



AGENDA

HORIZONS REGIONAL COUNCIL

PASSENGER TRANSPORT SUBCOMMITTEE

Tuesday, 17 November 2009 at 9.00am

Notice is given of a meeting of Horizons Regional Council to be held on Tuesday 17 November, 2009 at 9.00am in the Tararua Room, Horizons Regional Council offices, 11-15 Victoria Avenue, Palmerston North

Business to be discussed includes:

- Update on Wanganui Urban Bus Services Review
- Wanganui / Palmerston North Commuter Bus Service Update
- Review of Levin Urban Bus Services
- National Land Transport Programme (NLTP) 2009-12
- New Zealand Transport Agency Draft Farebox Recovery Policy

Presentations to this meeting:

- MG Gopalan, Project Manager, Manawatu Tram Trust

**RECOMMENDATIONS IN REPORTS ARE NOT
COUNCIL POLICY UNTIL ADOPTED BY COUNCIL**

NEWS EMBARGO

Items in this agenda may be subject to amendment or withdrawal at the meeting. Items are embargoed until two days before the date of the meeting.

Reporters who do not attend the meetings should seek confirmation of the agenda material or proceedings from the Chief Executive prior to any media reports.

for further information regarding this agenda, please contact:
Julie Kennedy, 06 9522 800

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REGIONAL HOUSES	Palmerston North 11-15 Victoria Avenue	Wanganui 181 Guyton Street		
DEPOTS	Levin 11 Bruce Road	Taihape Torere Road Ohotu		
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PASSENGER TRANSPORT SUBCOMMITTEE MEMBERS

Cr Vern Chettleburgh QSM ED (Chair)
Cr L Bailey
Cr A Main

Cr D Colling (Horowhenua District Council)
Cr A Anderson (Wanganui District Council)
Cr B Wilson (Palmerston North City Council)

AGENDA

17 November 2009
9.00am

PART ONE

Page No

1. Apologies
2. Public Speaking Rights
Notification to speak is required by 4pm on the working day prior to the meeting. Further information is available on www.horizons.govt.nz or by phoning 0508 800 800
3. Late Items:
To consider, and if thought fit, to pass a resolution to permit the Committee to consider any further items which do not appear on the Order Paper of this meeting and/or the meeting to be held with the public excluded. Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:
 - (i) The reason why the item was not on the Order Paper, and
 - (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.
4. Members' Conflict of Interest
Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.
5. Minutes of the Meeting held on 18 August 2009 1 - 6
6. Update on Wanganui Urban Bus Services Review 7 - 8
Report No: 09-165
File No: TPP 2 07
7. Wanganui / Palmerston North Commuter Bus Service Update 9 - 10
Report No: 09-166
File No: TPP 2 07
8. Review of Levin Urban Bus Services 11 - 12
Report No: 09-167
File No: TPP 2 0 1

- | | | |
|-----|---|---------|
| 9. | National Land Transport Programme (NLTP) 2009-12
<i>Report No: 09-168</i>
<i>File No: TTP 1 03</i> | 13 - 18 |
| 10. | New Zealand Transport Agency Draft Farebox Recovery Policy
<i>Report No: 09-169 (incl Annex A)</i>
<i>File No: TPP 1 01</i> | 19 - 26 |
| 11. | Presentation: MG Gopalan, Project Manager, Manawatu Tram Trust | |
| 12. | Members' Questions | |

PART TWO - PUBLIC EXCLUDED SECTION

The public is to be excluded from the remainder of the Council meeting as the general subject matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution is as follows:

General subject of each matter to be considered	Reason for passing this resolution	Grounds under section 48 (1) for passing this resolution
PX1 Confirmation of minutes of 18 August 2009 <i>Pgs 27 - 28</i>	As disclosure would not be in the public interest because of the greater need to enable Council to carry on without prejudice or disadvantage commercial negotiations.	That the exclusion of the public from that part of the meeting is necessary to prevent the disclosure of information for which good reasons for withholding exist.

M J McCartney
CHIEF EXECUTIVE



Minutes of the eighth meeting, seventh triennium, of the Passenger Transport Subcommittee of Horizons Regional Council held in the Tararua Room, Regional House, 11-15 Victoria Avenue, Palmerston North at 1.00pm on Tuesday, 18 August 2009.

PRESENT Crs VJF Chettleburgh QSM ED (Chair), L Bailey (from 1.13pm), A Main, G P Murfitt, A Anderson, and C Teo-Sherrell

IN ATTENDANCE Manager Transport Services Mrs A Redgrave
Committee Secretary Mrs JA Kennedy

ALSO PRESENT Cr EB Gordon, Mr G Shirley (Group Manager Regional Services & Information to 2.47pm), Ms K Lowe (Transport Planner), Mrs V Patton (Total Mobility Coordinator to 2.21pm), Mr W Wallace (Transport Planner), and Mr J Beard (Member of the Public from 1.11pm to 1.55pm)

APOLOGIES Crs L Bailey (late), and B Wilson
An apology was tendered from Cr M Plowman

PUBLIC SPEAKING RIGHTS
No requests for public speaking rights had been notified.

LATE ITEMS
There were no Late Items advised.

MEMBERS' CONFLICTS OF INTEREST
There were no Conflicts of Interest.

MINUTES OF PREVIOUS MEETING

PT 09-60 *Moved* **Main/Chettleburgh**

that the minutes of the Passenger Transport Subcommittee meeting held on 19 May 2009, as circulated, be received and confirmed as a correct record.

CARRIED

REVIEW OF PASSENGER TRANSPORT ACTIVITIES FOR 2008-09

Report No. 09-114

This report was to inform Members of the performance of subsidised services in 2008-09.

