

**Cabinet Paper:**

**SUPERGOLD CARD TRANSPORT SCHEME –SUSTAINABLE BULK FUNDING**

Please note that an error was identified following Cabinet's consideration of the following Cabinet paper. GST had been unintentionally included in the capped funding for the Wellington Cable Car. In paragraphs 18, 55 to 57, 64 and recommendations 12 and 12(e), total funding for exempt services should read \$3.138 million, and the capped funding for the Wellington Cable Car should be \$83,000.

Chair  
Cabinet Economic Growth and Infrastructure Committee

## **SUPERGOLD CARD TRANSPORT SCHEME – SUSTAINABLE BULK FUNDING**

### **Proposal**

1. We propose funding for the SuperGold Card Scheme (the Scheme) is bulk funded to regional councils to provide for cost-efficient and sustainable funding from 2016/17.
2. This proposal preserves current eligibility and entitlements for SuperGold cardholders.

### **Executive summary**

3. In April 2013, Cabinet invited the then Minister of Transport to report in 2014 on options for cost-efficient sustainable funding (excluding eligibility and entitlement considerations) and the long-term operation of the Scheme [Annex to CAB Min (13) 12/6 (27) refers]. It was agreed with the Cabinet Office that the Associate Minister would report to the Committee in February 2015.
4. On 25 February 2015, the Cabinet Economic Growth and Infrastructure Committee (EGI) considered the report back on the sustainable funding review of the Scheme. EGI invited the Associate Minister to submit a new paper to EGI as soon as practicable [EGI Min (15) 3/7 refers].
5. EGI requested we consider whether the Scheme could form part of the Public Transport Operating Model (PTOM) tenders as a way of driving efficiencies directly through the relationship with SuperGold Card operators.

### ***The Public Transport Operating Model***

6. PTOM creates a partnering contract between regional councils and operators of services. It intends to establish a public transport environment that will deliver on the Government's aim of growing patronage with less reliance on subsidy.
7. Public transport operators compete and tender for subsidy payments based on the cost to provide services with the route, timetable and fare structure set by a regional council. No distinction is made for SuperGold Card travel within PTOM partnering tenders and contracts.
8. The operator is paid a set price by the regional council for the service that will carry all passengers, including the free off-peak SuperGold Card passengers. The fare revenue from the service and any SuperGold Card reimbursements are the revenue of the regional councils.

### ***How can the Scheme be sustainably funded?***

9. To better manage the rising costs of the Scheme, we recommend the funding model for the Scheme is changed from a demand driven approach to a bulk funding model.
10. We propose the Crown appropriation that funds the Scheme is capped at \$28.129 million per annum with annual consumer price index (CPI) adjustments from 2016/17 for 5 years. \$28.129 million is the funding for 2015/16 agreed under Budget 15.
11. We propose bulk funding is implemented for all regional councils across all contracts from 2016/17.
12. A bulk funding approach would require regional councils to engage with the New Zealand Transport Agency (the NZ Transport Agency) on the percentage of bulk funding they will receive. Allocation principles will take into account regional differences and patterns.
13. We expect bulk funding, in the short term, will slow down the increase in Crown costs of the Scheme while maintaining existing entitlements for SuperGold cardholders.
14. Implementing bulk funding will achieve potential cumulative savings to the Crown of \$28.327 million over the 5 years from 2016/17.

### ***Treatment of exempt services***

15. Exempt services are defined under the Land Transport Management Act 2003.
16. An exempt service is not contracted by a regional council. Operators of exempt services set their own fares and receive all fare revenue, including SuperGold Card reimbursements. Exempt services are not entitled to public transport subsidies.<sup>1</sup>
17. However, the following exempt services are currently in the Scheme: Fullers Group Ltd Waiheke Island ferry, Sealink Waiheke Island ferry, Fullers Group Ltd Devonport ferry, Wellington Cable Car and Wellington Airport Flyer.
18. We recommend that total funding for all exempt services is maintained and capped from 2016/17 at their current cost to the Scheme of \$3.151 million per annum (with annual CPI adjustments).
19. We also recommend that a one off exception is made to permit Explore Group to participate in the Scheme for the service to Matiatia Wharf, Waiheke Island only.
20. We also recommend that ferry services to Matiatia Wharf, Waiheke Island, i.e. the Fullers Group Ltd ferry and the new Explore Group ferry, could tender for Scheme funding given it is the only route on which competition exists.

