

Customer Focus Committee ^{v2.2}

9th October 2014

PT Integrated Fares

- *CFC objectives*
- *Recap and further progress*
- *Project delivery options & recommendations*
- *Zonal fare modelling, passenger impacts & recommendations*
- *Summary & Next steps*



CFC Objectives

1. Recall the purposes of integrated fares being simplicity, legibility and transparency of PT fares for customers; remove trip transfer financial penalty prior to the increasing of transfers with the bus New Network implementation (start end-2015); realise patronage growth potential of the connected bus New Network
2. Note the new customer value proposition offered by integrated fares of a 2 hour single journey of up to three separate trips, compared to existing single journey of a single trip – opening origin and destination options under the New Network
3. Endorse recommended alternate project delivery approach - minimum ticketing system redevelopment to utilise existing functionality and reduce development and implementation cost from \$16m to \$7m; avoid 'big-bang' implementation and implementation by Nov-2015
4. As a result of reduced development, endorse recommended alternate zonal structure – 5 neighbourhood zones radial to CBD compared to previous recommended 5 concentric circle zones radial to CBD
5. Note the positive BC for zonal integrated fares and the positive patronage growth that would result; with some risk of short-term churn from fare changes
6. Note the inevitable fare changes that result from a shift from 8 stage granular to 5 zone less granular with two recommended pricing options (revenue retention at \$0 subsidy increase and patronage retention at \$2.75m subsidy increase to reduce HOP losers and grow patronage by 2 million); with recommended mitigation to minimise HOP fare increases through a March 2015 annual PT fare review migration step through implementation of RPTP policy of on average fare change ~ equivalent to NZTA indexation level
7. Endorse submission to the October Board

Recap and further progress

1. April 2014

- Board endorsed shift from non-transparent 8 stage single trip journey existing fare structure to more legible but less granular 5 zone concentric ring zones with a 2 hour single journey concept with weekly fare caps
- Board sought options to minimise HOP fare increases

2. July 2014

- Confirmed development cost of \$16 million with a high risk “big bang” approach

3. Since July the following progress:

- Detailed review to utilise current ticketing capabilities with limited development and reduced cost
- Modelling updated to analyse zonal structure and fare price points
- Confirmed a Business Case for integrated fares

Integrated fares – reminder of business drivers

1. 1st phase was Ticketing Integration with AIFS, 2nd phase Fares Integration: realises full benefit in ticketing system investment
2. Integral part of fully integrated PT network capable of delivering a transformational shift as it enables transfers for passengers without any financial penalty



3. Simple and intuitive fares consistent with RPTP objectives
4. Supports long-distance PT travel – critical with Auckland’s wide geographic spread and outer area growth plans under the Unitary Plan

Options evaluation

OPTION 1

No ticketing system development

- Utilise current single transfer discount
- No Thales development required
- **Some incorrect fare results depending on where transfer occurs**
- Approximately \$4m cost, delivery mid-2015

OPTION 2

Full ticketing system re-development (previous proposal)

- Concentric circle zones structure
- No transfer discount concept – true integrated fares calculation
- **Transition risk – “big bang” deployment**
- **Approximately \$16m cost, delivery mid 2016**

OPTION 3

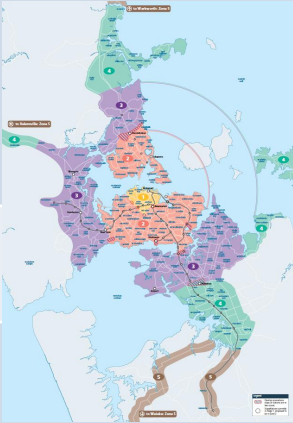
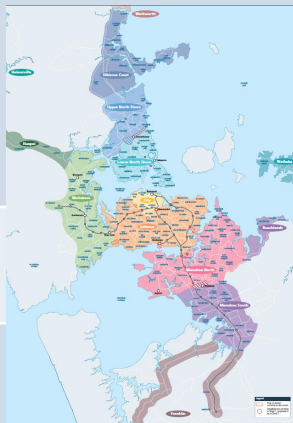
Limited ticketing system development (lower development cost proposal)

- Neighbourhood zones structure
- Utilise existing transfer discount functionality to ensure correct fare charged for multi-leg journeys
- Approximately \$7m cost, delivery 4Q 2015

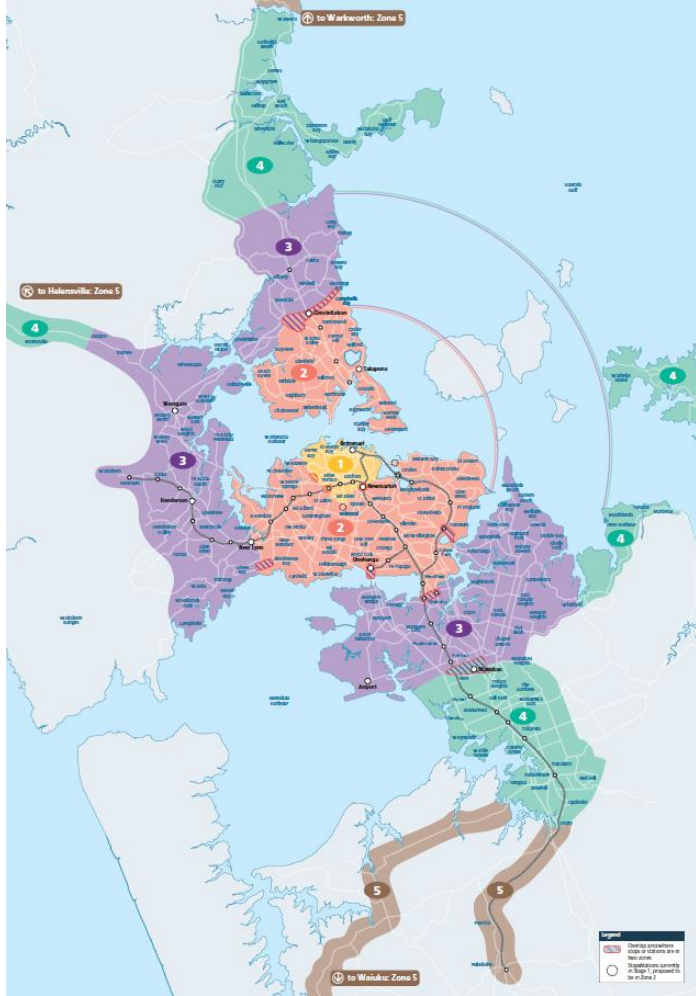
OPTION 3 is recommended:

- Delivers majority of benefits of 5 zone concentric circle integrated fares but with neighbourhood zones to reduce development cost by \$9m
- Uses existing fare calculation methodology of (a) crossing zone boundary; plus (b) existing transfer discount functionality - to calculate multi-leg journey fare rather than point-to-point multi-leg fares to reduce development cost by \$9m
- Reduces “big bang” transition risk; end-2015 delivery enables bus New Network
- Cost within planned budget for 14/15 and 15/16 fiscal years

Previous Option 2 vs. recommended Option 3

	Previous preferred Option 2 <i>Full ticketing system redevelopment \$16m</i>	Recommended Option 3 <i>Transfer discount enhancement \$7m</i>
Zonal structure	Concentric zones radiating out from City Centre 	Neighbourhood zones radiating out from City Centre (each zone separate) 
Zonal fares	5 zonal fares to CBD 5 zone journey cap	5 zonal fares to CBD No capped journey fare
Fare calculation	By ring travelled in once	By zones travelled through
Journey concept	3 legs, 2 hours <i>No penalty for transfers</i>	3 legs, 2 hours <i>No penalty for transfers</i>
High user products	Weekly caps	Weekly pass, Monthly pass Daily Cap
Ferry services	No change to Ferry Fares at launch	No change to Ferry Fares at launch
Fare impact on passengers	<i>No difference between 2 options. Will depend on final zonal boundaries and price points</i>	

Option 2 concentric zones to recommended Option 3 neighbourhood zones



FROM

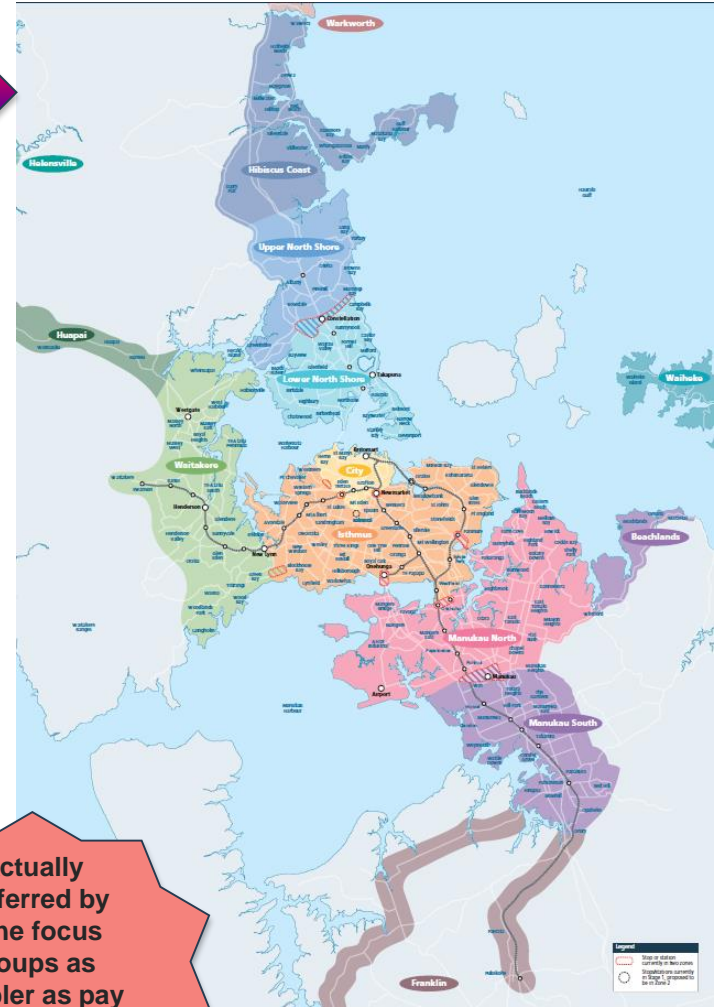
5 rings to CBD
Concentric
Numbered zones