The Transport Planner spoke to the item and referred to key points in the report. She was pleased to report on the upsurge in patronage on urban services in Palmerston North, and in particular on the Massey Unlimited Access Scheme, the steady growth sustained over the past year for the Wanganui urban service, the gradual increase in the provision of timetables at bus stops and shelters in Palmerston North and Wanganui. She reported a slight decline in patronage overall in regard to some of the community services, in particular the Foxton community, and gave an update on the usage of Supergold Card.

Members considered the report and asked questions of clarification around the figures in the report which outlined the total number of trips per year made on a service and requested that the figures show the cost per year of a service, and the number of passengers per trip, the disappointing patronage of the Linton shopper service and the range of promotions undertaken to date, and an update on the possibility of introducing bike racks on buses.

PT 09-61

Moved

Main/Bailey

that the Subcommittee recommends that the Regional Transport Committee:

- a. **receives** the year end report on subsidised passenger services in the Region.

CARRIED

REVIEW OF TOTAL MOBILITY AND HEALTH SHUTTLE ACTIVITIES FOR 2008-09

Report No. 09-116

This report was to inform Members of the subsidised services in 2008-09.

The Total Mobility Coordinator (TMC) presented the report and commented on progress with the development of contracts with assessment agencies and transport operators, the hoist flat payment of \$10 to operators for each time a hoist was used, the new on-line voucher track database system which easily allowed the Total Mobility Coordinator to access voucher distribution reports from one central point, the climbing patronage of the Horowhenua Health Shuttle service, and gave an update on the Order of St John Health Shuttle services in Dannevirke and Tararua. She noted that the coordinators involved in recruiting and training volunteer drivers for the Tararua Health Shuttle had received an award for their efforts. The Chair congratulated the Total Mobility Coordinator on the pleasing results of the Health Shuttle services, and thanked New Zealand Transport Agency for providing a subsidy for the services.

There was discussion and comment on the funding for Health Shuttle services, clarification on the \$10 hoist flat payments, questions of clarification asked on the different subsidy rates and funding arrangements for the concessionary fare schemes, and the possibility of increasing the subsidy rate to encourage more users. The TMC commented that education, rather than an increase in subsidy payments would be beneficial to encourage more users to the service.

PT 09-62**Moved****Colling/Bailey**

that the Subcommittee recommends that the Regional Transport Committee:

- a. **receives** the year end report for Total Mobility and Health Shuttle services in the Region.

CARRIED**REVIEW OF WANGANUI URBAN SERVICES***Report No. 09-115*

This report was to inform Members of the intention to review the Wanganui urban bus services in the 2009-10 year before re-tendering of the services in 2010-11.

The Transport Planner (TP) advised that although the service had experienced an increase in patronage over the past 12 months, the revenue recovery was still not meeting the 40% minimum that was required in the Regional Passenger Transport Plan. There were questions of clarification on the consultation for the upcoming review, discussion on the issues to be considered, and consideration given to the best way of publicising the review in order to get customer feedback. Suggestions included: Holding a public meeting to ask the community what their expectations were, have a presence at the Wanganui Saturday markets, and a survey of passengers while travelling on the services.

PT 09-63**Moved****Chettleburgh/Colling**

that the Subcommittee recommends that the Regional Transport Committee:

- a. **receives** the report on the upcoming review of the Wanganui urban bus service.

CARRIED**WANGANUI-PALMERSTON NORTH COMMUTER SERVICE***Report No. 09-117*

This report was to inform Members of progress into launching a Wanganui-Palmerston North commuter bus service.

The Transport Planner (TP) spoke to the report and advised that as it was likely that no additional funding from the 2009-12 National Land Transport Programme would be available for the service, officers were in the process of preparing a review item to go to the New Zealand Transport Agency requesting the additional funds required to operate the service. It was important that a decision on funding be made as soon as possible so that the service could be operating by the middle of November 2009. The tender documents were issued in mid-March-2009 and had a lead-in time of only eight months before they would lapse and require to be re-issued.

Members considered the report and asked questions of clarification.

PT 09-64**Moved****Chettleburgh/Colling**

that the Subcommittee recommends that the Regional Transport Committee:

- a. **receives** the report on the update of investigations into a Wanganui-Palmerston North commuter service; and
- b. **instructs** officers to submit a review request for additional funding from the NZTA should approved allocations in the 2009-2012 National Land Transport Programme not be sufficient to cover the proposed service.

CARRIED

PASSENGER TRANSPORT PROMOTIONS STRATEGY

Report No. 09-118

This report was to present Members with the draft Transport Promotions Strategy for approval.

The Transport Planner outlined the aims of the Promotions Strategy. A calendar of events mapping out the type of events for each month of the year would be prepared once the Strategy had been approved.

Members made comment around achieving the objectives outlined in the Strategy and how these would be reported on, initiating a review date, and clarification on the type of events, including how they would be coordinated.

PT 09-65**Moved****Chettleburgh/Bailey**

that the Subcommittee recommends that the Regional Transport Committee:

- a. **approves** the Transport Promotions Strategy.

CARRIED

RESULTS OF COMMUNITY FUND (T FUND) APPLICATION – LEVIN URBAN BUS SERVICES

Report No. 09-119

This report was to inform Members of the result of an application to the New Zealand Transport Agency's (NZTA) national review group for the use of Community Transport Funds for the Levin urban bus service.

The Transport Planner outlined the reasons given as to why the New Zealand Transport Agency (NZTA) review group did not accept the application for the use of T Funds, and the options available to the Subcommittee going forward. Members strongly supported the option to query the decision of NZTA review group and re-apply for the funding, including submitting the extra information as outlined in the item in support of the application.

Crs Bailey and Colling would seek a meeting with Hon Nathan Guy, (MP for Otaki, Associate Transport Minister), to outline the concerns of the Subcommittee on the issue to him.

