



13 April 2022

OC220237

**Hon Grant Robertson**  
**Minister of Finance**

**Action required by:**  
 Tuesday, 19 April 2022

**Hon Carmel Sepuloni**  
**Minister for Social Development and Employment**

**Hon Andrew Little**  
**Minister of Health**

**Hon Michael Wood**  
**Minister of Transport**

cc Hon Ayesha Verrall  
 Minister for Seniors

## **CONSIDERATIONS FOR NATIONWIDE ROLL-OUT OF COMMUNITY CONNECT**

### **Purpose**

Update you on key considerations for achieving nationwide roll-out of Community Connect from 1 September 2022, and to seek your agreement to proceed with work to meet this timeframe. We also seek agreement from the Minister of Finance to engage, in confidence, with public transport authorities and their ticketing providers on options to implement the concession ahead of Budget day announcements.

### **Key points**

- Through Budget 2022, we understand Ministers have agreed to an extension of the half-price fares for all public transport users until 31 August 2022 and the nationwide roll out of the targeted Community Connect initiative by 1 September 2022.
- Officials (from Te Manatū Waka, Ministry of Social Development and Waka Kotahi) have identified options and approaches to achieve this but we cannot be certain that delivery of Community Connect by 1 September can be achieved by public transport authorities (PTAs) until we engage with them. We need to confirm what is operationally feasible, particularly in providing a customer experience that steps as smoothly as possible from the current policy to Community Connect. It is likely that whatever the final product for a 1 September roll-out looks like, in the short term, it may not meet other objectives, such as mitigating risk of misuse and customer experience.
- We are seeking approval from the Ministers of Finance and Transport to engage with PTAs before the end of April to provide as much time as possible to confirm feasibility and the approach for a 1 September 2022 nationwide 'go live' date of the Community

Connect initiative. We will also seek their agreement to join the scheme, based on full Crown funding for the first four years with funding beyond that to be determined.

- The Ministry of Social Development and the Ministry of Health are preparing joint policy advice to the Minister of Social Development and Employment and the Minister of Health on regulatory amendments to necessary to achieve implementation of the Community Connect initiative on 1 September 2022. This advice will be provided by the end of April 2022.
- The current intention is for the Community Connect initiative to be piloted in Auckland from 1 July 2022, with a nationwide roll out on 1 July 2023. To provide clarity to the public, we are recommending that the Auckland pilot be delayed, aligning with the nationwide 'go live' date of 1 September 2022 (although some elements, such as pre-registration for the concession may continue).
- Te Manatū Waka has worked with the Ministries of Social Development and Health, and Waka Kotahi in developing this advice. The Treasury has also been informed.

## Recommendations

We recommend that:

### *The Minister of Finance*

- |   |   |          |
|---|---|----------|
| 1 | <b>authorise</b> officials to engage with public transport authorities and their ticketing providers before 29 April 2022 to agree to join the Scheme and to ensure the nationwide implementation of Community Connect by 1 September 2022. | Yes / No |
| 2 | <b>note</b> officials will work with the Minister of Transport's Office around the scope of this engagement and will keep his Office up to date on any developments from engagement with public transport authorities.                      |          |

### *The Minister for Social Development and Employment*

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| 3 | <b>note</b> that, subject to conversations with public transport authorities and their ticketing providers, and confirmation of preferred delivery approach, decisions will need to be made on reprioritisation of existing Ministry of Social Development work priorities. |  |
| 4 | <b>note</b> that the Ministry of Social Development will provide further advice on the need to re-prioritise its work programme.  |  |
| 5 | <b>note</b> the Ministries of Social Development and Health will provide a joint briefing to the Minister of Social Development and Employment and the Minister of Health setting out the policy options for amending the relevant regulations.                             |  |

### *The Minister of Health*

- |   |   |  |
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| 6 | <b>note</b> the Ministries of Social Development and Health will provide a joint briefing to the Minister of Social Development and Employment and the Minister of Health setting out the policy options for amending the relevant regulations. |  |
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*The Minister of Transport*

- 7 **agree** to officials engaging, in confidence, with public transport authorities and their ticketing providers prior to Budget 2022 announcements to join the Scheme and determine the feasibility of a nationwide implementation of Community Connect by 1 September 2022.
- 8 **note** officials will work with the Minister of Transport's Office around the scope of this engagement and will keep his Office up to date on any developments from engagement with public transport authorities.
- 9 **note** that the Ministry of Social Development and the Ministry of Health will provide a briefing to the Minister of Social Development and Employment and the Minister of Health setting out the policy options for amending the regulations to facilitate a 1 September 2022 implementation date.
- 10 **agree** to cancel the Auckland pilot of Community Connect and instead launch on 1 September 2022 as part of nationwide roll-out. Yes / No
- 11 **note** this does not prohibit pre-registration for the concession in Auckland occurring prior to 1 September 2022.