TO

5 zones to CBD
Neighbourhood
Named zones

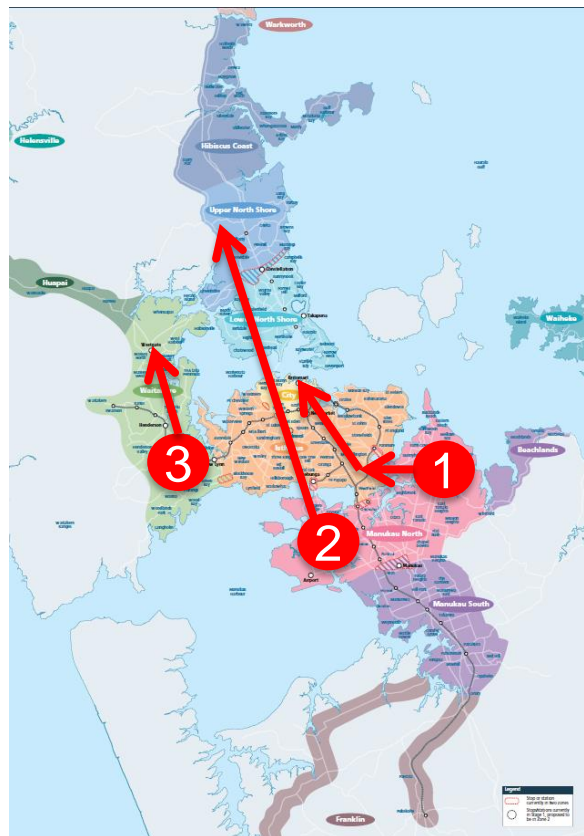
NO CHANGE

- Zone boundaries
- Zone size
- Cross-zonal travel
- Radial travel
- Overlapping zones
- Pricing (subject to pricing points)

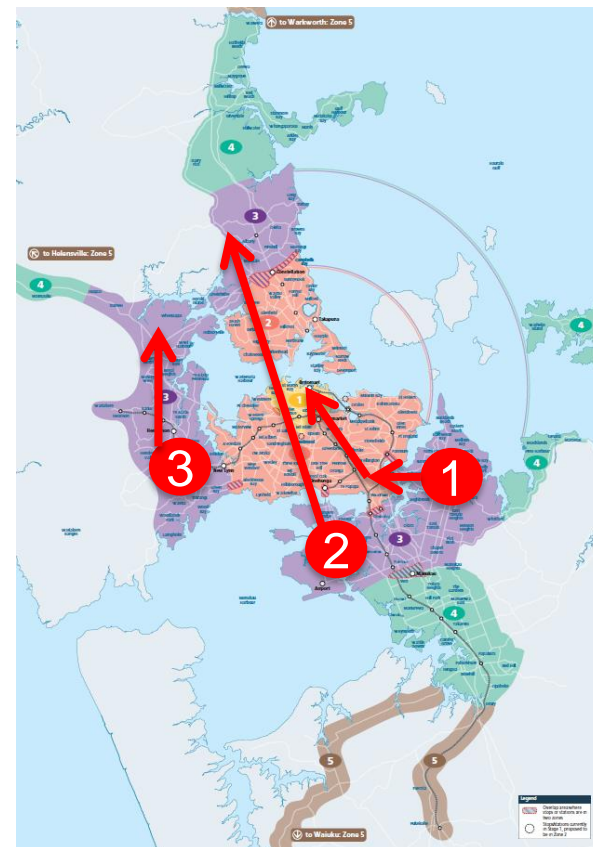


Actually preferred by June focus groups as simpler as pay once each time enter a zone

Disbenefit: pay for every zone passed through but focus groups thought this was a simpler message



Journey	Option 2: Concentric	Option 3: Neighbourhood
1. Radial	3 zone fare	3 zone fare
2. Cross region via city	3 zone fare	5 zone fare
3. Cross zone	1 zone fare	1 zone fare

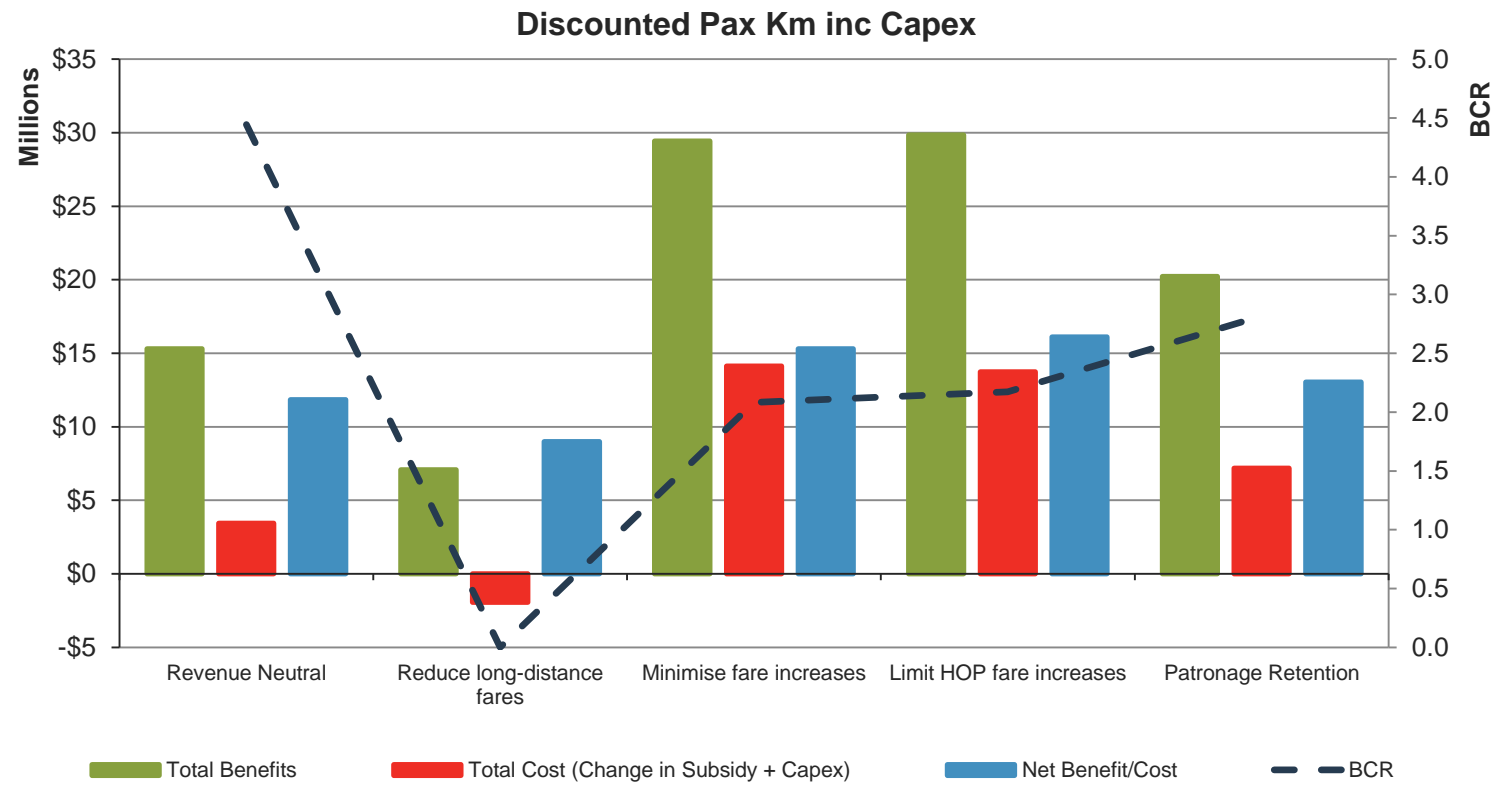


Option 2: Concentric

Option 3: Neighbourhood

Integrated fares demonstrated +ve Benefit Cost

Of the 5 pricing scenarios modelled, all have a BCR over 1 except for “Reduce Long-distance fares”. The best performing is the Revenue Neutral with Patronage Retention the next preferred.

