviewed and brought forward, or extended, subject to negotiation with the New Zealand Transport Agency and availability of resources within the RITS project team and ticketing supplier.
- 10.5. The table below provides a summary of the activities across the various phases.

PHASE 0 (June/July)	PHASE 1 (July/August)	PHASE 2 (September onwards)
Install hardware on vehicles	Simplified fare structure introduced	Return to normal fares
Basic driver training	Card distribution continues	Concession registration / validation
Refresh of customer service training	Balance transfers continues	Card distribution and balance transfers continue
Card distribution programme commences	Second phase of training	Retail locations rolled out
Balance transfer process commenced		

11. CONTINUATION OF STATUS QUO

- 11.1. Should the Committee/Council choose not to adopt the accelerated deployment approach and continue with the previously agreed model, the Bee Card system would likely be rolled out across our region in October 2020. The implementation approach would revert to the approach of relying on face-to-face interaction with customers to ensure concessions are registered and validated prior to the system changeover.
- 11.2. Fare collection would resume under the existing ticketing system. On bus card top ups would also need to resume as there are no alternative top up methods for customers. This presents some challenges in terms of maintaining physical distance between customer and driver, as well as a continued perception of a level of risk around the interaction.

12. NATIONAL FUNDING POLICY

- 12.1. The New Zealand Transport Agency policy regarding fare collection is that it should resume as soon as possible post alert level 3. It is recognised that for some regions, particularly where a contactless electronic ticketing system is not in place, there may be an incremental return to full collection of cash fares. This is dependent on ensuring that cash can be collected in a safe manner consistent with Ministry of Health guidance.
- 12.2. The Transport Agency policy goes on to state that accelerating the implementation and use of electronic ticketing systems is strongly encouraged, and the New Zealand Transport Agency supports in-principle initiatives that will facilitate this, such as a short extension to the fare-free policy in participating RITS regions.
- 12.3. Each region must prepare a regional fare collection plan which outlines:
- how the health and safety of the public transport workforce and customers will be ensured;
 - estimates of expected fare revenue for 2020-21;

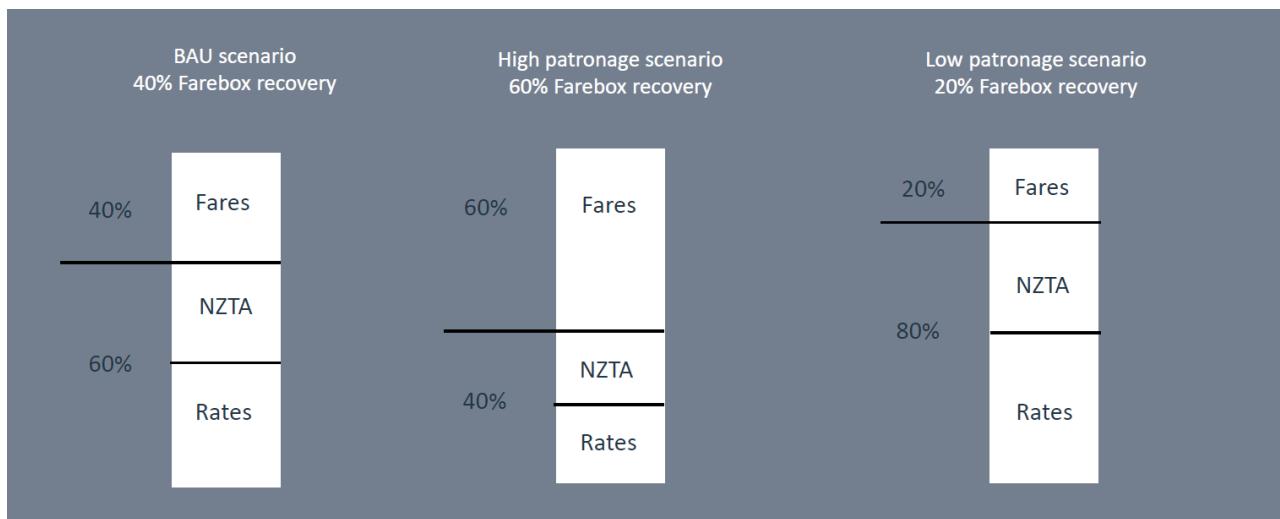
19 May 2020

- and the approach for continuing to collect fares throughout the Covid-19 response period, at all alert levels. This is currently being worked through and the recommendations from this Committee on the Bee Card deployment will form a key part of that plan.
- 12.4. The availability for additional support from the National Land Transport Fund to meet ongoing fare revenue shortfalls beyond June 2020 is being investigated, and the data provided by each region in the fare collection plans will be used to inform this.

