TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Public Transport Operating Model Review Public consultation

Summary of Submissions

September 2021

Introduction

The Public Transport Operating Model (PTOM) is the framework that governs how public transport bus and ferry services are planned, procured, and delivered. It has been in place since 2013. As part of good policy practice, the Ministry of Transport is reviewing PTOM to see whether it:

- has achieved its original objectives
- remains fit for purpose to support the Government's objectives for public transport and wider objectives.

The first part of the review was an evaluation of PTOM. This has been completed and a report published on the Ministry of Transport. The second part of the review is a legislative and policy review of PTOM. As part of this, we published a Discussion Paper to support engagement with key stakeholders (including councils, operators, unions and public transport user groups) and the wider public. The issues considered by the Discussion Paper are:

- the PTOM objectives
- decarbonisation of the public transport bus fleet
- roles and relationships in the public transport sector
- the labour market in the public transport bus sector
- services outside of PTOM (exempt services)
- on-demand transport services.

The Discussion Paper was published on 5 May 2021 and consultation ran for six weeks until 18 June 2021. During this period we held a number of engagement and information sharing sessions. These consisted of:

- an engagement session with the Local Government NZ Transport Special Interest Group
- targeted engagement sessions with sector stakeholders in Auckland and Wellington
- a targeted online session with sector stakeholders in Christchurch
- an online session with sector stakeholders across the country
- an online session with members of the public in Christchurch.

We also invited members of the public to open sessions in Auckland and Wellington and online.

We set up an online survey that was primarily targeted at members of the public (but open to sector stakeholders). We also invited submissions by email.

Acknowledgements

We would like to thank the New Zealanders who took time to meet (sometimes virtually) with officials, share their views and provide us with their formal submissions. We received 314 submissions through the online survey and 65 submissions by email. We heard from a range of stakeholders, including councils, operators, unions, public transport users and other members of the public.

Purpose of this document

The summary of submissions is intended to draw out particular themes that emerged from the consultation. These will be used to inform the next steps in the PTOM Review and work to implement the Government's commitments relating to the decarbonisation of the public transport bus fleet.

In some cases we have used selected quotes from individual submissions that we think aptly captures particular themes. Our decision to include them in this summary of submissions document does not imply that they carry more weight than submissions that have not been cited specifically.

Glossary

AO:	Approved Organisation (regional councils/Auckland Transport that procure bus services)
AT:	Auckland Transport
BCA:	Bus and Coach Association
CTU:	Council of Trade Unions
ECan:	Environment Canterbury
ERA:	Employment Relations Act 2000
EV:	Electric vehicle
GPS:	Government Policy Statement on land transport
LTMA:	Land Transport Management Act 2003
LTP:	Long-Term Plan
NLTF:	National Land Transport Plan
PTOM:	Public Transport Operating Model
RPTP:	Regional Public Transport Plan
RUB:	Requirements for Urban Buses
Waka Kotahi:	Waka Kotahi NZ Transport Agency
ZEB:	Zero-emission bus

Part 1: Overview of submitters

We received a total of 379 submissions. The breakdown of submitters and methods of submission is summarised below.

Submission method	Type of submitter		Total
	Individual	Organisation	
On-line survey	301	13	314
Direct submissions to the PTOM Review team	20	45	65
Total	321	58	379

Of the 379 submissions, 314 were made through an online survey tool on the Ministry of Transport website. Thirteen of these were submissions from organisations, including operators, advocacy groups, transport user groups and local branches of unions. The rest were from individuals. The online survey asked submitters to say the extent to which they agreed or disagreed with a particular proposal, or to choose their most preferred option. They were then asked to provide a reason for their rating and to offer any other comments. Submitters could answer (or skip) as many questions as they wished.

An additional 65 submissions were emailed directly to the PTOM Review team. Of these, 20 submissions were from individuals writing on their own behalf and 45 from organisations.

We present the views of individuals and sector stakeholders separately in this document

In this document we describe the organisations who have made submissions as "sector stakeholders". They include unions, transport operators, local and regional councils, disability advocacy groups, residents' associations and energy providers.

In this document we have grouped responses from individuals (whether gathered through the online survey or by email) separately from responses from sector stakeholders.

Submissions from sector stakeholders ranged from short statements to substantive documents that responded to all of the issues raised in the Discussion Paper.

Part 2: At-a-glance: Summary of key themes

Both the online survey tool and stand-alone submissions provided submitters with an opportunity to provide comments on the key issues raised in the Discussion Paper. Although we received a range of views, some key themes emerged. These are noted below.

PTOM's overarching objectives

There was broad (and often enthusiastic) support for establishing new overarching objectives for PTOM. Many submitters (both individuals and sector stakeholders) agreed with the proposal to introduce new, non-commercial objectives. A majority of the individual submitters questioned whether PTOM should ever have commercial objectives.

The majority of sector stakeholders supported the overall direction of the proposed objectives, although some questioned whether the social and environmental objectives were sufficiently measurable. Some wanted the objectives to be ranked and others provided suggestions for rewording specific objectives.

Decarbonising the public transport bus fleet

There was support for the 2025 mandate among a majority of online survey respondents, and general support from sector stakeholders. Some individual submitters thought it should be sooner than 2025. A small number of sector stakeholders noted that encouraging more people to travel by bus (instead of private motor vehicle) may do more to reduce transport emissions than mandating only zero-emission public transport buses are to be purchased by 2025.

There was a wide range of views on how to reduce barriers to achieve public transport bus fleet decarbonisation by 2035. Unions, councils and many individual submitters favoured public ownership of the bus fleet and/or assets such as depots as an option. Bus operators were generally less supportive. There was also support among councils for consideration of different financing options. Many councils, however, noted that flexibility of approach was key.

Roles and responsibilities

Sector stakeholders supported improving roles and responsibilities of the key entities involved in public transport, but differing views on areas for improvement. There was strong support for changes to improve or strengthen co-operation between regional and territorial councils. There was also support for changes to improve the relationship between councils and bus and ferry operators, but feedback was mixed, with some suggesting that the relationship was difficult due to a fundamental misalignment of interests. Some believe the relationship is skewed in councils' favour. There was support for greater involvement from Waka Kotahi NZ Transport Agency (Waka Kotahi) in providing greater national consistency, but views differed as to what that role should entail.

Labour market considerations

There was a strong sentiment from individuals and sector stakeholders that wages and conditions for bus drivers need to be protected and improved, but there were a range of views on the best way to achieve this. Many supported a procurement approach, particularly many councils and operators. Councils argued that a procurement approach gives them more flexibility to ensure wages and conditions better reflect the living costs of their region. Some supported a legislative approach, either through the Land Transport Management Act or the Employment Relations Act. Some also suggested a legislative approach, supported with procurement requirements, was the best approach. A number of sector stakeholders noted that a concerted effort was needed to make bus driving more attractive. They said that this should include a consideration of the split shift patterns of working currently used to manage demand for travel at peak times.

Public transport services operated outside of PTOM

A large number of individual submitters provided feedback on the issue of exempt services and referenced frustrations with the Waiheke ferry service. Other feedback, particularly from sector stakeholders, focused on the processes for changing an exempt status and on the exempt status of inter-regional services. There were concerns that the exemption for inter-regional services makes it difficult for regional councils to work together to provide public transport services to support growth.

On-demand services

There was some support from submitters for bringing on-demand services under PTOM, but also some reservations. Many council submissions supported these services being brought under PTOM to assist their ability to plan for and procure such services. Conversely, some sector stakeholders and individuals were concerned that bringing on-demand services under PTOM could stifle innovation in this relatively new area of transport.

Part 3: Further detail by section

The online survey asked fewer (and simpler) questions compared to the full Discussion Paper. As a result, we present the summary of the results of the online survey separately from the summary of the results of the standalone submissions.

A.   PTOM's overarching objectives

PTOM was established with overarching objectives that focused on commerciality and achieving value-for-money for government investment in public transport services. The current Government has indicated that it wishes to align the objectives more closely with its wider priorities for the public transport system.[1]

We were interested in understanding the level of support for, or opposition to, a proposed new set of overarching objectives, set out in the Discussion Paper. These are that:

- competitors have access to public transport markets
- public transport is an attractive mode of transport
- there is sustainable provision of services, including through a sustainable labour market
- public transport services reduce the environmental and health impact of land transport.

Responses from the online survey

How much do you agree or disagree with the new objectives?
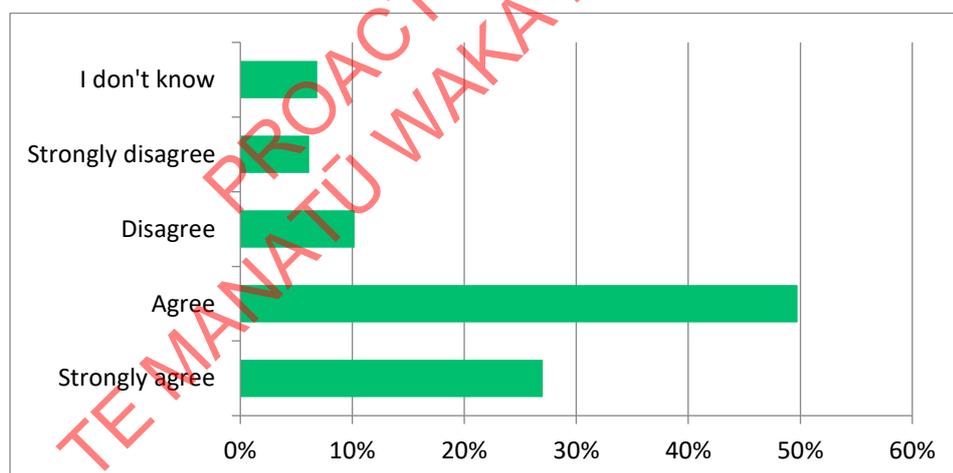
Just over 300 submitters responded to the online question about objectives, with 255 providing a reason for their rating.

More than three-quarters of submitters said they agreed or strongly agreed with the proposed objectives and many said that they were pleased to see the inclusion of social and environmental objectives (objectives 2-4). Some believed these should take priority over commercial objectives, such as the proposed objective of ensuring access to market (objective 1), or replace commercial objectives altogether. Some submitters were explicit

about wanting public transport to be publicly owned or run, either as a matter of principle or to support particular objectives such as mode shift, decarbonisation or providing drivers with better wages and conditions.

> *"The 'commercialisation' model has been a failure, in completely ignoring the 'public' in Public Transport, and making it all about private profit. The new objectives are a significant step in the right direction - the delivery of Public Transport Services to the public." (individual submitter)*

> *"Currently the interests of the council (to provide well-operating PT services, reduce carbon emissions) don't align with those of the operators (maximise profits). That makes it all but impossible to design a contract that works well." (individual submitter)*

> *"Agree with most of the objectives but don't believe that public transport should be open to private competition. Just run a well funded public transport network." (individual submitter)*

> *"Public transport should not be a profit generating market for business. We need to invest in local ownership of public transport. The more attractive it is for people (including lower faces, better integration and information, more reliable, living wage payment) the more people will take it up. This will benefit general road users by easing congestion. It will also have significant environmental benefits. Transport is a huge share of our carbon emissions, we need to get people onto public transport and electrify this public transport." (individual submitter)*

Of the submitters who disagreed or strongly disagreed with the proposed objectives, most did so because they supported the inclusion of social objectives (objectives 2, 3 and 4) but opposed the inclusion of an objective focused on ensuring competitors have access to public transport markets (objective 1)."

A small minority of submitters said that the objectives should retain a focus on ensuring a competitive market for the provision of public transport, including ensuring that small operators are not pushed out by bigger players.

> *"Competition drives efficiency and holds companies to account." (individual submitter)*

> *"Smaller operators must have fair access to provide a service and not be pushed out by big business." (individual submitter)*

> *"I strongly support the increased attention towards decarbonisation, addressing climate change and making public transport more attractive. I believe that commercial aspects are required to ensure that Public Transport remains sustainable, otherwise there is a risk of overspending Government Funds on bus services when other modes (such as cycling) also requires Government funding. The commercial aspects help keep the balance between public good & public finding." (individual submitter)*

Responses from sector stakeholders

Sector stakeholders were generally very positive about the proposal to establish new overarching objectives for PTOM. Many supported the overall direction of the proposed objectives themselves, although some questioned whether the social and environmental

objectives were sufficiently measurable. Some wanted the objectives to be ranked and others provided suggestions for rewording specific objectives.

There was general support across the full range of sector stakeholders (including councils, unions and operators) for adding social and environmental objectives.

"The objectives reflect a more balanced approach to the provision of public transport services. We consider the existing framework has had an excessive focus on commerciality at the expense of other important community outcomes." (Hamilton City Council staff)

"We broadly support the new overarching objectives and welcome the broadened scope including employment, environmental impact, and service quality." (Council of Trade Unions (CTU))

"Greater Wellington broadly supports the proposed new objectives, particularly the inclusion of sustainable provision of services through a sustainable labour market and the acknowledgement that public transport needs to be an attractive mode of transport to deliver our collective mode shift goals." (Greater Wellington Regional Council)

A number of sector stakeholders questioned the inclusion of a commercial objective.