PT 09-66**Moved****Colling/Bailey**

that the Subcommittee recommends that the Regional Transport Committee:

- a. **receives** the report on the Community Transport Fund application for the Levin urban bus service; and
- b. **authorises** officers to make a further application to the New Zealand Transport Agency (NZTA) to secure Community Transport Funding for the Levin urban bus service.

CARRIED**PALMERSTON NORTH BUS TERMINAL UPDATE***Report No. 09-121*

This report was to inform Members of developments regarding the investigation into a new Palmerston North bus terminal.

The Transport Planner (TP) expanded on the report and outlined the discussions held by the working party around the issues with the current urban and long-distance facilities. A further workshop was scheduled to be held on 19 August 2009 to confirm the Terms of Reference and scope for the project, and an update from that workshop would be given at the next Subcommittee meeting.

In answer to questions raised in regard to funding for the terminal, Members were advised that \$10 million had been allocated towards design and construction of the terminal in Palmerston North City Council's Long-term Council Community Plan 2009-19.

PT 09-67**Moved****Chettleburgh/Bailey**

that the Subcommittee recommends that the Regional Transport Committee:

- a. **receives** the Palmerston North bus terminal update.

CARRIED**MEMBERS' QUESTIONS**

Cr Anderson advised of a number of patients who travelled to Palmerston North from Wanganui several times of week for medical treatment, and asked if there was any funding available to help with their travel expenses. Cr Colling advised that his understanding was that MidCentral Health would pay the fare for patients to travel by taxi.

PUBLIC EXCLUDED**PT 09-68****Moved****Chettleburgh/Main**

that the public be excluded from the remainder of the Subcommittee meeting as the general subject matter to be considered while the public was excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution was as follows:

General subject of each matter to be considered	Reason for passing this resolution	Grounds under section 48 (1) for passing this resolution
PX1 Update on KiwiRail Passenger Services to Wellington <i>Report No. 09-120</i>	As disclosure would not be in the public interest because of the greater need to enable Council to carry on without prejudice or disadvantage commercial negotiations.	That the exclusion of the public from that part of the meeting is necessary to prevent the disclosure of information for which good reasons for withholding exist.

CARRIED

The meeting adjourned to the public excluded part of the meeting at 2.40pm and resumed at 3.02pm.

The meeting closed at 3.03pm

Confirmed

 MANAGER TRANSPORT SERVICES

 CHAIRMAN

A Significant decision? If Yes	N
Do recommendations meet Significance Policy (contained within the LTCCP)	

Item No: 6
Date: 17/11/2009
Report No: 09-165
File No: TPP 2 07

UPDATE ON WANGANUI URBAN BUS SERVICES REVIEW

PURPOSE

1. This report is to update Members on the Wanganui urban bus service review.

FINANCIAL IMPACT

2. The review of Wanganui urban bus services has been budgeted for in the 2009-12 Long-term Council Community Plan.

BACKGROUND

3. The current five-year contract for the Wanganui urban services is held by Tranzit Coachlines and is due to expire in November 2010. Therefore the services are being reviewed before a new tender is let in mid-2010.
4. Patronage on the services in 2008-09 increased by 17% over the previous year. Revenue recovery for 2008-09 was 37.6%, just below that specified in the Passenger Transport Plan.

UPDATE ON WANGANUI BUS SERVICES REVIEW

5. At the time of the August subcommittee meeting, the National Land Transport Programme (NLTP) had yet to be released and it was unknown how much funding would be available in the Passenger Transport Services activity class for any service improvements over the three year period of the programme.
6. The NLTP was released 28 August 2009. Further information on this can be found in the related agenda item elsewhere in this agenda. The bulk allocation for Horizons is expected to meet the needs of all current services but has very little 'wriggle' room for service improvements especially if operating costs rise higher than anticipated. This decision confirms earlier discussions that this review should focus on making the services more efficient while attempting to continue to raise patronage.
7. With this in mind, some analysis has been done on patronage figures on each service throughout the day to identify what services are well patronised and what services are not so well patronised. This could identify where some efficiencies can be made in the services. Officers also met with James Snelgrove, the new manager of Tranzit Wanganui, on November 6 to discuss any potential areas where improvements could be made to the services.
8. Officers have also been regular attendees at the Wanganui Older People Forum hosted by Wanganui District Council. This has been an opportunity to not only gather feedback from a sector of the population who are regular users of the service but also to update the forum on what is happening on a national level with funding decisions.

9. A survey of all Wanganui households, via the free weekly community newspaper the *River City Press*, will be distributed on 12 November 2009. This will give all users, and importantly, non-users the opportunity to have their say on what they would like improved on the services. The survey will also be sent to all educational institutions, Total Mobility agencies and other community organisations in Wanganui and will also be available on Horizons website and on the buses.
10. Officers will also be at the River Traders Saturday morning market on Saturday 14 November 2009 to be available to discuss the review and to distribute surveys.
11. Once all the information has been collated from the community survey, a consultant with public transport experience will peer review the draft proposals, to ensure that the best options have been considered.
12. The review results and recommendations will be presented to the February 2010 meeting of the Subcommittee.

RECOMMENDATIONS

13. It is recommended that the Subcommittee:
 - a. **receives** the report on the update of the Wanganui bus services review.

W Wallace
TRANSPORT PLANNER

A Significant decision? If Yes	N
Do recommendations meet Significance Policy (contained within the LTCCP)	

Item No: 7
Date: 17/11/2009
Report No: 09-166
File No: TPP 2 07

WANGANUI / PALMERSTON NORTH COMMUTER BUS SERVICE UPDATE

PURPOSE

1. This report is to inform Members of progress towards establishing a commuter bus service between Wanganui and Palmerston North.