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<sup>1</sup>There are, however, historical concessionary fare payments for some exempt services, which the NZ Transport Agency is looking to phase out.

***Lifting the moratorium on new contracted services joining the Scheme***

- 21. We recommend lifting the moratorium on new contracted services joining the Scheme from 1 September 2015. This will result in an increased cost of between \$100,000 to \$200,000 per annum (based on the current reimbursement model). Criteria will be introduced for new services entering the Scheme. Bulk funding will also mitigate the risk if the costs for new services differ significantly from estimates.
- 22. A key benefit of lifting the moratorium is the improvement in access for cardholders in rural areas as well as improving the provincial/urban balance of services.

***Smartcard technology***

- 23. Where smartcard systems are available, we recommend that SuperGold cardholders be required to use them to access the Scheme.
- 24. Data from the use of smartcard technology will be important for the future monitoring of the effectiveness of bulk funding to regional councils. The technology will deliver more accurate data on the number and length of trips taken, fares, transactions and travel patterns.

***Risks of the proposal***

- 26. [REDACTED]
- 26. To address these risks, a Crown appropriation should continue to fund the Scheme for the next 5 years. At year 3, a review of the effectiveness of the bulk funding model should be completed.

***Purposes of the Scheme***

- 27. The main purposes of the Scheme are to:
  - 27.1. provide cardholders with increased access to public transport, and increased mobility
  - 27.2. encourage the use of under-utilised off-peak capacity on existing public transport services and provide modal choice (the assumption was that existing off-peak capacity was sufficient to accommodate growth generated by the Scheme)
  - 27.3. encourage active participation in society by older people.

***Current access and reimbursement for the Scheme***

- 28. To access the Scheme, SuperGold cardholders present their SuperGold Card to the ticket booth or driver. In some regions smartcard technology is being used whereby users tap on and off the service. Service providers record the number of trips taken

and, depending on the nature of the service contract, either the council or operator are reimbursed 65 percent of the average adult fare.

29. A moratorium was imposed on major new services entering the Scheme from 1 November 2010 to reduce the immediate pressure of the steadily increasing costs of the Scheme. A funding cap was also applied to one of the high cost services, the Fullers Group Limited ferry to Waiheke Island. Since 2010/11 the moratorium has been extended three times.
30. A Crown baseline appropriation of \$17.905 million funds the Scheme. Increases to meet the costs of the Scheme are met through the Budget process. There is also a separate appropriation for administration of the Scheme by the NZ Transport Agency of \$0.095 million.

### **Proposed solution for funding the Scheme**

31. To manage the costs of the Scheme, we recommend the funding model for the Scheme is changed so regional councils are allocated bulk Scheme funding to offset SuperGold Card travel provided by contracted services. Exempt services will be capped at current funding levels; and a competitive tender for funding for the Matiatia Wharf, Waiheke Island route will be introduced.
32. We also propose the Crown appropriation for the bulk funding be capped at \$28.129 million per annum with annual CPI adjustments from 2016/17. \$28.129 million is the 2015/16 appropriation agreed in Budget 15.

### ***Scheme relationship with the PTOM framework***

33. PTOM provides a new framework for the planning, procurement and delivery of public transport services. It aims to establish a public transport environment that will grow fare-paying patronage with less reliance on subsidy.
34. Free off-peak SuperGold Card travel will be provided as an integral aspect of the public transport services being tendered under PTOM. Operators compete and tender based on the cost (plus profit margin) to provide services with the route, timetable and fare structure set by a regional council.
35. No distinction is made for the provision of free SuperGold Card travel and operators will receive no fare reimbursement. In general, regional councils will receive fares and SuperGold Card funding.
36. There are some fundamental differences between the PTOM and the 'demand driven' nature of the Scheme. While PTOM aims to establish a public transport environment that will grow patronage to reduce reliance on subsidy, the growth in SuperGold Card patronage represents a direct cost to the Crown, given that individual fares are reimbursed through the Scheme.