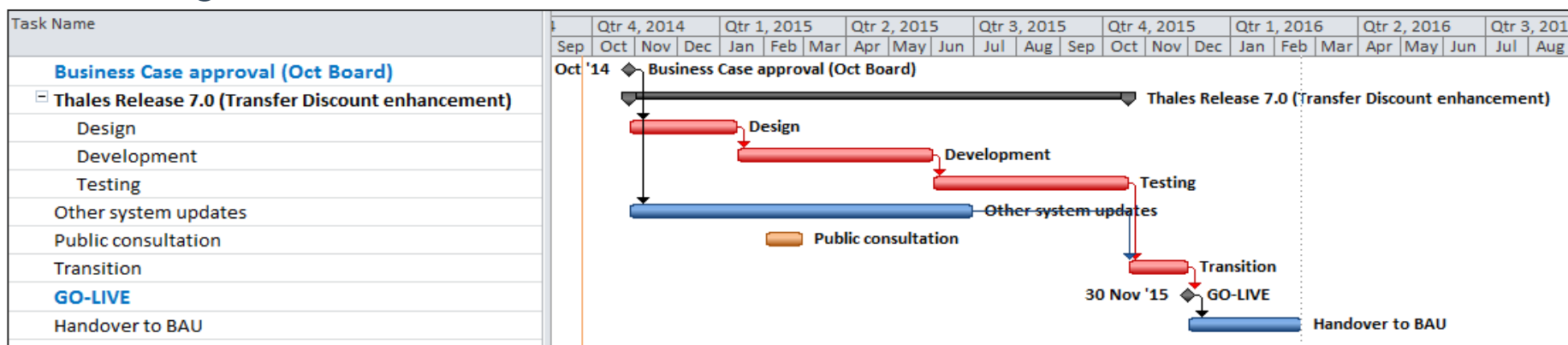


Option 3 budget & timelines

\$7m proposed development and implementation budget:

Description	14/15 fiscal	15/16 fiscal	total
Thales costs	\$1,500,000	\$1,000,000	\$2,500,000
Other system development	\$500,000	\$250,000	\$750,000
Project resource costs	\$1,250,000	\$1,350,000	\$2,600,000
Transition costs	\$300,000	\$700,000	\$1,000,000
TOTAL BUDGET	\$3,550,000	\$3,275,000	\$6,850,000
Capex budget	\$3,000,000	\$2,350,000	\$5,350,000
Opex budget	\$550,000	\$950,000	\$1,500,000

Nov-2015 go-live:



5 modelled pricing scenarios

Scenario 1 – Revenue neutral (0% flagfall)

Fares can be adjusted based on flagfall + standard increment

Patronage 66.5m

Subsidy 0

BCR 4.4

1 zone Adult HOP	2 zone Adult HOP	3 zone Adult HOP	4 zone Adult HOP	5 zone Adult HOP
\$1.71	\$3.42	\$5.13	\$6.84	\$8.55

Recommended
No more subsidy
Highest BCR

Scenario 2 – Reduce long-distance fares

Long distance fares cheaper by increasing cost of shorter trips

Patronage 63.6m

Subsidy -\$2.6m

BCR -

1 zone	2 zone	3 zone	4 zone	5 zone
\$2.50	\$3.50	\$4.50	\$5.50	\$6.50

Scenario 3 – Minimise fare increases

Minimising fare increases by reducing fares

Patronage 69m

Subsidy +\$8.2m

BCR 2.1

1 zone	2 zone	3 zone	4 zone	5 zone
\$1.76	\$3.02	\$4.28	\$5.54	\$6.80

Scenario 4 – Limit HOP fare increases

Minimising increase for HOP, larger increases for cash

Patronage 69.5m

Subsidy +\$7.6m

BCR 2.2

1 zone	2 zone	3 zone	4 zone	5 zone
\$1.60	\$2.95	\$4.30	\$5.65	\$7.00

Scenario 5 – Patronage retention (achieve 3% growth)

Additional opex investment to reduce cost of shorter trips

Patronage 68.5m

Subsidy +\$2.75m

BCR 2.4

1 zone	2 zone	3 zone	4 zone	5 zone
\$1.65	\$3.30	\$4.95	\$6.59	\$8.24

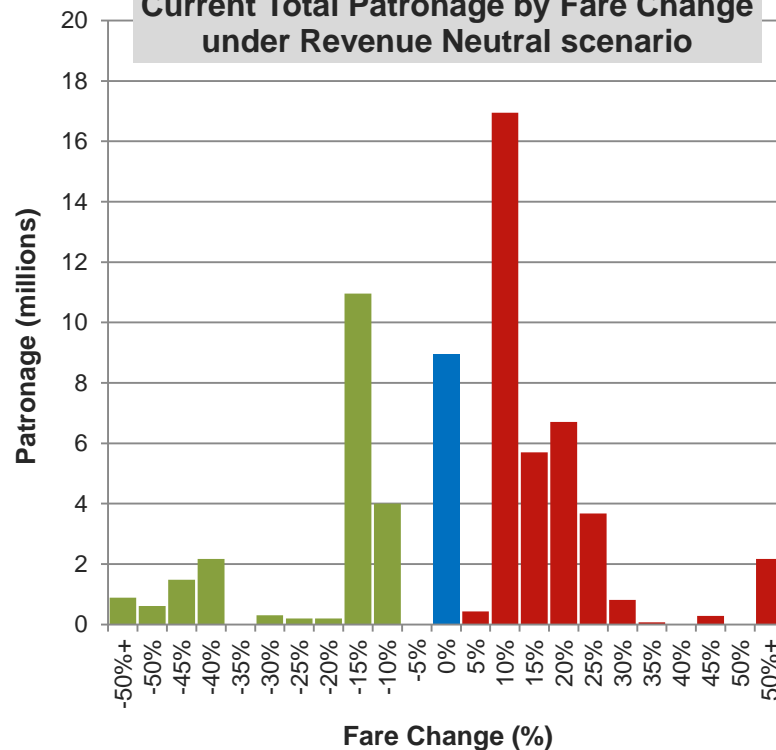
Recommended
\$2.75m opex
2nd Highest BCR
Reduced fare incr

Fare transition (Scenario 1: Revenue neutral)

Adult HOP fares

Stage Patronage	Stages	Stage Fare	Stage Patronage	Passengers Impacted	Fare Change %	Fare Change \$	Zone Patronage	Zone Fare	Zone	Zone Patronage
1,053,225	CityLINK	\$0.00	1,053,225	15,216	0%	\$0.00	1,084,822	\$0.00	CityLINK	1,084,822
560,433	CBD	\$0.90	560,433	5,234	90%	\$0.81	400,418			
8,837,352	1	\$1.60	8,388,312	78,333	7%	\$0.11	8,436,402	\$1.71	1	10,977,292
5,472,946	2	\$2.95	1,434,559	14,912	-42%	-\$1.24	1,688,618	\$3.42	2	9,345,640
4,951,450	3	\$4.00	4,038,387	41,979	16%	\$0.47	3,933,383			
2,128,066	4	\$4.80	4,591,919	47,753	-14%	-\$0.58	4,962,149	\$5.13	3	2,743,061
842,587	5	\$6.00	95,525	993	28%	\$1.13	88,919			
275,364	6	\$6.80	1,901,309	24,133	7%	\$0.33	1,912,209	\$6.84	4	604,538
87,603	7	\$7.60	610,356	8,086	-14%	-\$0.87	660,215			
156,174	8	\$8.40	211,892	2,804	14%	\$0.84	207,817	\$8.55	5	67,576
			198,282	3,755	1%	\$0.04	203,786			
			81,425	1,363	-10%	-\$0.76	86,707			
			96,717	1,008	-19%	-\$1.56	105,894			
			57,206	597	2%	\$0.15	58,554			

Current Total Patronage by Fare Change under Revenue Neutral scenario



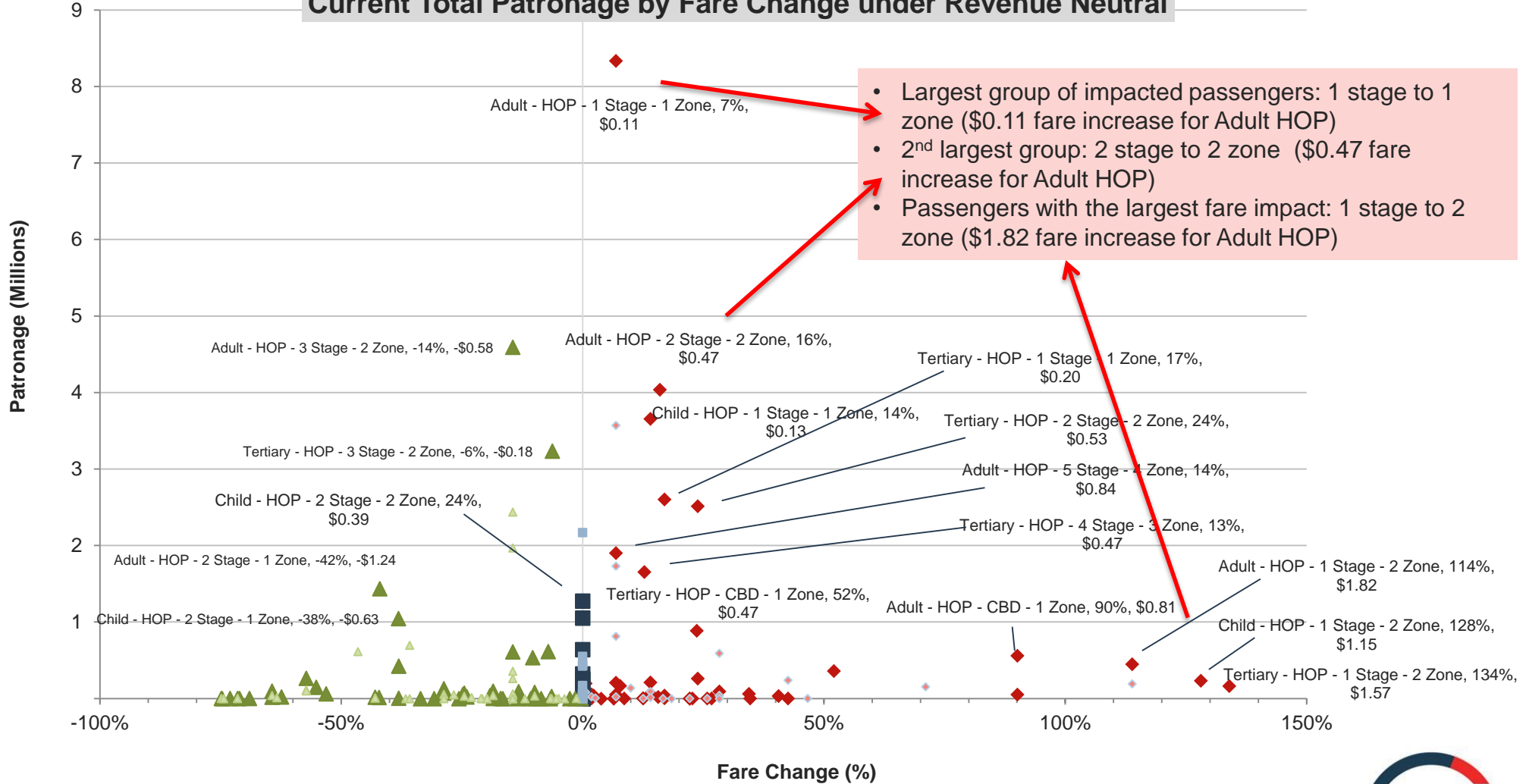
- Largest group of impacted passengers: 1 stage to 1 zone (\$0.11 fare increase for Adult HOP)
- 2nd largest group: 2 stage to 2 zone (\$0.47 fare increase for Adult HOP)
- Passengers with the largest fare impact: 1 stage to 2 zone (\$1.82 fare increase for Adult HOP)



