

Submission on Review of SuperGold Card Free Travel Scheme

From: **Greater Wellington Regional Council**

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Thank-you for the opportunity to submit on this scheme. Our submission is as follows:

1. **General**

We believe the scheme has been very successful, and should continue largely as it is now but with sufficient funding to cover its costs.

Our responses to the questions raised in the review are set out below.

2. **Operator reimbursement rate**

The Discussion Document suggests that operators are being “over-reimbursed”; however little evidence is produced to support that contention. In fact the Discussion Document states that “*there is currently little information per region available to determine what level of additional patronage of this age group was generated by the scheme*”. The Discussion Document further suggests that what little information is available suggests that perhaps in Auckland the reimbursement level may be too high, but the level in Wellington is about right.

An analysis undertaken by Council officers of train off-peak patronage in this region does not indicate any level of increase in usage from the SuperGold card scheme. This would imply that the reimbursement rate should not be reduced.

It has been easy for various commentators to suggest that the scheme can be “saved” by simply reducing the operator reimbursement rate. But unless operators have had a 25% increase in patronage (of those aged over 65) they will be losing money on the scheme. And any patronage increases are likely to be varied, as some services, such as the Waiheke Island ferry, the Eastbourne ferry, the Cable Car etc, are more attractive to SuperGold card holders than others.

Thus a reduction in the reimbursement rate is not the simple answer it may at first seem.

Reducing the operator reimbursement rate is also not sustainable on a long-term basis. Future fare increases will mean the reimbursement rate should be increasing rather than decreasing. At some stage therefore the budget must be increased to at least reflect inflation.

Further research as to the impact on patronage of the scheme is needed before any change to the reimbursement rate should be addressed. The suggestion of differing reimbursement rates has some merit, but further detail on this is needed (and the research on patronage effects of the scheme still needs to be undertaken before considering differing rates).

We do **not** support any reduction in operator reimbursement until further research has been undertaken to identify any changes in patronage levels. It is suggested that NZTA/MOT undertake this research.

3. Cap operator reimbursement rates

The principle behind capping is that if operators are accepting (as they seem to be) of the reimbursement they are receiving now, then no further reimbursement is needed.

This is an overly simple solution however, which ignores varying patronage impacts (and again suggests that more research is needed). This option also raises an issue regarding how to provide for new services. And any future fare increases will mean a reduction in the reimbursement rate.

But this option may be useful for particular services such as the Waiheke Island ferry.

We support this option being adopted in the short-term, pending further research on the patronage effects of the scheme. But we note that this option seems unlikely by itself to generate sufficient savings.

4. Change the services that are eligible

It is perhaps unfortunate that Government has withdrawn this as an option, as the cost of the Waiheke Island service in particular is clearly jeopardising the whole scheme.

It seems logical, given the cost and “holiday” nature of the Waiheke service, to remove it from the scheme (or at least restrict its use to local residents). The same logic does not apply to the Wairarapa train (which has also been suggested as being removed from the

scheme) however – its cost is minimal and it is not a holiday service. And it also seems logical to limit payment for premium services where a cheaper parallel service exists.

The Wellington Airport Flyer currently costs the scheme about \$600,000 a year. The reimbursement rate for this service is much higher than parallel services (because of the higher fare structure on the Flyer). Many people use the Flyer when they could just as easily use another service (and one that would be at less cost to the scheme).

We suggest that, assuming the Waiheke Island ferry service is to remain in the scheme, changes be made to the way that service is funded. This might involve a reduction in the reimbursement rate for that particular service, restricting its use to Waiheke Islanders, or a cap (at a lower rate than for other services) on spending.

We also support the reimbursement rate for premium services, where a cheaper parallel service exists, being at the rate for the cheaper service.

5. Remove/reduce payments for administration costs

Any removal or reduction in the reimbursement of council administration costs is strongly resisted – this is a Central Government scheme and regional councils should not be expected have to administer the scheme without reimbursement.

Future costs are likely to be much lower when the scheme settles down - the administration costs were relatively high in year one of the scheme because of the establishment costs. Thus any savings from this area will be limited.

We do not support this option.

6. Definition of off-peak

The current (standard) hours are logical from an operational perspective and there has been little pressure to change them (other than from Wellingtonians who have been to Auckland and think Aucklanders are receiving some sort of advantage).

While it may appear logical from an administrative and advertising perspective that all regions adopt the same hours, it is not an absolute necessity.

We submit that the scheme hours should stay as now, and continue to allow for regional differences.

7. Photo ID

At the moment operators i.e. the drivers/guards, are responsible under the SuperGold contracts for checking eligibility. Undertaking this without a photo on the card is difficult.

It seems reasonable for card-holders to have their photos on the card. It also seems reasonable for card-holders to have to pay any costs associated with including photos.

Experience with Total Mobility indicates that the use of a photo identification card results in a reduction in the usage of the scheme i.e. it reduces the fraudulent use of the scheme by those not eligible.

Cards are re-issued every three years, and photos could gradually be phased in. The cost however of including photos on cards is likely to be about \$5m, and it seems unlikely that fraud is anywhere near this amount.

We do not support the introduction of a photo on the cards until such time as any evidence of substantial fraud exists.

8. Other comment

8.1 Scheme budget

While the Discussion Document makes it clear that the budget for the scheme is set, if there are to be no budget increases then the scheme will simply not be sustainable. Increases in the number of cardholders will put increased pressure on the budget. And fare increases over the coming years mean further pressure. Many of these fare increases will be driven by pressures from NZTA such as through the farebox recovery policy, and reductions in funding. At the very least inflation increases in the current four-year budget should be provided, and in future budgets.

It must be remembered that the \$18m budget was simply an estimate of how many people might use the scheme. The fact that actual expenditure was close to the budget estimate is a credit to those who made that estimate. But the initial estimate might just as easily have been \$20m, in which case there would now be no problem.

We strongly submit that, in association with the other changes we have suggested, the budget for the last two years of this current four-year allocation be increased at least by inflation (at least for years three and four), and that future budgets be set to reflect likely usage and costs.

9. Summary

Our submission can be summarised as follows:

- More research regarding the patronage impacts of the scheme should be undertaken by NZTA/MOT before any change is made to the operator reimbursement rate
- Reimbursement payments be capped at 2009/10 levels pending the completion of the patronage research
- Changes should be made to the way the Waiheke Island ferry participates in the scheme, and how it is reimbursed

- Premium services, such as the Wellington Airport Flyer, should be reimbursed at the same rate as cheaper parallel services
- No change be made to the reimbursement of administration costs
- A photo should not be added to the card unless/until there is evidence of fraudulent use.
- The hours for the scheme should be unchanged, and remain flexible.
- The budget should be increased, at least in line with inflation.