FINANCIAL IMPACT

2. The cost for the proposed service has been budgeted for in the current 2009-12 Long-term Council Community Plan.

BACKGROUND

3. Members will be aware of ongoing discussions between officers of Horizons and Universal College of Learning (UCOL) staff about opening up to the general public the current bus that travels between the Wanganui and Palmerston North UCOL campuses for UCOL students and staff.
4. An expedited tender process was undertaken in March 2009 with two conforming tenders being received. As the tender prices were above what council had budgeted for this service, officers were awaiting confirmation of the total bulk allocation for passenger transport services from the National Land Transport Programme (NLTP) before proceeding further.

UPDATE ON WANGANUI COMMUTER SERVICE

5. All indications before the release of the NLTP were that there would be no allocations for additional passenger transport services. This was confirmed when the NLTP was released on the 28 August 2009 with a total allocation less than that requested and with no extra funding for inflation in years two and three of the programme.
6. The result of this decision is that there is no extra funding available for this service from the regional allocation to proceed in the next three years unless officers prepare a review item that would go to the NZTA national review board to make a decision on funding.
7. However, in making funding decisions on public transport services, the NZTA is giving highest priority to services that have the potential to make significant improvements to one or more of the following criteria (more information on the funding allocation process can be found in the NLTP update elsewhere in this agenda):
 - Peak-time public transport patronage in major urban areas with severe congestion;
 - Optimising public transport services and infrastructure; and
 - Farebox recovery rates (the amount of revenue generated through fares as a proportion of the total operating cost of the service).

8. It is unlikely that the service would satisfy any of the above criteria. Furthermore, there is only \$18 million available in the 2009-12 period for new public transport initiatives and the amount requested nationally far exceeds this amount. Therefore there is a high probability that there will be no additional funding for this service.
9. Given this scenario, officers have not applied for any additional funding for this service.
10. The only likelihood that this service will now proceed is if UCOL run the service as a commercial service. This would require UCOL to gain a Passenger Services Licence and to register the service with the Council.
11. Representatives of UCOL have been informed about the likelihood that no funding is available for the service and about running the service commercially. Initial indications are that UCOL may be willing to gain the necessary licence to run the service commercially and open the service to the public generally. Horizons would be able to assist with promotion, timetabling and minor infrastructure for the service.

RECOMMENDATIONS

12. It is recommended that the Subcommittee:
 - a. **receives** the report on the update of the Wanganui – Palmerston North commuter bus service.

W Wallace
TRANSPORT PLANNER

A Significant decision? If Yes	N
Do recommendations meet Significance Policy (contained within the LTCCP)	

Item No: 8
Date: 17/11/2009
Report No: 09-167
File No: TPP 2 01

REVIEW OF LEVIN URBAN BUS SERVICES

PURPOSE

1. This report is to inform Members of the findings of a review of the Levin urban bus services.

FINANCIAL IMPACT

2. The cost for this service has been accounted for in the 2009-12 Long-term Council Community Plan.

BACKGROUND

3. The Levin urban bus services were retendered last year after an ongoing decline in passenger numbers and subsequent decline in revenue recovery rate.
4. The service has been gradually cut back over the years to its current level of service which operates on Tuesdays and Thursdays in the eastern half of Levin only.
5. The service was retendered with the vehicle size requirement smaller than that of the previous contract in an effort to reduce the overall cost of the service. The new three year contract was implemented in November 2008 and is operated by Madge Coachlines. The daily cost of the contract is \$162.61 (gross) per day (ex GST).

REVIEW OF SERVICE

6. Almost immediately after the new contract was implemented there were concerns from regular users that the vehicle was too small and was difficult to access and egress. To partially rectify the space issue, one seat was removed from the vehicle reducing the seating capacity to nine. On some occasions the vehicle was full, therefore, in accordance with the contract, a backup vehicle was deployed.
7. Patronage has continued to fall since the new contract started in November 2008. A total of 1,943 passengers were carried in 2008-09. These patronage figures also include the trips taken on the Supergold card free travel scheme that begun operating in October 2008.
8. Despite the lower cost of the current contract, revenue recovery has continued to decline. For the 2008-09 year revenue recovery was 10 %, down from 14 % in the 2007-08 year. This is well below the rate recommended in the Passenger Transport Plan.
9. At the August Subcommittee meeting it was resolved that officers would make a further application to the New Zealand Transport Agency (NZTA) to apply for Community Transport Funding (T Funds) to attempt to improve the quality of vehicle to be provided but because of delays with NZTA's online web application tool this has yet to be done. However given the recent changes to the NZTA's investment and revenue policy, with a greater emphasis in economic growth and productivity, it would seem unlikely that the

application would meet any of the criteria to gain the extra funding. Even if the funding were achieved, there are no guarantees that patronage would grow as a result.

10. During the week starting 2 November the service was monitored by officers. Passengers and the bus driver were asked questions on the future of the service and how they would meet their transport needs if the service were discontinued.
11. Most passengers commented that the service was their only viable means of transport as many do not have friends or family nearby. While many of them are capable of walking into town, bringing home groceries and library books is not feasible for most. Some of the passengers are already Total Mobility users however because of the cost they only use the Total Mobility service infrequently. Many of the passengers view the bus as their only means of social interaction and without it they would soon become socially isolated.
12. Interestingly, many of the patrons are more than willing to pay a fare (most are Supergold card holders and therefore travel for free) if it meant that the service would continue. Many commented that even a service on one-day per week would be better than not having a service.
13. With this in mind Madge Coachlines has been approached to provide a quote for a one-day a week service with a bus able to accommodate 12-18 people as cutting the service from two days per week to one would require a slightly bigger bus. At the time of preparing this report Madge had not provided a response.
14. If the service were to continue it is also suggested that a higher fare should be charged, to better reflect the cost of operating the service. A fare rise from \$1.50 to \$2.00 per trip is suggested.
15. Potentially (depending on the discussions to be finalised with Madge Coachlines) these measures could double the revenue recovery rate on the service to around 21%. While still low, this rate could potentially be justified on social grounds.
16. Should the Subcommittee agree to reduce the service to a one-day per week service, the service would operate on Thursdays only. This revised service would be reviewed again in November 2010.
17. If the Subcommittee does not wish to implement a further service reduction, the service should be cancelled after sufficient notice to passengers.