### ***Changing the funding model for the Scheme***

37. The free travel provided through the Scheme is currently paid for on a reimbursement basis. The number of people entitled to SuperGold Card travel, and

the number of trips taken, are increasing. This means it is difficult to limit costs of the Scheme other than by reducing the reimbursement rate and making marginal changes to the 'non-core' services provided through the Scheme (for example, some exempt services).

- 38. To enable the Crown funding for the Scheme to be sustainable, without changing eligibility and entitlement policy settings directly, requires an approach that:
  - 38.1. provides a ceiling on the level of Crown funding provided for the Scheme
  - 38.2. removes the fare reimbursement for individual trips.
- 39. The current reimbursement model reflects the 'fare substitute' nature of the Scheme, whereby all trips taken by SuperGold cardholders are reimbursed at 65 percent of the average adult cash fare for each trip.
- 40. Given trips taken by SuperGold cardholders are increasing, and the number of SuperGold cardholders is also increasing, the costs for the Scheme are growing rapidly.
- 41. We consider a cap on the level of Crown funding provided for the Scheme, that will then be bulk funded to regional councils, provides the best opportunity to limit the increasing costs of the Scheme. Regional council participation in the Scheme would remain voluntary. Funding would be provided on the condition that free off-peak travel is available to all SuperGold cardholders on all services contracted by the regional council.

***Bulk funding allocated to regional councils***

- 42. The NZ Transport Agency will apply a principles-based methodology for the allocation of the bulk funding and this will accommodate regional differences. Regional councils will be required to engage with the NZ Transport Agency on the percentage of total bulk funding they receive to provide services under the Scheme.

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**Transitioning to bulk funding for all regional councils**

47. Currently contracts for public transport are under either a partnering contract<sup>2</sup> or a net contract<sup>3</sup>. Regional councils are transitioning to PTOM with partnering contracts.

[Redacted]

49. Managing two methods of funding allocation for the Scheme, i.e. bulk funding for partnering contracts and 65 percent reimbursement for net contracts, while PTOM is rolled out, will result in greater complexity, and increase the costs of administering the Scheme for regional councils and the NZ Transport Agency.

50. To address this we propose that bulk funding is implemented for all regional councils across all contracts (either net or partnering) from 2016/17.

**Potential savings from bulk funding the Scheme**

51. A bulk funding model will achieve potential cumulative Crown savings of \$28.327 million over the 5 years from 2016/17. This is because the capped Crown funding will be less than the projected costs of the Scheme under the current reimbursement model.

52. The potential savings for the 5 years from 2016/17 of capped Crown funding are shown below.

Description / Year	2015/16 \$m	2016/17 \$m	2017/18 \$m	2018/19 \$m	2019/20 \$m	2020/21 \$m
Status quo, with moratorium lifted – anticipated cost	28.129	30.623	32.859	35.197	37.777	40.640
Capped Crown funding with annual CPI adjustments <sup>4</sup>	28.129	28.577	29.142	29.736	30.339	30.975
Anticipated savings	0	2.046	3.717	5.461	7.438	9.665
Cumulative net savings	<b>\$28.327m</b>					

<sup>2</sup> Under partnering contracts fare revenue goes to regional councils with operators paid for the cost of operating the service.

<sup>3</sup> Under net contracts fare revenue goes to the operator and the contract cost is the difference between estimated fare revenue and the cost of operating the service.

<sup>4</sup> The CPI for 2016/17 to 2019/20 is from the Treasury forecast. The CPI for 2020/21 is estimated using the NZ Transport Agency’s cost adjustment factors for public passenger transport.

