

In Confidence

Office of the Associate Minister of Transport
Chair
Cabinet Economic Development Committee

GREEN TRANSPORT CARD INVESTIGATION FINDINGS

Proposal

1. This paper asks the Cabinet Economic Development Committee to note the findings of an investigation into a Green Transport Card scheme (the scheme) to reduce the costs of public transport for Community Services Card (CSC) holders.
2. It seeks Cabinet agreement to begin establishing the scheme, using existing Budget funding allocated for 2019/20.
3. It also seeks Cabinet in-principle agreement to implement the scheme from 2020/21 onwards, subject to funding approval in Budget 2020.

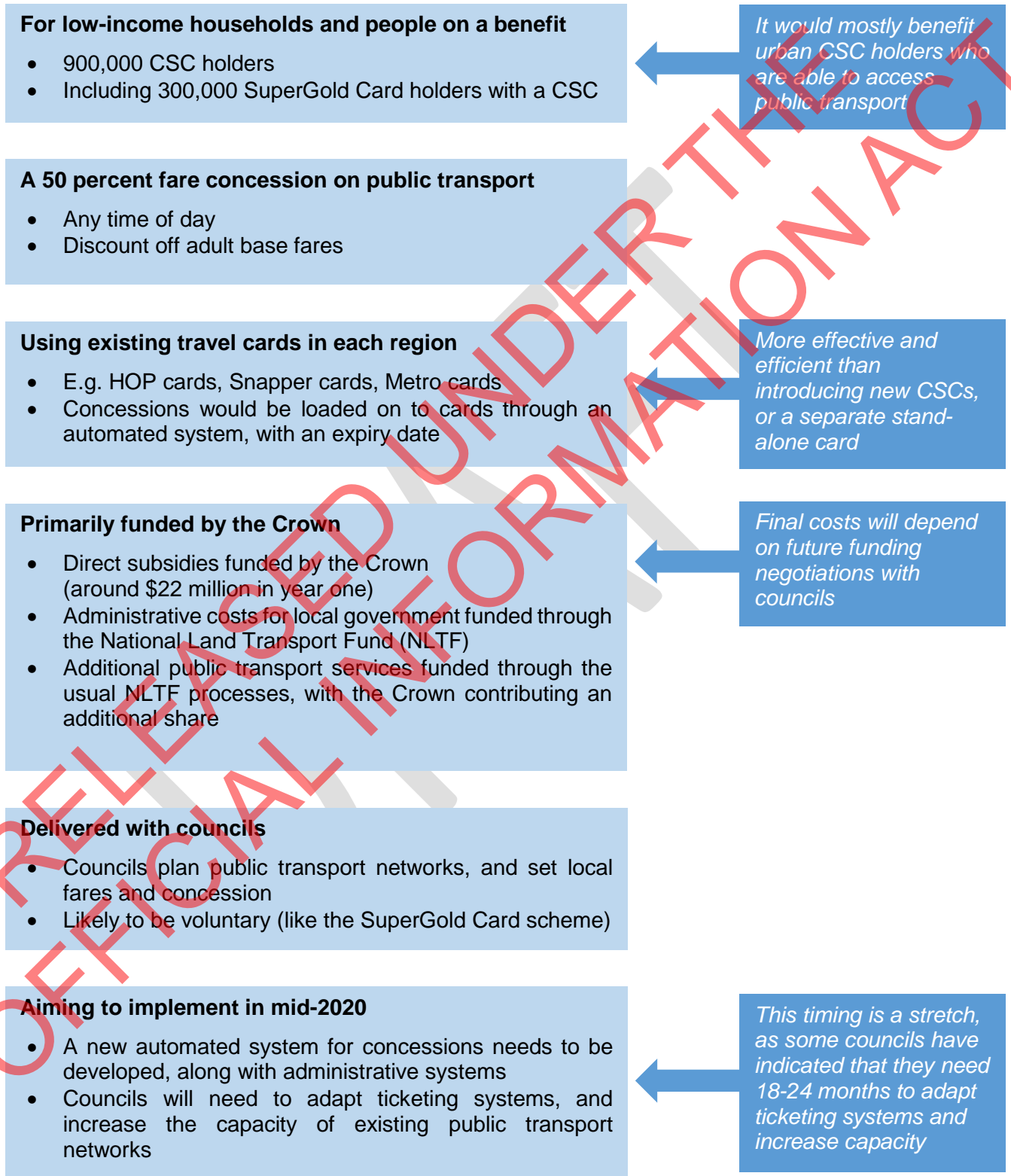
Executive summary

4. I am reporting back to Cabinet on an investigation to reduce the cost of public transport for low-income households, and people on a benefit.
5. The scheme would improve well-being by making it more affordable for these people to access social and economic opportunities via public transport.
6. It would also deliver co-benefits for improving people's health, reducing greenhouse gas emissions, and managing congestion, by supporting public transport as a preferred mode of urban travel.
7. The scheme would be targeted at approximately 900,000 CSC holders, including 300,000 SuperGold Card holders who are entitled to a CSC card.
8. It would address a gap in public transport fare concessions for low-income people who often experience transport disadvantages, and assist the Government to meet its broader transport agenda.
9. It would primarily benefit CSC holders in urban areas who are able to use public transport. Other initiatives would be needed to make access more inclusive for CSC holders who are unable to access conventional public transport services, such as people in rural areas and some people with disabilities.