Fare transition (Scenario 1: Revenue neutral)

All fares

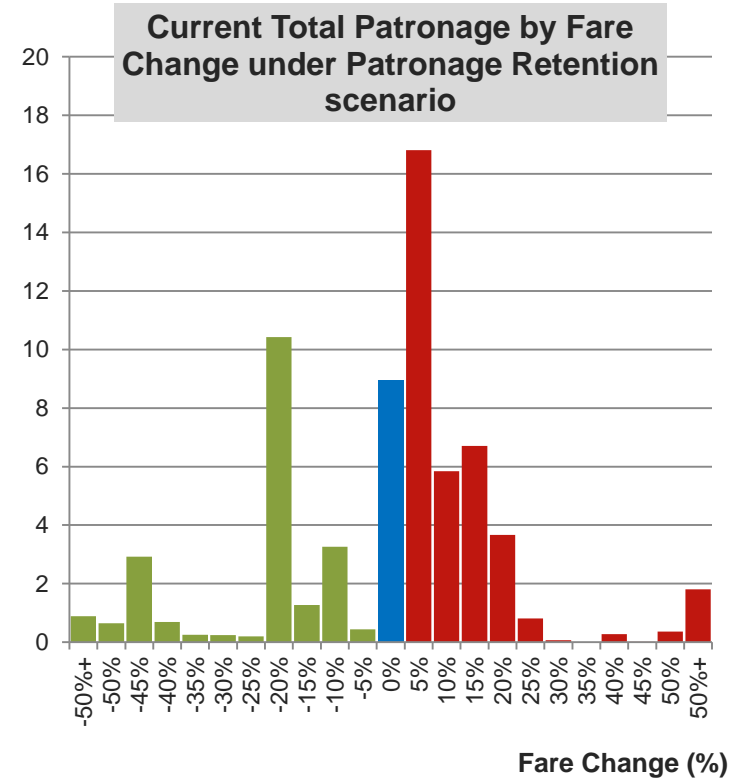
Current Total Patronage by Fare Change under Revenue Neutral



Fare transition (Scenario 5: Patronage Retention)

Adult HOP fares

Current Patronage	Stages	Stage Fare	Stage Pax %	Current Patronage	Zone Pax %	Passengers Impacted	Fare Change %	Fare Change \$	Zone Fare	Zone	Current Patronage
Major Fare Impacted Scenarios											
1,053,225	CityLINK	\$0.00	100%	1,053,225	100%	15,216	0%	\$0.00	\$0.00	CityLINK	1,053,225
560,433	CBD	\$0.90	100%	560,433	5%	5,234	83%	\$0.75			
8,837,352	1	\$1.60	95%	8,388,312	78%	78,333	3%	\$0.05	\$1.65	1	10,748,388
5,472,946	2	\$2.95	26%	1,434,559	13%	14,912	-44%	-\$1.30	\$3.30	2	9,226,014
4,951,450	3	\$4.00	74%	4,038,387	44%	41,979	12%	\$0.35			
2,128,066	4	\$4.80	93%	4,591,919	50%	47,753	-18%	-\$0.70	\$4.95	3	2,681,023
842,587	5	\$6.00	2%	95,525	4%	993	24%	\$0.95			
275,364	6	\$6.80	89%	1,901,309	71%	24,133	3%	\$0.15	\$6.59	4	588,607
87,603	7	\$7.60	73%	610,956	23%	8,086	-18%	-\$1.05			
156,174	8	\$8.40	25%	211,892	36%	2,804	10%	\$0.59	\$8.24	5	66,430
			72%	198,282	34%	3,755	-3%	-\$0.21			
			93%	81,425	14%	1,363	-13%	-\$1.01			
			62%	96,717	16%	1,008	-22%	-\$1.81			
			37%	57,206	86%	597	-2%	-\$0.16			



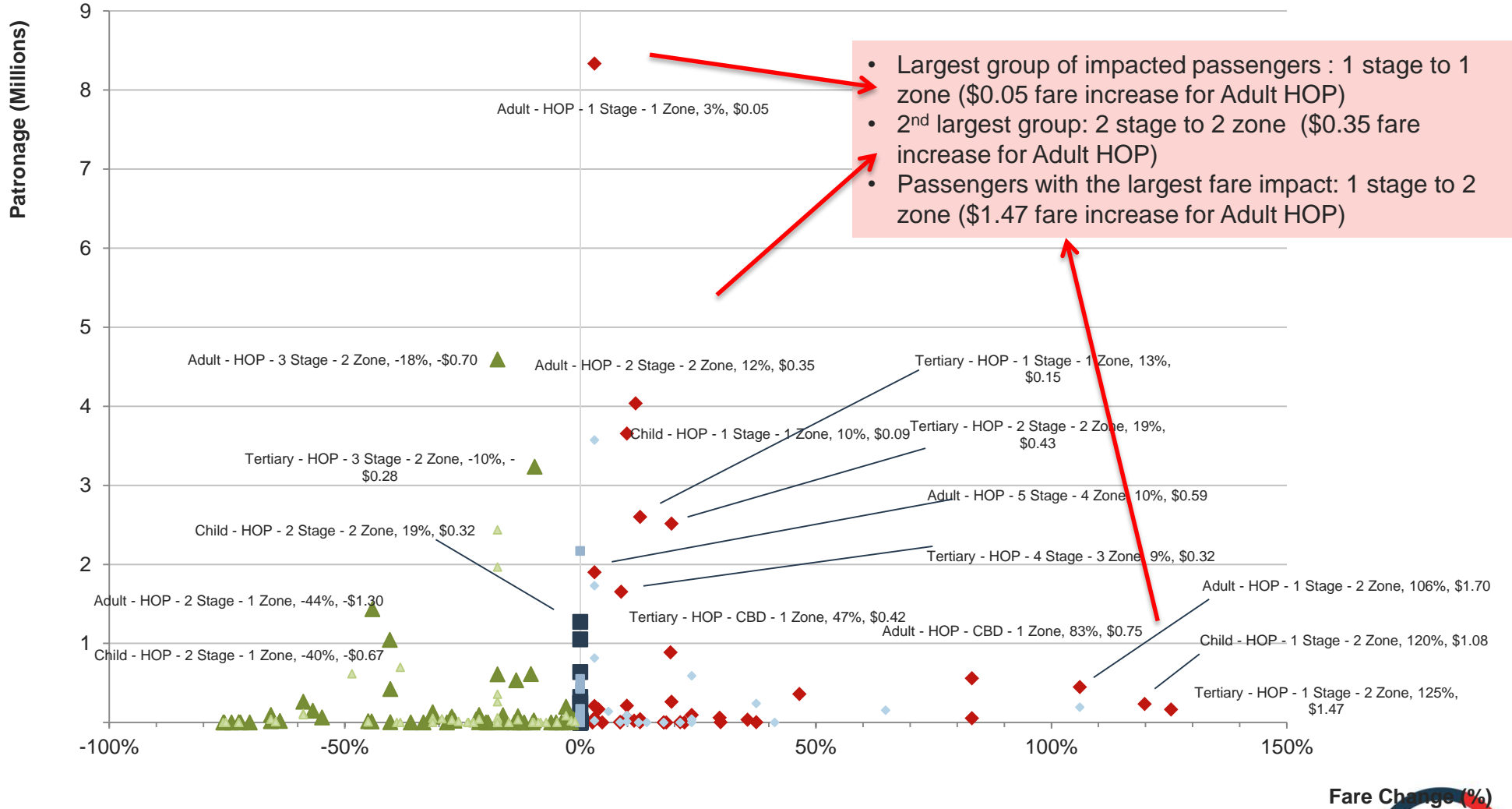
- By investing \$2.75m p.a. we can reduce the price of the zone 1 fare from \$1.71 to \$1.65 reducing the impact on 1 stage to 1 zone from \$0.11 fare increase to \$0.05 for Adult HOP
- Other passenger impacts are also reduced by around 5% but total number of impacted passengers is not reduced (just the level of impact)