"We fully support all the proposed objectives, except the first one, which, if included, should be a secondary one – competition and the market form one means to an end, not the end it itself." (Living Streets Aotearoa)

"It is the first of these – Competitors have access to public transport markets – which I strongly object to. Although it is stated as being intended to ensure ongoing value for money from public transport service procurement, it assumes that competitive markets are a pre-requisite to the delivery of sustainable public transport services in a way that increases patronage, substantially increasing reliance on single occupancy vehicles." (Mayor of Christchurch)

During one of the targeted engagement sessions, one council representative queried the mix of proposed objectives, suggesting that they included both high-level transport system objectives (making public transport a more attractive mode and reducing the environmental impact of transport) as well as more operational objectives (relating to public transport markets, competition and procurement). It suggested that it would be better to include high-level objectives for public transport in a document such as the Government Policy Statement on land transport (GPS), and for them to be "operationalised" in PTOM.

Tranzit questioned whether it would be possible to achieve both commercial and social objectives:

"Aside from one objective requiring competitors to have access to markets, the remaining proposed objectives are largely socially focussed; therefore, we question why the access to markets objective is necessary and whether a procurement model that remains designed around tendering will achieve the predominantly social objectives."

The BCA questioned whether the proposed social objectives were effectively environmental and social vision statements rather than measurable objectives.

Some sector stakeholders wanted more explicitly commercial objectives retained in the overarching objectives.

"Cost efficiency ought to be a key objective because the sustainability of PTOM services depends on affordability. If costs increase too much, services may need to be cut back, or price rises may prevent some consumers from being able to continue accessing the services." (Entrada)

Some sector stakeholders suggested ways to improve the proposed objectives

Some submitters suggested ranking the objectives so that social and environmental objectives are given greater prominence. Others suggested that ensuring access to the market was not the most effective proxy for value for money (or suggested that the concept of value for money should be interpreted in a broader sense, taking into account factors such as long-term sustainability and service quality). Some smaller councils suggested that the number of bids that councils receive for each contract does not guarantee value for money: instead it is more important to ensure that there is credible competition between operators (including removing barriers to competition).

The Disabled Persons Assembly called for the addition of a new objective ("public transport services and systems are accessible to disabled people on an equal basis with others"), while the Bus and Coach Association (BCA) wanted to see an objective focused on encouraging partnerships between operators and councils. Transdev wanted additional wording that explicitly sought integration with other modes of public transport, mode shift and patronage growth, including to increase accessibility, economic growth and productivity by reducing congestion, and reducing climate change emissions.

While noting that some sector stakeholders objected to the inclusion of particular objectives, or wished the objectives to be ranked by importance, the following section summarises suggestions for the specific objectives as presented in the Discussion Paper:

i.   Competitors have access to public transport markets

Wellington City Council suggested that the objective be reworded as: Public transport assets may be publically owned with the opportunity for the private sector to provide contracted services.

ii.   Public transport is an attractive mode of transport

A number of sector stakeholders wanted to broaden the scope of what constitutes attractive public transport.

"Include reference to supporting the objectives of integration, greater mode share for public transport, active mobility, shared mobility and growth of all public transport services in the long form text of the objective. Refer to accessibility in terms of both coverage (ensuring there are services for people to use) and physical access (enabling services that everyone can use) in the long form text of the objective." (Auckland Transport (AT))

"Public transport is safe, inclusive and accessible." (Wellington City Council)

iii. There is sustainable provision of services, including through a sustainable labour market

Several councils wanted to see more reference to ensuring that the sector is attractive to job seekers, including through upskilling the workforce. This was echoed by CTU and First Union. Some operators wanted the sustainability objective to explicitly reference the sustainability of factors such as: investment, supply chain and whole-of-life assets, and the labour market.

iv. Public transport services reduce the environmental and health impact of land transport

Several councils wanted the objective to explicitly link reducing the environmental impact of land transport by encouraging mode shift from private vehicles to public transport. For example, Wellington City Council suggested the following wording:

> *"A network that promotes mode shift from private vehicles to buses and active modes of transport in order to reduce emissions and to improve the local environment."*

However, Taranaki Regional Council noted that only one percent of total transport emissions are attributable to the public transport fleet in New Zealand and that mandating a relatively rapid move to zero-emission vehicles risked the financial viability of providing public transport, which could place the remaining PTOM objectives at risk. Instead, it wanted to see more emphasis on mode shift as a more cost-effective way to achieve emissions reductions.

B.   Decarbonisation: the 2025 mandate

As part of its decarbonisation targets, the Government has committed to require only zero-emission public transport buses to be purchased by 2025. The Discussion Paper set out the following proposal to implement the Government's commitment:

- the requirement start date is 1 July 2025
- zero emission is defined as zero emissions at the tailpipe
- it would apply only to public transport buses used for services contracted by regional councils
- it would apply to public transport buses registered for the first time in New Zealand from 1 July 2025.

Responses from the online survey

How much do you agree or disagree with the proposed design of the Mandate?
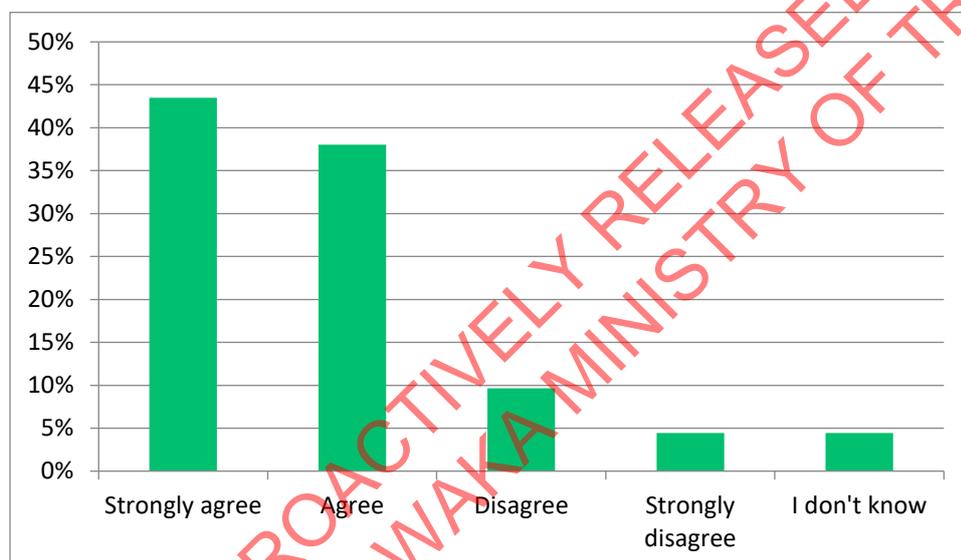
We received 309 submissions on this question, with 228 submitters explaining the reason for their rating. More than two-fifths explicitly supported decarbonisation of the public transport fleet, with some of them citing benefits of fewer diesel buses such as reduced air pollution and quieter buses. A significant minority said that they wanted the mandate to start earlier and/or to be expanded to cover other buses or vehicles more widely.

"I strongly agree except why wait until 2025? We're in a climate emergency *now*." (individual submitter)

"Each vehicle purchased has 15-20 year life. If this law applies from 1 July 2025, we could have some diesel buses until 2045. This conflicts with the Government's goal to decarbonise public transport bus fleet by 2035. We need more stringent measures to make our emissions goals in the next 10 years. If not, we risk having to spend large amounts of money to assist operators to retire diesel buses before the functional end of life." (individual submitter)

Of those who disagreed or strongly disagreed with the proposed design of the mandate and who explained their rating, almost one-third said that the requirement should start earlier.

Regardless of their rating, some submitters voiced concerns about how the mandate would work in practice, and whether it might have negative environmental consequences. The most common concerns centred on whether the mandate duplicated (or distorted) the intent of the Emissions Trading Scheme (ETS); what might happen to batteries at the end of their working life; the impact of heavier battery-powered vehicles on the roads; and whether whole-of-life emissions should be taken into account, rather than just zero-emission at the tailpipe.

> *"Transport is in the ETS, so all this will do is free up credits to be used elsewhere. It'll have no effect on emissions. If moving to emissions-free buses makes commercial sense, then do it. Otherwise don't."* *(individual submitter)*

> *"Zero-emissions modes of transport have a far larger dust-to-dust cost than traditional vehicles. Mining the rare earths which go into the batteries has a devastating environmental impact, and there's no realistic way to dispose of the batteries once they expire."* *(individual submitter)*

Some submitters were concerned about the cost implications of requiring zero-emission public transport buses. Some noted that more emissions could be cut by encouraging people to travel by bus than by private motor vehicle, regardless of the fuel that powered the bus.

> *"If we transition to EVs too quickly it will result in stranded assets and there will be a high opportunity cost for little benefit. PT emissions are about 1% of transport emissions - we are much better off putting money into mode shift rather than EVs as this will have a more meaningful impact on CO2 emissions."* *(individual submitter)*

> *"Zero emissions public transport is a great idea, but I think the point is moot if effort is not made to get people out of cars and into buses."* *(individual submitter)*

Responses from sector stakeholders

There was general support for the mandate for requiring only zero-emission public transport buses to be purchased by 2025, with some specific suggestions for its design. Some councils noted that they already had their own ambitious decarbonisation plans in place and one operator said that it does not intend to purchase diesel buses for PTOM contracts in the future, fearing that it may be left with stranded diesel technology.

Some councils explicitly supported the fuel-neutral approach to achieving the mandate, noting that regional councils should be able to choose the decarbonisation pathways that best suit their circumstances.

Sector stakeholders made suggestions for minor improvements to the design of the 2025 mandate

Start date

Transdev argued that 1 July 2025 should be the end date for procuring diesel buses, rather than the start date of an exclusive zero-emission bus procurement.

Definition of zero-emission

Most sector stakeholders supported the definition of zero-emission vehicles. Living Streets Aotearoa suggested that it should include all emissions from the production of the vehicle and battery manufacture, rather than simply tail-pipe emissions.

Scope of vehicles included

A small number of councils suggested that a whole-of-government approach be taken to decarbonisation, noting that some public transport buses are subsequently used to fulfil Ministry of Education school transport contracts.

> *"AT would support a whole of government approach to delivering publicly funded bus services (PTOM and Ministry of Education services) which provides the bus industry with consistent signals while maintaining the ability of operators to cascade fleet where this provides the most efficient outcomes for the industry, government and the public."*

One submitter wanted it to be made clearer to the public that exempt services and Ministry of Education-contracted services are not included in the scope of the mandate.

Meaning of purchase

Two councils queried whether the meaning of purchase (public transport buses registered for the first time in New Zealand from 1 July 2025) would allow older assets with degraded batteries to enter the country and still satisfy the mandate.

> *" [It] may result in the 'leaf effect' whereby a near new electric bus is imported but the battery life is diminished to the point that service delivery is impacted with recharging requirements." (Taranaki Regional Council)*

Sector stakeholders largely supported non-legislative means to achieve the 2025 mandate

There was general support from councils, unions and operators for the mandate being achieved by amending the Requirements for Urban Buses (RUB) and/or amending the Government Policy Statement on land transport (GPS). The RUB standardises urban bus requirements across regional councils and AT and updates to it are developed through a collaborative process with regional councils, AT and other sector stakeholders. Submitters suggested that updating the RUB or GPS would be less resource-intensive than amending legislation. However, some councils and unions noted that legislative change may also be required to ensure that councils comply with the decarbonisation mandate.

During the targeted engagement sessions, some operators said that councils should adhere to the specifications for buses set out in the RUB, rather than imposing their own requirements that make it difficult for operators to transfer assets between regions and fully utilise their 20-year public transport life.

C. Decarbonisation: the 2035 target

The Government has committed to target the decarbonisation of the public transport fleet by 2035. We are aware of a number of barriers to decarbonisation. These include:

- the high upfront costs of zero-emission buses and supporting infrastructure
- the risk premium applied by operators for deploying relatively new technology
- the impact of private ownership of vehicles, depots and infrastructure on the potential for continued competition for public transport bus contracts.

Not all of these barriers result from the way that PTOM is designed or implemented, but the PTOM Review provides and opportunity to ensure that the framework supports the Government's decarbonisation targets.

The Discussion Paper noted a number of barriers to the decarbonisation of the public transport bus fleet and sought views on how they might be reduced or removed.

Responses from the online survey

We asked those who took part in the online survey three questions focused on what bus fleet ownership, ownership of depot and infrastructure and funding and financing arrangements would best support accelerated decarbonisation of the bus fleet. The answers to these are below. We also asked submitters to explain the reasons for their choices.

1. Bus fleet ownership

Which of the following options for bus fleet ownership do you think would best support accelerated decarbonisation of the bus fleet?
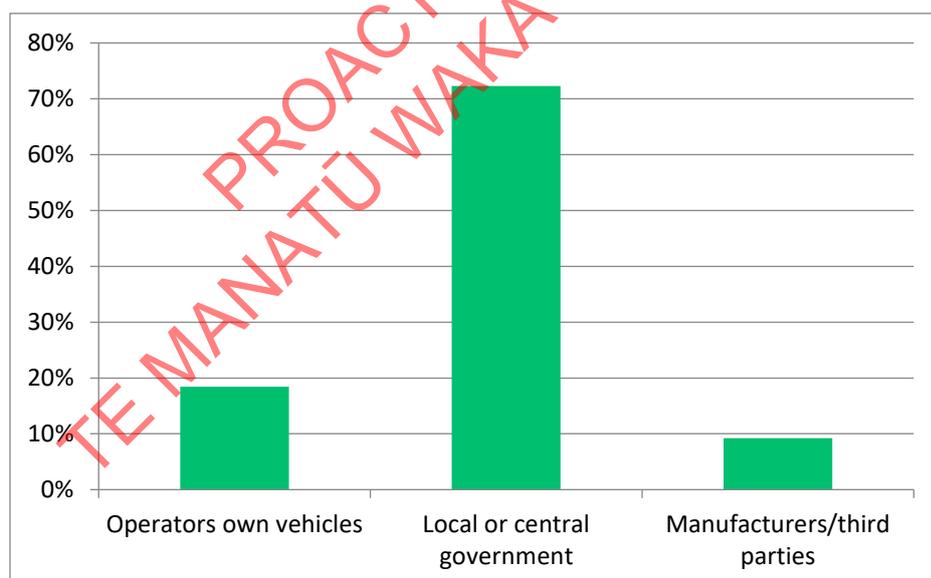
We received 296 responses to this question. Of these, almost three-quarters said that central or local government ownership of the bus fleet would best support accelerated decarbonisation of the public transport bus fleet. Around one-fifth said that operators should own their own vehicles, and the rest said that they should be owned by bus manufacturers.

