

Budget Sensitive

Office of the Associate Minister of Transport
Chair
Cabinet Economic Development Committee

GREEN TRANSPORT CARD INVESTIGATION

Proposal

1. This paper asks the Cabinet Economic Development Committee (DEV) to note the approach being taken to investigate implementing a Green Transport Card (the green card). The green card would reduce the costs of public transport for low-income households and people on a benefit.

Executive summary

2. The Confidence and Supply Agreement between the Labour Party and the Green Party includes an agreement to investigate the green card to reduce the cost of public transport, prioritising people in low-income households and people on a benefit.
3. The green card will support the Coalition Government's long-term plan to improve the wellbeing of New Zealanders and their families.
4. The Ministry of Transport is leading the investigation into the green card, in collaboration with other agencies and local government. Local government support for the green card will be crucial to its success, as regional councils plan and co-fund public transport services. They also set fares and concession prices.
5. The intention is to initially target the green card at Community Services Card (CSC) holders and their dependents under 18 years of age.
6. The relationship between the green card and the SuperGold Card will be an important focus of the investigation.
7. The investigation is considering aligning the public transport entitlements of the green card with the SuperGold Card (i.e. fare-free travel during off-peak travel times).
8. Other policy options will also be investigated, and assessed according to their social benefits (including health), cost effectiveness, and transport impacts (including public transport network capacities). I do not expect the green card to deliver any greater entitlements overall to green card holders than the SuperGold Card.

9. I will report back to Cabinet on recommended options for the green card in July/August 2019.

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Under consideration

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Under consideration

12. There is a risk that regional councils could be unwilling or unable to collaborate on the green card investigation within the available timeframe, or that a consensus cannot be reached between central and local government on key aspects of the card. This would delay the process. Central government will need to assure regional councils that the green transport card subsidies will be funded by central government.

Background and purpose of the green card

13. The Confidence and Supply Agreement between the Labour Party and the Green Party includes an agreement to:

Investigate a Green Transport Card as part of work to reduce the cost of public transport, prioritising people in low-income households and people on a benefit.

14. The green card will support the Coalition Government's long-term plan to improve the wellbeing of New Zealanders and their families, in particular through its direct contribution to the priority outcomes of 'supporting healthier, safer and more connected communities', 'to grow and share New Zealand's prosperity more fairly', and 'to transition to a clean, green, carbon neutral New Zealand'.

15. Key benefits of the green card may include the following benefits.

- **Social inclusiveness and equity:** people on low-incomes in areas served by public transport will benefit from improved access to social and economic opportunities, such as work, education, and healthcare. It will reduce financial hardship for these households, and increase their resilience to volatile/rising fuel prices.
- **Health:** the green card will improve physical and mental health, as public transport encourages more physically active travel compared to car travel, and helps to reduce air and noise pollutants from motorised vehicles. Public

transport is the safest form of transport. Travel costs can also be a barrier for low-income households accessing health care.

- ***Environmental sustainability:*** the green card will support a transport mode shift from private vehicles to public transport, helping to reduce greenhouse gas emissions and local air pollution.

16. The green card will complement other investments that central and local government are making to improve access to public transport, such as expanding public transport networks and service frequencies. In combination these initiatives will help to deliver on the outcome of improving inclusive access in the transport sector.¹

The Ministry of Transport is leading the investigation into the green card, in collaboration with other agencies and local government

17. Central government agencies that have been involved in the investigation so far include the New Zealand Transport Agency (NZTA), Ministry of Social Development, Ministry of Education, the Ministry of Health, and the Tertiary Education Commission.
18. Local government involvement will be crucial to the success of this initiative, as regional councils plan and co-fund local public transport networks. An important aspect of managing public transport networks involves revenue and fare setting. Regional councils are responsible for setting local public transport fares and concessions, and decide which passenger groups are eligible for these. They also set terms and conditions for fare concessions via Regional Public Transport Plans.
19. Funding responsibilities and capacity issues will be core issues of concern for local government. Wellington's public transport network in particular is already facing significant capacity challenges. If extra capacity needs to be added (e.g. more trains or buses, and/or more frequent services), local government will seek clarification on how this extra capacity could be funded. There is also a nation-wide shortage of bus and train drivers currently, which could limit the ability of operators to rapidly expand public transport services.
20. Key outputs of the investigation will include:
 - recommended options on who to target the green card at, what the travel entitlements should be, and how the fare discounts will be addressed in Regional Public Transport Plans.
 - clarification on how the green card will relate to the SuperGold card.

¹ A Transport Outcomes Framework guides the work of all government transport agencies, so that transport improves wellbeing and liveability. This framework includes five outcome areas: inclusive access, healthy and safe people, economic prosperity, environmental sustainability, and resilience and security.