10. Three concession options for CSC holders were investigated.
 - **Option 1:** fare-free travel on public transport during off-peak periods only
 - **Option 2:** 50 percent discount on base fares, at any time of the day
 - **Option 3:** a public transport allowance (e.g. a \$100-\$200 credit per year)
11. The investigation found that option 2 would deliver the best mix of benefits and value, and was the option most favoured by councils involved in the investigation. In comparison, option 1 would offer low benefits, at a significantly higher cost. Option 3 might be a feasible alternative, but has additional uncertainties and risks.
12. Based on the investigation, I recommend pursuing option 2 if Cabinet supports the policy to establish and implement the scheme, subject to funding approval in Budget 2020.
13. Government would need to keep working closely with councils to deliver the scheme, as regional councils are responsible for setting local public transport fares and concessions.
14. Councils were supportive of the investigation. Their main concern is that the scheme should not transfer costs to local government, and that there needs to be sufficient lead-in time to prepare. Greater Wellington Regional Council (GWRC) is particularly concerned about the impact of the scheme on its bus network, and indicated that it could take two years to resolve its capacity issues.
15. The scheme would primarily be funded by the Crown. Direct fare subsidies would cost an estimated \$22 million in the first year, if the 50 percent concession option is implemented. The Crown would also face additional costs - in particular, councils are likely to seek a contribution from the Crown towards the costs of increasing the capacity of public transport networks to meet passenger demand driven by the scheme. These costs would need to be negotiated with councils before final costs can be confirmed and accounted for.
16. I am seeking Cabinet agreement to begin establishing the scheme, funded through \$4.64 million already allocated to establish the scheme in Budget 2019/20.
17. I am also seeking Cabinet in-principle agreement to implement the scheme from 2020/21 onwards, subject to funding approval in Budget 2020. If Cabinet agrees to support the policy of implementing the scheme, Ministry of Transport (the Ministry) officials will prepare a Budget initiative for Budget 2020 to confirm the amount of funding required.
18. Councils involved in the investigation indicated that they would require at least 18-24 months to implement the scheme. I intend to negotiate tighter timeframes with councils to meet the mid-2020 target. This may require regional phasing of the scheme.

19. Figure 1 highlights key features of the scheme that I recommend.

Figure 1: Overview of the proposed scheme



Purpose of the proposed scheme

20. The scheme primarily aims to improve the well-being of many low-income households and people on a benefit, by making public transport more affordable for these people.
21. It also aims to deliver co-benefits for improving people's health, reducing greenhouse gas emissions, and managing congestion, by supporting public transport as a preferred mode of urban travel.

Background to the investigation into the scheme

22. The Confidence and Supply Agreement between the Labour Party and the Green Party included an agreement to:

Investigate a Green Transport Card as part of work to reduce the cost of public transport, prioritising people in low-income households and people on a benefit.

23. On 3 April 2019, I advised Cabinet on the approach for this investigation (DEV-19-MIN-0051 refers). Cabinet noted:

- 23.1. the scheme would deliver significant social, health, and environmental benefits
- 23.2. the intention was to target the scheme at CSC holders and their dependents
- 23.3. the relationship with the SuperGold Card would be clarified during the investigation
- 23.4. a Budget initiative for the scheme had been submitted to the Treasury
- 23.5. the investigation would be completed in mid-2019
- 23.6. I would report back to Cabinet on the findings of this investigation.

24. Cabinet subsequently agreed to set aside \$4.64 million of Budget funding in 2019/20 to establish the scheme. This funding was to “enable the policy development” of the scheme, and to “establish operational systems (e.g. card development, administration, and production costs) for [the scheme], for use in the future”.

25. Budget funding was contingent on completing this investigation by mid-2019, and Cabinet agreeing to support the policy of implementing the scheme.

Scope of the investigation

26. The investigation covered the following:
 - the case for the scheme
 - implementation challenges and opportunities

- benefits and costs
 - whether to include dependents of CSC holders
 - funding principles.
27. Three options were investigated for CSC holders using public transport.
- **Option 1:** fare-free travel, during off-peak periods only.
 - **Option 2:** 50 percent concession on base fares, at any time of day.¹
 - **Option 3:** a public transport allowance (e.g. a \$100-\$200 credit per year).
28. The investigation excluded an option of providing fare-free travel at any time of day, due to concerns about costs and impacts on public transport network capacities.

The investigation involved multiple agencies and local government

29. The Ministry of Transport-led investigation was guided by a governance group, and assisted by a working group. These groups involved representatives from Auckland Transport, Environment Canterbury, Greater Wellington Regional Council (GWRC), Hawke's Bay Regional Council, Horizons Regional Council, Marlborough District Council, Nelson City Council, Local Government New Zealand (LGNZ), the New Zealand Transport Agency (NZTA), the Ministry of Health (MoH), the Ministry of Social Development (MSD), and the Treasury.
30. Local government involvement in the investigation was vital, as regional councils plan and co-fund public transport networks. Councils also set local public transport fares and concessions.

The scheme would target CSC holders

31. CSC holders include people who receive a benefit from Work and Income, such as recipients of an accommodation supplement or a disability allowance, people without paid work, low-income families, people living in social housing, tertiary students that are eligible for a student allowance, and refugees.
32. There are approximately 900,000 CSC holders in New Zealand. A third of these people also have a SuperGold Card.²

¹ Base fares are standard adult fares before any discounts have been applied.