Just over 200 submitters provided additional comment on this question. Around one-fifth supported public ownership of the bus fleet as a matter of principle, making comments such as "*Public transport should be in public ownership,*" and "*We pay for them so we should own them*".

Others suggested that public ownership offers advantages such as access to cheaper credit, allowing government to leverage its purchasing power to secure cheaper vehicles, and supporting more co-ordinated and longer-term planning.

> *"Government is best placed to plan for and provide for the decarbonisation of our transport sector. Electrification also requires investment in grid infrastructure. We really need local and or central government to be in charge of public transport to enable the right planning at the right speed for development of the infrastructure needed."*
> *(individual submitter)*

A minority of submitters noted benefits offered by private ownership of vehicles, suggesting that operators are best placed to maintain their own fleet, and that government lacks the necessary level of funds and expertise to purchase and manage bus fleets.

Another minority of submitters said that the question of vehicle ownership should be a matter for councils to decide, taking into account local needs. Some submitters said that ownership was less important than councils being able to ensure that bus operators meet their contractual obligations.

> *"Ownership is not the important issue - which is operation and management."*
> *(individual submitter)*

> *"… a mixture of all three options could work depending on the region. I don't think there is a simple fixed model that can be applied to every region in New Zealand."*
> *(individual submitter)*

2.   Depot and infrastructure ownership

Which of the following options for depot and infrastructure do you think would best support accelerated decarbonisation of the bus fleet?
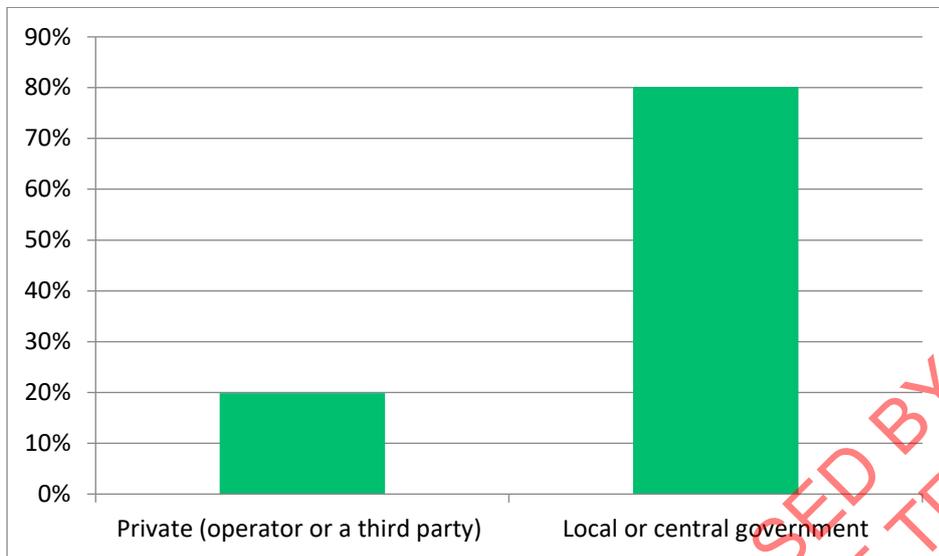
We received 293 responses to this question, with more than four out of five submitters favouring local or central government ownership of depots and infrastructure as a way to support accelerated decarbonisation of the public transport bus fleet.

Of those who answered this question, 174 submitters explained their reasoning. Almost one-third of these want to see depots and infrastructure in public ownership as a matter of principle. Others said that it would allow local or central government to leverage their ability to secure cheaper finance for purchasing depots and offered the potential to align urban planning and depot placement (including minimising so-called dead running when buses are moved without passengers – such as travel from a depot to the start of a route).

Some submitters noted that government ownership of depots and infrastructure could support continued competition in the market.

> *"Considerable investment will be required to install infrastructure to charge (electric) or refuel (hydrogen) buses. Government is in the best position to finance and procure that equipment. As above, Government owned depots can help to improve competition between operators, if they don't have the huge barrier to entry of acquiring land for a depot." (individual submitter)*

> *"Local authority owned premises leased to an operator(s) will allow flexibility for the council in change of contracts." (individual submitter)*

Others supported continued private ownership of depots and infrastructure, arguing that the private sector would be able to acquire and maintain assets more efficiently than government ("*I can't imagine the amount of lobbying and the cost of local government trying to get resource consent for a bus depot. Leave it to the private sector.*").

Some operators said that ownership was not a key concern: what is important is how the system works.

> *"A melding of the two - whichever structure would encourage foreign investment - the kind of transport tech companies with endless finance who might want to use New Zealand as their testing ground for new tech and hi tech for buses. Make us the forward-thinking innovative transport system we know we can be. We're small enough." (individual submitter)*

3.   Funding and financing

Which of the following options for funding and financing do you think would best support accelerated decarbonisation of the bus fleet?
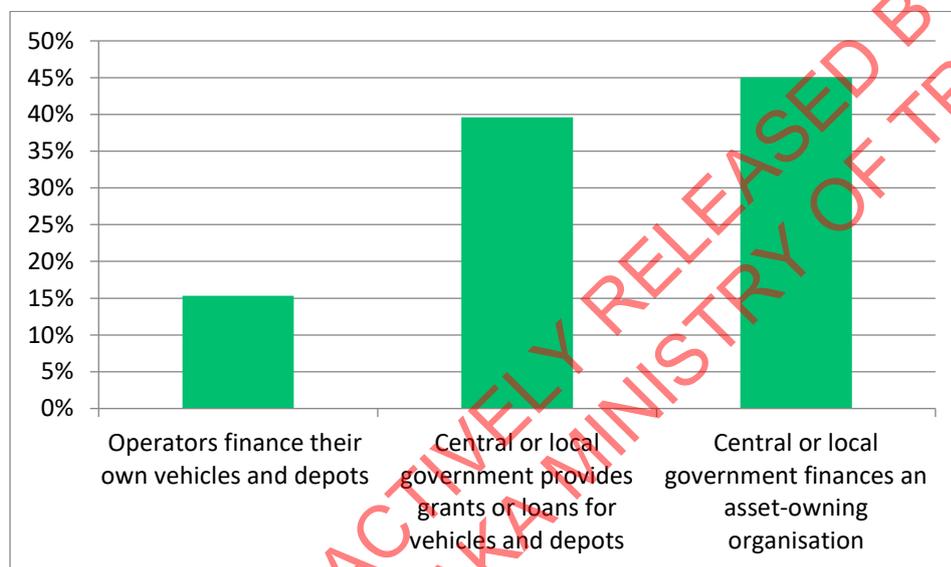
Although 277 submitters answered this question, only 142 explained their reasoning, with some saying they were unclear about the implications for decarbonisation of different funding and financing arrangements.

A significant number of submitters said they wanted to see public transport owned and/or operated publicly. A smaller group of submitters said that government involvement in financing assets would be likely to lead to inefficiencies, or duplicate market provision (especially at a time when credit is available relatively cheaply).

> *"Central and local government have enough to do without trying to run businesses." (individual submitter)*

> *"It is bad enough to think that private vehicle owners face credit market failures preventing EV uptake when every car dealer in town will help a buyer arrange financing. And it is even less plausible that bus companies need this kind of credit support." (individual submitter)*

Others suggested that government involvement (by providing grants or loans for vehicles and depots and recouping the capital investment through reduced operating costs, or by financing an asset-owning organisation) would help to ensure access to the market, allow the government to force the pace of decarbonisation of the public transport fleet, and exploit economies of scale.

> *"Again, this would address a significant barrier to entry to the market and if executed well could improve fleet consistency which would have economies of scale and reduce maintenance costs." (individual submitter)*

> *"I suspect that an asset-owning organisation, financed through central or local government, leasing vehicles and depots to councils or operators, and recouping costs through lease payments, consolidates costs and risks while enabling economies and efficiencies of new technologies and providing an asset path to second-hand markets with residual value signals. Such an organisation would need a clear mandate and accountabilities, especially including decarbonisation." (individual submitter)*

Others voiced concern about the level of oversight of a government-established special purpose vehicle.

> *"We elect governments, local and central, and we can vote them out. Our public assets should not go into the hands of organisations who hide behind 'commercial sensitivity'." (individual submitter)*

Some submitters suggested that government should take a more active role in purchasing the infrastructure needed to support electric vehicles (such as charging equipment) and to negotiate deals with the utilities companies that supply lines to depots, saying that they would be much better placed to do so than individual operators.

Responses from sector stakeholders

We grouped potential options to address these barriers into three main categories: asset ownership; procurement practices and funding and financing. We asked submitters to tell us how those issues impact the achievement of decarbonisation targets.

1. Asset ownership

Submitters were asked what they thought were the advantages and disadvantages of the current ownership structures and whether it would be useful to consider other structures – both to accelerate the move to decarbonisation and to ensure that competitors have access to public transport markets.

i). Fleet ownership

Sector stakeholders generally welcomed the opportunity to consider the implications for competition and decarbonisation of different ownership structures.

Councils and unions saw benefits of new ownership structures

Councils (particularly councils with large public transport fleets) and unions were, on the whole, more likely to note the potential benefits of public ownership of public transport buses than operators.

There were some specific suggestions for asset ownership structures. Environment Canterbury (ECan) said that neither transferring assets (where a council buys back assets at the end of a tender and on-sells them to the next operator), nor a council-controlled trading organisation (CCTO) model was its preferred solution.

> *"The former faces issues in respect to the valuing of the assets at the time of transfer and the latter is restricted by legislative requirements that CCTO's generate a return, which would not be feasible or necessarily desirable in this case. We would like to see a simpler way for council's to directly procure assets to be instituted. This exists on a smaller scale currently – we can own assets such as real time information systems and the like – but a means to procure vehicle assets may be a preferable solution, particularly as we transition through decarbonisation."*

Other councils supported public ownership of fleet but noted the cost implications for government, suggesting that central government would be better placed to make the large up-front investment required.

Despite some smaller councils supporting the opportunity to employ different ownership models, a number noted that there was no one-size fits-all option. Some suggested that enabling a range of ownership models may encourage market competition and innovation, which might accelerate decarbonisation.

> *"We suggest that the Government should allow flexibility for the sector to determine the fleet ownership model that is most appropriate to the nature of the services, areas serviced, market conditions and capability to deliver necessary infrastructure."* *(Hamilton City Council staff)*

Some smaller councils also requested more explicit government support for public ownership models, suggesting that the options available to them may not be well known at present.

Operators had mixed views about new ownership structures

The BCA noted that operators regarded bus ownership and management as a key part of their operations and would be likely to resist moves to reducing their business model to being a staff hire business.

> *"Should the Government choose to own the fleet, and depots, operators advise there would be very little incentive for them to operate these services." (BCA)*

It warned that public ownership of fleet risked operators exiting the market, or of it exacerbating what it describes as a "master/servant" type relationship between councils and operators.

Some operators, however, noted that bus companies operate under a range of models globally and would be able to adapt to different business models.

> *"The current model means operators are taking risks on fleet ownership, because the full value of the bus asset cannot be amortised over the life of the contract. Public ownership of assets, assuming the transfer of assets occurs at the next tender round to the incoming operator, would reduce this risk. This model has the additional benefit of focussing more on the operational expertise that an operator brings, rather than who can access the cheapest capital to fund the fleet."* (Transdev)

> *"Local and Central Government ownership is an option our organisation would be willing to explore, this would require a robust acquisition process to be carried out by the Lessor to ensure fit for purpose vehicles were sourced and clear guidelines around maintenance responsibilities of the Lessee and Lessor."* (Uzabus)

In terms of councils obtaining assets under alternative asset ownership models, Uzabus suggested that one option would be to create a transferring asset agreement between the relevant council and operator identifying vehicles depreciated value over a term of around 10 years.

> *"This would identify the vehicle transfer value to Council at any point including at the contract end should the operator be unsuccessful in re-securing the new term. Councils could then identify transferring assets within PTOM tenders and their cost. This would also better support vehicle lease and purchase terms and costs. This would also allow for clarity around costs associated with the introduction of new technology."* (Uzabus)

There was a range of views about the economic efficiencies that public ownership of fleet might provide. Some sector stakeholders suggested that centralised purchasing would allow negotiated bulk purchase discounts. One operator, however, said efficiencies are more likely to be achieved by careful purchasing and fleet management by operators who can take a whole-of life approach to asset management, rather than through local or central government exercising bulk purchasing power (suggesting that government lacks experience in fleet management of this scale). Another said that encouraging owners who are established public transport operators, whether local or global, will deliver better outcomes for partnering and delivering services in the long run and help to deliver the decarbonisation targets.

