

To:	Hon James Shaw, Acting Associate Minister of Transport	MEMORANDUM
CC:	Hon Phil Twyford, Minister of Transport	
From:	Richard Cross, Manager Strategic Policy and Innovation, Ministry of Transport	
Date:	26 October 2018	

Subject: Green Transport Card revised scope options

On 23 October 2018, your office asked us to broaden the Green Transport Card (GTC) budget initiative to include students, and to estimate additional costs.

Rough cost estimates are provided below, along with assumptions behind our calculations. We have also identified some important implications to consider for each option.

	Additional cost (per year)	Combined total cost (per year)
Option A: CSC holders only		\$39 million
Option B: CSC holders plus tertiary students	\$54 million	\$94 million*
Option C: CSC holders plus tertiary students and students 18 years or younger	\$26 million	\$120 million*

* Rounded to the nearest million for combined totals

We have based these estimates on the following assumptions.

- Providing free public transport during off-peak periods only between 9am and 3pm and after 6:30pm on weekdays, and all day on weekends and public holidays. This aligns with the off-peak period for the SuperGold card in most regions (except Auckland).
- Estimating the number of trips that each group would take by public transport (averaged across New Zealand), based on historical data gathered from the Household Travel Survey 2009-2014.
- Total costs would likely be higher, as people will use public transport more if it is free. We have not yet been able to estimate how much public transport use could grow.
- An average fare of \$2.40 per adult and \$1.20 per child. This is the New Zealand Transport Agency's (NZTA) average fare per boarding.

Cost assumptions for each option

Option A: Community Services Card (CSC) holders only

The \$39 million per year estimate is based on:

- 545,000 CSC cardholders under 65
- 30 single trips per year
- Excluding CSC cardholders 65 years or older (as these people are entitled to a SuperGold card)
- Excluding dependent children of CSC holders (as these children would be covered in Option C)

Option B: CSC holders plus tertiary students

The additional \$54 million per year estimate is based on:

- 348,000 full-time tertiary students who do not have a CSC
- 65 single trips per year
- Excluding 65,000 low-income tertiary students who receive a student allowance (as these people are entitled to a CSC so are covered in Option A)

Option C: CSC holders plus tertiary students plus students 18 years or younger

The additional \$26 million per year estimate is based on:

- 877,000 five to 18 year olds in New Zealand
- 25 single trips per year
- Children under 5 years of age can already travel for free on public transport

Implications to consider

We have also identified the following implications to consider.

- ***Benefits of each option:*** We have estimated costs for each option, but we have not yet assessed the detailed benefits of each option. We need to do further work to assess impacts of each option on different groups and transport outcomes, recognising the intention of the GTC to prioritise cheaper public transport for people in low-income households and people on a benefit.
- ***Different 'off-peak' periods in Auckland:*** In Auckland any travel after 9am is 'off-peak' for SuperGold cardholders. This means that all after-school trips for children in Auckland would be free if this same off-peak period is used. This would increase costs substantially. We recommend having a consistent off-peak period in all regions of New Zealand (excluding travel from 3pm to 6:30pm) for GTC holders, without reducing the entitlement of SuperGold cardholders in Auckland.
- ***Expanding or targeting free travel:*** The majority of people who use public transport during off-peak periods are students, SuperGold cardholders, and CSC holders. If all of these groups are eligible for a GTC or SuperGold card, then the majority off-peak travel on public transport would be fully-funded by Government.

- **Benefits for school students:** Primary and secondary school students in most regions would only travel off-peak on weekends, holidays, and evenings, as they are at school on weekdays during school terms.
- **Demonstrating eligibility:** Cardholders (including all students) may need to provide photo ID when boarding public transport vehicles, or have a photo on their GTC, to avoid a scenario of some GTC holders giving or selling their card to others. This could add to administrative costs and boarding times.
- **Long-term funding:** Each option has implications for the transport funding system. Our initial budget initiative sought funding until 2021/22. After this, ongoing funding could potentially be allocated from the National Land Transport Fund (NLTF). This would depend on the direction of the next Government Policy Statement on Land Transport (GPS). Higher cost options for the GTC would need to be funded by increasing revenue, or by re-prioritising funding from other transport activities/purposes.

Richard Cross
Manager, Strategic Policy and Innovation

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