RECOMMENDATIONS

18. It is recommended that the Subcommittee:
 - a. **receives** the report into the review of the Levin urban bus services;
 - b. **agrees** to reduce the service to a one-day per week service to operate on Thursdays only, subject to a suitable price being negotiated with the operator and an increase in the fare from \$1.50 to \$2.00 per trip.

A Significant decision? If Yes	N
Do recommendations meet Significance Policy (contained within the LTCCP)	

Item No: 9
Date: 17/11/2009
Report No: 09-168
File No: TTP 1 03

NATIONAL LAND TRANSPORT PROGRAMME (NLTP) 2009-12

PURPOSE

1. This report is to update Members on the National Land Transport Programme 2009-12.

FINANCIAL IMPACT

2. No financial impact to Horizons Regional Council as a result of this decision.

BACKGROUND

3. Major amendments to the Land Transport Management Act came into effect on 1 August 2008. These require the preparation of a three-year National Land Transport Programme (NLTP) which combines all the programmes of transport works and services of approved organisations¹ throughout the country which receive subsidy from the National Land Transport Fund (NLTF)².
4. The NLTP is the mechanism by which the New Zealand Transport Agency (NZTA) gives effect to the Government Policy Statement on Land Transport Funding (GPS). The GPS describes what the government wants to achieve through funding in the land transport sector, how much funding will be provided, what areas of transport will be funded and how funding will be raised over the period of the GPS.
5. Funding for land transport activities is made up of the NLTF share, rates and third party contributions. In the case of public transport services, the NLTF share is generally 50 % of the total cost.
6. The Minister of Transport released the new GPS for the period 2009/10-2018/19 in May 2009 which reflects the government's priorities for land transport, specifically supporting national economic growth and productivity, including increased investment in state highway construction.
7. Given the GPS's requirement that investment in the transport sector is focused on activities that make the greatest contribution to New Zealand's economic growth and productivity, the NLTP gives priorities to activities that make the most significant contribution to one or more of:
 - Roads of national significance (RoNS)³ and local roads critical to the RoNS
 - Key freight and tourism routes

¹ Approved organisations in the Manawatu Wanganui region are all district and city councils, Horizons Regional Council and the New Zealand Transport Agency (Highway Networks and Operations).

² Revenue for the NLTF comes from a number of sources including: fuel excise duty, road user charges, motor vehicle registration and licensing fees and Crown appropriations to the NLTF.

³ The government has identified seven RoNS as being New Zealand's most essential routes requiring significant investment. These are: Puhoi to Wellsford (SH1), completion of the Auckland Western Ring Route (SH20/16/18), the Auckland Victoria Park bottleneck (SH1), the Waikato Expressway (SH1), the Tauranga Eastern Corridor (SH2), the Wellington North Corridor (Levin to Wellington, SH1) and Christchurch Motorway projects.

- Key urban arterial routes
- Public transport initiatives to ease severe congestion
- Urban walking and cycling communities (which aim to reduce congestion by providing user-friendly environments for walking and cycling)
- Making better use of the existing transport infrastructure
- Optimising the existing capacity of, and service levels on, highly trafficked roads

PUBLIC TRANSPORT FUNDING

8. NLTP funding for the public transport services activity class covers:
- Bus services;
 - Passenger ferry services;
 - Passenger rail services;
 - Passenger transport facilities, operations and maintenance (infrastructure including stops, shelters, terminal facilities and real-time information systems);and
 - Total mobility operational funding.
9. The NZTA has given highest priority to public transport services that have the potential to make significant improvements in one or more of the following:
- Peak-time public transport patronage in major urban areas with severe congestion;
 - Optimising public transport services and infrastructure;
 - Farebox recovery rates (the amount of revenue generated through fares as a proportion of the total operating cost of a service).
10. The NLTP allocates \$630 million to the public transport services activity class for the period 2009-2010. The funding allocation reflects the NZTA's priorities, with about 89% directed to the major urban centres of Auckland, Wellington and Christchurch. Table One below shows the funding allocations by year for this activity class.

	Expected funding (\$000, NLTF share)			
	2009-10	2010-11	2011-12	TOTAL
Base programme	195,775	204,000	212,325	612,100
New Initiatives	4,000	6,000	7,900	17,900
TOTAL	199,775	210,000	220,225	630,000