- detailed cost estimates, based on modelling anticipated impacts of the card, including costs to agencies and transport operators.
- assessing whether local public transport networks have sufficient capacity to meet higher public transport use that will be driven by the green card.
- an in-principle agreement between central and local government on a durable long-term funding model for the green card. This will determine if funding from central government will be capped, or demand-driven.
- initial design work around agencies, systems, and processes for administering and providing green cards to eligible users, and monitoring green card use. This will include consideration of how the green card will work with existing public transport ticketing systems, and a national integrated ticketing system in the future.

21. Policy options for the green card will be assessed against three main criteria: social benefits (including health), cost effectiveness, and transport impacts (particularly on public transport networks' performance).

The intention is to initially target the green card at Community Services Card (CSC) holders and their dependents (under 18 years of age)

22. To enable a well-defined scope for the investigation, I have considered various options for who the green card could be targeted at, including CSC holders, people with disabilities, tertiary students, and school children.

23. Providing the green card to CSC holders and their dependents aligns with the intention of the green card to prioritise the needs of low-income households and people on a benefit.

24. CSC holders include people who receive a benefit from Work and Income, such as recipients of an accommodation supplement or a disability allowance, those without paid work, low-income families, people living in social housing, tertiary students that are eligible for a student allowance, and refugees.

25. The rationale for targeting CSC holders and their dependents is identified below.

25.1. The CSC provides an established mechanism to target low-income households and people who receive a benefit. Anyone who receives a benefit from Work and Income is automatically sent a CSC. Low-income people who do not receive a benefit can also apply for a CSC.

25.2. CSC holders are not eligible for any specific discounts on public transport, unlike some other groups. For example, full-time tertiary students receive a 25

percent discount on public transport fares in Auckland and Wellington, and can travel fare-free in Palmerston North. School students receive a 50 percent discount on public transport in most regions, and children under five usually travel for free.

25.3. Approximately 16 percent of tertiary students receive a student allowance, and are automatically entitled to a CSC. The most financially disadvantaged tertiary students would therefore be eligible for a green card.

25.4. While not all CSC holders are on a benefit, their household incomes are significantly below the national average, and would stand to benefit the most from reducing their day to day transport costs (in areas where public transport is available).

25.5. Dependents of CSC holders receive discounted healthcare. Extending discounted travel entitlements to dependents of CSC holders would be consistent with the approach that government takes in the health system. It would make it more affordable for low-income families to travel together on public transport.

26. The investigation will need to explore whether dependents of CSC holders will be entitled to their own green card, or if they will only receive public transport discounts when travelling with a caregiver who has a CSC. Dependents of CSC holders are not currently issued with their own CSC (except children who receive a Child Disability Allowance). If dependents require their own card, this would add additional administrative costs. The relationship between green card discounts and existing child concessions will also need to be established.

27. The green card could potentially be expanded to other groups in the future, such as all children and youth under 18 years of age, and/or all tertiary education students. Although the current investigation will not focus on these groups, the investigation will be conducted with these future options in mind.

28. As of January 2019, 921,433 New Zealanders had a CSC. Approximately a third of these have a CSC-SuperGold combo card, which enables them to access the entitlements of both the SuperGold card and the CSC.

29. Approximately 590,000 New Zealanders under the age of 65 are expected to be eligible for a CSC by December 2019. Their dependents make up another estimated 200,000 people.

The relationship between the green card and the SuperGold Card will be an important focus of the investigation

30. The SuperGold Card is available to eligible New Zealanders aged 65 years or over, and those under 65 who receive the Veterans Pension. It is also available to non-

qualified partners of those receiving New Zealand Superannuation (NZS) who do not meet the age and residency eligibility criteria for NZS.

31. SuperGold Card holders can travel on public transport for free during off-peak travel periods, with their fare-free travel subsidised by central government. Funding for the SuperGold Card transport concession is currently capped at \$28.1 million per annum. Regional councils' participation in the SuperGold Card scheme is voluntary, with all regional councils currently choosing to opt-in.
32. Given the existing SuperGold Card transport entitlements, and the overlap between some CSC holders and SuperGold Card holders, the relationship between the green card and the SuperGold Card will need to be clarified.
33. To avoid confusing card holders about the relationship between different cards, and to manage costs, the green card is likely to only be provided to CSC holders who do not have a SuperGold Card.

The investigation will consider aligning the public transport entitlements of the green card with the SuperGold Card

34. It will also consider two other options:
 - 34.1. Providing green card holders with a 50 percent fare discount, at any time of day.
 - 34.2. Establishing a monthly or annual public transport allowance, which card holders would only be able to use when travelling on public transport with a transport smart card. The practicalities of this option will be explored at a high-level before determining whether it should be investigated fully, alongside other options.
35. The option of giving green card holders an entitlement to travel fare-free at any time of day will be excluded, as this would provide green card holders with greater travel entitlements than SuperGold Card holders.
36. Options will be assessed according to their social benefits (including health), cost effectiveness, and transport impacts (including public transport network capacities).

