



# Background Note

**From:** Tass Larsen, Manager Projects and Planning  
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**Subject:** **Tertiary student concessions – background information**  
Update of previous advice

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## Tertiary travel within Wellington

There is very little accurate data around current public transport usage in Wellington by tertiary students, as they don't currently have a fare product that we can report on. There are approximately 22,000 full time and 4,500 part time students at Victoria and Massey Universities in Wellington who currently pay adult fares to use public transport.

The following information is based on information from the Victoria University transport study carried out in 2007 for their transport plan which gave figures for the percentage of students travelling to University by bus, rail, car or walking. The financial modelling of introducing a tertiary fare is based on the following assumptions:

- around 22% of students travel by rail and 26% by bus.
- each student using public transport takes 8 single trips per week
- students attend university for 75% of the year.

An approximate estimate of the number of rail and bus trips undertaken per year by tertiary students has been made by the modelling team as:

- 1.6m student rail trips each year (15% of all rail trips)
- 1.8m student bus trips (7% of all bus trips).

Overall, tertiary travel represents around 10% of all PT trips within the region.

In order to estimate the impact that reducing tertiary fares might have upon both demand and patronage, elasticities of -0.25 and -0.4 were applied to tertiary rail and bus trips respectively. Using these proportions as an approximation of the use of public transport by all tertiary students, then the following table shows change to the general fares are required to maintain current revenue, and the potential overall reduction in revenue if general fares are not altered.

Potential tertiary student discount	Increase to current adult fares for revenue neutral scenario	Estimated change in tertiary student patronage	Approximate reduction in revenue if no adult fare increase
25%	3%	7%	\$1.5m
33%	4%	10%	\$2.0 m
50%	7%	14%	\$4.0m

## Off peak fare

Off peak fares may be an alternative to providing a tertiary student discount. Victoria University indicated that an off peak fare was preferable to a concession for under 20 year olds as many first years students live in halls of residence which are within walking distance of the university campuses.

The patronage and revenue impacts of an off peak fare at all times outside the morning and afternoon peak periods have been modelled. In addition, two options have been modelled to assess how an off peak differential is generated, either that

- peak fares were increased to create the differential for a revenue neutral scenario, or
- the off peak fares were discounted from the current fare.

Using fare elasticities of -0.3 in the morning peak and -0.5 in the inter-peak the impact on patronage for each of the options is shown below:

Peak / off peak differential	Modelled peak fare increase for revenue neutral scenario	Estimated increase in patronage for revenue neutral scenario		Approximate reduction in revenue if no peak fare increase	Estimated increase in patronage if no peak fare increase	
		Bus	Rail		Bus	Rail
25%	8%	3.6%	-0.5%	\$4.5m	6.4%	0%
50%	21%	5.5%	-0.8%	\$12.0m	12.8%	2.9%

It is important to note that the modelling shows revenue impact to the complete system. In the current contracting environment, both the revenue neutral and peak fare increase scenarios have potential financial consequences for the Council, as the gains / losses are shared unequally by the Council and the operators. This would impact on the timing of any discount – to be affordable, a discount would need to be negotiated with operators, or introduced under the new contacts.

Assuming the current NZTA financial assistance rates and mix of gross and net contracts, the financial impact of a 25% differential is estimated to be equivalent to be around 4% on the regional rates if the peak fare remains at current levels. For a larger 50% differential with no peak fare increase, the impact on the regional rates would increase to around 8.5% (indicative figures only).

### Auckland Tertiary Concession

Prior to 2008, Auckland had a tertiary discount of 20% off the cash fare (equivalent to 11% off multi-trip). The discount is funded by reimbursement from Auckland Transport to operators in the same way as child fares. Use was approx 1.5 million trips per year.

In 2008, the discount was increased to 40% off (equivalent to 33% off the multi-trip fare), and made easier to access, available for more of the year, and aggressively marketed as part of the travel plan process. 40% was chosen to be consistent with the child fare.

- At the time it was announced, the NZ Herald reported it was expected to have an annual subsidy cost of \$1.1 million, and lead to an additional 250,000 trips a year ie 1.75 million total.
- After 2.5 years, take up was 4.3 million trips (ie an increase of 2.8 million trips) for the 12 months to June 2010. This was 7.2% of the total patronage in Auckland.

In 2012 Auckland Transport reduced the discount to 38%. In June 2013 Auckland Transport announced a further reduction to 35%.

Auckland Transport has announced it will review all concession levels and eligibility after integrated ticketing is implemented, specifically including a possible change to the SuperGold card discount in the afternoon peak, and a review of tertiary discounts and eligibility. At a minimum for tertiary fares this is likely to involve tightening up eligibility and enforcement.

## Availability of tertiary student concessions around New Zealand

The following is based on fare information available on the web.

Region	Tertiary concession	Description
Bay of Plenty	Yes in some towns; varies across the region	Murupara and Tauranga: 40% discount Rotorua: None Te Puke: 33% discount
Horizons	Yes – with subsidy by UCOL and Massey Universities	UCOL and Massey staff and students have free bus travel within Palmerston North and Wanganui
Auckland	Yes – on most services	Reported as 35% discount from equivalent adult cash fare, not listed online
Taranaki	Yes – New Plymouth only	25% discount on adult cash fare; 33% discount on smart card fare within New Plymouth only
Hawkes Bay	Yes	Tertiary students eligible for 33% discount from adult cash or smart card fare.
Tasman / Nelson	Yes	\$0.50 discount from adult cash fare (equivalent to between a 12.5% and 20% discount) \$1.50 to \$0.50 on 10 trip cost of \$20 to \$32 (equivalent to between a 1.5% and 7% discount)
Otago	No concession funded by ORC. Operator concession on one route (Forth Street to Concord)	Operator concession available only on weekly or monthly pass with 33% and 38% discount from multi-trip fare.
Canterbury	No	
Gisborne	No	
Marlborough	No	
Northland	No	
Southland	No	
Waikato	No	
Wellington	No GWRC funded concession Operator concessions on Cable Car and Ferry, university subsidised trips between Kelburn and downtown campus	East by West Ferry provide a 20-30% discount Cable Car – students receive the same fares as children, a 38-48% discount on the adult fare