

# Appendix 1: Draft NZTA Farebox Recovery Policy

<p><b>Introduction</b></p>	<ol style="list-style-type: none"> <li>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’.</li> <li>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.</li> <li>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’.</li> <li>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.</li> </ol>
<p><b>Objectives</b></p>	<p>The objectives of the NZTA Farebox Recovery Policy are to:</p> <ul style="list-style-type: none"> <li>• improve the effectiveness and efficiency of public transport services in New Zealand</li> <li>• ensure the costs and benefits of public transport services are fairly apportioned between public transport users and non-users.</li> </ul>
<p><b>Principles</b></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"> <li>• 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.</li> <li>• The cost of providing public transport services should be shared fairly between users, ratepayers and contributors to the National Land Transport Fund.</li> </ul>
<p><b>Interpretation</b></p>	<p><b>ARTA</b> 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><b>Farebox</b> 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><b>Farebox recovery ratio</b> 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><b>Farebox Recovery Policy</b> means a policy adopted by a regional council complying with this policy.</p>

	<p><b>Fare structure</b> is the structural approach taken to fares and the specific fare levels. It refers to a flat or distance-based structure, with consideration for zones, sectors, trip kilometres or point-to-point fares. Further differentiation within a fare structure could be different fares for different times of the day, different levels of service, or fares designed to cater for a particular market such as tourists.</p> <p><b>Regional council</b> means a regional council within the meaning of the Local Government Act 2002, and includes ARTA, but excludes the Auckland Regional Council and the Waikato Regional Council (in respect of that part of its region within Franklin District).</p> <p><b>Service</b> means a public transport service operating on a distinct route.</p>
<b>Commencement</b>	This Policy will take effect from 1 March 2010.
<b>Minimum requirements</b>	
<b>Section 1 Funding policy</b>	<ol style="list-style-type: none"> <li>1. The NZTA intends that: <ol style="list-style-type: none"> <li>a. regional councils have a farebox recovery policy in place for public transport services</li> <li>b. each farebox recovery policy conforms at a minimum to the requirements set out below</li> <li>c. regional councils will achieve the farebox recovery ratio target set out in section 3 below within three years.</li> </ol> </li> <li>2. ARTA and regional councils must include a farebox recovery policy in their respective regional public transport plans.</li> </ol>
<b>Section 2 Farebox recovery policy content</b>	<ol style="list-style-type: none"> <li>1. A farebox recovery policy must at a minimum include the following: <ol style="list-style-type: none"> <li>a. the contribution it makes to the strategic goals of the organisation</li> <li>b. the contribution it makes to the objectives of the LTMA and the impacts of the current Government Policy Statement on Land Transport Funding 2009/10-2018/19</li> <li>c. the contribution it makes to improve the efficiency and effectiveness of the public transport system</li> <li>d. a farebox recovery ratio target or target range in accordance with section 3 below</li> <li>e. any relevant transition period.</li> </ol> </li> <li>2. A farebox recovery policy must include an explanation of why a particular farebox recovery ratio target or target range has been chosen, and how it will be applied, including its role and assessment in fare reviews.</li> </ol>