### ***Specific treatment for high-cost, exempt services***

53. Some niche urban services, now classified as exempt services under the Land Transport Management Act 2003, are included in the Scheme. This legacy issue has created an anomaly whereby operators will continue to receive direct SuperGold Card reimbursements even after PTOM is implemented nationally.
54. Exempt services are not contracted to a regional council. Operators set their own fares, timetables and routes<sup>5</sup> and are subject to competition from other exempt services.
55. Funding to all exempt services in the Scheme in 2013/14 was \$3.151 million.
56. The following table shows the cost of each exempt service to the Scheme in 2013/14:

<b>Exempt Service</b>	<b>Cost of each service in 2013/14 \$</b>
Fullers ferry to Waiheke Island	1,600,994
Sealink ferry to Waiheke Island	285,736
Fullers ferry to Devonport	435,776
Wellington Airport Flyer	733,300
Wellington Cable Car	96,057
<b>Total Scheme funding for exempt services</b>	<b>3,151,863</b>

### ***Capped funding for exempt services***

57. Our preferred option for managing exempt services is that the funding for these services is capped at the current level of \$3.151 million per annum (with CPI adjustments).

#### ***Funding of ferries to Matiatia Wharf, Waiheke Island***

58. The ferry service to Matiatia Wharf, Waiheke Island, is the only route where competition exists. For this route, it is proposed that operators tender to Auckland Transport for funding under the Scheme, with the funding capped at \$1.6 million per annum (with CPI adjustments). The ferries that could tender would be the Fullers Group Ltd ferry and the new Explore Group ferry (discussed below).
59. The nature of the tender process for this service will be developed by the Ministry and the NZ Transport Agency following the engagement process, and advice will be included in the next report to Cabinet. Discussions with exempt service providers are likely to occur following this process.

#### ***One off exception for Explore Group***

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<sup>5</sup> A regional council can restrict operation of exempt services that impact on traffic management or the viability of other services (units).

60. We are also proposing a one off exception could be made to permit the Explore Group to participate in the Scheme for only the ferry service to Matiatia Wharf, Waiheke Island. While inconsistent with the proposed criteria for new services, where services must be contracted to a regional council (and not be an exempt service), this exception would address equity concerns because they provide a comparable service to the Fullers Group Ltd ferry.
61. Officials have discussed the status of Explore Group with the Commerce Commission (the Commission). While no in-depth investigation was undertaken, we have been advised that the Commission considered the current exclusion of Explore Group from the Scheme was not likely to be anti-competitive. The Commission noted that the purpose behind the moratorium was not to restrict competition, but to manage the Scheme's budget.
62. In addition, the Commission viewed the fact that Explore Group had recently entered the relevant market as evidence that competition had not been substantially affected by the moratorium.

#### *Funding the Sealink ferry*

63. The Sealink ferry to Kennedy Point, Waiheke Island is a niche vehicle ferry service. We propose that funding for this service is capped at \$0.286 million per annum (with CPI adjustments).

#### *Funding the Devonport ferry, Wellington Airport Flyer and Wellington Cable Car*

64. We are also proposing that funding for the Fullers ferry to Devonport is capped at \$0.436 million per annum; the Wellington Airport Flyer is capped at \$0.733 million per annum; and the Wellington Cable Car is capped at \$0.096 million per annum. All of the funding caps will be subject to annual CPI adjustments.

#### ***Other options considered for exempt services***

65. We considered three alternative options for the treatment of exempt services: continuing the status quo; restricting access to residents only and introducing a 1 to 2 trip limit for all SuperGold cardholders; and restricting access to residents only and reducing the level of funding provided to these exempt services.
66. These options are not recommended because they either potentially increase the costs of the Scheme or affect the eligibility of services or entitlements of SuperGold cardholders, and are more administratively complex. Further, we considered that the level of savings that would be achieved did not justify the impact of the changes.

#### ***Lifting the moratorium on new contracted services***

67. The moratorium is currently due to expire on 30 June 2015. We recommend the moratorium on new contracted services is extended for a further two months, and is then allowed to expire on 31 August 2015, following engagement with regional councils and operators. Criteria will then apply to all services that want to participate in the Scheme. Existing services would remain within the Scheme.