² SuperGold Card holders with a CSC have a 'SuperGold-CSC combo card' that entitles them to the benefits of both cards.

I expanded the scope to include SuperGold Card holders who have a CSC in the scheme

33. I previously advised Cabinet (DEV-19-MIN-0051 refers) that SuperGold Card holders with a CSC would be excluded from the scheme, as these people can already use their SuperGold Card to travel fare-free during off-peak periods.
34. I now recommend including SuperGold Card holders with a CSC in the scheme, for the following reasons.
 - 34.1. The investigation led me to recommend introducing a 50 percent concession for CSC holders at any time of day. Most SuperGold Card holders with a CSC will choose to travel fare-free during off-peak periods (using their existing SuperGold Card entitlements), rather than paying 50 percent of an adult fare. This factor will help limit additional costs.
 - 34.2. The scheme would be a targeted intervention to provide additional benefits for low-income SuperGold Card holders (rather than all SuperGold Card holders). This would make it more affordable for this sub-group to travel to essential services during peak travel times, such as medical appointments.
35. Including the 300,000 SuperGold Card holders with a CSC in the scheme would increase direct subsidy costs by \$1.8 to 2 million per year (around a 10 percent increase, compared to excluding them).

Note for reviewers: *The decision to include SuperGold Card holders was only made by the Minister last week, so we have only done formative data modelling for additional costs. The Ministry is working on preparing more accurate modelling during the consultation process.*

The investigation confirmed that the scheme would improve well-being, by reducing transport disadvantages for urban CSC holders

36. To investigate the scheme's potential to meet its aims, the Ministry reviewed evidence on the links between transport affordability and well-being.
37. Extensive international research shows that people who lack affordable access to transport experience 'transport disadvantages'. They have more difficulty accessing goods, services, and opportunities that are available to others, which are fundamental for participating in society. This difficulty includes access to education, employment, health services, and sporting, leisure, and cultural activities.
38. While public transport is only one way of providing access, research shows that public transport can play an important role in reducing transport disadvantages and in supporting social inclusion.

39. Reducing public transport fares for low-income households is one approach that can be used to reduce transport disadvantages. Other approaches could include improving transport options (e.g. providing better public transport services to low-income areas), making services more accessible for people with disabilities, and increasing household incomes.
40. There is a lack of research on the extent of transport disadvantages for low-income people in New Zealand, or the most effective ways to reduce these disadvantages. This area has received insufficient attention in the past.
41. Travel costs for low-income households are increasing, which could perpetuate disadvantages. The average weekly expenditure on passenger transport services among low-income households in New Zealand increased by 63 percent between 2013 and 2017.

The scheme would address a gap in public transport fare concessions

42. Councils are responsible for planning and managing public transport systems.
43. Under Section 35 of the Land Transport Management Act 2003 (LTMA), NZTA and regional councils “must consider the needs of persons who are transport disadvantaged” when preparing any land transport management programme or plan under the LTMA, including public transport systems.
44. All councils in New Zealand offer public transport concessions to some groups who are known to experience transport disadvantages, although the base fare and concession rates vary between councils. All councils offer child concessions, some councils offer tertiary student concessions, and all councils participate in the SuperGold Card scheme that enables seniors to travel fare-free during off-peak periods.
45. Most councils do not offer public transport concessions to CSC holders. Only Hawkes Bay, Taranaki, Horizons (Manawatu-Wanganui), Nelson, and Tasman offer concessions to CSC holders, of up to 30 percent. These regions account for only 2 percent of all public transport passenger trips in New Zealand.
46. The lack of concessions for CSC holders in most regions is a significant gap for addressing transport disadvantages, as CSC holders include low-income households, solo parents, people with disabilities, tertiary students from low-income families, and economically deprived seniors. As noted above, these sub-groups tend to experience more transport disadvantages than others in the population.

The scheme would not benefit low-income households in areas without public transport, and would have similar geographical impacts as the SuperGold Card

47. Many low-income households live in areas that are not well-served by public transport. For these households, the lack of access to frequent and reliable public transport services is more of a barrier than fare prices.
48. Low-income households are often concentrated in outer-urban areas, where public transport services tend to be poor. This can perpetuate economic deprivation, as low-income households can end up in relatively expensive car-dependent feedback loops that prevent them from being able to save money to move to locations with better accessibility and more transport options.
49. To assess how many CSC holders could potentially benefit from the scheme, the Ministry and MSD analysed where CSC holders live in relation to public transport services, using data from NZTA.³
50. In Auckland, Wellington, and Canterbury regions, approximately three quarters of CSC holders live within walking distance (i.e. 500m) of a public transport service that operates at least every 30 minutes throughout the day. This data indicates that a high proportion of urban CSC holders can access a public transport service, although these services may not necessarily take them where they need to go at the times they need to travel.
51. At a national level, approximately half the population of CSC holders live within walking distance of a regular public transport service.
52. This means that, on a geographical basis, the scheme would have similar impacts as the SuperGold Card. Over 80 percent of SuperGold Card holders who use their cards to travel fare-free on public transport in off-peak periods live in Auckland, Wellington, and Canterbury.