Fare transition (Scenario 5: Patronage Retention)

All fares

Current Total Patronage by Fare Change under Patronage Retention scenario



- Largest group of impacted passengers : 1 stage to 1 zone (\$0.05 fare increase for Adult HOP)
- 2nd largest group: 2 stage to 2 zone (\$0.35 fare increase for Adult HOP)
- Passengers with the largest fare impact: 1 stage to 2 zone (\$1.47 fare increase for Adult HOP)



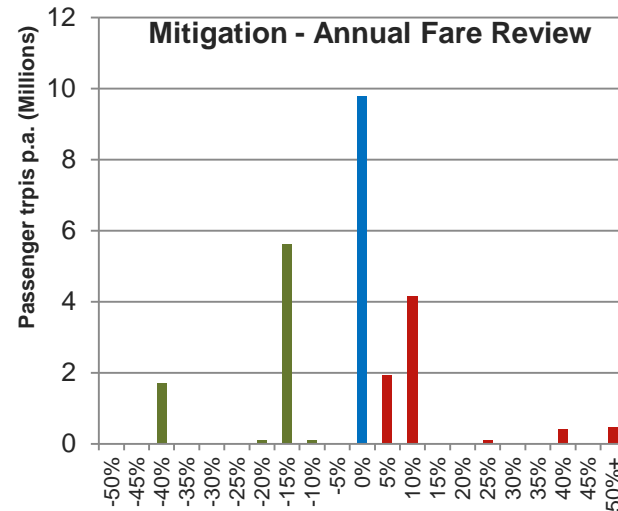
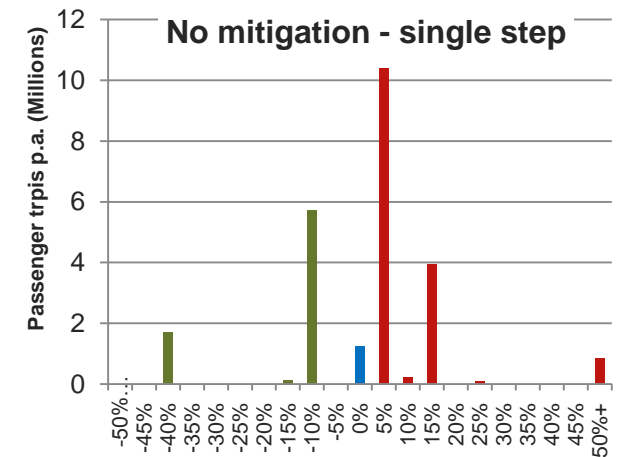
Mitigation for HOP increases: staged transition – use March 2015 annual fare review ¹⁶

Revenue neutral, HOP adult fares

Current Fares	Stage patronage	Fare change	March 2015 Fare Review	Fare change	Zone patronage	Zone
CityLink \$0.00	1,053,225	0% (\$0.00)	CityLink \$0.00	0% (\$0.00)	1,084,822	CL \$0.00
CBD zone \$0.90	560,433	33% (\$0.30)	CBD \$1.20			
1 \$1.60	8,837,352	6% (\$0.10)	1 \$1.70	43% (\$0.51)	400,418	
2 \$2.95	5,472,945	3% (\$0.09)	2 \$3.04	0% (\$0.00)	8,436,402	1 \$1.71
3 \$4.00	4,951,449	0% (\$0.00)	3 \$4.00	-44% (-\$1.33)	1,688,618	2 \$3.42
4 \$4.80	2,128,065	4% (\$0.19)	4 \$4.99	13% (\$0.38)	3,933,383	3 \$5.13
5 \$6.00	842,587	0% (\$0.00)	5 \$6.00	-15% (-\$0.58)	4,962,148	
6 \$6.80	275,363	1% (\$0.04)	6 \$6.84	28% (\$1.13)	88,918	4 \$6.84
7 \$7.60	87,602	0% (\$0.00)	7 \$7.60	3% (\$0.14)	1,912,209	5 \$8.55
8 \$8.40	156,173	2% (\$0.15)	8 \$8.55	-15% (-\$0.87)	660,215	
				14% (\$0.84)	207,816	
				0% (\$0.00)	203,786	
				-10% (-\$0.76)	86,706	
				-20% (-\$1.71)	105,894	
				0% (\$0.00)	58,554	

Weighted increase 4% NZTA Indexation 2.4% Difference 1.6%

- We have the opportunity to phase price changes in the next annual fare review in March 2015 where we apply increases as per the NZTA indexation and guidelines in the RPTP
- Through indicative annual review prices the largest group of impacted passengers are mitigated

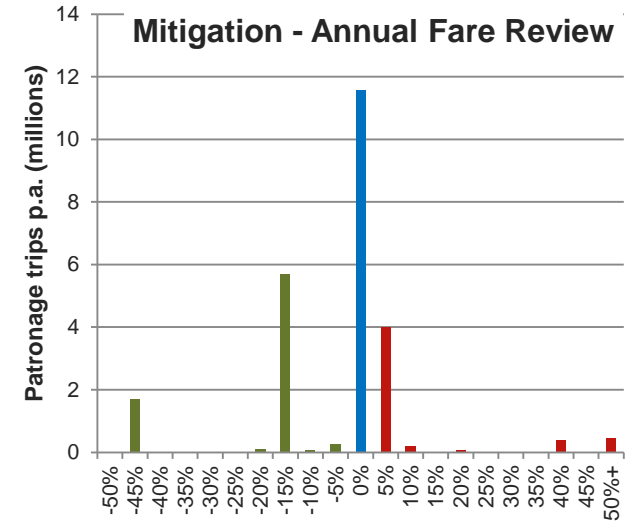
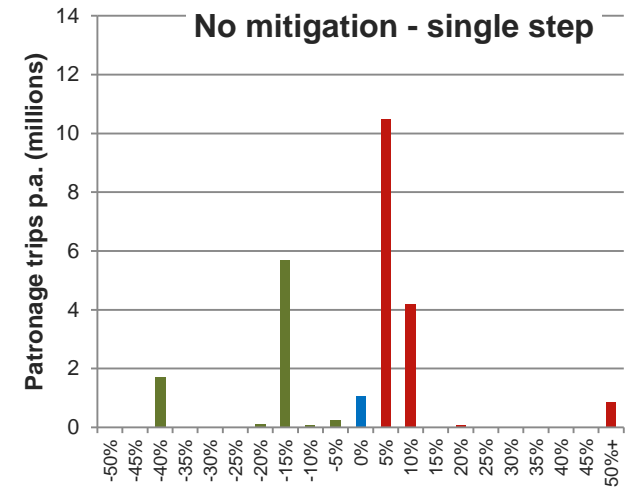


Mitigation for HOP increases: staged transition – use March 2015 annual fare review ¹⁷

Patronage retention, HOP adult fares

Current Fares	Passenger trips (stage)	Fare change	March 2015 Fare Review	Fare change	Passenger trips (zone)	Zone
CityLink \$0.00	1,053,225	0% (\$0.00)	CityLink \$0.00	0% (\$0.00)	1,084,022	CL \$0.00
CBD zone \$0.90	560,433	33% (\$0.30)	CBD \$1.20			
1 \$1.60	8,837,352	4% (\$0.05)	1 \$1.65	38% (\$0.45)	414,028	
2 \$2.95	5,472,945	3% (\$0.09)	2 \$3.04	-46% (-\$1.39)	1,699,246	1 \$1.65
3 \$4.00	4,951,449	0% (\$0.00)	3 \$4.00	9% (\$0.26)	3,993,220	2 \$3.30
4 \$4.80	2,128,065	3% (\$0.15)	4 \$4.95	-18% (-\$0.70)	5,012,326	
5 \$6.00	842,587	0% (\$0.00)	5 \$6.00	25% (\$0.95)	90,484	3 \$4.95
6 \$6.80	275,363	0% (\$0.00)	6 \$6.80	0% (\$0.00)	1,938,180	
7 \$7.60	87,602	0% (\$0.00)	7 \$7.60	-18% (-\$1.05)	666,892	
8 \$8.40	156,173	0% (\$0.00)	8 \$8.40	10% (\$0.59)	210,904	4 \$6.59
				-3% (-\$0.21)	206,335	
				-13% (-\$1.01)	87,643	
				-22% (-\$1.81)	106,901	
				-2% (-\$0.16)	59,298	5 \$8.24

Weighted increase 3% NZTA Indexation 2.4% Difference 0.6%



- As per revenue neutral, the annual fare review will move the largest group of impacted passengers to fare neutral and very few passengers with more than a 5% increase

Zonal fare impact conclusions

- By moving from 8 stages to simpler more transparent 5 zonal fares some passenger impact is unavoidable
 - The largest group of impacted passengers are 1 stage to 1 zone
 - This can be mitigated under both Revenue Neutral or Patronage Retention at the March 2015 Annual Fare Review applying Annual Fare Review guidelines in the RPTP for an increase of approximately the NZTA indexation level

This will allow us to launch Integrated Fares with a very positive fare “story” – small number of passengers will experience increases, many passengers will experience fare decreases with no penalty for transfers

