

## Community Connect – estimated costs for accelerated rollout

It is important to note that Community Connect is heavily reliant on local government support to be rolled out. Without having yet fully engaged with public transport authorities on bringing the start date forward, we cannot yet confirm whether an August/September nation-wide rollout is achievable. There will also be additional challenges implementing it over this time as a result of local body elections.

The table below shows revised costs in light of Ministers' direction of an accelerated rollout for Community Connect. Revised costs are highlighted in yellow. The costs indicated below assume:

- Full Crown funding for the entire period, not just the first year of the concession's operation
- With rollout occurring from August/September 2022, costs relating to fare revenue foregone and provision of additional services have been brought forward 1 year
- The costs for 2025/26 and outyears are the same as those indicated for 2024/25.
- No change at this point to the following costs, as we are still in discussion with agencies on whether any changes are required:
  - Establishing technical and legal requirements for information sharing
  - MSD operating and Capital costs
  - New FTE funding.

Section 5B: Funding sought by input						
<b>Formula and assumptions underlying costings</b>	<p>Cost of producing each travel card is assumed to be \$9 (based on Auckland pilot costs) – multiplied by the current number of CSC holders in New Zealand, minus those in Auckland. The cost of each card is assumed to remain constant, to cover fluctuations month-to-month and year-to-year.</p> <p>Foregone fare revenue is the difference of baseline CSC holders' fares and counterfactual CSC holder fares (policy intervention). We used the data source from Waka Kotahi to work out average fares for different regions and multiplied it by CSC patronage numbers (CSC patronage numbers were derived from data provided by regional councils for the Green Transport Card policy work). Counterfactual fares assume 50% reduction of the baseline fares.</p> <p>Additional patronage demand for CSC holders (fare reduction) are calculated using price change and elasticity formula.</p> <p>FTE information outlined in the table are Waka Kotahi FTE requirements for leading implementation, supporting Public Transport Authorities and MSD in the rollout, and ongoing support. Costs are based on Band 17 for remuneration, with 2.5 FTE required in year 1 to support implementation, 1.5 FTE required in year 2 and 1 FTE in outyears.</p> <p>MSD cost information are illustrative estimates, based on assumptions that:</p> <ul style="list-style-type: none"> <li>• The work has a high enough priority within MSD's work programme to secure all the resources needed to meet the implementation deadline.</li> <li>• Funding will be available for work to start from 1 July 2022.</li> <li>• Clients will apply to the Public Transport Authority for the concession, as is the case for the Auckland pilot.</li> <li>• The scope of MSD's role is consistent with that of the Auckland pilot, specifically communicating the concession to new and existing CSC holders, and validating the client's eligibility with the regional ticketing provider through an Application Programming Interface.</li> <li>• The intention is to extend the Auckland pilot to the rest of the country, in a 'big bang' launch in July 2023.</li> <li>• MSD only needs to work with three partners to the API for the nationwide roll-out, based on the different ticketing systems (BEE Card for most regions, Wellington and Canterbury).</li> </ul>					
<b>Input – Operating</b> [Enter one number value per field only into CFISnet]	<b>Funding profile (\$m)</b>					<b>Total</b>
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Number values only, i.e. 15 or 100000. Do not enter any text, \$ signs or % signs.
<b>Input Information</b>						

Travel cards loaded with concession	-	6.949	6.949	6.949	6.949	27.796					
Fare revenue foregone (including additional patronage demand)	-	15.900	15.800	15.686	15.686	63.072					
Establishing technical and legal requirements for information sharing	-	1.192	-	-	-	1.192					
Provision of additional public transport services	-	1.400	1.600	1.700	1.700	6.400					
MSD operational costs (including letters to CSC holders, IT operational costs, and 20% contingency)	-	0.403	0.236	0.168	0.168	0.975					
MSD financial costs: Depreciation (20%)	-	-	0.455	0.455	0.455	1.365					
MSD financial costs: Capital charge (5%)	-	0.114	0.114	0.114	0.114	0.455					
<b>FTE-specific Input Information (if applicable)</b>											
New FTE funding	-	0.528	0.658	0.211	0.211	1.608					
New contractor funding	-										
Additional FTE overhead funding	-										
<b>Total</b>	<b>-</b>	<b>26.486</b>	<b>25.812</b>	<b>25.283</b>	<b>25.283</b>	<b>102.864</b>					
# of FTE's (employees and/or contractors)											
What's the % increase in FTE compared to baseline FTE numbers											
	<b>Funding profile (\$m)</b>										<b>Total</b>
<b>Input – Capital</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>	<b>30/31</b>	
Service Delivery Project Resources	-	1.003	-	-	-	-	-	-	-	-	1.003
Total IT Project Cost	-	0.893	-	-	-	-	-	-	-	-	0.893
Contingency (5%)	-	0.379	-	-	-	-	-	-	-	-	0.379
<b>Total</b>		2.276									2.276

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## Costs of extending half-price public transport fares until the start of Community Connect nationwide

Costs shown in Table 1 below are for extending half-price fares for all users until the start of Community Connect nationwide (August/September 2022). Costs shown are for two and three month periods.

These figures assume patronage for core public transport services is at 80% to 90% of pre-COVID levels.

Costs in Table 2 reflect the costs estimated for the 1 April – 30 June 2022 period. The numbers we previously provided assumed average patronage of 70% of pre-COVID levels. This was based on the assumption of a start at below 70% on 1 April, but ending by 30 June above 70%.

We recommend using the numbers indicated in Table 1, for the following reasons:

- We recommend assuming 85% of pre-COVID patronage. This reflects that patronage is likely to grow over the period due to the reduce fares.
- Any variation below this estimate can be managed with controls in place to ensure to we only spend the 'lost revenue' component, with the remainder of the appropriation returning to the Crown.
- However, we may also need to re-evaluate this provision if the fare reduction policy is more successful in terms of increasing patronage.

**Please note, these costs are indicative only.**

Table 1

Scope	Includes	2 months		3 months	
		Estimated cost (\$m)	Cumulative Cost (\$m)	Estimated cost (\$m)	Cumulative Cost (\$m)
Core public transport services	Services operating under contract with councils	24.2	24.2	36.2	36.2
Inter-regional train services	Te Huia and Capital Connection	0.2	24.4	0.3	36.5
Total mobility	Transport for people with long-term impairments unable to use regular public transport	2.7	27.1	4.1	40.6

Table 2

Scope	Includes	2 months		3 months	
		Estimated cost (\$m)	Cumulative Cost (\$m)	Estimated cost (\$m)	Cumulative Cost (\$m)
Core public transport services	Services operating under contract with councils	21.4	21.4	32.1	32.1

Inter-regional train services	Te Huia and Capital Connection	0.2	21.6	0.3	32.4
Total mobility	Transport for people with long-term impairments unable to use regular public transport	2.7	24.3	4.1	36.5

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