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Siân Roguski  
**Acting Director, System and  
Regulatory Design**  
13 / 04 / 2022

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Hon Grant Robertson  
**Minister of Finance**  
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Hon Carmel Sepuloni  
**Minister for Social Development and  
Employment**  
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Hon Andrew Little  
**Minister of Health**  
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Hon Michael Wood  
**Minister of Transport**  
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- Minister's office to complete:     Approved                       Declined
- Seen by Minister                       Not seen by Minister
- Overtaken by events

**Comments**

**Contacts**

Withheld to protect the privacy of Natural Persons.

Name	Telephone	First contact
Olivia Kitson, Senior Advisor Mobility and Safety		✓
Siân Roguski, Acting Director, System and Regulatory Design		

PROACTIVELY RELEASED BY THE MINISTRY OF TRANSPORT

## CONSIDERATIONS FOR NATIONWIDE ROLL-OUT OF COMMUNITY CONNECT

### **Cabinet agreed to introduce a pilot of the Community Connect initiative to start on 1 July 2022 and subsequent policy decisions have changed this timeframe**

- 1 In March 2021, Cabinet agreed to introduce Community Connect as a three-year pilot in Auckland from 1 July 2022, as part of the Auckland Transport Alignment Programme 2021-31 [CAB-21-MIN-0035 refers]. The purpose of the initiative is to make public transport a more affordable mode of transport for low-income New Zealanders, by providing a 50 percent concession to Community Services Card (CSC) holders on peak and off-peak public transport services.
- 2 As part of Budget 2022, Te Manatū Waka (MoT) officials, with support from the Ministry for Social Development (MSD), developed a budget bid to roll out Community Connect nationwide from 1 July 2023, allowing for a development and implementation period of 12 months.
- 3 In March 2022, Cabinet agreed to introduce and fund a policy of universal half-price public transport fares for travellers (regardless of a traveller's income) for a three-month period, which started on 1 April 2022 [CAB-22-MIN-0073 refers].

### **The Ministers of Transport and Finance have directed officials to undertake policy work to implement a nationwide roll-out of Community Connect from 1 September 2022**

- 4 Subsequent to the decisions outlined above, we understand Budget Ministers have agreed to fund through Budget 2022 an extension of the half-price fares for all public transport users until 31 August 2022 and the nationwide roll-out of the targeted Community Connect initiative by 1 September 2022. We understand the intent is to roll-out the concession as originally envisaged under the Community Connect initiative (i.e. 50 percent concession all day on the equivalent adult fare for CSC holders).
- 5 Bringing forward the nationwide roll-out of the targeted Community Connect initiative requires policy decisions on a number of matters:
  - 5.1 the preferred approach to implementation in the short to medium term;
  - 5.2 changes to regulatory instruments (for example, regulations) to implement the preferred approach;
  - 5.3 whether the Auckland pilot and associated activities will go ahead as planned or subsumed within the nationwide roll-out or otherwise amended; and
  - 5.4 the preferred approach to implementation in the longer term.
- 6 Based on discussions with the Minister of Transport, officials have identified possible options for how CSC holders gain access to the concession against the following objectives:

- 6.1 *Policy effectiveness*: meets the objective of Community Connect – to improve the affordability of public transport for low-income New Zealanders – as far as practical within the implementation constraints.
- 6.2 *Customer experience*: will provide a smooth transition for public transport users, from the current arrangement with half-price fares for everyone, to half-price fares for CSC holders.
- 6.3 *Operationally feasible*: is technically feasible for public transport authorities (PTAs) and government agencies to realistically implement by 1 September 2022.
- 6.4 *Affordability*: is affordable within the funding envelope agreed through Budget 2022, and reflects what councils have appetite for, particularly if they are expected to pick up some of the cost in four years' time
- 6.5 *Mitigates risk*: will manage the risk of misuse of the concession, without unduly increasing compliance burdens on customers or enforcement burdens on public transport staff.
- 7 To meet the 1 September deadline, some trade-offs on these objectives will be required. We will need to prioritise what is operationally feasible for PTAs and MSD in the timeframes, but this may mean that the product developed for 1 September 2022 does not meet other objectives, such as mitigating risk of misuse and customer experience. Additionally, any work on the design of this scheme will need to address MSD clients who currently have public transport included as a cost in in their Temporary Additional Support, Special Benefit or Disability Allowance.