The scheme would assist the Government to meet its broader transport agenda

53. By incentivising higher use of public transport, the scheme would help meet the Government's goals to encourage a transport mode shift in urban areas. The scheme would make it more financially attractive for councils to extend the reach and/or frequency of public transport services into areas where many CSC holders live, by increasing patronage in these areas.
54. The scheme would help to balance the need for improving public transport services, and addressing affordability. Auckland Transport, GWRC, and Environment Canterbury are prioritising more extensive and frequent public transport services in their new

³ This modelling does not include data on SuperGold Card holders with a CSC, as it was done before I decided to expand the scope of the scheme to include this sub-group.

networks, rather than reducing public transport fares. This scheme would enable councils to target concessions at low-income people, while councils continue to expand and increase services.

55. Urban transport costs are likely to rise further in the decades ahead due to factors such as higher oil prices, initiatives to decarbonise transport (e.g. fuel efficiency standards), and demand management initiatives to manage road congestion (e.g. road pricing). The scheme would help to counter the effects of rising transport costs for many low-income households in the future by providing an affordable alternative to private car travel.
56. By increasing public transport use, the scheme would also contribute to the following positive outcomes that transport agencies aim to deliver to improve well-being and urban liveability.⁴
 - 56.1. *Economic prosperity*: public transport plays an important role in managing traffic congestion, and for making efficient use of high-value urban space.
 - 56.2. *Healthy and safe people*: public transport is the safest form of travel in New Zealand, and people who use public transport regularly are more physically active than people who commute by private vehicles. Transport mode shifts from private vehicles to public transport can reduce air and noise pollutants that harm human health.
 - 56.3. *Environmental sustainability*: buses, trains and ferries with high numbers of occupants produce fewer greenhouse gases, and other pollutants, than private vehicles.

Options for the scheme were investigated against their potential social impacts, transport impacts, ease of implementation, and value for money

57. The Ministry collaborated with councils to estimate the impacts of three options for the scheme.
58. Their modelling of the scheme estimated how many additional trips CSC holders would be likely to take, based on changes in fare prices. This modelling also calculated 'fare revenue foregone', which represented the subsidy required to cover the fare concessions.⁵ The model did not cover additional costs associated with the scheme, such as administration costs or providing extra public transport services.

⁴ These outcomes are based on the Transport Outcomes Framework, which all government transport agencies agreed to in 2018.

⁵ The model measured the change in revenue under each option, relative to the base case of no intervention. It includes all trips that would have occurred regardless of the fare concession, and additional trips generated by the concession. For option 2, the loss in revenue is partially offset by a gain in revenue from additional trips (as CSC holders would be contributing 50% of the fare price).

59. Table 1 summarises high-level findings from the assessments. The modelling tracked anticipated changes over time, from year one to year 10. CSC holders would be expected to make growing use of the scheme over time.

Table 1: Summary of estimated benefits and subsidy costs for primary CSC holders

	Option 1: Fare-free, off-peak	Option 2: 50% concession, any time	Option 3: Travel allowance
Social benefits			
Access to employment, health, and education	Low	Med-high	Med
Additional health benefits (including active travel)	Low	Low-med	Low-med
Mode shift benefits	Low	Med	Low-med
Annual direct benefits to CSC holders (year 1)	\$24.7 million	\$34.3 million	**
Annual direct benefits to CSC holders (year 10)	\$35.9 million	\$50.4 million	**
Public transport system impacts			
Increase in annual passenger trips: year 1	+3.8 million (2.5% increase)	+4.8 million (3.2% increase)	**
Increase in annual passenger trips: year 10	+8.1 million (5.3% increase)	+11.5 million (7.5% increase)	**
Impact on PT capacities	Low	Moderate	Moderate
Annual revenue foregone / direct subsidy costs			
Foregone revenue (year 1)	\$33.9 million	\$22 million	0
Foregone revenue (year 10)	\$44.8 million	\$20.1 million	0
Travel allowance	0	0	\$30-60 million (\$100-\$200 allowance)
Ease and speed of implementation			
Local government	Less difficult than other options	Most difficult, extra capacity needed	Quickest option
Central government	Similar to Option 2	Similar to Option 1	Whole new system, unknown timeframes

** Option 3 benefits and costs would depend on the size of the allowance.

A 50 percent concession for CSC holders on public transport at any time of day would be the best option for the scheme, among investigated options

- 60. This option would offer the best balance of value and benefits, compared to other options.
- 61. Many CSC holders need to travel at peak times to access work, education, and health services. CSC holders are therefore likely to use public transport more often in option 2, compared to option 1.
- 62. Option 2 has more potential to encourage a mode shift from private vehicles to public transport when roads are most congested at peak times, which would enhance the social, economic, and environmental benefits of the scheme.