Summary & next steps

- Integrated Fares has a positive BCR for 4 of the 5 modelled scenarios
- The project can be delivered within the current approved capital budget
- Without integrated fares we cannot realise the full benefit of the New Network and we will penalise passengers for transferring as part of their journey
- Recommend proceeding with the enhanced current technical solution
- Recommend proceeding based on either Revenue Neutral (no additional investment required) or Patronage Retention (\$2.75m additional investment in year 1)
 - *We can report back to the Board at key intervals throughout the Project on final zonal boundaries and any modelling updates*
- Finalise Business Case and supporting Board Paper & submit to the October Board for review and approval
- March 2015 Annual PT Fare Review using RPTP policy of fare change aligned ~ to NZTA indexation levels can be used to mitigate fare increases in Nov 2015

Additional slides

Mitigation for fare increases: staged transition – use March 2015 annual fare review 21 *both Revenue Neutral and Patronage Retention, Cash*

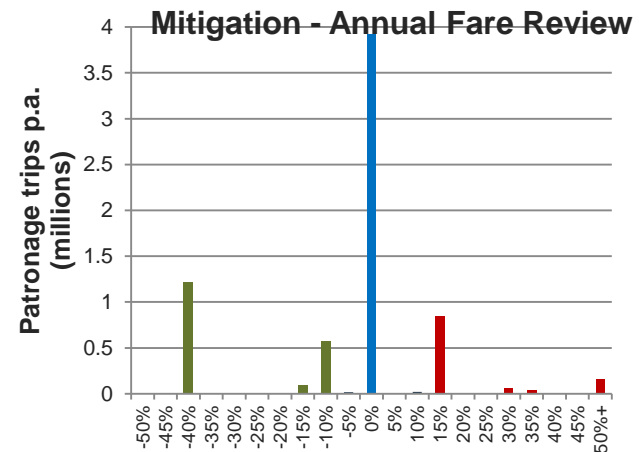
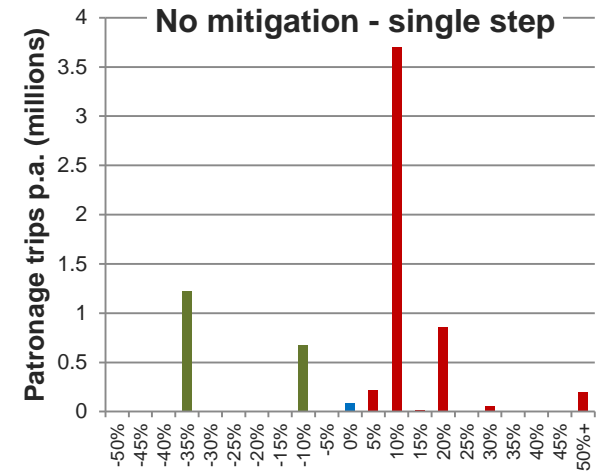
Current Fares			March 2015 Fare Review			Zone	
1	\$2.00	→	1	\$2.50	→	1	\$2.50
2	\$4.00	→	2	\$4.00	→	2	\$4.50
3	\$5.00	→	3	\$5.00	→		
4	\$6.00	→	4	\$6.50	→	3	\$6.50
5	\$7.50	→	5	\$7.50	→		
6	\$8.50	→	6	\$9.00	→	4	\$9.00
7	\$9.50	→	7	\$9.50	→		
8	\$10.50	→	8	\$11.00	→	5	\$11.00

- We can step towards the planned cash fares with \$0.50 increases to 1 Stage, 4 Stage, 6 Stage and 8 Stage fares. Other fares will be unaffected.

Mitigation for HOP increases: staged transition – use March 2015 annual fare review ²²

HOP child fares – Revenue Neutral

Current Fares	Stage	patronage	Fare change	March 2015 Fare Review	Fare change	Zone patronage	Zone
CityLink \$0.00	65,831	0% (\$0.00)	→	CityLink \$0.00	0% (\$0.00)	67,806	CL \$0.00
CBD zone \$0.54	53,817	33% (\$0.18)	→	CBD \$0.72		38,451	
1 \$0.90	3,951,502	11% (\$0.10)	→	1 \$1.00	38% (\$0.27)	3,646,506	1 \$0.99
2 \$1.66	1,933,965	2% (\$0.03)	→	2 \$1.69	1% (\$0.01)	1,216,476	2 \$1.98
3 \$2.29	744,764	0% (\$0.00)	→	3 \$2.29	-41% (-\$0.70)	841,539	3 \$2.97
4 \$2.88	302,287	2% (\$0.07)	→	4 \$2.95	17% (\$0.29)	570,495	4 \$3.96
5 \$3.55	128,3547	0% (\$0.00)	→	5 \$3.55	-14% (-\$0.31)	55,986	5 \$4.95
6 \$4.05	36,606	0% (\$0.00)	→	6 \$4.05	30% (\$0.68)	21,172	
7 \$4.56	6,119	0% (\$0.00)	→	7 \$4.56	1% (\$0.02)	14,384	
8 \$5.04	6,172	0% (\$0.00)	→	8 \$5.04	-16% (-\$0.58)	4,998	
					-21% (-\$1.08)	3,025	
					-2% (-\$0.09)	3,217	

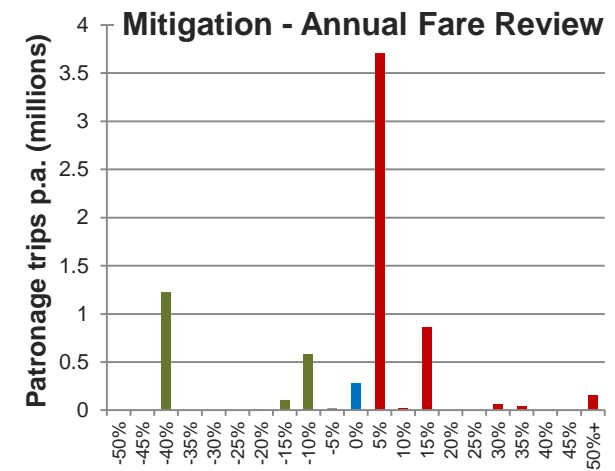
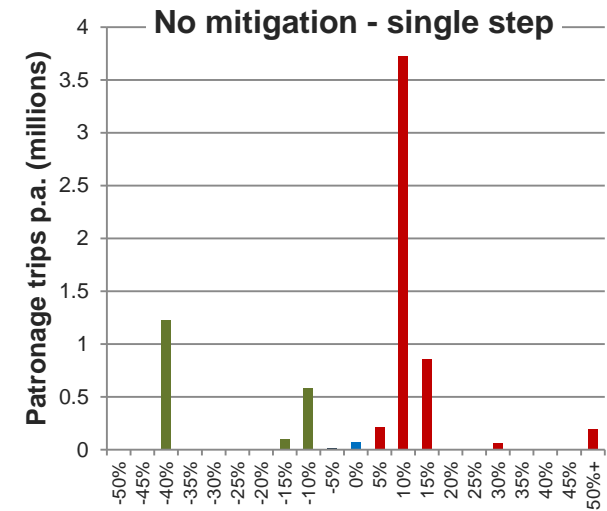


- For Children we would increase the CBD zone, 1 stage, 2 stage and 4 stage fares. Other stages would be unchanged at the Annual Fare review.

Mitigation for HOP increases: staged transition – use March 2015 annual fare review ²³

HOP child fares – Patronage Retention

Current Fares	Passenger trips (stage)	Fare change	March 2015 Fare Review	Fare change	Zone patronage	Zone
CityLink \$0.00	65,831	0% (\$0.00)	CityLink \$0.00	0% (\$0.00)	67,806	CL \$0.00
CBD zone \$0.54	53,817	33% (\$0.18)	CBD \$0.72			
1 \$0.90	3,951,502	6% (\$0.05)	1 \$0.95	38% (\$0.27)	39,758	
2 \$1.66	1,933,965	2% (\$0.03)	2 \$1.69	4% (\$0.04)	3,700,678	1 \$0.99
3 \$2.29	744,764	0% (\$0.00)	3 \$2.29	-41% (-\$0.70)	1,224,735	2 \$1.98
4 \$2.88	302,287	3% (\$0.09)	4 \$2.97	17% (\$0.29)	855,577	
5 \$3.55	128,3547	0% (\$0.00)	5 \$3.55	-14% (-\$0.31)	576,623	3 \$2.97
6 \$4.05	36,606	0% (\$0.00)	6 \$4.05	30% (\$0.68)	57,044	
7 \$4.56	6,119	0% (\$0.00)	7 \$4.56	0% (\$0.00)	213,386	4 \$3.96
8 \$5.04	6,172	0% (\$0.00)	8 \$5.04	-16% (-\$0.58)	99,439	
				12% (\$0.41)	21,492	
				-2% (-\$0.09)	14,565	
				-13% (-\$0.60)	5,052	
				-21% (-\$1.08)	3,054	
				-2% (-\$0.09)	3,258	5 \$4.95

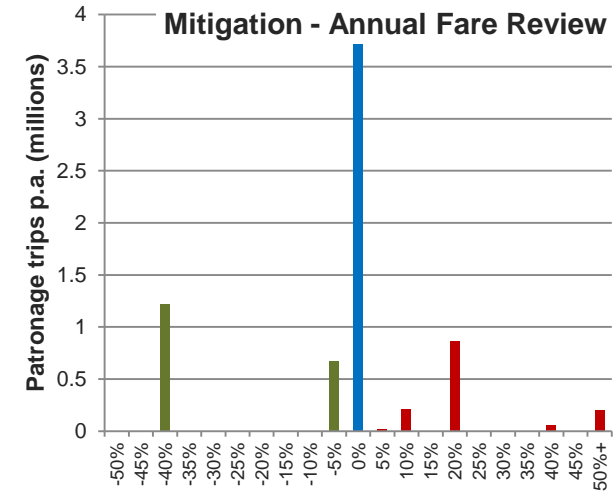
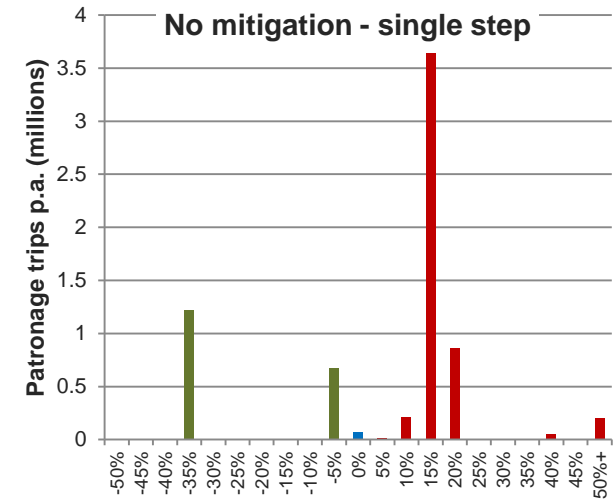


- For Children we would increase the CBD zone, 1 stage, 2 stage and 4 stage fares. Other stages would be unchanged at the Annual Fare review.