68. The proposed criteria are that a contracted service must:
- i. be contracted to a regional council
  - ii. be identified in a Regional Public Transport Plan
  - iii. not be an exempt service as defined in the Land Transport Management Act 2003.
69. The above criteria are consistent with the approach under PTOM.
70. The criteria also mitigate the risk of other high cost, exempt services joining the Scheme. For example the criteria would prevent ferries, such as the Great Barrier Island ferry, from participating in the Scheme. This ferry costs \$65 for a one way adult fare.
71. Lifting the moratorium will result in increased costs for the Scheme. However, we are of the view that improved access to the Scheme for SuperGold cardholders living in rural areas, as well as improving the provincial/urban balance of services, outweighs this cost increase. This cost was included in the funding increase approved in Budget 15.
72. The estimated combined cost of new provincial services that might participate in the Scheme could be in the region of \$100,000 to \$200,000 per year. The costs were established from a review of regional councils' public transport plans to identify services funded by regional councils and not currently in the Scheme. Bulk funding, and the criteria applying to new services, will mitigate the risk of new services imposing significant costs on the Scheme should these estimates change.
73. Services that might participate in the Scheme include the Northland Busabout Kaitaia, the Kowhai Connection, bus services in the Waikato, Bay of Plenty and Otago and the Opunake to New Plymouth bus. Additionally the Hobsonville ferry in Auckland, a contracted service in the Auckland Regional Public Transport Plan, may join the Scheme.
74. The additional costs of lifting the moratorium would need to be met within the Crown appropriation.

***Mandatory use of smartcards by SuperGold cardholders to access the Scheme***

75. We recommend that SuperGold cardholders be required to use smartcard technology, as it becomes available, to access the Scheme.
76. We recommend that SuperGold cardholders who use public transport bear the cost of purchasing a smartcard if they wish to access the transport concession. This may run counter to the notion that access to the Scheme is free for all entitled people. However, the cost of a smartcard is small when compared to the ongoing benefits users gain from accessing the Scheme.
77. The cost of a smartcard to access the Scheme would be between \$5 and \$10 per card.

78. The Ministry of Social Development explored the potential cost of the Crown issuing smartcards to all SuperGold cardholders, and estimated the cost would be about \$8.6 million over a 4-year period with a phased roll-out. This estimate includes the cost of production and distribution of smartcards to current SuperGold cardholders and newly eligible seniors over the 4-year period, together with SuperGold Card renewals<sup>6</sup>.
79. Smartcard technology will deliver more accurate and efficient data on the number and length of trips taken, fares, transactions and travel patterns. This data would assist with future public transport planning and potentially reduce the costs paid under the Scheme. Smartcards may also shorten boarding and waiting times, which will improve the efficiency of the public transport network.
80. The NZ Transport Agency will work with regional councils, transport operators and the Ministry of Social Development to enable the use of smartcards.

### ***Timing of proposed changes for the Scheme***

81. We recommend that bulk funding of the Scheme start in 2016/17. This will allow time for engagement with regional councils and operators of exempt services on changes outlined in this paper, and engagement between the NZ Transport Agency and regional councils to occur on the allocation of the bulk funding.

### **Secondary considerations - funding from a Crown appropriation or the National Land Transport Fund**

82. A secondary issue we have considered is whether the funding of the Scheme should be provided through the National Land Transport Fund or continue to be from a Crown appropriation.
83. Both options are viable, however, different issues arise under each.

### ***Funding from a Crown appropriation***

84. A capped Crown appropriation would provide certainty around the Scheme. Ministers would continue to make decisions on the policy parameters for the Scheme (delegated to the Minister of Transport), including agreeing the budget for capped Crown funding.
85. The level of the appropriation would need to be reviewed periodically to consider the effectiveness of the bulk funding model in sustaining the costs of the Scheme and the costs of the Scheme to regional councils and rate payers.
86. Continuing the Crown appropriation is our preferred option.

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<sup>6</sup> Renewals may be reissued to SuperGold cardholders who have lost their SuperGold card, or to SuperGold cardholders that are also Community Service cardholders.