> *"As the cost of electric buses reduces, government can support the acceleration of this fleet transition with reduced regulatory costs (e.g. RUC [Road User Charges]) which can reduce the whole of life cost of each vehicle. Vehicle Quality Standards continue to be an issue. Buses are so different between the main centres operators are unable to economically shift vehicles between regions. Again, a critical focus on the whole of life ownership costs would mean we would collectively focus on resolving these issues much more rapidly."* (Transdev)

ii). Depot and infrastructure ownership

Many sector stakeholders said that they welcomed discussion on the likely impact of different ownership structures on competition and decarbonisation. As with questions relating to ownership models for fleet, councils and unions generally saw more benefits to public ownership of depots and supporting infrastructure than did operators.

Sector stakeholders said that access to depots can be a barrier to entry

A number of councils argued that private ownership of depots presents a barrier to entry to competitors in the public transport market. They anticipated that the size of this barrier would increase as the pace of decarbonisation accelerated, because depots would need power upgrades and charging infrastructure to be fitted in order to service electric buses. Under the current PTOM arrangements, these upgrades are ultimately paid for by councils as part of operating costs.

> *"The high up-front cost of establishing depots with zero emission energy infrastructure (electric and/or hydrogen) combined with the need for locations that are operationally efficient will offer a significant advantage for incumbent operators to the point where they could have a monopoly over future tenders." (Waikato Regional Council)*

Some councils said that what mattered most was the availability of bus depots, rather than their ownership, to ensure long-term sustainability and competition. A number of councils (notably the councils with the largest public transport bus fleets) were particularly keen to investigate how they could exert greater control over depot availability.

> *"We strongly hold that, for regional councils to be truly strategic in our planning and provision of world-class public transport, we need to have stronger control of critical infrastructure like depots and charging infrastructure. This is to ensure the critical assets remain available to public transport use (i.e. they are not converted into other uses such as retail or housing), and that competitors' access to the public transport market is not constrained through the private and diverse (multiple) ownership of these critical assets." (Greater Wellington Regional Council)*

> *"AT seeks to gain control or ownership of strategically located depots and bus charging infrastructure and lease these back to operators. This will preserve network efficiency, service continuity and remove a key barrier to competition – both to existing and new entrants. There is a significant linkage / interface that needs to be considered between depot location and network optimisation, implementation of the zero-emission bus environment and urban growth." (AT)*

Councils largely favoured a flexible approach to ownership arrangements

Some councils said that flexibility was needed so that they were free to consider all ownership options under PTOM, including a mix of ownership models (for both depots and charging infrastructure) for different PTOM contracts. AT, for example, said that it was exploring the viability of a range of models, including investing in charging infrastructure in the form of 'charging as a service'; investing in a small number of strategic depots; and considering how contracts could be structured so that depots and charging assets would revert to AT at the end of the contract.

Greater Wellington Regional Council said that while the current framework does not explicitly exclude councils from owning infrastructure, it would be helpful if the government provided a stronger statement of support for public ownership of strategic public transport assets.

Individual operators and the BCA were less likely to regard private ownership of depots and charging infrastructure as an impediment either to decarbonisation or to ensuring competition in the public transport market.

The BCA suggested that some depots may no longer be fit-for-purpose at the end of PTOM contract terms given that councils may subsequently develop new routes to service to service changing transport needs. Rather than councils owning depots, it would be more efficient for depot locations to be determined by technology limitations and operators' own business considerations. The BCA and Entrada, which operates services including InterCity, noted that many operators use their depots to service both buses used to fulfil PTOM contracts and other buses.

> *"Government benefits from economies of scale when operators use a single depot to house non-PTOM buses because only a portion of overall costs are charged to the PTOM contract. Public ownership of depots would therefore lead to higher costs for government." (Entrada)*

If changes to ownership structures for depots or infrastructure are contemplated, the BCA recommended that it be achieved by enabling councils to utilise bespoke options on a contract-by-contract basis, rather than a blanket change to the PTOM framework. This was echoed by one operator that was open to the possibility of councils owning depots.

> *"Whether this is the best option should be left up to each regional authority, but having the option available seems a sensible choice." (Transdev)*

Another operator suggested that one of the few potential benefits of a mixed ownership model would be allowing multiple operators to utilise on-route charging infrastructure.

2.   Procurement practices

Reviewing procurement practices (including rules about the length of PTOM contracts and the way that councils procure services from operators) may offer an opportunity to influence the speed and ease of decarbonising the public transport bus fleet.

The Discussion Paper asked for views from submitters on the impact of the length of PTOM contracts on decarbonisation and access to the market, and about the potential implications of a separate procurement process (in which the procurement of services would be separated from the provision of assets such as fleet and depots).

The BCA said it would support longer contract terms, suggesting that they could aid decarbonisation by providing operators with greater commercial certainty. It recommended that all contracts between councils and operators should be extended to 12 years to allow operators to better amortise the cost of the bus fleet over the life of the contract, including any infrastructure investment associated with zero emission technologies. It said that this approach encourages long-term investment, reduces the risk of stranding assets, and better maximises "whole of life" asset utilisation. The BCA also suggested that longer contract terms would help to mitigate against the greater costs of buses added to the fleet during the term of the contract.

Electromotiv, a business involved in the electrification of public transport (including by leasing zero-emission buses), also supported longer contract terms.

> *"Longer contracts also reduce the potential risk for financers that a new technology disrupts the market leaving them stranded with an obsolete asset. We have to allow*

financers and operators the opportunity to capitalize on their asset over as much of its life as possible to justify their investment."

A number of councils suggested that the length of contract term should be considered as part of changes to the fleet ownership model or to help meet decarbonisation ambitions.

"The PTOM should allow greater flexibility around contract terms to reflect different fleet ownership setups, i.e., longer contract length for operators that are required to purchase zero emission buses, and shorter contract terms where vehicles are leased or provided to operators." (Waikato Regional Council)

"We will also incentivise the accelerated introduction of ZEBs [zero-emission vehicles] through extension of contract terms, whereby operators swap out diesel fleet for ZEBs and only operate ZEBs in ring-fenced areas in exchange for lengthened contract periods." (AT)

Another council believed it would be helpful to have provisions for a mid-contract review to allow councils to carry out an open book review of real costs and reassess the contract.

Some operators opposed separate procurement for fleet, depots and charging infrastructure

On the issue of procurement of services, operators were less supportive of the notion of procuring the operation of services separately from the provision of assets such as fleet, depots and charging infrastructure. The BCA suggested that reallocating ownership risked increasing costs for both capital expenditure and operating expenditure and that dual procurement could result in overly complex contractual arrangements.

"We could end up with scenarios that have multiple contracts for multiple services with multiple third parties involved for a single unit."

Tramways union also argued that dual procurement could intensify the pressure on labour costs if service providers could no longer achieve a return on investment by prudent fleet management.

"We should not be designing our public transport system with a goal of being attractive to profit-seeking organisations, given that the only funders of the system are government (local and central) and the public, and that costs can only be significantly reduced by cutting service levels, safety, and the wages and conditions of workers." (Tramways)

3.   Funding and financing

Public transport services contracted under PTOM are co-funded by the National Land Transport Fund, local share (predominantly rates), and fares. Submitters were asked the extent to which they thought the following funding and financing models would accelerate decarbonisation and increase or hinder access to the market:

- option 1: The status quo (operators raise their own finance)
- option 2: Central or local government provides grants or loans to operators
- option 3: Central or local government finances an asset owning entity that leases fleet and supporting assets to operators.

Sector stakeholders focused on the level, rather than the type, or financing required

A number of sector stakeholders noted that the level of financing, rather than how financing arrangements are structured, is the biggest factor influencing the potential speed of decarbonisation.

> *"It is the amount of investment, not the arrangement of how services are provided, that determines the "success" of public transport in meeting its objectives. (ECan)*

> *"The funds committed to the decarbonisation of the fleet are nowhere near sufficient to achieve the 2025 targets…." (Taranaki Regional Council)*

> *"[T]he BCA does not believe that PTOM needs to be changed to deliver a zero emissions fleet. The existing model provides mechanisms for AOs to work with Operators to invest in new infrastructure and vehicles through appropriate increases in funding, agreed transition program away from the current diesel fleet and extended contracting terms to allow the increased investment to be amortised without the risk of stranded capital/assets."*

> *"The pace of change really depends on whether the government would be willing to pay all of the capital costs up front (and then recoup the investment through operating cost savings over a currently unknown number of years). Given that government is generally able to access more favourable finance terms than the private sector, options 2 or 3 are likely to deliver a faster conversion to a decarbonised fleet." (Bay of Plenty Regional Council)*

Councils were interested in having the flexibility to explore new funding models

A number of councils, both large and small, said they supported a flexible range of options that would allow them – but not require them – to utilise different financing options (along with different ownership arrangements).

> *"AT's preference is for operators to finance their own vehicles and typically depots (unless strategic public sector investment is undertaken), however, AT would also like to maintain flexibility through the PTOM and general procurement and contracting processes to consider other funding and financing options, such as special purpose vehicles (SPVs), private financing and increased central government funding." (AT)*

"Same comments apply as per fleet and depot ownership – there should be flexibility to consider all of these options under a revised PTOM." (Bay of Plenty Regional Council)

One operator agreed that there was no one-size-fits-all approach to funding and financing.

"From an operator perspective, the funding and financing mechanisms used are dependant on the risk profile of each operator, and their shareholders, financiers and so forth. There is no right answer here considering that each operator or PTA may have a different financial position." (Transdev)

Other stakeholders explicitly said they would be keen to utilise new financing arrangements that complemented public ownership of bus fleets and/or depots. A submission from Hamilton City Council staff supported an approach where central government funds the upfront cost for establishing zero-emission bus depot infrastructure, provided those facilities remain in public ownership indefinitely. It said that upfront costs should be recouped through lower operating costs overtime (but that specialised infrastructure would require ongoing maintenance to be safe and efficient).

Greater Wellington Regional Council said that it had identified numerous benefits of using alternative financing arrangements to support new ownership arrangements. It said that it did "not believe that the current model is making best use of public finances and is placing all financial risk onto councils, with few associated financial benefits". The Council said that the potential benefits of a new financing model would be likely to include:

- being able to access credit at a more cost effective level than commercial operators (arguing that local government is currently effectively compensating operators for their more expensive borrowing through the contracting model); and

- being able to manage its balance sheets more effectively (arguing that councils currently carry the notional debt of assets on their balance sheets without the benefits accrued from asset ownership).

Operators and the BCA said that they are already able to access finance on good terms

Some operators queried whether councils would be able to access more attractive financing arrangements than are already currently available to commercial entities.

"The current financial returns for EV buses are satisfactory. We are financing through normal commercial banking relationships at competitive rates and the arrangements are working well." (Tranzit)

The BCA warned that accelerating the speed of decarbonisation under current funding arrangements – with the aim of achieving decarbonisation more quickly than targeted by central government – risked operators withdrawing from contracts.

"The current asset funding arrangements are that AOs pay Operators within the opex contracts. Currently those contracts are amortising at somewhere between 13-16 years for new bus assets. It is quite probable that Operators will "hand back" current contracts as the amortising rate being paid is pushing the Operator to a negative equity position quite quickly. Especially with AOs proposing to accelerate the decarbonisation process." (BCA)

It also acknowledged that central or local government providing funding or grants for fleet, potentially under a so-called pay-as-you-save model, could help accelerate decarbonisation by reducing the lifetime costs associated with the operator's contract. However, it warned that transferring what it described as a significant financial risk from operator to government had the potential to impact other strategic priorities by overburdening rate and tax payers. It also queried whether the public sector had the requisite skill set to maintain the vehicle fleet if it pursued a model in which an SPV managed the fleet or other assets.

> *"Will Operators be prepared to effectively become just a human resource supplier (we do not believe they will). Thereby, the public sector won't be able to lever off the industry experience or skills of the Operators. A separate government entity would be required to be set up to manage this procurement. This would have relatively high costs and may not result in the efficiencies desired."* (BCA)

D. Roles and responsibilities

There are a number of participants within the PTOM framework, including regional councils, operators, Waka Kotahi, road controlling authorities (local councils) and unions. Their differing roles and responsibilities (as well as the way that they work together) significantly impact public transport outcomes, including the experience of public transport users.

The Discussion Paper asked what, if any, changes are needed to improve or strengthen co-operation between the following players:

- regional councils and road controlling authorities (to ensure that infrastructure and service networks are aligned)
- regional councils and operators (to ensure timetables and networks can be delivered)
- Waka Kotahi and regional councils (to ensure an optimum level of national consistency around public transport).