**Options for the nationwide roll-out of Community Connect are limited by operational constraints in the short term and need to be tested with PTAs**

- 8 Implementing Community Connect nationwide from 1 September 2022 will require rolling out a very basic system. While PTAs have been able to implement universal half-price fares from 1 April 2022, establishing a targeted concession under Community Connect for those eligible holding a CSC is more complex and will require more time. This means that the end product will likely have some teething issues and may not meet all the objectives detailed in paragraph 6.
- 9 To establish the Auckland pilot, Auckland Transport (AT) and MSD over the last 12 months have developed an online verification solution in light of regulatory limitations. Behind the scenes, this solution is complex and has required considerable time to develop and test. From the user perspective it requires CSC holders to go through a lengthy application process to receive an AT HOP Card loaded with the concession.
- 10 If this solution is required for other PTAs, four months will be needed for MSD to work with PTAs and ticketing providers to establish the same settings. This assumes PTAs will be able to adopt the same settings and do not require anything different. As there are three different ticketing systems with varying degrees of sophistication in place across regions/localities, technical feasibility and time frames remain uncertain. The 1 September timeframe does not allow any time for customer pre-registration for the concession, i.e. registration will only be possible after this point, not in the lead up

prior. If final decisions on the technical solution used are not made in consultation with PTAs by 29 April 2022, it will not be possible to implement by 1 September.

### **We have identified some potential options to test with PTAs and ticketing providers**

- 11 In addition to using the solution developed under the Auckland pilot, we have looked at other potential options for how the concession is implemented, which would also form the basis for our engagement with PTAs. As already outlined, while we aim for solutions that meet the objectives outlined in paragraph 6, some trade-offs will likely need to be made in order to meet the 1 September launch date.
- 12 A key determinant for these options is whether PTAs can ask to see a person's CSC to get the concession, and for verifying eligibility. In identifying options in addition to the Auckland approach we have looked at what may be feasible for the following stages:
  - 12.1 *Reach of delivery within the expected timeframes* – that is, the extent to which we can reach as many CSC holders as possible from 1 September 2022.
  - 12.2 *Customer application process* – that is, how the customer can apply for the concession, have their details verified, and how their application is processed.
  - 12.3 *Application of the concession* – that is, how the concession will be applied at the point of boarding.

*We propose delivery of the concession by 1 September is aimed for as many CSC holders as possible, subject to what is feasible for councils*

- 13 In the interests of what is feasible for PTAs within the timeframes given, we propose that the goal be to deliver the concession to as many CSC holders as possible from 1 September 2022 (e.g beneficiary recipients as well as other groups eligible for the CSC). There is a risk that some CSC holders may miss out on using the concession immediately, but for some options and solutions implementation is dependent on CSC holders applying for the concession. It will not be feasible to provide concession cards to all CSC holders directly; furthermore, taking this approach would raise significant risks around fraud and misuse.
- 14 As with the approach taken in Auckland, we anticipate communications and engagement to promote the concession will be required prior to 1 September. This will raise awareness of the concession and encourage uptake/registration.

*We have identified potential options for concession delivery to test with PTAs, depending on whether regulations are amended to permit these uses*

- 15 We have identified options relating to how the customer applies for a concession, how the applicant's details are verified, and how the application is processed. These vary depending on whether (1) there is a technical solution, and (2) the regulations are amended to permit the CSC to be sighted by a PTA for these purposes.
- 16 *Option 1:* If amendments to regulations are made, the customer could apply online if the technical solution is in place, fill out a paper form or apply in person to a PTA

service centre to receive a travel card with the concession applied. Verification of the applicant's details could happen either through an online platform if the technical solution is in place, or in-person.

- 17 *Option 2:* If regulations are not amended (or not amended in time), a PTA cannot see a customer's CSC. The only option available would be to recreate the settings established for Auckland for the rest of the country. This would be a suboptimal approach for PTAs and customers. It would require considerable time and resource, even if the Memorandum of Understanding and technical solution developed for Auckland was to be extended to the rest of the country. It would also limit steps that could be taken by PTAs to minimise fraudulent use of the concession.
- 18 We considered alternative options to this approach, based on options previously explored for the pilot, but they are still considered unfeasible.