### ***Funding through the National Land Transport Fund***

87. Generally funding from the National Land Transport Fund is used for the benefit of road users. The main benefit of the Scheme is a social one to users. One could question whether road users should fund this social benefit.
88. Shifting the funding source from the Crown into the National Land Transport Fund could be done by either:
  - 88.1. amending the Government Policy Statement on Land Transport to create a new activity class (such as a social assistance activity class) with funding ranges set by the Minister of Transport; or
  - 88.2. amending section 9 of the Land Transport Management Act 2003, which allows road tax revenue to be diverted for transport related purposes, which could include the Scheme.
89. The NZ Transport Agency gives effect to the Government Policy Statement in allocating funding from the National Land Transport Fund to activities, drawing on proposals put forward by regional councils (through Regional Land Transport Plans). Local authorities co-fund many activities including local roads and public transport.
90. If the Scheme is included in the National Land Transport Fund it would be assessed using the same frameworks that are used to assess all other public transport activities.
91. Under this option, exempt services would be removed from the Scheme because the NZ Transport Agency does not have a mandate to fund exempt services through the National Land Transport Fund.

### **Risks and implications of proposed changes**

#### ***Risks of funding the Scheme through the National Land Transport Fund***

92. There are a number of risks to the Scheme if funding is provided through the National Land Transport Fund.
93. The Scheme is unlikely to meet the priorities under the Government Policy Statement on Land Transport or the NZ Transport Agency Board's criteria, resulting in either a reduction in available funding for the Scheme or the Scheme disappearing.
94. Funding the Scheme through the National Land Transport Fund will mean there will be less funding available for other transport related activities unless fuel excise duty and road user charges are increased.
95. The creation of a separate 'social activity class' could create unintended consequences and create a precedent to fund wider social and health benefits from the National Land Transport Fund. An activity would be subject to a financial assistance rate and local share would need to match funding from the National Land Transport Fund.

[Redacted]

*Stakeholder response*

- 97. Given the acknowledged benefits of the Scheme are predominantly social rather than transport-related, options that move the Scheme into the National Land Transport Fund are likely to raise concerns among road users who contribute to the fund. Stakeholder groups, such as the Automobile Association, which have supported past increases to fuel excise duty and road user charges, would be unlikely to support increases to fund the Scheme. These options may be seen as undermining the social contract with road users, subsequently straining stakeholder relationships.
- 98. The National Land Transport Fund provides funding for activities that benefit all road users, not just vehicle owners, including, public transport, walking and cycling. There are also associated benefits to road users in increased public transport uptake, even off-peak, for example, reduced congestion.
- 99. Any changes that impact on the National Land Transport Programme will need to consider timeframes around the development of this programme. The NZ Transport Agency is in the final stage of developing the 2015-18 National Land Transport Programme, with indicative funding decisions to be announced on 1 July 2015.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

107. A review of the effectiveness of the bulk funding model should be completed at year three.

**Impact of bulk funding exempt services**

108. Capping funding at its current levels for exempt services should not impact on the entitlements of SuperGold cardholders, who would be able to continue to have access to these exempt services participating in the Scheme.

109. Smartcard technology, where available, will be used to access these services. Data collected from the use of smartcards would be useful to assess the frequency of use by SuperGold cardholders. At present, this information is unknown.

[REDACTED]

111. The NZ Transport Agency has advised there is a risk the funding for exempt services (about 11 percent of the proposed bulk funding) will reduce the flexibility of the Scheme and result in less funding to manage other services.

112. Funding for all exempt services will need to be met within the Crown appropriation. Funding would be provided to participating exempt services on the condition that they do not limit the provision of free off-peak travel for eligible SuperGold Cardholders (i.e. no limit on the number of trips or part charges imposed).

**Implementation**

113. Officials have advised us there may be a need to strengthen the mandate of the NZ Transport Agency to ensure it has the appropriate authority to develop and administer a bulk funding mechanism, and engage with regional councils.