Responses from the online survey

Regional councils and road controlling authorities

How much do you agree or disagree that changes are needed to improve/strengthen co-operation between regional and local councils in the planning and delivery of public transport services and infrastructure?
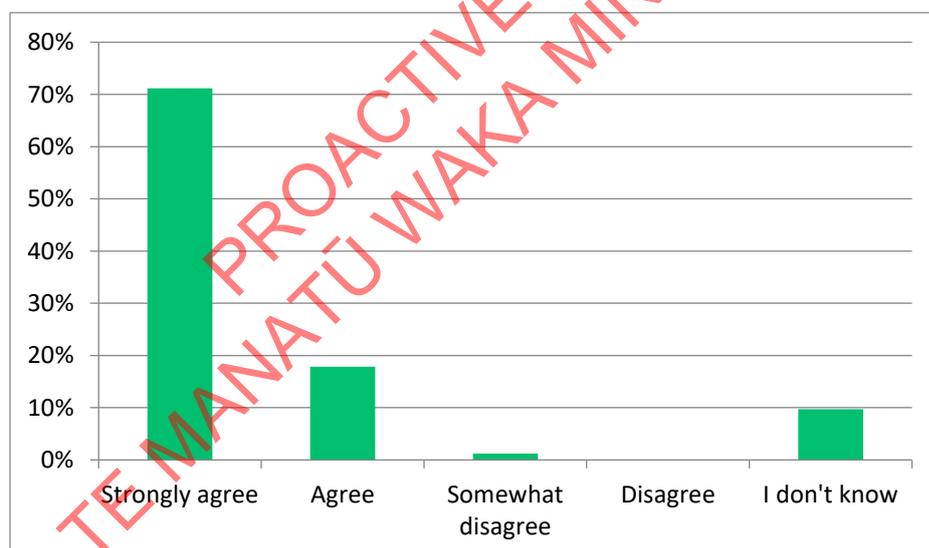
We received 305 responses to this question, with 214 submitters providing a reason for their rating. Respondents outlined numerous examples of where the current system is not working as well as it could or should. These included complaints about the provision of bus stops, shelters and bus priority lanes; public transport that fails to provide adequate services to local amenities; and the lack of co-ordination between those than plan new housing developments and those that provide infrastructure to support public transport (and other active travel modes such as cycling).

Some rural submitters, and some who wished to travel by public transport between regions, said that the current division of roles does not take into account their needs.

> *"Regional councils' responsibility for public transport has proven troublesome - the only intra-regional transport is provided by Intercity and other coach services outside of the Wellington and Auckland regions. This leads to rural areas being disconnected from cities apart from private transport. New Zealand is missing a huge amount of local connections that provide for accessible transport."* **(individual submitter)**

> *"I live in a rural township. There is no transport within the township. Private cars will not be an option for the ageing population (in about 10 years). To get to the ferry which takes us to the nearest (small) shopping town, you have to have a car. … I am cynical about the Council/Regional Council having any interest in helping us."* **(individual submitter)**

A number of respondents used this question as an opportunity to share their views about the Fullers Waiheke ferry service

Many individual submitters argued that the Fullers Waiheke ferry service, arguing that it should lose its exempt status and be better integrated into the Auckland public transport network.

> *"The main point is to abolish Fullers' exempt status from AT regulation and oversight so we can get equitable and integrated fares, tendered and contested services, accountability to fare-paying passengers instead of only the shareholder, and public input in service provision and timetabling."* **(individual submitter)**

Submitters also offered a wide range of potential solutions to some of the problems they identified with the relationships between regional councils and road controlling authorities. Some recommended that local councils and regional councils work together better within the existing framework while others wanted more powers given to local councils (to ensure that local views are better reflected in the public transport system).

Some submitters wanted regional councils to assume more responsibility to streamline the decision making process and others wanted Waka Kotahi to take on a greater co-ordination role to encourage greater national consistency. Another group of submitters recommended wholesale reform of local government structures and responsibilities, including replicating the Auckland Transport model to other cities in New Zealand. A selection of comments reflecting the range of views include:

> *"Local councils have local knowledge and experience as users of their public transport services. They should be the major partner in decision making about their transport services."* **(individual submitter)**

> *"Either rather than both. I'd put the whole system in the hands of Regional Councils including bus stops, payment cards, types of transports etc."* **(individual submitter)**

> *"Public transport needs to be integrated at a greater level, with a singular agency providing public transport for a region with sole control over this. Councils should be able to set strategy together for said agency, but ultimately the agency should be providing the best quality services at the demand levels that exist, rather than worrying about council demands."* **(individual submitter)**

Regional councils and operators

How much do you agree or disagree that changes are necessary to strengthen or improve the relationship between councils and bus/ferry operators?
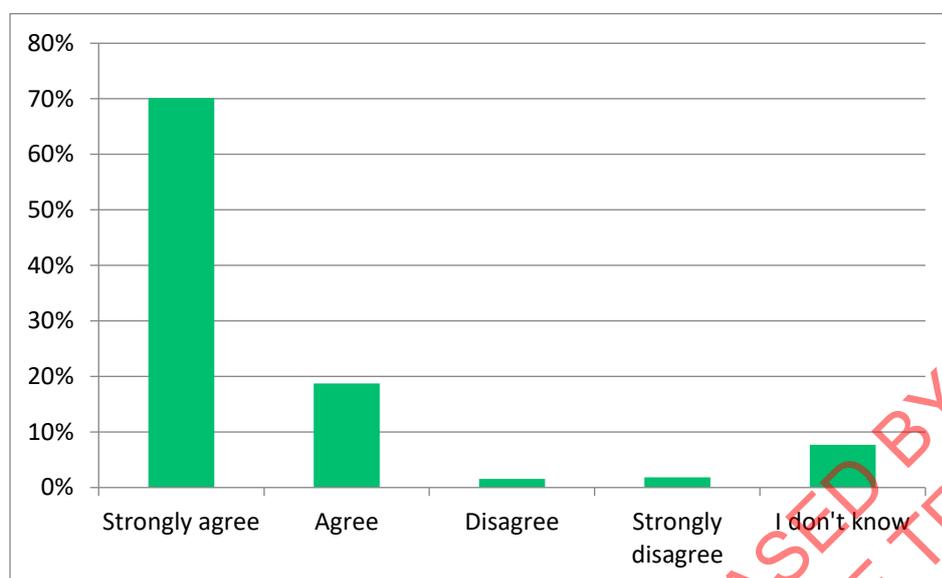
Most submitters thought that improvements could be made to the partnership between regional councils and operators, with some describing the status quo as "awful" and dysfunctional" (with a number specifically mentioning their experience of public bus transport in Wellington). Some of these submitters said that the relationship between regional councils was difficult because of a fundamental misalignment of interests. These views were summed up by the following comments:

> *"Operators are out there to make money not to provide a public service that works for people." (individual submitter)*

> *"There is a mismatch between Council goals and what the operators do." (individual submitter)*

A number of submitters said the perceived misalignment should be resolved by bringing public transport under public ownership or changing the way that operators are incentivised.

> *"Councils and operators have different goals. There should be stronger regulation, if not an actually publicly owned public transport system." (individual submitter)*

> *"Councils should be the operators. If we do maintain the status quo, then contracts should not go to the lowest bidder - they should go to whichever group promises the best service delivery (for passengers, drivers, and the environment)." (individual submitter)*

> *"Operators are businesses - they do whatever they can to cut costs at the expense of regular, reliable services. The balance needs to shift to operators being incentivized to deliver the best service, rather than the lowest cost." (individual submitter)*

Some submitters offered suggestions for improving the partnership between operators and councils. These included reducing the number of operators delivering services, leveraging opportunities for greater efficiencies (such as introducing a common fare paying method),

and bringing public transport (buses, trains and ferries) under the same structure to increase levels of integration. There was also a call to remove what was described as the "arbitrary" boundaries between regions for funding purposes as a way of ensuring greater connectivity between regions.

Other submitters wanted to see more transparency around the awarding and operating of PTOM contracts.

> *"There should not be the ability for OIA requests on contracts to be avoided citing 'commercial sensitivities' as these are public services provided through public funds for the public good. We need to be able to make OIA requests on the specifics of the penalties that can be applied to operators." (individual submitter)*

Other submitters suggested that positive changes to the partnership could be made within the existing PTOM framework, with council officers spending time with operators to see how the network operates in practice, and bus drivers asked to provide feedback to councils that plan services and provide infrastructure.

> *"I think it is best to focus on enabling these relationships without overly prescriptive scaffolding: instead of sitting down to multiple-hour meetings, the interface needs to be informal -- easy, open lines of communication between managers, and a willingness to let each other get on with their daily work rather than forcing things too much." (individual submitter)*

This was echoed by a small number of submitters who think that the relationship between operators and councils is skewed in councils' favour.

> *"Regional councils act as a dictator, not a partner in most cases." (individual submitter)*

> *"This tension [between councils and operators] has probably not been helped by the design of most PTOM contracts, which (in my opinion) do not provide upside sufficient upside incentive to operators, to really incentivise them to work hard, and with the public transport authority, to deliver a good and growing service. Partnership would be facilitated if this issue was addressed." (individual submitter)*

A significant number of submitters used this question as an opportunity to call for particular exempt services (notably the Waiheke Island service and the Hokianga ferry service) to be brought within PTOM. Many described the lack of integration with other public transport services, the cost of tickets and the level of service as the reason for their concern.

Waka Kotahi and regional councils

How much do you agree or disagree that changes are necessary to strengthen Waka Kotahi's role to encourage greater national consistency?
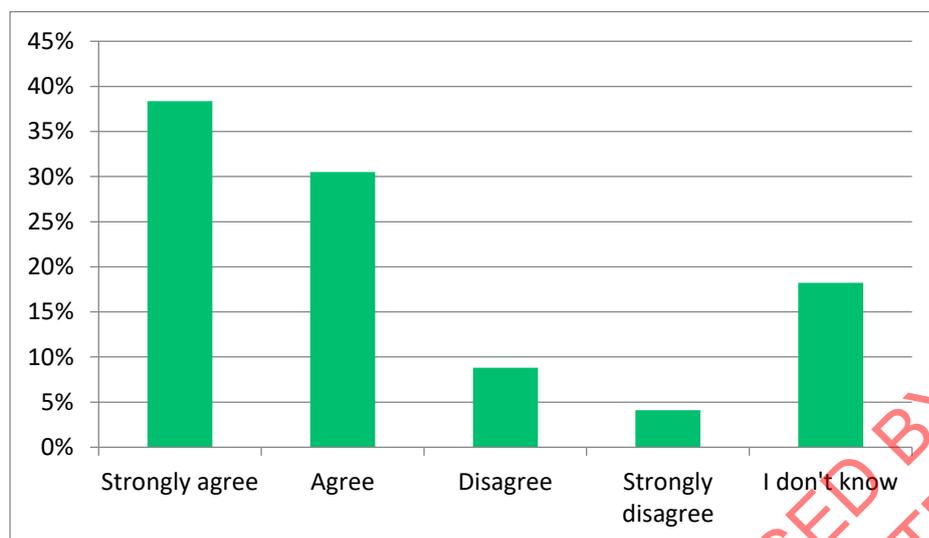
A majority of those that provided views to support their position wanted to see greater national consistency in the way that public transport is delivered in New Zealand, both to take advantage of bulk purchasing of vehicles, to aid network integration and to introduce a national ticketing standard.

> *"Central government needs to play a greater role in ensuring public transport networks are consistent in quality across the country. In a country of 5 million - less than in some cities around the globe- the amount public transport networks differ between NZ towns and cities is absurd (eg the train network in Auckland accepts contactless payment and Wellington's doesn't, there is one card (Hop) in Auckland and another in Wellington (Snapper))." (individual submitter)*

However, some of those who supported greater consistency had some reservations, both about adding another layer of administration into the system and about whether Waka Kotahi should assume an even greater role.

> *"While overall standards are required, too much "big brother" interference is costly and counter-productive." (individual submitter)*

> *"Waka Kotahi itself needs transformation and culture change to further strengthen decarbonisation and diversification of transport, driving mode shifts towards public and active transport. Therefore, the ability of Waka Kotahi to encourage greater national consistency towards decarbonisation goals is unclear and a prerequisite to any such strengthened role." (individual submitter)*

> *"National consistency is a good idea, as is improving inter-regional connections. However, Waka Kotahi still comes across as a road building organisation first, and wider transport is a distant second. There needs to be a re-evaluation of roles of all involved." (individual submitter)*

A smaller number of submitters cautioned against achieving greater national consistency at the expense of ensuring that services are responsive to local needs. Some noted that the issues of importance to cities with extensive public transport networks are very different to those to small towns with a very small number of buses.

"Local conditions will vary e.g. mix of urban and rural systems; compactness of routes. One size to fit all those is unlikely to produce the best result for local situations." *(individual submitter)*

"I believe/hope keeping things local mean faster decisions and actions." (individual submitter)

"I think Waka Kotahi's role should be advisory only; national consistency is not a helpful objective in ensuring public transport meets each community's needs." (individual submitter)

Responses from sector stakeholders

Entrada, which operates InterCity, noted that the Discussion Paper was silent on the relationships between regional councils. Given the PTOM Review's scope includes exempt services (which include interregional operations), Entrada argued that PTOM should explicitly require co-operation between regional councils and that Waka Kotahi should play a role in mediating and arbitrating disputes that occur between regions.

Regional councils and road controlling authorities

The Discussion Paper asked whether changes are needed to improve or strengthen co-operation between territorial councils and regional councils in the planning and delivery of public transport services and infrastructure.

A number of submitters noted that the relationship between regional and local councils should and could be improved for the benefit of public transport users (and operators and government). Some suggested that part of the problem lay with the lack of alignment of the interests, including the financial interests, of local and regional councils.

"With public transport services and infrastructure being delivered by separate entities, there is no one organisation responsible for managing the end-to-end customer experience." (ECan)

"The current split between services (Regional Councils) and infrastructure (Territorial Authorities) creates confusion and delay in delivering the necessary infrastructure to support service improvements. Territorial Authorities have many infrastructure priorities, and public transport is often well down the list. This is not a criticism; just the reality. We would support a proposal to consolidate responsibility for funding both services and infrastructure to the Regional Councils; as long as this was backed up with sufficient revenue streams for both maintenance and improvements. The responsibilities of local councils as roading authorities still needs to be recognised." (Bay of Plenty Regional Council)

A number of stakeholders noted that Waka Kotahi's role as a road controlling authority and its relationship with regional councils should also be taken into account when considering how relationships between parties works.

