

Submission to the New Zealand Transport Agency

In the matter of the  
Options to change the SuperGold Card free off-peak public  
transport travel scheme

From *Local Government New Zealand*

26 April 2010

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## INTRODUCTION

1. *Local Government New Zealand* thanks the New Zealand Transport Agency (NZTA) for the opportunity to make this submission in relation to the *Options to change the SuperGold Card free off-peak public transport travel scheme* Consultation document.
2. *Local Government New Zealand* makes this submission on behalf of the National Council, representing the interests of all local authorities of New Zealand. While individual councils can make their own submissions, we believe this submission presents the wider “whole of local government” perspective.
3. Our members represent very diverse communities, including those outside of Auckland, Wellington and Christchurch. While our three main centres will continue to soak up the lion’s share of the funding (and hence also provide the biggest opportunities for the NZTA to reduce costs), any changes to the SuperGold Card free off-peak public transport travel scheme (the scheme) will affect services provided across the entire country. Changes with relatively minor impacts for one region could simultaneously create considerable uncertainty in another. *Local Government New Zealand* believes it is critical that changes to the scheme are examined through a national lens.
4. It is also important to note that *Local Government New Zealand* supports the scheme. Many of our members represent ageing communities and the opportunities available to an ever-growing group of transport disadvantaged New Zealanders are diminishing. The scheme is one of very few policy instruments aimed at reversing this trend. We are moderately alarmed that a consultation document with such a narrow focus on cost-saving (hidden in plain sight under a euphemism of financial sustainability) may promote changes that inadvertently undermine the wider benefits currently being provided.
5. While we agree that changes can and should be made to spend funding more efficiently and effectively, the reason for capping the scheme at \$18 million is not immediately clear. Based on naturally projected growth alone (20,000 extra users per year, annual fare increases of 3%), the costs of the scheme will skyrocket over the next decade. Rather than promoting financial sustainability, imposing an absolute funding cap creates the need for ongoing annual reviews focused solely

on continuing to leverage more from less. This process cannot continue indefinitely.

6. *Local Government New Zealand* prepared this submission following:

- an analysis of the consultation document
- completed questionnaires from our members, including responses from both regional councils and territorial authorities
- additional feedback from our members on wider practical implications raised by the consultation document
- the analysis of all feedback from our members and a detailed analysis of the legislative obligations on local authorities.

7. This final submission was endorsed under delegated authority by:

- Peter Tennent, Transport portfolio, National Council

8. *Local Government New Zealand* would be pleased to meet with officials from the New Zealand Transport Agency for further discussion on any of the points raised in this submission.

## DEFINING THE PROBLEM

9. The *Consultation* document (and subsequent statements made by the Minister of Transport<sup>1</sup>) makes it quite clear that the government is committed to the scheme. *Local Government New Zealand* would also like to make it quite clear that we support the scheme too. However, the problem definition in the Consultation document is missing information that we see as critical for making informed decisions on the suitability of the proposed options.

10. While the problem definition does include useful data on forecasted expenditure, it fails to quantify the impact the scheme has made since its introduction in October 2008. This would involve measuring both on the amount of additional travel that the scheme has been responsible for, and how it has affected operator's

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<sup>1</sup> SuperGold transport services are not being cut, 12 March 2010, <http://www.beehive.govt.nz/release/supergold+transport+services+are+not+being+cut>

ticket sales. This data is particularly critical for making informed decisions on options for reducing reimbursement payments.

11. In addition to raw passenger data, an evaluation of the scheme to date should also include modelling of its benefits, including the harder-to-quantify social, cultural and environmental benefits. Anecdotal evidence from our members suggests that wider benefits of the scheme may not only justify the government's currently allocated expenditure of \$18 million per year, but might actually even represent good value for money.
12. Lastly, we would like to see the justification for implementing the scheme (and its annual appropriation of \$18 million) in the first place. While this can partially be derived from the principles on page 1 of the *Consultation* document as promoting alternative choices for a key group of transport disadvantaged citizens, the specific policy goals are not explicitly articulated. Without this frame of reference for what the scheme is actually trying to achieve it is impossible to accurately assess the viability of the proposed options for changing it.
13. Assessing the viability of the proposed options is further complicated by the decision to effectively ignore changes to eligible services as originally outlined in 5.3. Removing 5.3 as a legitimate consultation option undermines the attempt to create a truly financially sustainable scheme. If the parameters around the scheme are kept constant, there are relatively few other long-term options for ensuring that increasing numbers of cardholders can continue to travel each year for less real funding.
14. While we acknowledge the pressures on the existing fiscal envelope, *Local Government New Zealand* has struggled with using section 2 of the Consultation document as a fully defined problem. However, in light of this constraint, our answers to the questions asked in section 5.6 of the discussion document are outlined below.

## QUESTION ONE

*Please rank these options (summarised below) in order of your preference from most preferred (1) to least preferred (4). Where there are alternatives within options, please indicate the preferred alternative by adding a, b or c to your ranking.*

Cost-reducing proposal	Rank	a, b or c
Reduce the reimbursement rate (section 5.1)	2	b
Cap the reimbursement payments (section 5.2)	1	b
<del>Change the services that are eligible (section 5.3)</del>		
Remove/reduce payments for administration costs (section 5.4)	3	

## QUESTION TWO

*What are your reasons for your ranking? Please include any information or data that helps support or explain your views.*

15. Regardless of the government's insistence that the status quo is not an option, the overwhelming preference of our members was to retain the scheme in its current form. As a result, our members generally indicated preference for options perceived as contributing the smallest changes to the existing scheme.
16. For the reasons mentioned previously, *Local Government New Zealand* found it difficult to accurately rank proposals based on the relatively small amount of information provided. Ranking proposals was further complicated by the removal option 5.3, taking changes to the services that are eligible off the table.
17. Based on the information supplied by the NZTA, option 5.3 would have been our preferred option. It is clear that a relatively small number of premium services are disproportionately contributing to the cost of the scheme. We believe that allowing a relatively small group to capture a disproportionate amount of the benefits subverts the original social-oriented intentions of the scheme. Excluding exceptionally expensive services from the scheme was also perceived to cause the least significant changes to the current scheme.
18. Following the removal of 5.3, all remaining options received quite similar levels of support. No one option stood out as being head and shoulders above the others. Nonetheless, a rough order of sectoral preferences can still be identified.