Table 1. Funding for public transport services and operations, 2009-12

11. Figures One and Two below show the regional split of expenditure and patronage.

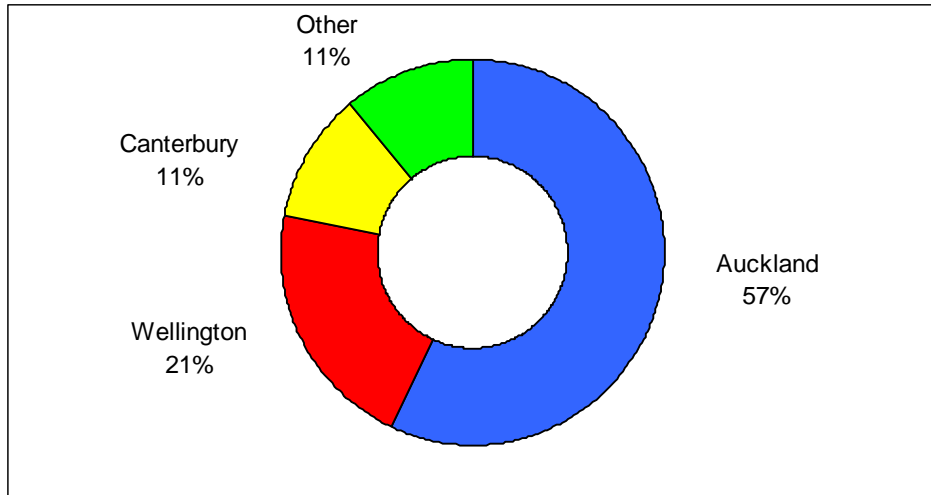


Figure 1. Regional split of expenditure

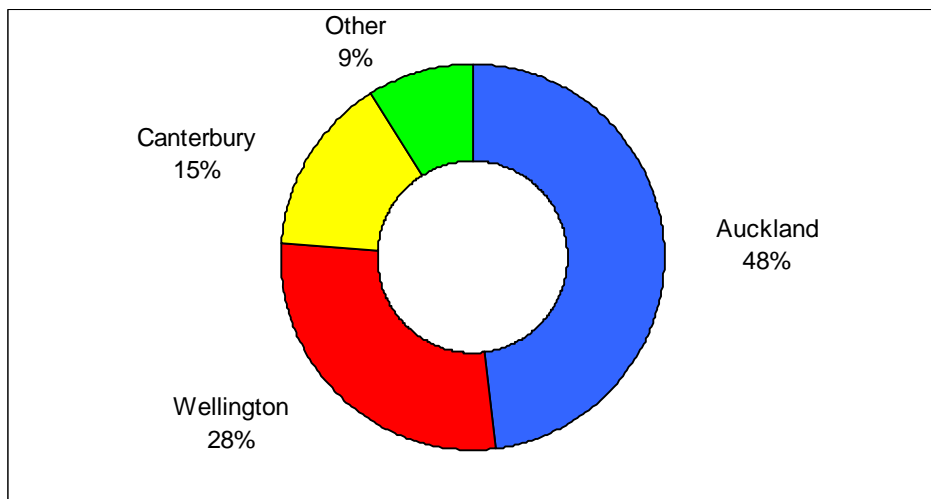


Figure 2. Regional split of patronage

12. Table Two shows the allocation for Horizons Regional Council for 2009-12:

	Expected funding (\$000, NLTF share)			
	2009-10	2010-11	2011-12	TOTAL
Public transport services	2,061.6	2,070.1	2,185	6,316.7

Table 2. Public transport services allocation 2009-12

13. It is expected that this allocation will meet the requirements for Horizons services this year as long as operating costs do not rise dramatically during the year. (Bus service contracts must be adjusted in accordance with an inflation index published by NZTA which captures cost changes caused by factors such as fluctuating fuel prices and exchange rates).

PALMERSTON NORTH BUS SERVICE IMPROVEMENTS PROJECT

14. Horizons has also submitted an application for improvements to the Palmerston North bus services at the following cost:

	Expected funding (\$000, NLTF share)			
	2009-10	2010-11	2011-12	TOTAL
Palmerston North bus services improvements	131.5	135.0	139.0	405.5

15. Funding for the local share of this project has been approved in the Horizons Long-term Council Community Plan (LTCCP) 2009-19.
16. As shown in Table One, \$18 million is available nationally for new public transport initiatives for the period 2009-12. All approved organisations wishing to apply for funding for new public transport initiatives had to resubmit their project application to the NZTA by 9 October so that the NZTA Board could consider these applications as a group. A decision is expected by early November.
17. Members will recall that the primary driver for proceeding with the Palmerston North bus improvements project is that recent patronage growth means that peak services are overloaded and experience delays on certain routes due to increased loadings. This means that a number of services can no longer meet the current timetable.
18. Services currently depart the Main Street Terminal every 35 minutes. The improvements project will increase the frequency of services to 20 minute departures during peak times (before 9am and 3pm to end of service) and 40 minute departures during off-peak times. This will result in an overall 27% increase in the level of service provided.
19. If the NZTA funding application is unsuccessful, a revised timetable with departures every 40 minutes throughout the day will be advertised. The 40 minutes allowed for each bus to complete the route means that reliability of the services will be improved.
20. Initial discussions with designers are underway so that once the funding decision is known work can begin immediately on implementing the new timetable. It is anticipated that Horizons could launch the new services early in the New Year.

PALMERSTON NORTH BUS TERMINAL UPGRADE PROJECT

21. A total of \$10 million has been allocated towards design and construction of a new facility in Palmerston North City Council's LTCCP 2009-19 and the project has been given a Reserve A status in the NLTP. This means that based on the information currently submitted to the NZTA, the project has a lower national priority and is not expected to be eligible for subsidy from the NLTF unless there is a significant improvement in priority and central government funding becomes available.
22. Further investigation is required into the facilities, location and type of facility required in order to present a detailed funding application to the NZTA. The terminal project working group is expected to meet in the near future to progress the project.

RECOMMENDATIONS

23. It is recommended that the Subcommittee:
 - a. **receives** the update on the National Land Transport Programme.

K Lowe
TRANSPORT PLANNER

A Significant decision? If Yes	N
Do recommendations meet Significance Policy (contained within the LTCCP)	

Item No: 10
Date: 17/11/2009
Report No: 09-169
File No: TPP 1 01

NEW ZEALAND TRANSPORT AGENCY DRAFT FAREBOX RECOVERY POLICY

PURPOSE

1. This report is to inform Members about the New Zealand Transport Agency (NZTA) Draft Farebox Recovery Policy consultation.