Operators were particularly concerned about the relationship between local and regional councils in terms of its impact on the provision of good infrastructure to support bus travel, including bus stops and dedicated bus lanes. Stakeholders said that better and more timely installation of infrastructure would benefit operators and make bus travel more attractive – one of the proposed new objectives for PTOM.

> *"We have noted tensions between territorial authorities in Wellington and Greater Wellington Regional Council regarding investment in bus lanes in Hutt City and Wellington City. These tensions can lead to services having delays, which in turn can delivery of public transport services and infrastructure mean that Greater Wellington Regional Council fine our members, despite congestion and roadworks being outside their control." (BCA)*

> *"If buses are able to move through our cities unimpeded by congestion, the major financial benefit is that the bus fleet can be smaller to deliver the same capacity, as we don't have buses 'stuck in traffic'. Bus priority investment would also likely increase the speed of mode shift, as bus journey times becomes faster and more predictable. … The focus of our transport network needs to shift from protecting car parks to enabling peoples' freedom to move around cities." (Transdev)*

Stakeholders representing public transport users said better coordination was needed to improve passenger experience

Groups representing transport users also highlighted the importance of good co-ordination between councils for passengers. The Disabled Persons Assembly said that for disabled people to be able to use public transport on an equal basis with others it is necessary for not only the vehicle itself to be accessible, but also for all of the associated transport infrastructure including footpaths, crossings, ticketing, timetables, route information, maps, stations, bus stops and interchanges to be accessible in an integrated and coherent way.

> *"Disabled people, who simply want to make a journey, should not be left with the task of having to work out which organisation they need to raise accessibility issues with."*

Generation Zero submitted that changes are needed to strengthen relationships between councils for the delivery of public transport services: *"Whilst funding is decided by arbitrary regional boundaries, the lives of everyday New Zealanders are not, and this must be reflected in the design of PT services."*

Many stakeholders suggested that more co-ordination and co-operation between councils is needed, but there was no clear consensus on how that should be achieved. ECan, for example, said that there is value in a strongly collaborative approach to planning and investing in the transport system. ECan, for example, referred to the establishment of the Greater Christchurch Joint Public Transport Committee, which was responsible for the development of the Regional Public Transport Plan 2018 and Future PT Business Case. ECan did note, however, that simply having better relationships between councils on plan development does not guarantee improved outcomes for the public transport sector in all council processes. This was echoed by Hamilton City Council staff.

"Provision of needed bus infrastructure such as bus lanes and stops and shelters is vested in TLA's. The competing demands for road space and the allocation of decision making to local community boards on projects that add value at a system or network level, often mean that the needs of public transport are compromised for local amenity (ECan)."

"However, for public transport networks to be effective, it is important that there is also good alignment in the delivery of infrastructure and services. In the Waikato, there are currently 11 Road Controlling Authorities (10 local councils plus Waka Kotahi). In spite of strong collaborative relationships, the complexity of institutional arrangements is a significant barrier to developing and implementing a co-ordinated programme for funding and the delivery of infrastructure and services across multiple entities. We consider that some of these matters may be beyond the scope of the PTOM review, but that it is a significant barrier that warrants close attention." (Hamilton City Council staff)

Some stakeholders suggested that operators should be more involved in discussions around the provision of bus-related infrastructure, with others calling for a greater role for the bus drivers, given that they see infrastructure challenges and opportunities daily.

"Operators are not currently properly consulted with when it comes to the design of new roads, bus stops and infrastructure that impacts on bus operation. There is a clear PCBU [Person Conducting a Business or Undertaking] HSE [Health safety and environment] shared responsibility between road controllers and operators which is not sufficiently acknowledged." (Tranzit)

Some stakeholders discussed the potential benefits of replicating Auckland Transport-type entities across New Zealand that would be responsible both for contracting public transport services and planning and delivering public transport-related infrastructure. However, others cautioned against a more centralised approach, calling instead for more partnership working, including on Regional Public Transport Plans.

"Council supports better integration between regional councils and territorial authorities in their role as RCAs. A requirement for regional councils to give effect to local transport strategies and plans would allow better integration of public transport with planning documents and integration with active transport modes." (Whanganui District Council)

"Transdev believes public transport is an inherently local activity. We strongly agree changes are needed, but those changes should not include consideration of centralisation of these functions. There should be an urgent focus on streamlining the legislation, regulations and processes needed to improve public transport services and infrastructure. This alone will further reduce the emissions of bus fleets through more efficient operations."

Regional councils and operators

There was some agreement that the relationship between operators and regional councils could and should be improved. However, there were competing explanations for the problems within the relationship. Some argued that there is fundamental mismatch between operators' commercial drivers and councils' wider transport concerns.

"Partnering' principles are challenged due to the disconnect between the value drivers of the two parties involved i.e., the necessarily political and social agenda of AOs [Approved Organisations] versus the often more commercially driven imperatives of Operators." (BCA)

Operators wanted more productive, partnering relationships with councils

One operator noted that the relationships it previously had with councils prior to PTOM had not changed significantly following the transition to a partnering model under PTOM.

"The relationship in these regions has not changed to one of more partnering under PTOM, in fact with the increase in competition and access to markets, there is very much a feel from operators that we are on borrowed time; and combining that with a greater focus on KPI's and penalties and less focus on sharing reward and incentivising performance, the current relationships are now less partnering based than we have enjoyed in the past." (Tranzit)

Other operators reported a similar "master and servant" type relationship with councils. One described it as a "dictatorship" that sees operators informed of timetable changes with only a few weeks to rearrange drivers' shift patterns or fined more for failing to meet key performance indicators than they are rewarded for meeting them. Personnel issues were sometimes cited as the reason for poor relationships, with operators feeling patronised by council staff. Wellington City Council said that greater legal direction and oversight by Waka Kotahi, along with giving councils more options to own assets could strengthen co-operation. Other councils and operators said that rather than regarding the other party as an adversary, it was critical to see them as a partner in a shared endeavour.

"Strong and positive relationships between councils and operators are based on mutual understanding of organisational purpose and objectives. Both have a common issue– the single occupancy private car. If this shared purpose is absent, the type of contract is somewhat irrelevant as there will always be tension." (Bay of Plenty Regional Council)

"[What is needed?] The right people with the right partnering skills in the required roles; a sense of being a united team with shared goals and objectives; positive reinforcing and less blame; a more united front when dealing with external parties – building up community goodwill in the PT brand and a sense of being an important and positive contributor to the community; good effective communication at all levels; honesty and trust; identifying, assessing and apportioning risk together; accountability and shared responsibility – working together and sharing learnings; interest-based problem solving and a sense of urgency in resolving issues." (Tranzit)

BCA said it wanted more clarity around the partnering principles underpinning the relationship between operators and councils under PTOM (which it described as unclear and impractical due to the different value drivers of AOs and Operators). It also said it wanted more guidance on principles and partnership outcomes from the Ministry of Transport and Waka Kotahi.

AT said that the partnership focus must remain at the core of PTOM.

> *"Partnering means more than just the contractual relationship; it is an implied covenant of good faith where the parties will need to use their strengths, constructive tension, and collaboration to grow the market for public transport services. … Our approach of continuous improvement recognises the need to engage with operators more proactively and in a collaborative way at the start of internal processes, such as network reviews, timetabling, decarbonisation strategy development and changes to PVR [peak vehicle rate]." (AT)*

Waka Kotahi and regional councils

Stakeholders acknowledged the potential advantages of giving Waka Kotahi a greater oversight role in order to encourage more national consistency in the way that public transport is managed and delivered around the country. However, stakeholders often disagreed on what areas would benefit from additional oversight.

Operators generally wanted Waka Kotahi to monitor more closely the relationship between councils and operators. They suggested that there is currently an unbalanced emphasis on measuring the performance of the operator in delivering public transport and an insufficient focus on whether the regional council is delivering on their roles and responsibilities – or hindering growth. Operators were also concerned about councils implementing regional vehicle quality standards (VQS) and failing to fully adhere to the Requirements for Urban Buses (RUB). The BCA said that this had created issues for regional and national fleet utilisation, and increased costs to Operators to comply with overly prescriptive VQS for no passenger gain.

> *"We recommend AOs must use and adhere to the Procurement Rules. Doing so will help to deliver more consistency in service contracts and procurement processes. Waka Kotahi is then able to monitor the service contracts more easily than by allowing each AO to have their own contracts and processes." (BCA)*

> *"While we appreciate the importance of RTA's[1] having a better understanding of the needs of their region, there is too little accountability for public transport spending and too much scope for RTA's to interpret the objectives differently and write regional policy and planning that will not consistently achieve the objectives across New Zealand." (Tranzit)*

One operator was keen to understand what a greater oversight role for Waka Kotahi would look like in practice. They wanted to know, for example, what a regional council's key performance indicators might be, and how operators might gain better access to Waka Kotahi to assist with resolving regional issues.

Sector stakeholders noted the need to balance the benefits of national consistency with local innovation and flexibility

Some councils were concerned that giving Waka Kotahi a bigger oversight role in the way that councils work with operators might stifle local innovation and impose a one-size-fits-all approach that fails to take local public transport needs into account. Instead, some wanted Waka Kotahi to play a bigger role in national co-ordination in areas such as national ticketing

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[1] We understand this to mean regional transport authorities, such as regional councils and AT.

and the procurement of technology such as timetabling software and real time information systems on behalf of smaller councils.

"Whilst there is a clear and obvious case for promoting robust and nationally consistent safety standards, we would not be in favour of Waka Kotahi having a stronger role in vehicle standards, operating contracts or contracting processes. It should be for Regional Councils through local decision making to determine the approach that is appropriate for their area. National consistency is not necessary, although nationally available information on best practice would be very useful." (Bay of Plenty Regional Council)

"We consider that the role of Waka Kotahi as both a regulator and a funding partner, is sufficient to meet the objectives of regional and central government and does not require expanding beyond its current purview." (Greater Wellington Regional Council)

"While we recognise the important role Waka Kotahi plays in procurement and planning services under Section 125 of the LTMA [Land Transport Management Act 2003], we consider that obligations implemented to achieve consistency across regions could go too far if Auckland is unable to maintain control of the quality of bus service requirements to reflect the needs of its local users." (AT)

Some councils saw merit in reforming the way that Waka Kotahi engages with councils. ECan said that Waka Kotahi's gatekeeping role as a provider of financial support means that few improvements can be made to the local provision of public transport without its agreement.

"The people of Greater Christchurch want improved services. Central government has signalled they want to invest in improved services. Environment Canterbury and Greater Christchurch Partners have identified through both the RPTP [Regional Public Transport Plan] and their individual LTP's [Land Transport Plan], that we want to provide improved services. But, until the balance of investment funding is secured, no-one blinks - nothing moves. Unsurprisingly, patronage has not grown, and the network has not delivered better environmental, accessibility and mobility outcomes or mode shift. While PTOM is predicated on improved relationships between council and operators, the relationship between councils and Waka Kotahi as major funding contributor seems hamstrung by a "prove-it" process that restricts adaptability and innovation. This is the principal relationship that requires attention, not PTOM." (ECan)

ECan also argued that greater involvement from Waka Kotahi in service-related projects may re-balance what it described as its "roading bias" and reflect a greater focus on alternative transport modes.

Some smaller councils also noted the potential for a greater co-ordinating role for Waka Kotahi when it comes to inter-regional services.

Finally, Living Streets Aotearoa said that Waka Kotahi should encourage best practice across the whole public transport network (buses, ferries and trains, and taking into account how people access the network from the start to finish of their journey) so that the passenger experience is consistent. This should include such things as wayfaring, information provision (both on- and off-board, including any tones used on-board) and ticketing.

E. The labour market in the public transport bus sector

> The Government wants to ensure that drivers' wages and conditions are protected when councils contract services, and that operators cannot win contracts by paying their drivers less. Other work will continue in the short term to improve driver wages and conditions for existing contracts. This includes collective bargaining processes and tripartite collaboration between operators, unions and regional authorities.
>
> The Discussion Paper asked whether a procurement approach or a legislative approach (or both) should be used to protect wages and conditions in the procurement process.

Responses from the online survey

Which of the following three options do you think would best protect bus driver wages and conditions in future contracting?
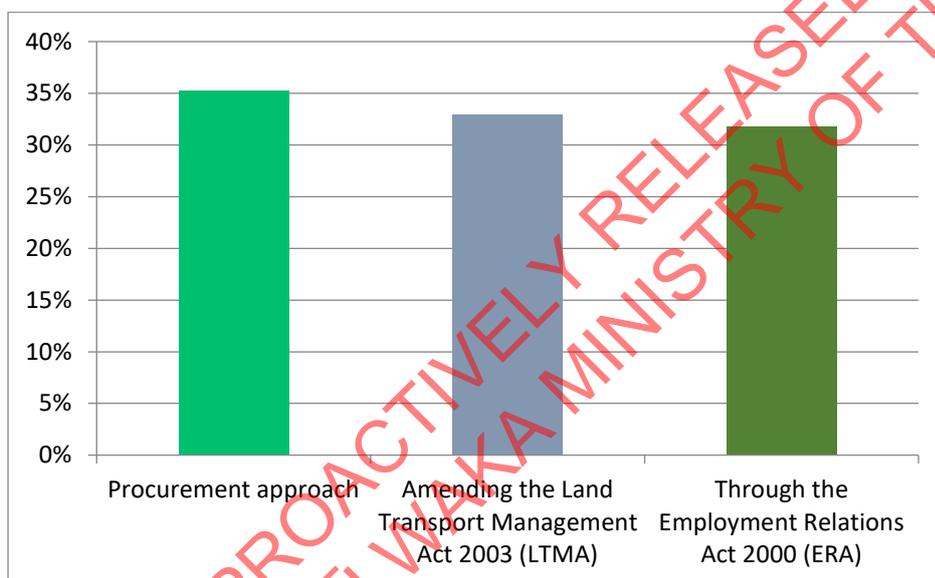
Of the 264 responses to this question, 156 provided comments on the alternatives. A number of individual submitters said that they had been uncertain of the differences between the options. Some submitters suggested all three options could be implemented, while others noted the procurement approach could be implemented faster. Some submitters considered legal protection was preferable.