Mitigation for HOP increases: staged transition – use March 2015 annual fare review ²⁴

HOP tertiary fares – Revenue Neutral

Current Fares	Stage	patronage	Fare change	March 2015 Fare Review	Fare change	Zone patronage	Zone
CityLink \$0.00	638,442	0% (\$0.00)	→	CityLink \$0.00	0% (\$0.00)	67,806	CL \$0.00
CBD zone \$0.90	361,417	0% (\$0.00)	→	CBD \$0.90			
1 \$1.17	2,807,234	16% (\$0.19)	→	1 \$1.36	52% (\$0.47)	38,451	
2 \$2.21	2,939,845	3% (\$0.06)	→	2 \$2.27	1% (\$0.01)	3,646,506	1 \$1.37
3 \$2.92	3,334,336	0% (\$0.00)	→	3 \$2.92	-40% (-\$0.90)	1,216,476	2 \$2.74
4 \$3.64	1,726,393	2% (\$0.06)	→	4 \$3.70	21% (\$0.47)	855,577	3 \$4.11
5 \$4.42	881,129	0% (\$0.00)	→	5 \$4.42	-6% (\$0.18)	570,495	
6 \$5.08	209,958	0% (\$0.00)	→	6 \$5.08	41% (\$1.19)	55,986	
7 \$5.85	31,006	0% (\$0.00)	→	7 \$5.85	11% (\$0.41)	210,527	
8 \$6.69	62,462	0% (\$0.00)	→	8 \$6.69	-7% (-\$0.31)	98,426	
					24% (\$1.05)	21,172	
					8% (\$0.39)	14,384	4 \$5.47
					-6% (-\$0.38)	4,998	
					-18% (-\$1.22)	3,025	
					2% (\$0.15)	3,217	5 \$6.84

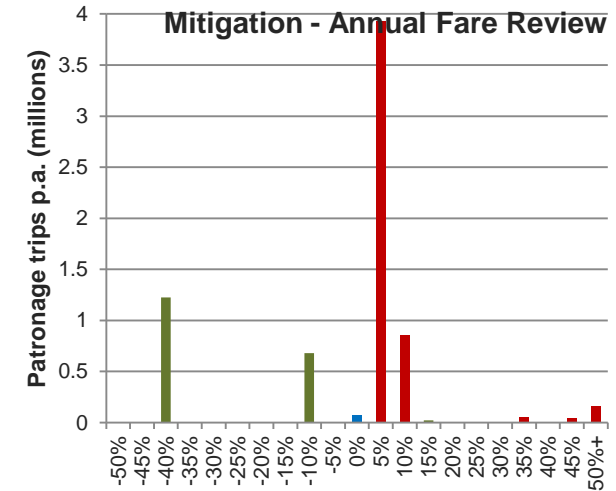
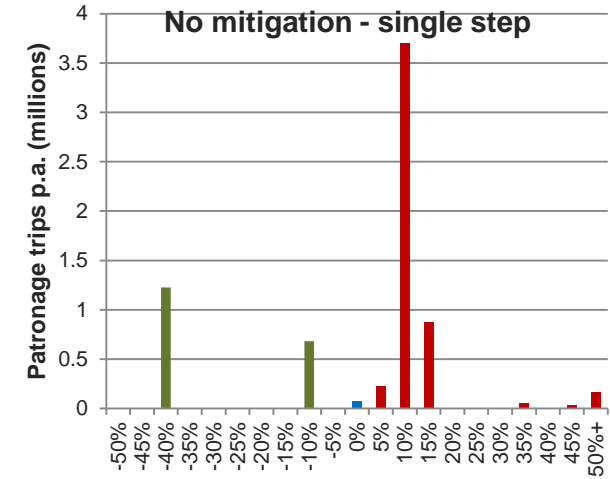


- For Tertiary we would increase the 1 stage, 2 stage and 4 stage fares. Other stages would be unchanged at the Annual Fare review.

Mitigation for HOP increases: staged transition – use March 2015 annual fare review ²⁵

HOP tertiary fares – Patronage Retention

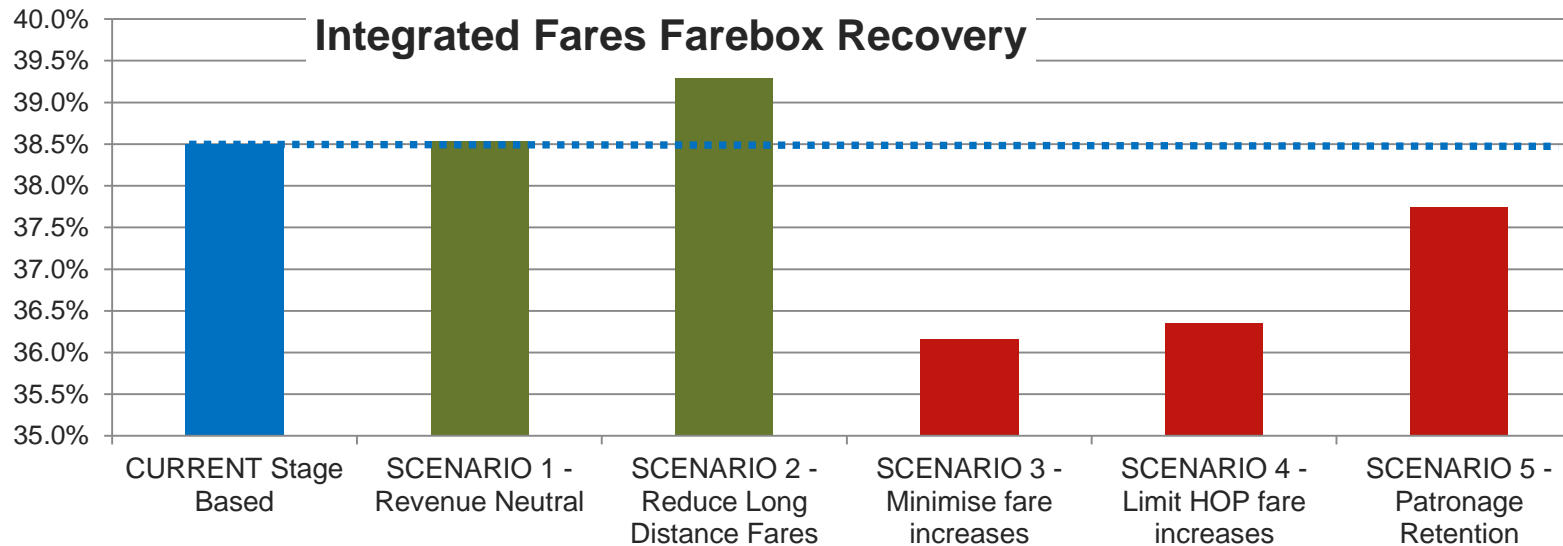
Current Fares	Passenger trips (stage)	Fare change	March 2015 Fare Review	Fare change	Zone paronage	Zone
CityLink \$0.00	638,442	0% (\$0.00)	CityLink \$0.00	0% (\$0.00)	67,806	CL \$0.00
CBD zone \$0.90	361,417	0% (\$0.00)	CBD \$0.90			
1 \$1.17	2,807,234	6% (\$0.07)	1 \$1.24	47% (\$0.42)	39,758	
2 \$2.21	2,939,845	5% (\$0.11)	2 \$2.32	6% (\$0.08)	3,700,678	1 \$1.32
3 \$2.92	3,334,336	0% (\$0.00)	3 \$2.92	-43% (-\$1.00)	1,224,735	2 \$2.64
4 \$3.64	1,726,393	4% (\$0.16)	4 \$3.80	14% (\$0.32)	855,577	3 \$3.96
5 \$4.42	881,129	0% (\$0.00)	5 \$4.42	-10% (\$0.28)	576,623	
6 \$5.08	209,958	0% (\$0.00)	6 \$5.08	36% (\$1.04)	57,044	4 \$5.28
7 \$5.85	31,006	0% (\$0.00)	7 \$5.85	4% (\$0.16)	213,386	
8 \$6.69	62,462	0% (\$0.00)	8 \$6.69	-10% (-\$0.46)	99,439	5 \$6.59
				19% (\$0.86)	21,492	
				4% (\$0.20)	14,565	
				-10% (-\$0.57)	5,052	
				-21% (-\$1.41)	3,054	
				-1% (-\$0.10)	3,258	