FINANCIAL IMPACT

2. No financial impact to Horizons Regional Council as a result of this decision.

BACKGROUND

3. The NZTA Board has instructed a review to be undertaken into national public transport farebox recovery ratios (the amount of revenue generated through fares as a proportion of the total operating cost of a service) to address the following concerns:
 - That public transport users contribute their fair share to the cost of providing services;
 - That the national farebox recovery ratio has been falling for a number of years and is forecast to decline;
 - The wide variation in regional authority approaches to farebox recovery policy; and
 - Whether some regional authorities are being subsidised fairly based on their public transport performance.
4. The review and draft policy also responds to requests from regional authorities that:
 - The NZTA is clearer on its expectations around the contribution public transport users should make to the cost of providing services; and
 - The NZTA is more transparent in how it uses farebox recovery ratios when assessing funding applications.
5. The NZTA recognises that the three-way (user-ratepayer-government¹) contribution model is an important funding principle for public transport services. While all three contributions may be required to provide an adequate level of service, it is preferable that users will make the greatest contribution through fares and if possible, that amount should increase over time.

¹ Transport funding from central government comes from the National Land Transport Fund via fuel excise duty, road user charges, motor vehicle registration and licensing fees and Crown appropriations.

6. Table One below shows the national farebox recovery ratios over the last four years.

REGION	2004/05	2005/06	2006/07	2008/09
Northland	46.0	39.8	41.2	36.9
Auckland	47.5	40.9	43.5	43.6
Waikato	34.3	30.3	25.8	29.5
Bay of Plenty	28.7	28.9	26.8	25.9
Gisborne	37.1	38.6	34.6	61.0
Hawke's Bay	*n/a	*n/a	*n/a	*n/a
Taranaki	*n/a	*n/a	*n/a	*n/a
Manawatu-Wanganui	36.8	27.8	27.2	22.7
Wellington	53.2	50.3	53.0	51.5
Marlborough	19.4	25.8	27.9	27.1
Nelson	30.4	37.2	42.4	27.8
Canterbury	46.2	43.5	40.3	41.1
Otago	52.4	45.6	44.2	40.5
Southland	11.6	9.6	10.0	8.6
National	48.3	43.2	44.8	44.4

*Operating a concession arrangement only.

Table 1. National farebox recovery ratios

7. The overall farebox recovery ratio for the Horizons region appears to be low because the contributions received from Massey University and the Universal College of Learning (UCOL) (in lieu of fares that would have been paid by students and staff if the Unlimited Access Scheme were not in place) have not been counted as fare revenue in the past. Under the draft policy, initial indications are that third party contributions would be counted as fare revenue and therefore our ratio for 2008-09 would be 38.5% across the region.

NZTA DRAFT FAREBOX RECOVERY POLICY

8. The Government Policy Statement on Land Transport Funding (GPS) describes what the government wants to achieve through funding in the land transport sector, how much funding will be provided, what areas of transport will be funded and how funding will be raised over the period of the GPS.
9. The NZTA Investment and Revenue Strategy translates the GPS into workable criteria for the purpose of allocating funding. This strategy requires all regional authorities to include a farebox recovery policy which sets out their ratio target in their regional public transport plan as a condition of funding.
10. The NZTA is expecting to have the draft policy approved by the NZTA Board in February 2010 and commencing in March 2010, however there will be a transitional period to allow regional authorities time to implement their own policy. The expectation is that all regional authorities will have fully implemented the policy before the next National Land Transport Programme is released in July 2012. A copy of the draft NZTA policy is attached at Annex A.

11. The NZTA is proposing two options for setting farebox recovery ratio targets:
1. **Formalised status quo**
 - Regional authorities will set their own farebox recovery ratio target based on the NZTA's objectives and principles for farebox recovery policies.
 - Targets may be set as a range rather than as a single target figure and the NZTA must be consulted when authorities are developing their target.
 - New services should aim to meet a 25% ratio within two to three years from commencement of service however, authorities may apply for a longer time to achieve the target to enable new services or significantly revised services to build ridership; this is at the NZTA's discretion.
 2. **Target of 50 percent set for Auckland, Wellington and Canterbury. All other regional authorities set their own target**
 - Auckland Regional Transport Authority (ARTA), Greater Wellington and Environment Canterbury Regional Council will adopt policies that set a target of no less than 50 percent. This is in line with targets already set by these regions but still constitutes a stretch target.
 - All other regional authorities will set their own target according to the NZTA's objectives and principles for farebox recovery policies, recognising that services in these regions tend to be provided primarily for social rather than economic reasons (e.g. congestion relief). It may be harder to achieve operational efficiencies and significant levels of patronage in these regions because of factors like the supplier market, population densities, the number of services, plentiful and cheap parking, and staff resources.
 - As per option one, authorities may apply for a longer time to achieve the target to enable new services or significantly revised services to build ridership.
12. As part of the farebox recovery policy, regional authorities must also annually review fare levels, discounts and ticket types within the existing fare structure. Fare structures must be reviewed at least every three years. Any fare increases should be part of a planned, long-term approach consistent with fare policy goals.

COMMENT

13. Submissions are due to the NZTA by Monday 30 November 2009 and Horizons officers are currently working with Hawkes Bay Regional Council and Taranaki Regional Council to identify key issues for our regions and to prepare a submission. A submission will be tabled on the day for Member's comment and approval.
14. The key points of our submission will be:
- To clarify the rationale behind the need for a national farebox recovery policy and the ratio targets suggested;
 - That all regions should set a target that is an improvement on current levels of farebox recovery;

- That the regions be given flexibility when setting a farebox recovery ratio target to reflect the varying circumstances and nature of services in each region. This would be best achieved by setting a target range rather than a single figure;
- That the willingness of all parties (user-ratepayer-government) to pay for a service be taken into account when setting ratio targets;
- The document outlines that implementation of a farebox recovery policy and ratio target is to be a condition of funding. We are seeking clarification on how this is to be applied, particularly if the ratio target is not met;
- That there is clarification on what factors are to be included in operating subsidies e.g. depreciation on terminal facilities and the ongoing costs of electronic ticketing systems; and
- The increased costs of monitoring and administration for the regions to comply with the proposed reporting requirements.