37. Some public transport services that have particularly high standard fares, such as the Waiheke Island ferry and inter-regional services, are also likely to be excluded from green card subsidies to manage costs.

The investigation will also consider implementation issues associated with the card

38. These include the following.

38.1. **The card:** whether a separate green card should be produced, or if people will use their CSC or an existing travel card. Public perception issues associated with the card will also be considered, as some CSC holders may feel uncomfortable about using a travel card that specifically identifies their low-income status.

38.2. **Verifying eligibility:** how people will verify that they, and/or their dependents, are the eligible user of a green card, whether photo IDs will be required, and managing expiry dates when people are no longer entitled to a CSC.

38.3. **Smartcards:** The green card will not be a stand-alone smartcard. However, green card entitlements could be loaded on to other travel smartcards. SuperGold Card holders are required to use travel smartcards on public transport as smartcard technology, such as the AT HOP card in Auckland, becomes available. Travel smartcards are being rolled out in phases across different regions. We envisage that the green card would work in a similar way, until a national integrated smartcard for public transport is fully implemented in the 2020s.

Recommended options for the green card will be provided in mid-2019, and the green card could be implemented in mid-2020

39. I have explored funding the green card from the National Land Transport Fund (NLTF). The green card cannot currently be funded from the NLTF because this fund is fully committed until 2021.

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41.  Under consideration

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[Redacted]	[Redacted]	[Redacted]
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Under consideration

focus on the detailed modelling, operational, and implementation details of the green card.

51. I will report key findings and outcomes from the green card investigation back to Cabinet by July 2019 for consideration.

Consultation

52. The following government agencies have been consulted on this paper: NZTA, Ministry of Social Development, Ministry of Health, Treasury, and the Department of Internal Affairs. The Department of the Prime Minister and Cabinet has been informed.

Financial implications

53. As noted above, Hon Twyford has submitted a Budget initiative on my behalf to fund implementation of the green card. This funding would be contingent on completing the green card investigation into policy options, and Cabinet agreement to implement the card.

Human rights, gender and disability implications

54. No specific human rights issues have been canvassed in this paper.
55. The green card would likely benefit a greater number of women than men. As of January 2019, 57% (529,439) of CSC holders were classified as female, and 43% (391,994) were male. Statistics from the 2013 census show that women are more likely to use public transport to get to work: 7.1% of women used public transport to get to work, compared to 4.6% of men. Statistics from the 2018 census are not yet available.
56. The green card could have major implications for people with a disability, as many of these people have low-incomes and/or receive a disability allowance. Based on data from the Disability Survey 2013 and Census data, approximately 45% of all people with disabilities are employed (with 65% receiving incomes below \$30,000 per year). As of January 2019, 94 percent of people who receive a disability allowance have a CSC (215,963 people). People receiving Disability Support Services funded by the Ministry of Health are also likely to be eligible for a CSC. People with disabilities will only benefit from the card if public transport services are accessible to use, and operate where they want to travel.

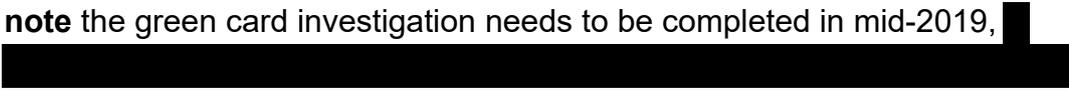
Legislative implications

57. There are no legislative implications at this stage.

Proactive Release

58. As this paper contains Budget Sensitive information, this paper should not be released until after the Budget is announced in May 2019. Information that could prejudice or disadvantage negotiations with local government on the green card should also be withheld under the Official Information Act 1982.

Recommendations

59. I recommend that the Committee:
1. **note** that the green card would deliver significant social, health, and environmental benefits
 2. **note** the approach being taken to investigate the green card
 3. **note** the intention to initially target the green card at Community Services Card (CSC) holders and their dependents
 4. **note** the relationship between the green card and the SuperGold Card will be clarified during the investigation
 5. **note** the green card investigation needs to be completed in mid-2019, 
 6. **note** a Budget initiative for the green card has been submitted to the Treasury, which would enable the green card to be implemented in mid-2020 if Cabinet agrees to funding Under consideration
 7. **note** I will report back to Cabinet on the findings of the green card investigation in June/July 2019
 8. **agree** not to release this paper until after the Budget is announced in May, and to withhold any appropriate information under the Official Information Act 1982.

Hon Julie Anne Genter
Associate Minister of Transport

Dated: _____