<p><b>Section 3</b></p> <p><b>Farebox recovery ratio target</b></p>	<p><b>Option 1</b></p> <ol style="list-style-type: none"> <li>1. Regional councils must set a farebox recovery ratio target for the public transport network as a whole.</li> <li>2. Regional councils may set a target range rather than a single target figure.</li> <li>3. The target must be consistent with the objectives and principles of this Policy.</li> <li>4. New services should aim to meet a 25 percent farebox recovery ratio within two to three years from the date the service commenced.</li> <li>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.</li> </ol> <p><b>Option 2</b></p> <ol style="list-style-type: none"> <li>1. Regional councils must set a farebox recovery ratio target for the public transport system as a whole.</li> <li>2. ARTA, Greater Wellington Regional Council and Environment Canterbury shall set a farebox recovery ratio of no less than 50 percent.</li> <li>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.</li> <li>4. All other regional councils must set their own farebox recovery ratio target, consistent with the objectives and principles of this policy.</li> <li>5. The NZTA may at its discretion approve an alternative farebox recovery ratio target.</li> <li>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"> <li>a. evidence that the efficiency of operating costs has been maximised</li> <li>b. evidence that further improvement to ridership numbers is unlikely</li> <li>c. evidence that increasing fare prices will make the service or services unaffordable, significantly impact ridership or lead to significantly reduced levels of service</li> <li>d. an assessment of the impact that higher fares or reduced services are likely to have on the transport disadvantaged</li> <li>e. any other information deemed appropriate by the NZTA.</li> </ol> </li> <li>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.</li> </ol>
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<p><b>Section 4</b> <b>Operating principles</b></p>	<ol style="list-style-type: none"> <li>1. The following intervention hierarchy must be applied when considering improvements to the farebox recovery ratio: <ol style="list-style-type: none"> <li>a. improving operating efficiency</li> <li>b. improving ridership productivity</li> <li>c. increasing fare prices.</li> </ol> </li> <li>2. It is desirable that any changes to fare prices be managed incrementally.</li> </ol>																																		
<p><b>Section 5</b> <b>Farebox recovery ratio formula</b></p>	<ol style="list-style-type: none"> <li>1. The farebox recovery ratio (FRR) must be calculated using the formula below: <div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> <math display="block">FRR = (F_T + S_3) / (F_N + S_T)</math> </div> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: black; color: white;"> <th colspan="2">Definitions and data requirements</th> </tr> <tr style="background-color: #f2f2f2;"> <th>Item</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td><b>Farebox revenues</b></td> <td></td> </tr> <tr> <td><math>F_N</math> Farebox revenues</td> <td>Farebox revenues – net contract + commercial services</td> </tr> <tr> <td><math>F_G</math> Farebox revenues</td> <td>Farebox revenues – gross contract services</td> </tr> <tr> <td><math>F_T</math> Total farebox revenues</td> <td><math>F_N + F_G</math></td> </tr> <tr> <td><b>Operating subsidies</b></td> <td>Cover total payments to operators, from whatever source (apart from farebox)</td> </tr> <tr> <td><math>S_1</math> Contract payments</td> <td>Contracted services</td> </tr> <tr> <td><math>S_2</math> Concession fare payments</td> <td>Contracted and commercial services (as applicable)</td> </tr> <tr> <td><math>S_3</math> SuperGold card payments</td> <td>Contracted and commercial services</td> </tr> <tr> <td><math>S_T</math> Total subsidy payments</td> <td><math>S_1 + S_2 + S_3</math></td> </tr> </tbody> </table> <p><b>NOTES</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: black; color: white;"> <th>Issue</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td>Operating subsidies</td> <td>As direct cost information is not generally available, operator incomes (from farebox revenue and public funding) are used as a proxy for operator costs, including profit margins.</td> </tr> <tr> <td>SuperGold card revenue</td> <td>Treated as fare revenue. It is Crown support to SuperGold card holders to replace the fares they would have paid on public transport services.</td> </tr> <tr> <td>Free services</td> <td>Must be included in ‘contract payments’.</td> </tr> <tr> <td>Commercial services’ farebox revenue</td> <td>Can be obtained from operators using section 14 of the Public Transport Management Act 2008. Alternatively, this can be calculated by: commercial services patronage × average fare on contracted services.</td> </tr> <tr> <td>School services funded by regional authorities</td> <td>To be included in ‘contract payments’.</td> </tr> </tbody> </table> </li> <li>2. The farebox recovery policy must set out how the regional councils will obtain data on the relevant commercial services operating in their jurisdiction (eg section 14 of the Public Transport Management Act 2008).</li> </ol>	Definitions and data requirements		Item	Notes	<b>Farebox revenues</b>		$F_N$ Farebox revenues	Farebox revenues – net contract + commercial services	$F_G$ Farebox revenues	Farebox revenues – gross contract services	$F_T$ Total farebox revenues	$F_N + F_G$	<b>Operating subsidies</b>	Cover total payments to operators, from whatever source (apart from farebox)	$S_1$ Contract payments	Contracted services	$S_2$ Concession fare payments	Contracted and commercial services (as applicable)	$S_3$ SuperGold card payments	Contracted and commercial services	$S_T$ Total subsidy payments	$S_1 + S_2 + S_3$	Issue	Notes	Operating subsidies	As direct cost information is not generally available, operator incomes (from farebox revenue and public funding) are used as a proxy for operator costs, including profit margins.	SuperGold card revenue	Treated as fare revenue. It is Crown support to SuperGold card holders to replace the fares they would have paid on public transport services.	Free services	Must be included in ‘contract payments’.	Commercial services’ farebox revenue	Can be obtained from operators using section 14 of the Public Transport Management Act 2008. Alternatively, this can be calculated by: commercial services patronage × average fare on contracted services.	School services funded by regional authorities	To be included in ‘contract payments’.
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<p><b>Section 6</b> <b>Fare reviews</b></p>	<ol style="list-style-type: none"> <li>1. ARTA and regional councils must: <ol style="list-style-type: none"> <li>a. annually review fare price levels, discounts and ticket types within the existing fare structure</li> <li>b. review fare structures at a minimum once every three years.</li> </ol> </li> <li>2. Nothing in this policy compels ARTA or regional councils to increase average fare prices on an annual basis.</li> </ol>
<p><b>Section 7</b> <b>Reporting</b></p>	<ol style="list-style-type: none"> <li>1. The farebox recovery policy must provide for the following information to be supplied to the NZTA on an annual basis: <ol style="list-style-type: none"> <li>a. the aggregate farebox recovery ratio across the organisation's public transport network</li> <li>b. the aggregate farebox recovery ratio for each centre within an organisation's region</li> <li>c. farebox recovery ratio by mode (ie bus, rail and ferry)</li> <li>d. the farebox recovery ratio and services where the ratio is falling below 25 percent.</li> </ol> </li> </ol>