RECOMMENDATIONS

15. It is recommended that the Subcommittee:
- a. **receives** the report on the New Zealand Transport Agency Draft Farebox Recovery Policy consultation;
 - b. **approves** the submission on the New Zealand Transport Agency Draft Farebox Recovery Policy with any amendments.

K Lowe

TRANSPORT PLANNER

ANNEX

- A NZTA Draft Farebox Recovery Policy

Appendix 1: Draft NZTA Farebox Recovery Policy

<p>Introduction</p>	<ol style="list-style-type: none"> 1. The Land Transport Management Act 2003 (LTMA) requires the NZ Transport Agency (NZTA) to ensure that activities or combinations of activities it approves for funding contribute to the LTMA's objectives in an 'effective and efficient manner'. The LTMA also requires the NZTA to 'use its revenue in a manner that seeks value for money'. 2. The Government Policy Statement on Land Transport Funding 2009/10-2018/19 (May 2009) reinforces this expectation by requiring the NZTA to achieve value for money by, among other things, maximising value within the resources available. 3. Section 20B of the LTMA allows the NZTA to 'approve activities or combinations of activities, subject to any terms and conditions, which must be relevant and reasonable, which the Agency thinks fit'. 4. The NZTA may require compliance with the NZTA Farebox Recovery Policy as a condition of funding for public transport services, where it considers it to be relevant and reasonable.
<p>Objectives</p>	<p>The objectives of the NZTA Farebox Recovery Policy are to:</p> <ul style="list-style-type: none"> • improve the effectiveness and efficiency of public transport services in New Zealand • ensure the costs and benefits of public transport services are fairly apportioned between public transport users and non-users.
<p>Principles</p>	<p>The following principles must be considered when developing farebox recovery policy and farebox recovery ratio targets:</p> <ul style="list-style-type: none"> • The contribution public transport users and non-users make to the cost of providing public transport services should reflect the benefits they receive as a result of these services, and the source of the funding. • The cost of providing public transport services should be shared fairly between users, ratepayers and contributors to the National Land Transport Fund.
<p>Interpretation</p>	<p>ARTA means the Auckland Regional Transport Authority of the Local Government (Auckland) Amendment Act 2004. Reference to ARTA in this document includes any successor organisation to ARTA.</p> <p>Farebox means the revenue collected from tickets (cash, prepaid, passes and electronic purses) purchased by travellers of a public transport system, and includes SuperGold card revenue.</p> <p>Farebox recovery ratio measures the contribution fares make to the cost of providing public transport services, and is typically expressed as a percentage, and is based on the formula set out in section 5 of this policy.</p> <p>Farebox Recovery Policy means a policy adopted by a regional council complying with this policy.</p>

<p>Section 3</p> <p>Farebox recovery ratio target</p>	<p>Option 1</p> <ol style="list-style-type: none"> 1. Regional councils must set a farebox recovery ratio target for the public transport network as a whole. 2. Regional councils may set a target range rather than a single target figure. 3. The target must be consistent with the objectives and principles of this Policy. 4. New services should aim to meet a 25 percent farebox recovery ratio within two to three years from the date the service commenced. 5. Regional councils may apply for a longer time period to achieve the target to enable new services or significantly revised services to build ridership; the NZTA may at its discretion approve this alternative time period. <p>Option 2</p> <ol style="list-style-type: none"> 1. Regional councils must set a farebox recovery ratio target for the public transport system as a whole. 2. ARTA, Greater Wellington Regional Council and Environment Canterbury shall set a farebox recovery ratio of no less than 50 percent. 3. Where ARTA, Greater Wellington Regional Council or Environment Canterbury elects to set a target range, the lower end of the range shall be no less than 50 percent. 4. All other regional councils must set their own farebox recovery ratio target, consistent with the objectives and principles of this policy. 5. The NZTA may at its discretion approve an alternative farebox recovery ratio target. 6. When considering submissions seeking approval of an alternative farebox recovery ratio target, the applicant must provide the following information: <ol style="list-style-type: none"> a. evidence that the efficiency of operating costs has been maximised b. evidence that further improvement to ridership numbers is unlikely c. evidence that increasing fare prices will make the service or services unaffordable, significantly impact ridership or lead to significantly reduced levels of service d. an assessment of the impact that higher fares or reduced services are likely to have on the transport disadvantaged e. any other information deemed appropriate by the NZTA. 7. Regional councils may apply for a longer time period to achieve the target to enable new services or significantly revised services to build ridership; the NZTA may at its discretion approve this alternative time period.
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<p>Section 6 Fare reviews</p>	<p>1. ARTA and regional councils must:</p> <ul style="list-style-type: none"> a. annually review fare price levels, discounts and ticket types within the existing fare structure b. review fare structures at a minimum once every three years. <p>2. Nothing in this policy compels ARTA or regional councils to increase average fare prices on an annual basis.</p>
<p>Section 7 Reporting</p>	<p>1. The farebox recovery policy must provide for the following information to be supplied to the NZTA on an annual basis:</p> <ul style="list-style-type: none"> a. the aggregate farebox recovery ratio across the organisation's public transport network b. the aggregate farebox recovery ratio for each centre within an organisation's region c. farebox recovery ratio by mode (ie bus, rail and ferry) d. the farebox recovery ratio and services where the ratio is falling below 25 percent.



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