63. Option 1 is less likely to support active travel modes compared to option 2. International research shows that people often switch from walking and cycling to using public transport when services are completely fare-free.
64. Unlike option 1, the direct subsidy costs for option 2 would decrease slightly over time. This decrease is because CSC holders would continue to pay a portion of each fare for option 2. Increasing public transport usage by CSC holders would therefore generate additional fare revenue, counter-acting some of the costs of providing public transport services.
65. The Ministry conducted a Benefit Cost Ratio (BCR) analysis of the financial benefits to CSC holders, relative to the direct subsidy costs, for options 1 and 2.⁶ The results are summarised in Table 2.⁷

Table 2: Benefit Cost Ratio for options 1 and 2

	Option 1: Free off-peak		Option 2: 50% concession, any time	
	Short term (Year 1)	Long term (Year 10)	Short term (Year 1)	Long term (Year 10)
Benefit-cost ratio (BCR)	0.73	0.80	1.56	2.50

66. Option 2 would deliver \$2.50 of benefit to CSC holders for every \$1 of direct subsidy after 10 years. In comparison, option 1 would deliver only \$0.80 benefit for every \$1 spent on the fare subsidy.
67. Councils involved in this investigation also favoured this option, with the exception of GWRC. GWRC is concerned about the difficulties it is currently facing in increasing public transport capacities at peak times. GWRC also noted that a 50 percent concession could not be implemented on Wellington trains until integrated ticketing is introduced in 2021.

A travel allowance could provide similar benefits to a 50 percent concession, but would likely cost more and comes with more uncertainty

68. Option 3 would involve setting up a system to transfer public transport allowances to travel cards that are registered to CSC holders. Each allowance could be transferred in instalments (e.g. every 3-6 months).

⁶ In economic terms, this represents the 'consumer surplus' that CSC holders would benefit from as a direct result of the scheme.

⁷ The cost components of the BCR analysis did not include costs other than the direct subsidy costs, such as the costs of implementing the scheme, or of providing additional capacity to handle increased patronage. This is because at this point in time, we do not have accurate data on what these costs will be. The analysis also does not take in account wider societal benefits that are difficult to quantify, such as reduced congestion, emissions and crashes.

69. For this option, the benefits and subsidy costs would depend on the size of the public transport allowance. For example, if the allowance was \$100 per year, and only a third of CSC holders used the full allowance, it would cost approximately \$30 million per year to fund the allowance.
70. Depending on the size of the allowance, the benefits of a travel allowance could be similar to option 2. However, CSC holders who are regular public transport users, and/or need to travel long distances, could quickly exhaust the allowance.
71. Compared to option 2, the allowance in option 3 would benefit irregular users of public transport more than regular users, unless the allowance was very high (which would be prohibitively costly).
72. Option 3 would be easier for most regions to implement, as it would not require changes to concession profiles or ticketing systems. However, this option would be significantly more complex for central government to implement. Ongoing administration costs could also be higher than other options. A bespoke system would need to be designed, developed, tested, and implemented to transfer allowances from central government to registered travel cards in each region. It is also unclear how long this system would take to develop, or what it would cost. Due to these uncertainties, I do not recommend progressing with Option 3.

The scheme would deliver additional benefits, which cannot be monetised

73. The social benefits of making it more affordable for low income households to access opportunities such as work, healthcare, and education could not be monetised. There is no agreed methodology to calculate these benefits. These benefits would be additional to the direct benefits to CSC holders.
74. The transport mode shift benefits could not be quantified, due to a lack of data on CSC holders' current public transport use. These benefits would be additional to the direct benefits to CSC holders.
75. As a comparison, a 2010 Cost Benefit Analysis of the SuperGold Card scheme identified costs savings of reduced car travel and parking costs of \$5.7 million per year. That analysis also identified savings from road accident costs, congestion costs, pollution costs, and road maintenance costs, which could not be quantified.

There would be additional costs to implement and administer the scheme

76. The costs in Table 1 only identify the direct subsidies for the scheme, to cover the fare revenue that councils would have received if CSC holders were paying full fare prices. Central government agencies and councils would face additional costs.

77. Councils would expect reimbursements from central government for costs incurred by the scheme.
78. The most significant additional costs would be providing extra capacity to cater for increased public transport demand, particularly during peak travel times. Central government's share of these costs would depend on a funding model agreed with local government, or could be dealt with by decisions made through the next Government Policy Statement on Land Transport (GPS).
79. Additional implementation and administration costs would include changes to ticketing systems, plus information technology, project management, communications, customer service, and staff time.
80. Additional costs have not yet been calculated, as the Ministry is awaiting some additional data from councils. By way of example, Auckland Transport has indicated that it normally costs approximately \$500,000 to introduce a new concession profile on all their ticketing equipment.

The scheme should not include dependents of CSC holders at this stage

81. The investigation considered including dependents of CSC holders in the scheme.
82. MSD estimates there are approximately 300,000 dependents of CSC holders.
83. There is no data available on the names, addresses, or ages of dependents. This data would need to be collected from all CSC holders, at significant cost, before deciding whether to include them in the scheme.
84. Dependents of CSC holders do not have their own CSC. Providing all dependents with a CSC, if necessary, would also add significant costs.
85. Most dependents of CSC holders already receive child/youth concessions when travelling on public transport.
 - 85.1. All children under five years old can already travel for free on public transport anywhere in New Zealand.
 - 85.2. In most regions, children/youth aged 5-15 receive a 40-50 percent concession on adult fares (although there are differences in age bands).
 - 85.3. Auckland Transport is planning to introduce fare-free travel for children/youth 15 years and younger on weekends and public holidays. Hamilton City Council is also planning to introduce a similar scheme.
86. I do not recommend including dependents in the scheme at this stage, as the costs are likely to significantly outweigh the benefits (given the wide-range of existing and planned child/youth concessions).

87. In the future, there could be opportunities to target concessions for all dependents of CSC holders on council-provided school bus services and public transport to/from schools.