*We propose to use existing smart card systems to apply the concession when used by customers*

- 19 We consider the best mechanism for applying the concession is to have it loaded through existing smart card systems (for example, Snapper, HOP Card, MetroCard and BEE Card). Public transport services without smart cards (for example, Marlborough and Metlink Wellington rail services) would require the CSC to be shown at the point when the fare is paid. If PTAs cannot view the CSC, an alternative concession card (i.e. not a smart card or the CSC) may need to be developed.

*In the longer term, we will want to have Community Connect delivered through the National Ticketing Solution*

- 20 Implementation of the National Ticketing Solution will provide a good opportunity to ensure a nationally consistent approach to delivering Community Connect. We understand that the system will be gradually phased in from 2024, but that functionality with different concessions is a requirement for the new system. Transport officials will work with other agencies and the team delivering the new ticketing system and PTAs to ensure Community Connect can be provided through the new system.

**Officials recommend testing and confirming preferred options, in confidence, with PTAs and ticketing providers before 29 April 2022**

- 21 Due to budget sensitivities, to date there has been no engagement with PTAs around their willingness to implement the Community Connect initiative in their region, including their willingness to continue to fund its operation after the initial Crown-funded first four years. As indicated, PTAs' and their ticketing providers' ability to implement Community Connect by 1 September, in what form (particularly if some form of verification process is required that is different to what is being established in Auckland), and the costs they would incur is unknown until officials are able to discuss this with PTAs.
- 22 A technical solution different than the existing design for the Auckland pilot (i.e. with some form of online verification process), is not possible by 1 September 2022. If a technical solution cannot be agreed in time, then a high trust model would be required, which is dependant on regulation changes to enable CSC cards to be



sighted. This high trust model will also be required for any PTAs without smart card ticketing systems (eg Marlborough, Metlink Wellington rail services).

23 In light of these issues, it is critical that we engage with PTAs and the ticketing providers as soon as possible, to identify what will be feasible for them to implement within the necessary timeframe. To allow four months for establishing a technical solution, as outlined by MSD, we seek agreement from the Minister of Finance and the Minister of Transport to in confidence early engagement with PTAs before 29 April 2022.

24 We know from work on the Auckland pilot some of the complexities that can arise, so the earlier we can commence these conversations with PTAs the greater the chance of us achieving the 1 September 'go live' date. This includes having an understanding of other requirements for the roll out. For example, we do not currently know what costs councils would incur in implementing the concession by 1 September. It is possible that further funding to meet these costs may be required. We will advise Ministers of this as part of updates on the outcome of engagement.

25 However, regardless of early engagement with PTAs, the ability of PTAs to accommodate this within their own systems and build an online application form/portal is a critical dependency for achieving 'go live' from 1 September 2022.

Withheld as is under active consideration

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**Amending the regulations governing the CSC and the Super Gold Card is critical for a 1 September nationwide roll-out**

27 Regardless of what the option is for nationwide implementation, officials recommend amending the regulations governing the CSC and the CSC/SuperGold combo card (CSC/SGC). Amendments are required to allow CSC and CSC/SGC holders to show their card to PTAs to get the concession.

*The CSC is intended to provide access to discounted health services*

28 The CSC was introduced in the early 1990s as a means of targeting health subsidies to individuals and families in need. Its use is regulated by the Health Entitlement Cards Regulations 1993 (the Health Regulations) which are administered by the Ministry of Health (MoH).

29 The CSC/SGC is a SuperGold card with a code indicating the cardholder is also eligible for a CSC. Such cards are governed by the Social Security Regulations 2018 (the Social Security Regulations) which are administered by MSD.