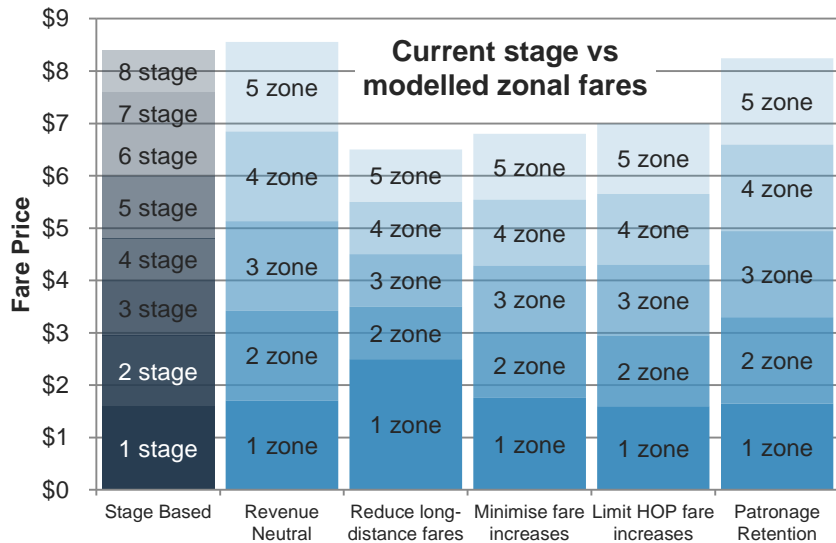
- For Tertiary we would increase the 1 stage, 2 stage and 4 stage fares. Other stages would be unchanged at the Annual Fare review.

Farebox recovery implications

- See below the farebox recovery implications for all 5 modelled scenarios
- Note that this reflects only Bus and Rail farebox, and excludes supergold, CFD and Ferry
- Scenario 1 (revenue neutral) maintains current farebox recovery, scenario 2 improves farebox recovery, while scenarios 3, 4 and 5 all reduce farebox recovery widening the gap from the NZTA target

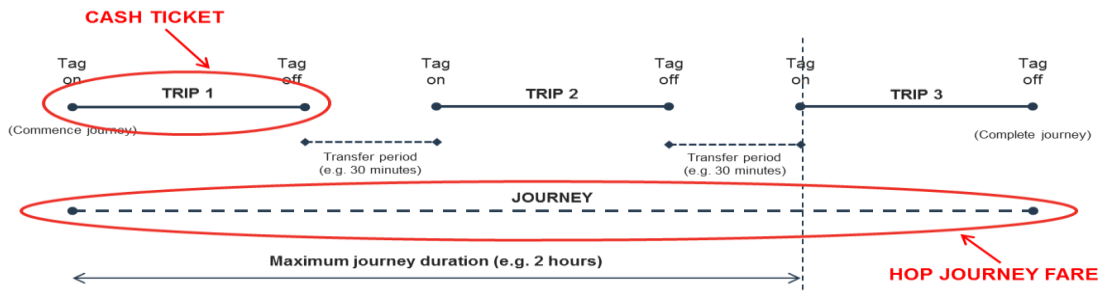
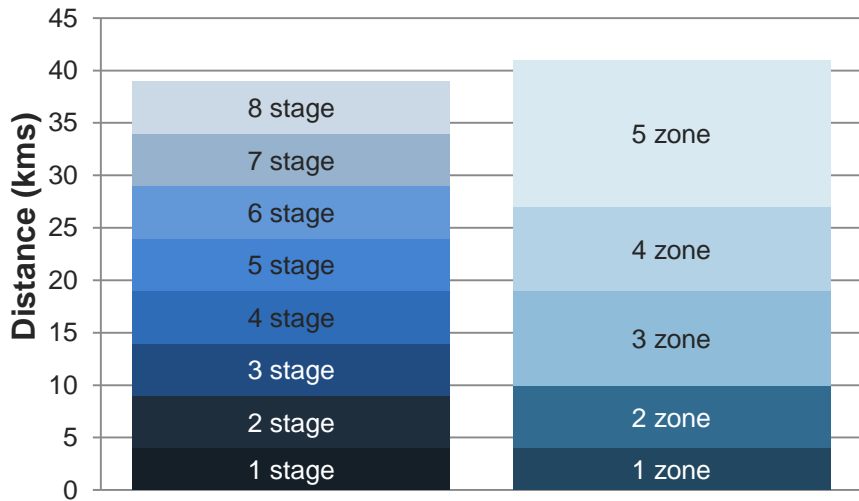


A reminder of why we are moving to integrated zonal fares



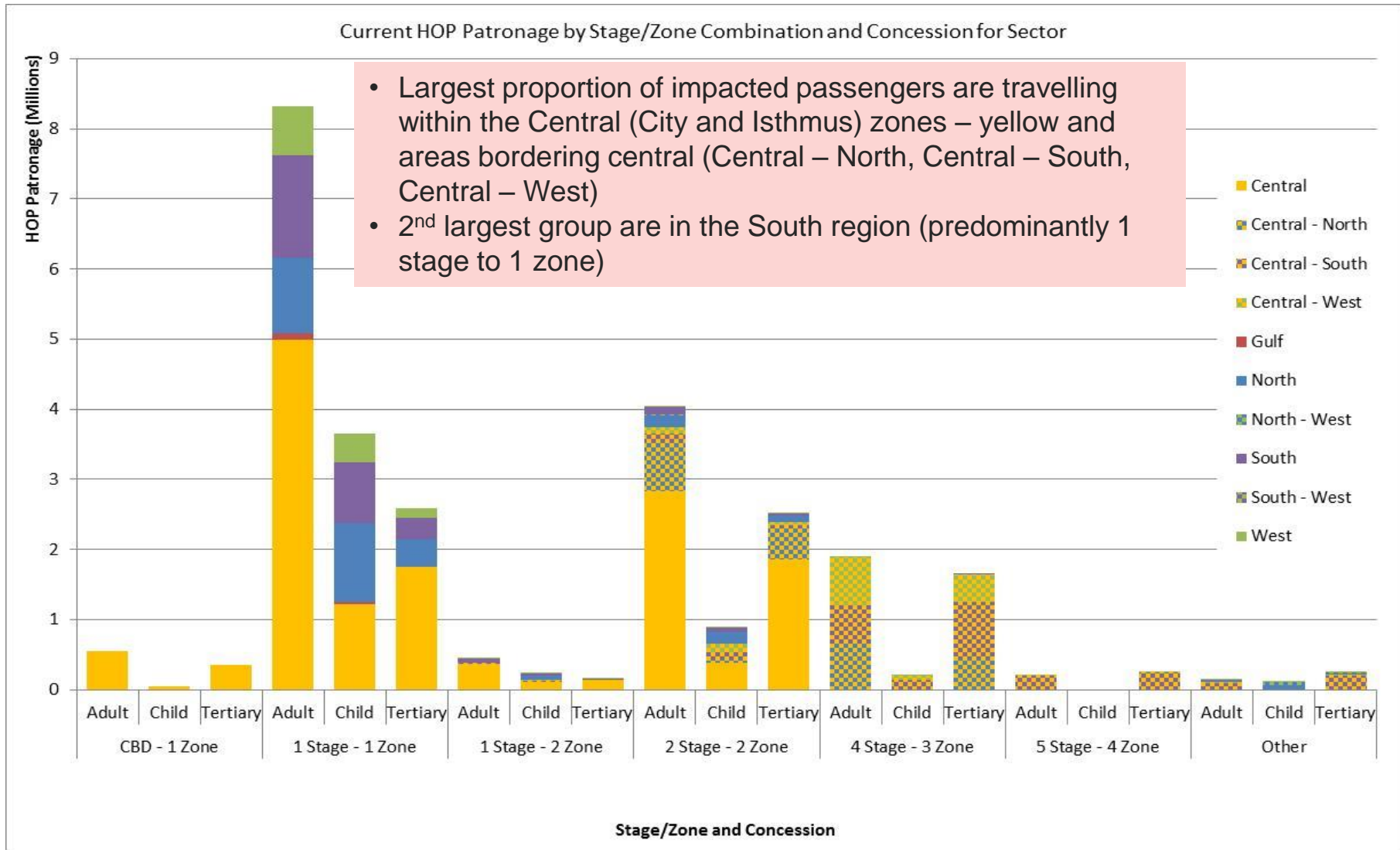
- Zonal fares are simpler and more transparent
 - but 8 stages to 5 zonal fares makes some fare impact unavoidable without major revenue loss
- “Single journey” was a single trip and will be a 2 hour journey of up to 3 legs with no penalty for transfer
 - New Network creates a connected network
 - More journey options that require transfer

Distance to boundary - Stage vs zonal For Trip from City to South Auckland



Zonal fare increases by stage-zone and location

Both Patronage Neutral & Patronage Retention (all passenger types)



Fare impact mitigation – expanded city zone



- The city zone boundary is based on the current 1 stage boundary
- A new boundary would follow more logical geographic boundaries (St Lukes Rd, Balmoral Rd, etc) and would be simpler to communicate
- Enhanced value proposition for a 1 zone fare

- We have modelled the impact this enlargement would have on revenues, patronage and passenger impact. Key conclusions were:
 - AT would lose around \$1m p.a. in revenue unless we increased fares by \$0.02 to compensate
 - 2% patronage converted from fare increase to fare decrease (approximately 750,000 passenger trips pa)