### ***Cap the reimbursement payments***

19. The next most preferred option of our member councils was the introduction of a cap or fixed budget for operators of specific services that currently contribute disproportionately to the cost of the scheme. Again, capping such services was seen as a potential method of reducing costs with a relatively minor impact on the overall nature of the scheme.
  
20. This approach is viewed as a way of negating some of the high costs of continuing to offer premium services, while ensuring the maximisation of benefits across the rest of the country. Implementation of such an option would be subject to negotiation between the NZTA and the relevant operators and regional councils.

### ***Reducing the reimbursement rate***

21. This option was not favoured as strongly, due mainly to the fact that it was less targeted at reducing the financial burden of premium services, perceived by our members to be the greatest cause of the problem.
  
22. Reducing the reimbursement rate also raises several significant considerations. Although the marginal costs of providing off-peak public transport are low compared to private car use, this cost is not zero. Finding the optimum balance will be difficult, and should be based on real data collected from operators. It is hard to comment on the viability of potential reductions without quantifying its potential impact.
  
23. Changes in reimbursement rate will also affect different services differently. While it is likely that well-utilised services in major centres will not be too badly affected from small reductions in reimbursement rate, these same reductions may have a huge impact on more commercially marginal rural services. This is essentially why the differentiated reductions outlined in option b were preferred to reducing the reimbursement rate throughout New Zealand proposed by option a. However, once again it is impossible to comment accurately without real data collected from operators.
  
24. The last major consideration relates to the recently released discussion document on farebox recovery. The implicit message behind the new proposed policy is that

the proportion of the farebox recovered by operators and regional councils should be progressively increased. This can be achieved by either increases in patronage, increases in fares, or a combination of both. If fares are put up to improve farebox recovery rates (and hence reduce NZTA subsidies), this will also increase the cost of the SuperGold scheme. It is not clear how the proposed farebox recovery policy can be reconciled with reducing reimbursement rates under this scheme.

### ***Remove/reduce payments of administration costs***

25. Perhaps not surprisingly, removal of administration costs was the least preferred option by councils. This was not only because the removal of these payments would not be sufficient to ensure the financial sustainability of the scheme, but also because the scheme creates real administration costs.

26. However, our members did show a certain degree of pragmatism when it came to a possible *reduction* in administration costs. If administration costs have fallen, then there is no reason why this money should continue to be reimbursed. It is likely that a justified reduction may be more palatable to the sector if seen to help retain the scheme in its current form.

### **QUESTION THREE**

*Are you in favour of nationally consistent eligible hours the scheme can be used in (ie the off-peak definition that is currently in use in most of New Zealand - see section 5.5)?*

27. Yes, but...

### **QUESTION FOUR**

*What are your reasons for saying this?*

28. ...only if this does not either:

- a) limit the ability of a region to decide to increase service provision if it wishes, or
- b) forces operators to offer additional service to comply with the provisions of the scheme, even if they bear no relation to locally demanded services, usage and peak hours.

## QUESTION FIVE

*Do you think that a photo ID on cards should be introduced to reduce fraud?*

29. No, but...

## QUESTION SIX

*What are your reasons for saying this?*

30. ... this is only because the business case for doing so is still unproven. *Local Government New Zealand* would like to see a proper analysis undertaken before a decision to introduce compulsory photo IDs on cards is made.

## QUESTION SEVEN

*Do you have any other suggestions for changing the scheme?*

31. *Local Government New Zealand* would like to see the options suggested in 5.3 returned for consideration. However, any review of eligible services needs to be undertaken within the context of a clearly articulated policy rationale in support of the scheme. If scarce funding is the impetus for seeking cost reduction, such a rationale should privilege the important of public transport for those who need it most.

## QUESTION EIGHT

*Do you have any other comments on the scheme?*

32. There are many reasons for promoting public transport. There are even more reasons for promoting the use of public transport for New Zealanders that fit the profile of the transport disadvantaged. Any changes made to the scheme should be careful not to have a negative impact on existing or projected levels of public transport use.

33. Given the overwhelming anecdotal evidence from our members in support of the scheme, a financial cap of \$18 million feels completely arbitrary. The imposition of such a cap should only have been made based on the results of an evaluation of the benefits of the scheme. In the absence of such an evaluation, measures to improve efficiency and effectiveness should be based on evidence and clearly

defined problems, rather than hinting that operators are making super-profits and must be stopped.

34. While *Local Government New Zealand* would like to comment on the options proposed in more detail, it is impossible with only the information provided. We recommend that the NZTA complete a thorough evaluation of the benefits of the scheme, clearly identify any perceived or actual problems, and then consider the options proposed by the *Consultation* document in light of this wider context. Not doing so will simply see this same issue be raised year after year after year.
35. Although it has not been suggested that regional councils (or ARTA in Auckland) should be involved in financially supporting the scheme, we would like to take the opportunity to reinforce this point. Local government should not be forced to make financial contributions to any funding shortfalls in the national scheme.
36. *Local Government New Zealand* is happy to meet with officials from the NZTA to discuss any of the points raised in this submission.