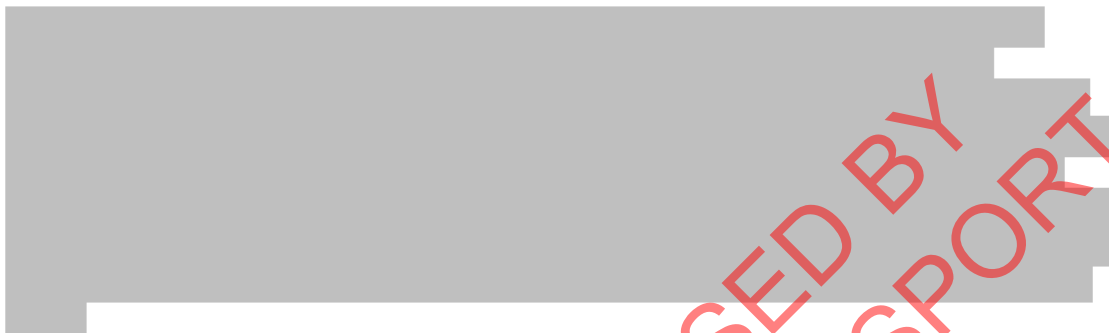
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Withheld as information contains legally privileged information and contains free and frank expressions of opinion.

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*MoH and MSD will provide further advice on amendments to regulations by the end of April 2022*

33 The Ministry of Health and Ministry for Social Development will jointly brief the Minister of Health and the Minister for Social Development on the policy options for amending the Health Entitlement Regulations 1993 and the Social Security Regulations 2018 by the end of April 2022. This advice will include policy options and a proposed timeframe for the Cabinet committee process.

34 It is likely that the regulatory amendment process will need to be condensed to make the necessary changes in the short timeframe and Ministers will be asked to agree to this expediated approach, including reduced Ministerial consultation. This approach is highly dependent on the Parliamentary Counsel Office (PCO) being able to draft amendments to the regulations rapidly.

35 Cabinet approval will need to be sought to waive the 28-day rule, which is the principle that the law should be available and capable of being understood before it comes into force. Officials' initial view is that a waiver be proposed (and likely granted) on the basis that Community Connect will offer only benefits to the public.

36 However, there is a potential risk this waiver may be challenged. This is due to the intention for Community Connect to come into force once the current programme of half-price fares for all public transport users comes to an end, as some people currently receiving a benefit will lose that benefit and may not have time to apply for Community Connect if eligible without a current CSC. Further advice will be provided in the briefing being jointly prepared by the Ministry of Health and the Ministry for Social Development.

37 The table below outlines an indicative timeline for amending the regulations. This timeframe is dependant on policy decisions sought in a briefing to the Minister for Social Development and Employment and Minister of Health at the end of April 2022.

Table 1 Indicative timeline for amending Health Entitlement Cards and Social Security Regulations

Date	Task
27 April	Policy briefing on regulation changes to Ministers Little and Sepuloni
11 May	Draft paper for Cabinet Social and Wellbeing Committee (SWC) provided to Ministers' offices
16 May	1-week Ministerial consultation
26 May	Lodge Cabinet paper for SWC meeting
1 June	SWC consideration
6 June	Cabinet consideration
6 June	Drafting of Cabinet Legislation Committee (LEG) paper and PCO drafting regulations
6 July	Draft LEG paper to Ministers' Offices
13 July	1-week Ministerial consultation
26 July	Lodge LEG paper
4 August	LEG committee consideration
8 August	Cabinet approval
8 August	Executive Council

### We also seek direction on the Auckland pilot in light of Budget decisions

- 38 When Ministers agreed to the Auckland pilot, the intention was it would run for three years and inform considerations for a nationwide roll-out. With the pilot due to start on 1 July 2022, it would end up being in place for two months before the 1 September 2022 nationwide roll-out.
- 39 We seek direction from the Minister of Transport on expectations for Auckland in light of the accelerated nationwide roll-out. We see there are the following options:
- 39.1 *Option 1 (recommended):* Cancel the Auckland pilot, and launch Community Connect in Auckland on 1 September 2022 as part of nationwide roll-out, and, if possible, continue with the pre-registration period that AT and MSD are running.
- 39.2 *Option 2:* Continue with the 1 July launch date for Auckland.
- 40 We recommend cancelling the Auckland pilot and having the 'go live' date nationwide (including Auckland) as 1 September 2022 as we consider this will deliver a number of benefits, including:
- 40.1 *It provides clarity to the public and CSC holders, who this policy is seeking to benefit.* Continuing with the 1 July launch alongside the extended half-price fares would see CSC holders in Auckland receive a further discount until 31 August but face an increase in their fares from 1 September. This would impact on uptake of Community Connect in Auckland and affect the transition for those CSC holders from 1 September.
- 40.2 *It may provide some funding flexibility.* The funding originally allocated to the ongoing operation of the Community Connect pilot is no longer needed as it will now be fully funded by the Crown. This may provide some 'flex' (albeit minimal) to the public transport services activity class funding ring-fenced for Auckland

## BUDGET SENSITIVE

(as part of the \$16.3 bn funding expectation in the Government Policy Statement). It may also enable Waka Kotahi to invest in additional public transport initiatives in Auckland.