While submitters were split around the best way to protect wages, there was a strong sentiment from submitters that wages and conditions of bus drivers need to be improved, with some emphasis on making the job more attractive through improving shift-structures (in particular removing split-shifts).

Some submitters suggested wages and conditions should be protected or standardised in other ways (for example through a multi-employer collective agreement or a Fair Pay Agreement).

> *"I think amending the act as well as a procurement approach is needed. Drivers' wages in NZ are appalling. They are treated poorly in all areas of the job, from split*

shifts to unsociable hours to poor pay. Many changes are required to fix this."
(individual submitter)

"All seem workable. I think there are two goals: (1) ensure that competition for contracts does not descend into a race to the bottom on wages, and (2) ensure that operators are not put at a competitive disadvantage due to being stuck with more expensive staff. I note that staff quality is important to the delivery of public transport: both the technical elements and customer service components of bus driving are skilled work where a good driver improves customer experience (and there are plenty of poor drivers). Such drivers need to not be a liability on balance sheets when competing for contracts." (individual submitter)

"We need public transport workers and they should be able to earn a fair day's wage for a fair day's work. There should be a Fair Pay Agreement for them." (individual submitter)

"It isn't just the wages - some drivers need more reasonable contracts i.e. set hours without ridiculous 4 hour gaps between shifts." (individual submitter)

Some submitters also thought protection was not needed and that contracts between councils and operators should better incentivise operators to ensure a sustainable workforce.

"Proper contracting with appropriate incentives...e.g., not enough drivers for services, increase penalties for non delivery to a point where there is greater cost for non-provision than having to pay extra drivers to cover." (individual submitter)

"Contracts with operators should be written to ensure that operators avoid shortages of properly skilled drivers, and these contracts should be actively enforced. The rest should be left to negotiation between employers and employees." (individual submitter)

Some submitters also considered public ownership and provision of services (e.g. councils directly employing drivers) was a better solution than trying to regulate private operators.

"I don't agree with any of these options. Public transport has to be publicly owned and operated, and then councils could pay drivers sufficient wages directly, without making up complicated regulation." (individual submitter)

Responses from sector stakeholders

There was general support from submitters, including councils, unions and operators, for protecting wages and conditions, although submitters differed on their view of the best way to achieve this. Some operators noted that the current PTOM model made it hard for them to attract and retain drivers.

"Moving freight is a critical task for the economy, and our current experience is those companies can and do offer up to 20-30% more than our bus drivers can earn. When the split shift challenge is considered on top of this, it is challenging to see a sustainable labour market emerging under current PTOM market conditions." (Transdev)

Some councils and operators favoured a procurement approach to ensure flexibility

A number of councils expressed a preference for resolving issues through procurement practices, rather than through legislation, suggesting that the former would be a quicker and less restrictive way of achieving the objective of ensuring that bus drivers have good wages and conditions. Some also said that protecting existing terms and conditions through legislation would make it very difficult for competitors to submit bids because they could not accurately predict what wage costs they may be liable to pay if successful.

> *"While there is scope for legislative protections, the complexity and variables that exist in the public transport sector mean that this can be difficult to implement at a practical level. Legislative change can be restrictive and difficult to apply in all circumstances as was seen with rest and meal breaks legislative changes that were implemented last year." (Bay of Plenty Regional Council)*

Bay of Plenty Regional Council said that the most appropriate mechanism for ensuring bus drivers' wages and conditions are protected is a procurement approach. If Waka Kotahi were to specify baseline requirements for wage and conditions that councils must set when contracting, then this would enable a nationally consistent approach. Consistency, so far as is reasonably practicable, would also make it easier for operators to implement.

Operators also expressed a preference for a procurement approach, which they said would allow more regional variation and flexibility in the contracting approach by regional authorities.

The BCA said that there is currently no consistent way of recognising operators who pay higher wages or offer better working conditions. It added that despite industry suggesting that councils consider factoring in a wage component to PTOM tendering, only two (Bay of Plenty Regional Council and ECan) had included weightings/minimum rates for driver pay in their tendering process.

Some operators wanted a regional, rather than national, approach that takes into account differences in cost of living

The BCA added that any wage rate specified by Waka Kotahi should also factor in the cost of living in the tendered region and/or the wages paid by the incumbent operator. It said that this would help avoid a situation where employers operating services in the largest cities (where demand for bus drivers is higher) lose drivers to regional employers (who might currently pay lower rates due to the lower cost of living there).

Unions, too, said that PTOM tendering should include standards on wages and conditions.

> *"The problem we see in the current PTOM model is that buses are specified very accurately (the text on the front destination sign and the height of the front step are measured to the nearest millimetre for example) but the working conditions are left up to contractors to determine." (Tramways Union Dunedin branch)*

However, First Union said that one pitfall with this approach is that it does not see a place for worker and/or union representation, which it said it regarded as "a core requirement for the promulgation of labour-related procurement procedures".

The BCA added that councils should be able to set the expectations for wages and conditions as a complete package, rather than new operators inheriting the existing wages, terms and conditions offered by the previous operator.

> *"This gives new employers the flexibility to offer terms and conditions that suit their business and operations and ensures that drivers are not working for less." (BCA)*

AT suggested that New Zealand look to Australia, where bus drivers are offered additional rights and entitlements beyond those provided by the national employment standards, including minimum rates of pay. Australia's Passenger Vehicle Transportation Award 2020[2] is the minimum standard for land transport employees nationally. However, it is often superseded by separate region, or operator-specific awards.

> *"In the absence of any other agreements (both individual, or collective), the modern award is used; this provides industry consistency and fairness but does not inhibit a state, city or public transport operator enlisting better terms and conditions to attract and retain bus drivers. It also includes flexibility provisions to meet operational needs, where the employer and an individual employee may agree to vary the application of the terms of the award to meet the genuine needs of both the employee and the employer." (AT)*

AT said that the benefits of a tailored approach are best realised through the procurement approach and contracting model so that councils are able to hold operators to account. It added that it wants the procurement and contractual flexibility to ensure staff are transferred between operators at end of contract on no less than their current terms and conditions and that their length of service and leave entitlements are recognised.

> *"While we support further analysis of the proposed amendments to the LTMA and ERA, it is anticipated that these will not be implemented in time for our upcoming bus services procurement, or be set to the level required to meet the specific needs of the Auckland bus market." (AT)*

Unions cautioned against restricting drivers' right to bargain

Tramways Union said it was opposed to giving third parties (such as Waka Kotahi) more power to determine wages and conditions if it affected workers' right to bargain.

> *"The notion that Waka Kotahi should arbitrarily decide what minimum wages and conditions are for bus drivers is not acceptable. We support Waka Kotahi (and all government agencies) requiring all their procurement partners to be good employers but that is significantly different from Waka Kotahi effectively setting an industry award, which it has no expertise to do." (Tramways)*

Tramways Union added that it supported good employer conditions being required by all government agencies and said it may be appropriate to include that in PTOM-related legislation. It said that any reference to wages and conditions would necessarily be generalised and vague.

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[2] Under Australia's award system, the minimum wages and conditions an employee is entitled to in a range of sectors are set out in awards administered by the Fair Work Commission.

"Including a general 'no worse' principle in s115 [of the Land Transport Management Act 2003] would be too weak and carries no enforcement mechanism. It is not a substitute for sector bargaining." (Tramways)

First Union advocated both a procurement and a legislative approach that would see wages and conditions taken out of the tendering process and the bus industry added to Schedule 1A of the Employment Relations Act (ERA). It said that this would be the most direct legislative approach to safeguard existing wages and conditions because it would allow workers that transfer between operators when a tender is won to take their existing wages and conditions with them. The ERA enables the Minister of Workplace Relations and Safety to add industries to Schedule 1A without having to pass new legislation, provided the industry meets certain criteria. However, First Union acknowledged that while the bus industry would likely meet the first two criteria (being employed in an industry subject to frequent restructuring and whose terms and conditions tend to be undermined by the restructuring), the relative union density in the bus sector could prevent the Minister from being satisfied that the last criterion – that they have little bargaining power – is reached.

Finally, First Union said that the urban bus industry should be amongst the first industries considered for a Fair Pay Agreement (FPA).

"We believe that an FPA would help ensure that labour costs are not the primary basis for competition amongst service providers and that workers don't lose out as a result of low-ball tenders." (First Union)

Some councils also supported both a procurement and legislative approach to protecting driver wages and conditions. Horizons suggested that protections should also extend to support and ancillary staff.

Some operators noted potential consequences of increasing bus drivers' wages and said that hourly rates were just one element in attracting and retaining drivers

A small number of submitters warned of some of the potential consequences of offering greater protection for driver wages and conditions. Entrada said that the Discussion Paper does not consider whether the increased costs will force decisions to be made about trade-offs such as: cutting back services to contain costs or increasing rates of taxation or borrowing, increasing wage costs in other sectors, such as the freight industry, competing for qualified drivers.

Another operator highlighted the practical difficulties for operators whose drivers may drive for both PTOM-contracted services and non-PTOM-contracted services during the course of a day. If wage rates for drivers delivering PTOM-contracted services are protected (by legislation or procurement) then it adds a layer of complexity to their remuneration policies.

Some operators and councils suggested that pay rates are just one factor that determines the attractiveness of bus driving: many would-be drivers find split shifts (used to manage the twice daily peak demand for bus services) particularly unattractive, along with unsocial hours and dealing with antisocial customer behaviour.

"A collaborative tripartite effort (operators, councils and unions) is needed to revisit timetables and rosters. More 'straight shifts' would be better for drivers, but also increase mode shift/ patronage growth, reduce overall transport emissions, improve mobility options, and increase bus utilisation. (Transdev)

# F. Public transport services operated outside of PTOM

When PTOM was introduced, some public transport services were exempted. These include some services that were not receiving any subsidy and inter-regional services. Operators of exempt services, such as the Auckland SkyBus and InterCity bus services, can set their own fares and timetables.

Currently an exempt service can only be brought under PTOM if the Minister of Transport is satisfied that the service is integral to the network and the fares need to be regulated.

The Discussion Paper sought stakeholder views about the current PTOM exemptions for commercial services and for inter-regional services. It also asked for views on the appropriateness of the current process for registering, varying and withdrawing an exempt service, and the Order in Council processes to create or remove exemptions for existing services.

Responses from the online survey

How much do you agree or disagree with the current criteria to bring an exempt service under PTOM?
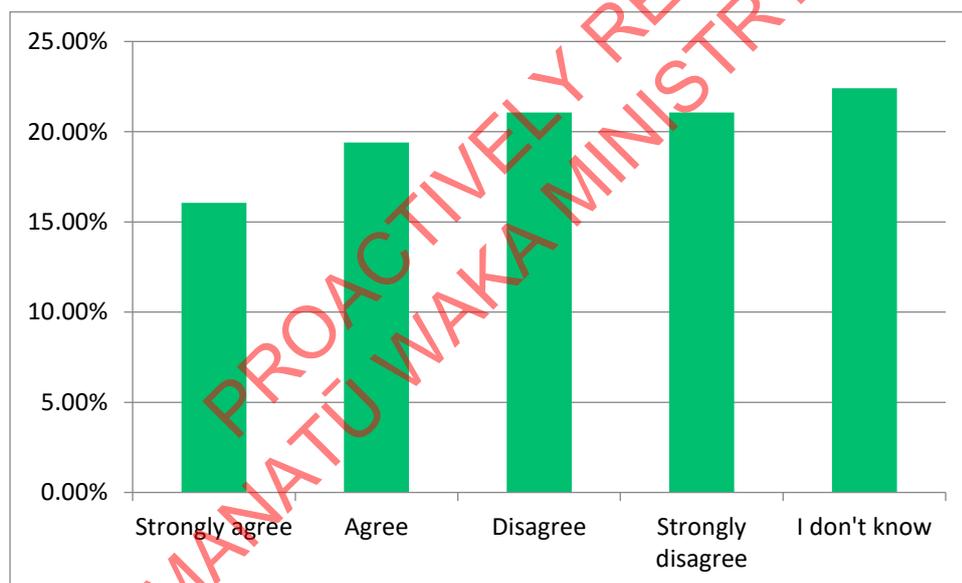
Of the 299 responses to this question, 198 submitters provided further comments. A number of submitters agreed with the current criteria but suggested that they were not being applied. Some submitters also suggested it should be easier for an exempt service to be brought under PTOM and/or that there should be a change of decision-maker.