13. REVENUE IMPACT

Public transport funding model

- 13.1. Public transport services are contracted under a gross contract model, meaning that fare revenue collected is offset against the contract payments made to the operator. Patronage levels directly impact on fare revenue collected, and therefore the bottom line cost to councils (and the New Zealand Transport Agency as a co-funder of public transport services). When patronage growth is strong, fare revenue levels increase and the net cost of the service decreases. Conversely, when patronage and fare revenue decreases, the net cost increases. The figure below shows three fare revenue scenarios and how this impacts on cost to council and therefore rates.



Patronage impacts of Covid-19

- 13.2. Patronage on public transport services across the country was affected immediately following the declaration of alert level 2 and the subsequent move to level 4. Public transport services continued to be available throughout alert level 4 but only for essential workers and the general public accessing essential services. In the Horizons region, a number of services such as our commuter services and infrequent off-peak services, were cancelled. Urban services operated on a reduced timetable, generally equivalent to the weekend timetable and overall usage dropped to approximately 5% of expected levels.
- 13.3. Usage increased slightly over alert level 3 as more people were permitted to travel, however total trips equalled less than 10% of what is expected at this time of year. Physical distancing requirements at alert levels 2 and potentially level 1 will continue to limit the capacity of buses. Longer-term public transport patronage may be impacted by changes in working practices as more people choose to work from home on a part-time or full-time basis. Higher levels of unemployment could also reduce patronage to some degree. Customers may remain wary of using public transport for some time, even after the outbreak is contained, as public transport is considered to be an “uncontrolled” environment.

19 May 2020

- 13.4. Introduction of a contactless electronic ticketing system will support contact tracing should it be required as well as assist in reducing the level of perceived risk associated with interactions between drivers and the travelling public.

Estimated financial impact

- 13.5. The introduction of a flat fare to support deployment of the Bee Card during Phase 1 will have an impact on revenue collection. The New Zealand Transport Agency has committed to underwrite fare revenue foregone until 30 June 2020 which covers a significant portion of the free-fare period. The figures below provide an indication of the effect on revenue if a simplified flat fare structure was in place for a three month period. The figures exclude the sale of month pass products as they would not be offered under the simplified structure, as well as the revenue from third party sources such as the SuperGold Card government funding and tertiary free travel scheme contributions.
- 13.6. The estimated fare revenue loss due to the introduction of a simplified fare structure for the three month period ranges from \$27,000.00 to \$73,000.00, depending on patronage levels. This is the total cost and could be shared between Council and the New Zealand Transport Agency, subject to agreement on the regional fare collection plan.
- 13.7. Separate to the costs associated with a simplified fare structure is the long-term impact of Covid-19 on public transport patronage. This is more difficult to forecast at this point in time as the ongoing social and economic impact of Covid-19 on our region is unknown. It is clear however that there will be a continued period of reduced patronage, which will create a funding shortfall. Work is underway on calculating the impact for the full financial year as part of the fare collection plan to be provided to the New Zealand Transport Agency.
- 13.8. First estimates based on a range of 20-70% lower than expected fare revenue show that the expected fare revenue loss caused by the impacts of Covid-19 for the three month period from July to September 2020 could be between \$50,000.00 and \$175,000.00.
- 13.9. The table below summarises the estimated fare revenue loss for both the simplified flat fare structure and reduced patronage Covid-19 impacts.

Actual fare revenue collected July - September 2019 (\$)		250,454
Estimated fare revenue loss due to introduction of flat fare (\$)	Lower estimate	27,000
	Upper estimate	73,000
Estimated fare revenue loss due to Covid-19 patronage impacts (\$)	Lower estimate	50,000
	Upper estimate	175,000
Total estimated fare revenue loss (\$)	Lower estimate	123,000
	Upper	203,000

14. TIMELINE / NEXT STEPS

- 14.1. Should the Passenger Transport Committee approve the accelerated deployment approach and interim fare levels, the recommendations would be presented to full Council in 26 May 2020 for approval. The RITS project team will then confirm dates for hardware installations and the Phase 1 and Phase 2 launches. Alongside this, officers will continue to work with the New Zealand Transport Agency on approval of the fare revenue collection plan and support for meeting ongoing revenue shortfalls from the National Land Transport Fund.
- 14.2. Communications to the public would commence following the hardware installations in early June.

19 May 2020

15. SIGNIFICANCE

- 15.1. This is not a significant decision according to the Council's Policy on Significance and Engagement.

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ANNEXES

- A Proposed fare changes for the Bee Card accelerated deployment