*40.3 It will provide additional time for testing back-office systems and pre-registration in Auckland.*

- 41 Lessons from the development of the Auckland pilot will also be useful in discussions with other PTAs.
- 42 We consider there may still be value in continuing the pre-registration period after Budget day announcements. This could allow more time to stress test back-office systems and would enable a longer pre-registration period. However, this would be subject to sufficient resource being available, particularly as MSD will need to prioritise the nationwide roll-out and other Budget priorities. AT could continue to draw down on the \$4.80 million in Crown funding previously agreed for its set up costs (OC210780 refers).
- 43 Option 1 – cancellation of the pilot – does come with some risks, for example, there is a risk that the delay in Auckland could attract criticism from the public. However, this would be mitigated by the extension of universal half-price fares to 31 August 2022.
- 44 Should you wish to continue with the Auckland launch on 1 July 2022 under Option 2, funding arrangements will need to be reconsidered. Budget Ministers have agreed to full Crown funding for at least the first 4 years of the nationwide roll-out. We propose to include Auckland in that and have included Auckland in our costings for nationwide roll-out.
- 45 Under Option 2 the issue of who pays for the 1 July - 31 August 2022 period will need to be resolved. Under this option, if Auckland does proceed, we consider that in the interests of fairness that period should also be fully funded by the Crown. The pilot is included in the 2021 National Land Transport Programme and is not fully Crown funded. We will need to work through any necessary funding changes as a result.

*We recommend any decision to delay the Auckland launch is communicated to the Mayor of Auckland and AT as soon as possible*

- 46 There are some implications from delaying the Auckland launch to coincide with nationwide roll-out. AT and MSD have been working to meet the Government's expectations for the 1 July launch, and to have this changed close to that date will require careful management with AT.
- 47 We recommend that AT and the Mayor of Auckland are given as much advance warning as possible. This will be particularly crucial if we are engaging with councils on a nationwide roll-out before Budget announcements. Officials can provide the office with material to support the Minister of Transport's conversation with AT and the Mayor if needed.
- 48 As mentioned above, if system testing and pre-registration can continue in Auckland, this may be of benefit for AT, and reduce pressure from any increased demand on their systems. Given the HOP system has limitations in how many cards can be

processed each week, extending the pre-registration period may support the system to meet demand for the concession.

*There are some implications for evaluation planning currently underway*

- 49 The delayed launch also impacts evaluation planning currently underway. The original intention was to evaluate the Auckland pilot, to inform considerations for a nationwide roll-out. Work on evaluation has already started, with some early qualitative research commissioned by AT and a quantitative survey of Auckland residents commissioned by Te Manatū Waka (MoT).
- 50 Transport officials are exploring opportunities to expand the scope of this survey to a nationwide focus, but this will be limited by the budget currently available for this research. However, a delayed roll-out would benefit MoT's plans for the quantitative research. It allows more time to finalise the survey questions and to translate them into different language, enabling a greater response rate among CSC holders.

### Next steps

- 51 As this briefing sets out, implementing Community Connect nationwide requires work by a range of agencies. Te Manatū Waka has worked with MSD, MoH and Waka Kotahi in developing this advice; the Treasury has also been informed. We will continue to work together to meet the timeframes for nationwide roll-out.
- 52 The table below indicates which agencies need to lead the key tasks to meet the 1 September launch date, subject to Ministerial agreement.

*Table 2 Agency roles for implementation of Community Connect nationwide*

Task	Lead agency	Support agencies
Engaging with PTAs on to confirm feasibility of a 1 Sep nationwide 'go live' date for Community Connect	Waka Kotahi (WK)	MoT, MSD
[REDACTED]	[REDACTED]	Withheld as is under active consideration.
Advising Ministers on operational matters	MoT/WK	MSD
Amending the Health Entitlement Card Regulations and Social Security Regulations – for CSC and SGC/CSC	MoH/MSD	MoT

- 53 Once we have engaged with councils, we will have a better idea of what can feasibly be implemented by 1 September 2022 and by which PTAs. We will update Ministers in early May on the outcome of engagement with councils and the agreed approach to implementing the concession. Transport officials will work with the Minister of Transport's office on any material required to support conversations with AT and the Mayor of Auckland.