114. Should a firmer mandate be required, this could be achieved through an Output Agreement with the NZ Transport Agency (similar to the approach being used for the Urban Cycleways Programme), a direction under section 103 of the Crown Entities Act 2004 (Crown Entities Act), or an addition to the functions of the NZ Transport Agency under section 112 of the Crown Entities Act.

115. The preferred mechanism for how this will be achieved, should change be needed, will form part of the next report back.

116. A review of the ongoing funding arrangements for the administration of the Scheme under a bulk funding model will also be needed.

117. Current administrative costs of the Scheme are a separate annual appropriation of \$95,000. If an increase in funding for administration were to occur then it would

come out of the overall Crown appropriation. This will be reported on following the engagement process.

118. Engagement with regional councils on how the new Scheme could work, particularly in relation to the treatment of exempt services, will be important for the success of the policy changes. Feedback from the engagement process will inform our final recommendations to Ministers.

### **Stakeholder engagement process**

119. We propose that there will be two phases of engagement.
120. Firstly, engagement will need to occur with Local Government NZ, Auckland Transport, regional councils, some affected operators of exempt services and user groups regarding changes to the Scheme outlined in this paper.
121. Matters that need to be consulted on include:
- i. the proposal to move to a capped Crown appropriation, which will be bulk funded to regional councils
  - ii. the principles and methodology for how this funding will be allocated regionally
  - iii. criteria for new services entering the Scheme once the moratorium is lifted
  - iv. the treatment of exempt services
  - v. the timing of when proposed changes will be implemented.
122. Once this engagement is complete, a further report back will be provided to Cabinet on the outcome.
123. Secondly, the NZ Transport Agency will need to engage with regional councils about the level of bulk funding for each region following our next report back to Cabinet in August.

### **Consultation with departments**

124. The Ministry has consulted with the NZ Transport Agency, Treasury and the Ministry of Social Development (Office of Senior Citizens) on this Cabinet paper. The Department of the Prime Minister and Cabinet has been informed.

### ***Treasury***

125. Treasury is of the view that bulk funding effectively decreases the reimbursement rate from the Crown as costs will increase but funding will not.
126. The Treasury notes that if the SuperGold Card is bulk funded through PTOM, this will manage the costs for the Crown but will increase cost pressures for regional councils. To make the Scheme's costs sustainable for all parties, a first principles review of the Scheme should be undertaken without the limitations of 'eligibility and entitlement' as in the current review.

**Office for Senior Citizens**

[Redacted text block]

128. The Office for Senior Citizens also considers that if it is mandatory for older people to pay for a smartcard in order to access the Scheme, this may create barriers for older people to access the Scheme.

**External consultation**

129. Given possible sensitivities around potential changes to the Scheme, engagement with regional councils, some operators of affected exempt services and specific user groups has not yet taken place. Discussions have been delayed until Cabinet agrees to the proposed changes, and which of the proposed policies will be consulted on.

**Financial implications**

130. The Scheme has baseline funding of \$17.905 million for 2016/17 and outyears.

131. We recommend Cabinet agree that a capped Crown appropriation for the Scheme will be sought in 2016/17 in Vote Transport as follows:

	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears
Non-departmental other expense SuperGold Card – public transport concessions for holders	28.129	17.905	17.905	17.905	17.905
Increase required	-	10.224	10.224	10.224	10.224
<b>Total</b>	<b>28.129</b>	<b>28.129</b>	<b>28.129</b>	<b>28.129</b>	<b>28.129</b>

132. The capped Crown appropriation would be at the same level as the 2015/16 appropriation.

133. The appropriation would be subject to annual CPI adjustments from 2016/17.

**Legislative implications**

134. There are no legislative implications for this paper.

**Regulatory Impact Analysis**

135. A Regulatory Impact Analysis is not required because this paper will not involve creating, amending or repealing either primary legislation, or delegated legislation that is a regulation for the purposes of the Regulations (Disallowance) Act 1989.

## Human rights, gender and disability implications

136. The proposal to consult on proposed changes to the Scheme does not have implications in these areas. However, the existing concessions available to SuperGold cardholders do involve discrimination on the basis of age, since entitlement is generally limited to those aged 65 years or over.
137. Age-based discrimination is prohibited by the Human Rights Act 1993, but this is subject to a number of exceptions, including an exception in relation to reduced charges for services based on age.