Existing travel cards would be used in each region

88. The scheme would need to function with existing and future ticketing systems in each region, as these systems are essential for swift passenger boarding, fare payments, data collection, and public transport planning.
89. The investigation looked at using CSCs as travel cards, producing a stand-alone 'green transport card', and creating a system to load CSC concessions on to existing travel cards in each region.
90. The most straight-forward and cost-effective solution would be to link the CSC concessions/allowances directly to registered travel cards in each region, via an automated system. This solution would avoid the costs of producing new CSCs, or separate 'green transport cards'.
91. The registration process would need to be accessible for people with disabilities and impairments, and those without internet access.
92. This approach would follow the system that some councils are already using to automate concessions on to cards. Auckland Transport is establishing an automated system for tertiary concessions, and is exploring automated systems for secondary students and SuperGold Card holders. The Regional Integrated Ticketing System (RITS) consortium of nine transport authorities have similarly developed an automated eligibility system for the SuperGold Card.
93. CSC holders would be unable to use their registered travel card in more than one region due to differences in card/ticketing systems. The exception to this would be regional members of the Regional Integrated Ticketing System, which will soon share a common card system.

Some ineligible card use would be inevitable, and would need to be managed

94. After concessions are loaded on to travel cards, it would not be possible to prevent CSC holders from giving/selling their concession travel cards to others. Some people already take advantage of concession cards on public transport services while they are ineligible to do so.
95. People who access concession fares on public transport usually need to carry an accompanying card to demonstrate their eligibility (e.g. a student ID card, or a SuperGold Card). Similarly, CSC holders could be required to travel with their CSC and produce it on request. This is likely to require a change to the Health Entitlement Cards

Regulations (1993), which currently limits CSCs from being used as a form of identification. The Ministry and MoH are currently exploring this issue.

96. Bus drivers seldom request cards for verification purposes, but the requirement to carry a CSC could at least deter fraudulent use of the scheme.
97. The appropriateness of existing penalties for fraudulent card use would also need to be considered.

Councils would need to make changes to ticketing systems, and increase the capacity of their public transport networks in some areas, to implement the scheme

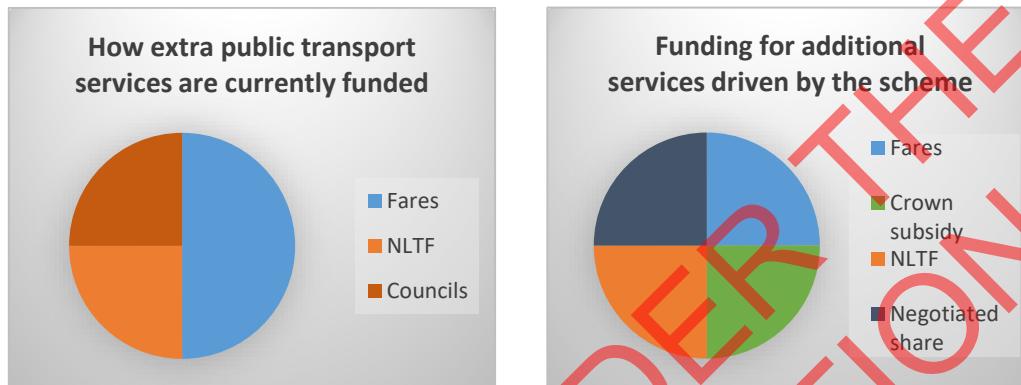
98. The scheme would increase public transport patronage at peak times. Most regions are facing challenges adding extra services due to driver shortages, and NZTA has advised that no funding is available in the 2018-21 NLTF to fund additional services. It often takes more than a year to increase capacity. For example, it could take a council 12-18 months to arrange for new buses to arrive after signing contracts with operators.
99. GWRC is particularly concerned about the impact of the scheme on its bus network, and indicated that it could take two years to resolve its capacity issues.
100. Auckland Transport is not facing the same capacity challenges, but it has pinch points throughout its network. It indicated that it would take 18 months to implement the scheme due to the time required to adapt ticketing systems in Auckland.
101. Over-crowding of public transport systems needs to be avoided, as this would create difficulties for councils. Existing public transport users would also be adversely affected if they are unable to use services at peak times due to over-crowding, which may lead some existing users to stop using public transport. This risk is likely to be the highest in Wellington, due to existing challenges in its public transport network.

A fair funding model would need to be agreed with councils to cover the costs of providing some additional public transport services

102. Currently, public transport services are funded through fare revenue (approximately 50 percent), the NLTF (25 percent), and rates contributions from regional councils (25 percent).⁸
103. Councils will expect the Crown to cover some of the costs that they would face in funding additional services generated by the scheme.
104. The Crown should not be expected to cover councils' share of costs for trips that CSC holders would have taken if the scheme did not exist.

⁸ These ratios are averages, based on the funding assistance rates set by NZTA. The actual rates vary by region.

105. If the 50 percent fare concession option is pursued, additional services generated by CSC holders travelling on the scheme would be funded through fares (25 percent), Crown subsidies to cover foregone fare revenue (25 percent), and the NLTF (25 percent). Central government could negotiate with councils on how to fund the remaining quarter of costs. This is illustrated in the charts below.



