

Subject	Fares and pricing requirements for public transport authorities
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1 Purpose

This document defines base requirements for public transport fares and pricing. Aligning with the requirements and guidance in this document enables PTAs to meet statutory requirements under the Land Transport Management Act (LTMA).

2 The NZ Public Transport Framework

These requirements will form part of the NZ Public Transport Framework (PTF). The PTF is currently being developed and will combine all relevant NZ Transport Agency (NZTA) requirements, policy, and guidance relating to public transport into one easy to navigate location for PTAs.

The PTF is due to be released mid-year and will be updated thereafter as needed. This document will be superseded when the PTF is released.

3 Rationale underpinning requirements

We are describing requirements and guidance for public transport fares and pricing policy:

- to support the efficient delivery of the national ticketing solution
- as a step towards aligning with government direction as signalled in the draft Government Policy Statement on land transport 2024 with further work due to commence
- to replace lapsed NZTA fare policy published in 2010
- to provide greater certainty for all parties

4 Background

4.1 Statutory requirements

Under the LTMA, PTAs must publish policy on fares and pricing in their regional public transport plan (RPTP), which must be prepared in accordance with any relevant NZTA guidelines.

Aligning with the requirements and guidance in this document enables PTAs to meet these statutory requirements.

NZTA previously had fare policy which has lapsed. This included a national farebox recovery policy and fare policy decision-making guide published in 2010 and fare policy guidelines for RPTPs published in 2013.

This document rescinds prior farebox policy and guidance and specifies updated base requirements and guidance. Except where otherwise stated, the content in this document is not new per se. Rather it aims to simplify and consolidate prior material and provide greater certainty for all parties.

4.2 Farebox recovery policy

This document specifies a new definition of farebox recovery as being the private share of operating costs (refer section 5.1).

The new definition differs to the prior lapsed definition. The primary differences relate to making a more accurate distinction between public and private funding sources. For example, Crown funding for SuperGold card concessions was previously counted as fare revenue. Under the new definition all sources of Crown funding are counted as part of the public share of operating costs along with local and NZTA funding sources.

NZTA is currently working with the Ministry of Transport to ensure alignment with government policy and will provide further information on farebox recovery requirements in due course. In the meantime, it is important to ensure a common base definition of farebox recovery.

4.3 National ticketing solution

To better meet customer needs and reduce administration costs this document provides requirements and guidance relating to fare concessions. This includes defining nationally consistent age-based concession groups for infants, children and youth.

The age brackets for child and youth concessions are based on those defined through Community Connect and to minimise change have been retained. The national ticketing solution (NTS) will provide an opportunity to revisit age-concessions in the future, particularly when age registration is implemented but noting this is not within the scope of phase 1 rollout.

PTAs remain responsible for:

- defining regionally specific fare concessions
- setting the level of discount for all concessions, including nationally defined age-based concession groups.

This approach aligns with the NTS operating model, which outlines the following:

- PTAs retain responsibility and accountability for setting fares and managing concessions, but also identifies that some areas would benefit from alignment at a national level to better meet customer needs and reduce administration costs.
- NZTA sets operational policy and facilitates implementation of national policy, including engaging with central government agencies, PTAs and the wider PT sector at a national and regional level.

5 Requirements

5.1 Fares and pricing policy

It is a statutory requirement for PTAs to include fares and pricing policy in their regional public transport plan¹. This in turn must be prepared in accordance with any relevant NZTA guidelines².

The following sets out the NZTA expectation of what is required to meet these statutory requirements.

¹ LTMA section 120(2)(b)

² LTMA section 124(a)(ii)

Fares and pricing policy in RPTPs **must**:

- Provide clear objectives that balance financial sustainability, transport system efficiency and equity.
- Reflect the important role of passenger fares in helping cover the cost of public transport and include public transport cost recovery measures as defined by NZTA.
- Ensure fare revenue supports the level of NLTF funding approved by NZTA and is consistent with the revenue and financing policy in council long-term plans.
- Specify any national, Crown and regional fare concessions, including eligibility criteria and fare levels or discounts that apply in the region for those concessions (refer fare concession requirements).
- Specify the method for setting and reviewing fares, with fare pricing reviews to occur annually and fare structure reviews at least six-yearly.
- Ensure annual fare pricing reviews consider the effectiveness of alternative interventions for achieving the fare and pricing policy objectives including other potential revenue sources, reducing operating costs and/or wider system efficiencies.
- Specify any fares and pricing measures and targets advised by NZTA (refer fares and pricing measures below).

PTAs **should** seek to minimise the use of cash over time and include in the fares and pricing policy a position regarding use of cash.