## Publicity

138. Publicity will be required regarding changes agreed in this paper, and will involve engagement with regional councils, operators of services and user groups to discuss decisions made by Cabinet. An engagement document will be prepared for this purpose. We request the power to act to release this engagement document.
139. A Ministerial statement will be issued prior to engagement.

## Recommendations

140. The Minister of Transport and Associate Minister of Transport recommend the Committee:
  1. **agree** that to achieve greater efficiencies from the SuperGold Card transport concession scheme (the Scheme), the funding model for the Scheme should be changed to a bulk funding model
  2. **note** that bulk funding is expected to slow down the increase in Crown costs of the Scheme, while ensuring current eligibility and entitlements for SuperGold cardholders
  3. **agree** that the Crown appropriation for the Scheme will be capped at \$28.129 million with annual consumer price index (CPI) adjustments from 2016/17
  4. **agree** that a funding request for additional funding for 2016/17 and outyears will be submitted as part of Budget 16
  5. **agree** to delegate the approval of annual CPI increases for outyears to the Ministers of Transport and Finance
  6. **agree** that bulk funding will be implemented for all regional councils and applied to all contracts from 2016/17
  7. **note** that implementing a bulk funding model for the Scheme (based on a capped appropriation of \$28.129 million), will achieve potential cumulative savings of \$28.327 million over the 5 years from 2016/17
  8. **note** that the NZ Transport Agency will develop a principles-based approach to the annual allocation of bulk funding to regional councils and

will engage with regional councils prior to allocating funds

9. **agree** that a condition of providing funding to regional councils is that free off-peak travel is available to all SuperGold cardholders on all contracted services and eligible exempt services
10. **agree** that the Ministry of Transport with the NZ Transport Agency (as required) undertake targeted engagement on the proposals
11. **agree** that we have the power to act to release the engagement paper that will be prepared to facilitate the engagement process

### ***Exempt services***

12. **agree** to cap funding for all exempt services at \$3.151 million per annum (with annual CPI adjustments), allocated as follows:
  - a) funding for ferries to Matiatia Wharf, Waiheke Island is capped at \$1.600 million per annum, with operators tendering for Scheme funding
  - b) funding for the Sealink ferry to Kennedy Point, Waiheke Island is capped at \$0.286 million per annum
  - c) funding for the Fullers Group Ltd Devonport ferry is capped at \$0.436 million per annum
  - d) funding for the Wellington Airport Flyer is capped at \$0.733 million per annum
  - e) funding for the Wellington Cable Car is capped at \$0.096 million per annum
13. **agree** to an exception being made to allow the Explore Group Ltd to participate in the Scheme for only the ferry service to Matiatia Wharf, Waiheke Island
14. **note** officials will report back on ways to address specific risks around these services and the nature of the tendering process

### ***Lifting the moratorium***

15. **agree** to lift the moratorium on new contracted services entering the Scheme from 1 September 2015, and implement criteria to manage the entry of future services participating in the Scheme
16. **agree** that the criteria for managing new services that want to participate in the Scheme are that a service must:
  - a) be contracted to a regional council
  - b) be identified in a Regional Public Transport Plan
  - c) not be an exempt service as defined in the Land Transport Management Act 2003

***Use of smartcard technology***

17. **agree** to the mandatory use of smartcard technology, where available, by SuperGold cardholders to access the Scheme
18. **agree** SuperGold cardholders pay for smartcards to access the Scheme

***Source of funding***

19. **agree to** continue with Crown appropriations to fund the Scheme
20. **agree** in principle that the changes proposed in this paper take effect from 2016/17
21. **note** that following engagement, a further report will be provided to Cabinet by the end of August 2015 on the outcome of that consultation.

Hon Simon Bridges  
**Minister of Transport**

Dated: \_\_\_\_\_

Hon Craig Foss  
**Associate Minister of Transport**

Dated: \_\_\_\_\_