106. One way to address this funding issue would be for the Crown to contribute an agreed amount that is more than 25 percent but less than 50 percent of each trip taken by a CSC holder. The exact proportion would need to be negotiated.
107. This approach is different to the bulk funding arrangement used for the SuperGold Card. This difference is because on-peak services would be affected by the scheme for CSC holders, if option 2 is pursued. In comparison, the SuperGold scheme took advantage of existing off-peak capacity in public transport networks when it was introduced.
108. I recommend waiting until there is more clarity around how public transport funding is likely to be treated in the next GPS before deciding whether a separate funding arrangement is necessary.

I recommend going ahead with the scheme

109. Based on the investigation, I recommend establishing and implementing the scheme, with the following features:
- 109.1. Targeted at CSC holders, including SuperGold Card holders with a CSC.
 - 109.2. Providing a 50 percent concession on public transport fares to CSC holders, at any time of day.
 - 109.3. Using existing travel cards in each region, with concessions loaded on to travel cards via an automated system.
 - 109.4. Funding the subsidies and central government administration costs through Crown funding. This arrangement would need to be approved through usual Budget processes.

Operational systems can be established in 2019/20, using existing Budget funding

110. Budget funding of \$4.64 million was set aside in 2019/20 to establish the scheme. This funding is to “enable the policy development” of the scheme, and to “establish operational systems (e.g. card development, administration, and production costs) for [the scheme], for use in the future.”
111. If Cabinet agrees to the policy of establishing the scheme, this funding would be used to:
 - 111.1. Set up the automated system for transferring CSC holder eligibility data on to travel cards in each region. This work would involve MSD.
 - 111.2. Add CSC concession profiles to ticketing systems in each region. Councils could seek reimbursements from NZTA for these costs.
 - 111.3. Develop materials to communicate with CSC holders when the scheme is ready to implement. This work would involve MSD.
112. This establishment funding was appropriated to Vote Transport: Policy Advice and Related Outputs (MCA) – Policy Advice.
113. Cabinet agreement is needed to set up new appropriations, so that MSD and NZTA can access this funding.

I recommend aiming to implement the scheme in mid-2020

114. Councils involved in the investigation indicated that they would need at least 18-24 months to implement the scheme.
115. I intend to seek tighter timeframes with councils, as I believe a mid-2020 target is feasible. This may require regional phasing of the scheme. For example, the scheme could be implemented in Auckland and among members of the RITS consortium (for smaller councils) first. These areas have the most advanced ticketing systems, and are not facing the same capacity pressures as Wellington. The scheme could then be expanded to Canterbury and Wellington when these regions are ready for implementation. I am aware that some councils are not favour of a phased regional approach, so this phasing option would need to be worked through with councils.
116. If this timing is unfeasible, I will report back to Cabinet with an updated timeframe for implementation.

Next steps

117. If Cabinet agrees to establish the operational systems for the scheme, and to implement the scheme in principle, the key next steps are:
 - 117.1. The Ministry will notify councils of Cabinet's decisions.
 - 117.2. MSD and NZTA will begin establishment processes for the scheme.
 - 117.3. The Ministry will develop implementation timeframes for the scheme and, if needed, lead negotiations with councils on an agreed funding model.
 - 117.4. The Ministry will finalise cost estimates and prepare a Budget initiative for 2020/21, to fund the scheme's implementation.
 - 117.5. Cabinet would consider the 2020/21 Budget initiative for the scheme along with other Budget initiatives in March 2020.
 - 117.6. If Cabinet agrees to fund the scheme through the 2020/21 Budget initiative, the scheme will be implemented as soon as possible.

Risks

118. Significant risks associated with the scheme are highlighted below.
 - 118.1. *Councils could choose not to implement the scheme.* Although councils supported the investigation, they are very concerned about the pace of implementation and costs. They are still working through the implications of recent legislative changes, such as the costs of mandatory rest and meal breaks for bus drivers associated with the Employment Relations Amendment Act 2018, and a move to an industry-wide living wage.
 - 118.2. *The subsidy costs could be higher (or lower) than our estimates:* there is no reliable data available on how many CSC holders currently use public transport, or where they travel. The Ministry made assumptions on public transport use based on information from its Household Travel Survey. The Ministry also made assumptions about how much public transport use could rise when fare prices fall. To manage this risk, the costs of the scheme should be reviewed after its first year of implementation, to update funding estimates.
 - 118.3. *Fraud issues could attract negative publicity:* some fraudulent use of the scheme is likely to be unavoidable. This could be managed by requiring CSC holders to carry their CSC with them while travelling on concession fares, and by considering the appropriateness of existing penalties for fraudulent card use.

118.4. *The scheme would raise equity concerns, and some CSC holders may criticise the scheme if they are unable to access public transport services: this may include CSC holders living in areas without a regular public transport service, and CSC holders with disabilities who have difficulty using public transport. Mitigation options for these groups could be investigated.*

Consultation

119. The investigation was led by the Ministry and involved representatives from Auckland Transport, GWRC, Environment Canterbury, Hawkes Bay Regional Council, Horizons Regional Council, Marlborough District Council, Nelson City Council, LGNZ, NZTA, MoH, MSD, and the Treasury.
120. The following government agencies were consulted on this paper: the Department of Internal Affairs, MoE, MoH, MSD, NZTA, and the Treasury.
121. The Department of Prime Minister and Cabinet was notified.