5.2 Fare concession requirements

A public transport fare concession is a discounted fare offered to specific groups of passengers. The following requirements provide national alignment to meet customer needs and/or reduce administration costs.

5.2.1 Standard fare

PTAs **must** define a standard (Adult) fare that is to be used as the base fare for calculation of fare concession discounts.

5.2.2 Nationally defined fare concessions

PTAs **must** adopt the following definitions for age-based fare concessions:

- Infant – under 5 years – free fares
- Child – age 5 to 12 years – concession discount varies by region
- Youth – age 13 to 18 years – concession discount varies by region

PTAs **may** provide the following age-based national fare concessions:

- Under 25 – age 19 to 24 years – concession discount varies by region

PTAs are responsible for setting level of concession discount for nationally defined age-based categories in accordance with their fares and pricing policy (refer section 3.1). This **may** include:

- Providing no concession discount in the case of a concession not being available for a specific age category in that region.

- Specifying the same concession discount for multiple aged base categories and presenting it as a single concession offering to the public. For example, if the discount level for the child and youth categories were set at the same level it could be simply presented to the public as a youth concession (5 to 18 years).

Concession discount levels **may** vary by region.

5.2.3 Crown fare concessions

PTAs **must** provide the following Crown fare concessions, subject to opt-in / out provisions below:

- SuperGold card (SGC) – free off-peak fares

SGC funding is allocated annually on a bulk funding basis as per the NZTA Planning and Investment Knowledgebase, refer work category 522: SuperGold trip payments. Funding is inflation adjusted but cannot exceed the total Crown appropriation funding for this scheme.

- Community Services card (CSC) – half price fares (compared to equivalent standard fare fare)

CSC is funded in accordance with separate memorandum of agreement between NZTA and each PTA. Crown funding is at a fixed dollar amount per boarding based on average fares when Community Connect was implemented. Funding cannot exceed the total Crown appropriation funding for this scheme.

PTAs **may** opt-out or not opt-in of providing Crown funded fare concessions should the Crown appropriation funding not be sufficient, adjusting standard fares is not affordable or the fare concession does not meet community needs. PTAs are encouraged to provide Crown funded fare concession as there is a benefit in having national consistency.

5.2.4 Regional fare concessions

PTAs **may** set regionally specific fare concessions in accordance with their fares and pricing policy (refer section 3.1).

PTAs **must** not set any regional fare concessions that conflict with a national or Crown fare concession. This is to ensure an enhanced and consistent experience for customers and reduce administrative costs.

Regional fare concessions will not be recognised in other regions as part of NTS.

5.3 Fares and pricing measures

5.3.1 Farebox recovery

Farebox recovery reflects the private share of public transport service costs. Farebox recovery is important as it is about providing for an equitable sharing of costs, that recognises that fares should reflect the private benefits that users of public transport receive, while subsidies should reflect the “spill over” benefits to the road users, the wider community and the environment, having regard to the objectives and circumstances of their region.

PTAs **must** utilise the following definition of farebox recovery when setting and assessing any relevant targets in their fares and pricing policy:

- **Formula**

$$\text{Farebox recovery} = \frac{\text{Private share of operating expenditure}}{\text{Total operating expenditure}}$$

- **Private share of operating expenditure** is passenger fares and third-party revenue and excludes subsidies.

In this context, subsidies are council rates and government grants, including general and targeted rates and NZTA and Crown funding. Subsidies do not include passenger fares or third-party funding such as that from advertising, tertiary institutions, or developer contributions.

- **Total operating expenditure** includes expenditure on all activities that qualify under work categories 511, 512, 515 (passenger services) and 514, 524, 525 (operations and maintenance)³, irrespective of revenue or funding source and whether co-funded by NZTA or not.

NZTA will provide further information and guidance in due course.

5.3.2 Operating expenditure by revenue source

To support transparency and enable accurate reporting and monitoring of how public transport in Aotearoa is being funded, PTAs **must** report operating expenditure by funding source:

- **Public transport operating expenditure by funding source** – this includes all operating expenditure, whether co-funded by NZTA or not, broken down by funding source. Funding sources include passenger fares, third-party revenue, Crown funding, NZTA funding, local funding and any other sources utilised to fund operating expenditure.

Further guidance will be provided in due course regarding an efficient method and appropriate frequency for reporting. In the meantime, we wish to signal our intent to establish and monitor a more complete and accurate view of how public transport in Aotearoa is being funded.

³ Information regarding public transport work categories can be found online within NZTAs [Planning and Investment Knowledge Base](#).