Comments from agencies

122. **Note for reviewers:** *as part of the departmental consultation process for this Cabinet Paper, we will be collating comments from agencies, and this section will be populated accordingly in due course.*

Financial implications

123. If Cabinet agrees to establish the operational systems for the scheme, the scheme will be funded through \$4.64 million allocated for this purpose in Budget 2019/20.
124. Based on current modelling, implementing the scheme will require around \$20 to 22 million of Crown funding per year.
125. If Cabinet agrees in principle to implement the scheme, funding will need to be considered through Budget 2020 initiatives.

Human rights, gender and disability implications

126. No specific human rights issues have been canvassed in this paper.
127. The scheme would likely benefit a greater number of women than men. As of January 2019, 57 percent (529,439) of CSC holders were classified as female, and 43 percent (391,994) were male. Statistics from the 2013 census show that women are more likely to use public transport to get to work: 7.1 percent of women used public transport to get to work, compared to 4.6 percent of men. Statistics from the 2018 census are not yet available.

128. The scheme would have implications for people with disabilities. As of January 2019, 215,963 people who receive a disability allowance have a CSC. People receiving Disability Support Services funded by the Ministry of Health are also likely to be eligible for a CSC.
129. Many people with disabilities are able to use public transport. A 2009 report by the Office for Disability Issues estimated that 26 percent of all disabled adults and 46 percent of all disabled children used public transport for short trips. Many CSC holders have disabilities that prevent them from using public transport, due to the nature of their disability and/or because services are not accessible for people with their disability. The scheme could therefore increase disparities between CSC holders who can use public transport, and those with disabilities who are unable to access public transport.
130. Government could explore broader initiatives at a later stage to reduce transport disadvantages for low-income households in New Zealand that are unable to access public transport, including through the Total Mobility Scheme (which provides subsidised licensed taxi services to people who have a disability).

Legislative implications

131. The Health Entitlement Cards Regulations (1993) may need to be amended to enable CSCs to be used as a form of identification on public transport. The Ministry and MoH are investigating this issue.
132. I will report back to Cabinet if this regulation needs changing, or if any additional regulations are needed for the scheme.

Regulatory Impact Assessment

133. A Regulatory Impact Assessment for the scheme is attached to this paper.

Proactive release

134. If Cabinet agrees, I intend to release this paper on the Ministry's website. Information that could prejudice or disadvantage negotiations with local government on the scheme will be withheld under the Official Information Act 1982.

Recommendations

135. I recommend that the Committee:
1. **note** that the Green Transport Card scheme (the scheme) would improve the well-being of many low-income households, and assist Government to meet its broader transport agenda.

2. **note** the preferred option of the scheme is to provide CSC holders with a 50 percent concession on adult base fares, at all times.
3. **note** that the scheme would require ongoing Crown funding, which based on current modelling is around \$20 to 22 million per year.
4. **note** if Cabinet agrees to implement the scheme, Ministry officials will prepare a Budget initiative to confirm the amount of funding required.
5. **agree in-principle** to support the policy to implement the scheme in 2020/21, on the understanding that it will be subject to funding approval in Budget 2020 onwards.
6. **note** that implementation timings will depend on the willingness and capabilities of councils to implement the scheme.
7. **agree** that the scheme should provide CSC holders with a 50 percent concession on adult base fares.
8. **agree** to begin establishing the scheme in September 2019, using existing Budget funding allocated for 2019/20.
9. **note** that the \$4.64 million set aside in Budget 2019/20 to establish the scheme was appropriated to Vote Transport: Policy Advice and Related Outputs (MCA), and that this funding needs to be transferred to new appropriations to establish the scheme.
10. **agree** to establish the following new appropriation, to enable MSD to establish operational systems for the scheme in 2019/20:

Vote	Appropriation Minister	Title	Type	Scope
Social Development	Minister of Social Development	Green Transport Card scheme establishment	Departmental output expense	This appropriation is limited to establishing and administering the operational systems for data sharing and communicating with Community Services Card holders on public transport fare concessions for the Green Transport Card scheme

11. **agree** that the Minister of Finance, Minister of Transport, and Minister of Social Development will jointly agree on the final amounts to be transferred to Vote Social Development to enable MSD to help establish the scheme, once final costs are confirmed.
12. **agree** to establish the following new appropriation, to enable the NZTA and local councils to establish operational systems for the scheme in 2019/20:

Vote	Appropriation Minister	Title	Type	Scope
Transport	Minister of Transport	Green Transport Card scheme establishment	Departmental output expense	This appropriation is limited to establishing and administering the operational systems to enable public transport fare concessions to be provided to Community Services Card holders for the Green Transport Card scheme

13. **agree** that the Minister of Finance and Minister of Transport will jointly agree on the final amounts to be transferred to this new appropriation, from the existing Departmental Appropriation, to enable NZTA and local councils to establish the scheme, once final costs are confirmed.
14. **agree** that the proposed changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates.
15. **note** I will report back to Cabinet if any regulatory changes, or new regulations, are needed to enable the scheme to be implemented.
16. **note** I will report back to Cabinet if it is not feasible to implement the scheme in mid-2020.
17. **agree** to proactively release this paper, and to withhold any appropriate information under the Official Information Act 1982.

Hon Julie Anne Genter
Associate Minister of Transport

Dated: _____

RELEASED UNDER THE
OFFICIAL INFORMATION ACT