> *"The current criteria do not give sufficient control to the public transport authority in each region, and do not allow services that cross a regional boundary to be easily introduced or brought into a network, even when there is strong public interest in such a service and agreement between the councils concerned. This has led to poor customer outcomes, with the Wellington airport bus being a prime example. Public transport authorities must be able to define the network that they wish to provide (and*

fund) in their Regional Public Transport Plan, without external interference from the Minister of Transport or any other party. Where an exempt service exists, a public transport authority should be able to give reasonable (i.e. several years') notice of a wish to contract a service that duplicates or competes with the exempt service, in recognition of the investment made in that service by the operator. There needs to be some limit to inter-regional services, and I believe these should only be able to be considered to be integral to the network where they cross a maximum of one regional boundary and where both regional councils agree to support the service. Services that replace an exempt service or operate over a regional boundary should be competitively tendered in all circumstances, to ensure that value for money is provided for the investing parties as per the LTMA and other government investment requirements. These rules should apply to all modes, including rail." **(individual submitter)**

Almost half of the submitters suggested that specific services (such as the Fullers ferry service to Waiheke Island, airport bus services, and inter-regional/InterCity bus services) should be brought under PTOM. Reasons for bringing these services under PTOM include the need to regulate monopoly and fares, enable integration and ensure service levels meet the needs of the community (including accessibility of services).

Some submitters used particular services to illustrate a wider concern about exempt services.

"InterCity is a monopoly which has decreased services and raised fares since taking over Mana and Naked. Local, regional and national bus, train and ferry services need to be integrated, with attractive fares, timetables and easily accessible information." **(individual submitter)**

"I think bus service that provide a connection between urban areas and an airport need to be included - this is important to ensure that schedules are retained and not just dropped due to commercial viability only." **(individual submitter)**

"The Waiheke Fullers ferry is in dire need of being brought into PTOM due to its unwarranted private monopoly position. This is detrimental to Waiheke Islanders (and all Aucklanders who want to visit). Fare integration in the zone system and control over timetabling by AT is a first necessary step." **(individual submitter)**

A large number of submitters also suggested there should be no exemptions – that all public transport services should be contracted. However, some suggested inter-regional services should be included in this, while others thought they should still fall outside a fully contracted model.

"We should not have exempt services. If they are able to be operated profitability that benefit should be used to help improve other services." **(individual submitter)**

"It depends on the service. I do not see long distance bus travel as being part of a public transport service. Buses to the airport and ferry services exempt in metro Auckland are completely different, and these provide an integral and seamless public transport network." **(individual submitter)**

Submitters had a range of other views – some suggested exempt services should have at least one publicly contracted alternative and/or that exempt services are better than the

contracted model under PTOM. Some suggested if a service can be operated commercially it should be left outside of PTOM and others suggested subsidies could be provided for specific outcomes (e.g. decarbonisation).

> *"These services work well, with little issue. Don't change something that isn't broken."*
> *(individual submitter)*

> *"I think there is room for some private operators to have their services determined by the market, especially where there is a public alternative." (individual submitter)*

Responses from sector stakeholders

A number of submitters representing users and/or non-governmental organisations offered a reminder that public transport users are not usually concerned with how public transport services are funded or organised. Users simply want public transport services to be affordable, reliable and accessible. As a result, a number of these organisations wanted more services to be contracted under PTOM.

> *"From a passenger point of view the particular way a service is funded should be immaterial, with the same standards applying to all public transport to give a consistent passenger experience, so all such services, by whatever mode, should be included in PTOM (or whatever replaces it)." (Living Streets)*

Disability advocacy groups wanted more services to be brought within PTOM to improve levels of accessibility

Disability organisations noted that all public transport services should be operated within PTOM to ensure that they meet the accessibility standards (set out in the RUB) that public transport bus services contracted under PTOM have to meet.

> *"Disabled people often have no other choice but to rely on services such as InterCity bus lines and Auckland SkyBus... Currently, InterCity buses (for example) are not accessible for wheelchair users, but can be accessed by people who are blind, deafblind or have low vision. These services should be operated within PTOM to ensure these services are affordable and accessible for all disabled people, and people with other access needs. It is worth noting that the UN Conventions that New Zealand is a signatory to requires accessible public transport. It could be argued that the current situation is contrary to these requirements. (Joint submission from Blind Low Vision NZ), Kāpō Māori Aotearoa and Parents of Vision Impaired)*

> *"Currently it is not possible for a wheelchair user to get from Cape Reinga to Bluff using public land transport. This is particularly frustrating when we are being urged by Government to 'explore our own backyard'. Bringing exempt public transport services into the PTOM including key inter-regional services and on-demand public transport services will lead to greater accessibility and choice for disabled people." (Disabled Persons Assembly)*

Generation Zero said that leaving some public transport services out of PTOM meant that they would not need to meet the Government's decarbonisation targets.

> *"Services outside PTOM risk not being legislatively required to decarbonise. This means that there will potentially be more carbon emitting vehicles on the road regardless of EV and public transport policy efforts." (Generation Zero)*

There was a range of views on questions relating to exemptions for commercial services, with a small number of submissions, including from the Waiheke Local Board, focused on the exempt Fullers360 service to Waiheke Island and whether the service should be contracted under PTOM.

AT noted that exempt commercial services only partially meet the proposed new PTOM objectives given the limited ability of councils to influence service levels and quality, which can negatively impact the attractiveness and customer experience of these services and detract from the efficiency and effectiveness of the overall network.

AT also noted that exempt commercial services also limit access to competitive markets for transport operators and increase costs of other (contracted) services within the public transport network. But it said it acknowledged that any assessment needs to be conducted on a case-by-case basis. This is because there can be unique characteristics of a commercial service that may offer public value and that concerns over service levels and quality can be addressed with the operator, for example, through different forms of quality partnership and key performance indicator regimes.

Other councils were supportive of a case-by-case approach to commercial services.

> *"Council support the current exemption from PTOM for fully commercial bus services but notes that a case-by-case model for inclusion within PTOM would allow improvements to be made to inter-regional services." (Whanganui District Council)*

The BCA said that the current arrangements for commercial services are adequate and that these services should continue to be managed through the existing PTOM exemption process.

Submitters provided a wide range of views on the treatment of inter-regional services

A number of submitters responded to questions about the exempt status of inter-regional services, offering a wide range of views. Some councils advocated bringing these services under PTOM, some wanted to see a separate strategy for inter-regional services or for them to be dealt with them on a case-by-case basis. Other councils discussed the difficulties of managing interregional services if they are contracted under PTOM.

AT said it supports the retention of the status quo for inter-regional services, with the ability, on a case-by-case basis, to establish contracted inter-regional services, such as Te Huia rail services from Hamilton to Papakura, and from Tuakau and Port Waikato to Pukekohe.

ECan distinguished between commuter demand within regions and private travel between cities that is catered for by InterCity-type services. It said that the differences between them mean that the objectives and outcomes from providing these two types of services are not always compatible.

> *"Including currently exempt services within the PTOM system would increase workloads and add complexity. This stated, we agree that provision of greater transport choice for smaller communities within regions needs consideration. Again, the consideration of what constitutes public transport may be the key, with opportunities to broaden the scope of mode and media to carry people collectively*

rather than individually, which may include leveraging school bus resources, community vehicles or car-pooling. If such a change is to be considered, perhaps a national business case to establish benefits and investments should be undertaken as a starting point." (ECan)

Taranaki Regional Council also noted the additional resources that would be required if inter-regional services were contracted by councils under PTOM.

"Inter-regional services could remain outside of PTOM given the complexity of multi Council management requirements if these were then brought within the PTOM model. The inter-regional services are currently operated without any input from Council to fares, routes or timetables but in Taranaki there would be requirement to work with Horizons Regional Council, and Waikato Regional Council to manage alignment of services both inter and intra regionally. This would significantly increase the resources required in all Councils to support this being integrated into the operating model." (Taranaki Regional Council)

Hamilton City Council staff and Horizons both supported removing the provision relating to inter-regional services from the LTMA.

"Under the LTMA, all inter-regional services are classified as an exempt service by default. This creates barriers to providing integrated public transport services across regional boundaries, such as the between north Waikato and South Auckland, which are functionally part of the same community. We believe this particular LTMA provision relating to inter-regional services does not serve any useful purpose and should be removed. We consider the balance of the exempt services provision within the LTMA are fit for purpose." (Hamilton City Council staff)

Greater Wellington Regional Council suggested that inter-regional services be contracted unless they are commercially operated.

"Greater Wellington acknowledges that there is still a place for exempt services. However, we believe the current blanket inclusion of inter-regional services as exempt hinders our ability to work with neighbouring regional councils to plan for and enable regional economic growth through the provision of public transport. This is particularly apt for the regional growth occurring in the boundary areas between Greater Wellington and the Horowhenua District where there is an emerging need to support inter-regional commuter travel from north of Otaki. We support a new requirement for inter-regional public transport services to be contracted unless they are commercially operated e.g. inter-city services." (Greater Wellington Regional Council)

There was also a mixed range of views from operators on the question of exemptions for inter-regional services.

Transdev said it strongly supported the need for councils to be able to plan and implement networks and services that cross regional boundaries, whether bus or rail. It said that improvements in this area would deliver value for customers around larger cities where regional boundaries currently limit service planning.

In contrast, Entrada, which operates InterCity, said that inter-regional services must be treated differently to intra-regional services because the benefits are not captured by a single regional council decision maker. It gave the example of a commercial inter-regional service

that stops at six towns across three regions (region 1, 2 and 3). It said that if region 2 objects to the service because it wishes to establish a service contracted under PTOM between the two towns that are within its own region, it would disadvantage residents of all three regions: they would all lose inter-regional accessibility and residents of regions 1 and 3 would lose intra-regional accessibility in their own regions.

> *"Rightly, regional councils focus on issues and opportunities within their boundaries however as the example above demonstrates, transport accessibility will reduce across the board if siloed decision-making occurs." (Entrada)*

AT favoured a new process for removing exemptions from a service

On the question of the process that should be followed to remove an exemption for a service, AT recommended that the process be managed on a case-by-case basis through the Regional Land Transport Plan and the Regional Public Transport Plan planning processes. It said this should replace the current process (referral to Waka Kotahi, the Minister and enacted through an Order in Council). It said that the current process would at best delay the justified removal of exempt services and at worse mean these services become entrenched and operate counter to the new PTOM objectives.

> *"The checks and balances within the RPTP processes (e.g. consistency with the Act, GPS and consultative processes) ensures that due process is applied. This would include assessing the contribution of an exempt service to the new PTOM objectives and satisfaction of the criteria in the Act for removal." (AT)*

AT also said that the 15 days notice that an operator is required to provide under the LTMA if they want to withdraw an exempt service is insufficient. It said that a significantly longer notice period is required to allow it to secure the funding and an appropriate operator to deliver the service once the current operator withdraws.

> *"A 15 day notice period results in the same operator having to be contracted back at least on an emergency contract basis until AT can put together a tender allowing for asset acquisition (operator or AT) and mobilisation can take up to 15 months for a bus service and 24 months for a ferry service." (AT)*

It recommended this notice period is extended to at least 180 days so as not to risk the delivery of AT and regional councils' services and PTOM objectives.

The Waiheke Local Board said that the current tests for removing an exemption appear sufficient, but that there were problems in the process to initiate a review. The Waiheke Local Board recommended that a further test be added to the existing tests (which ask whether a service is integral to the network and whether its fares need regulating). It suggested "does consistent service provision occur which meet the access intents of public transport?".

Some operators would like Waka Kotahi to play a bigger role in the process for registering exempt services (and removing exemptions)

Entrada said that in its experience, the registration process for commercial exempt inter-regional services was disjointed. It said that most councils do not have clear processes for registering services and the need to register an inter-regional service with a number of

councils made the process time and resource intensive. It suggested that Waka Kotahi be asked to register inter-regional services.

> *"Centralising the registration process would allow for consistent treatment of applications in a time-efficient manner. NZTA would give regional councils notify regional councils of new applications and seek feedback before agreeing to register the new service." (Entrada)*

Entrada added that if a regional council wants to remove the exempt status of an inter-regional service that passes through its boundaries, all regional councils included within the service route must unanimously support the removal of the exemption. Entrada also recommended that Waka Kotahi must support the removal of the exemption and that the operator be compensated for the loss of future profits.

Entrada said that there may be a case for some intra-regional exempt services to be brought into PTOM. However, it said that here, too, safeguards must be put in place to ensure that the incumbent operator of the commercial service is not financially disadvantaged.

> *"In much the same way as the Public Works Act ensures that owners of private land acquired by the government are appropriately compensated, we submit that if an incumbent operator loses its commercial service through this process, they must be compensated for the loss of future profits." (Entrada)*

G. On-demand services

When PTOM was introduced, the framework was designed with conventional fixed-route timetabled public transport services in mind. Since then, there has been a growth in on-demand services, including trials in New Zealand. These are increasingly operated via app-based bookings and offer real-time tracking of services. For the purposes of the PTOM Review, on-demand services refer to those that are not operated to a timetable, are provided in shared vehicles and are available to the public generally.

The Discussion Paper identified three broad options for the treatment of on-demand services:

- the status quo (on-demand services remain unregulated for the purposes of PTOM)
- classify as exempt services (exempt from PTOM but services registered with regional councils)
- contracted under PTOM (those on-demand services deemed integral to the network would be planned and procured under PTOM, in the same way as traditional services).

Submitters were asked which option they favoured, and whether they saw additional options for the treatment of on-demand services.

Responses from the online survey

Which of the following three options do you prefer for the treatment of on-demand public transport services?
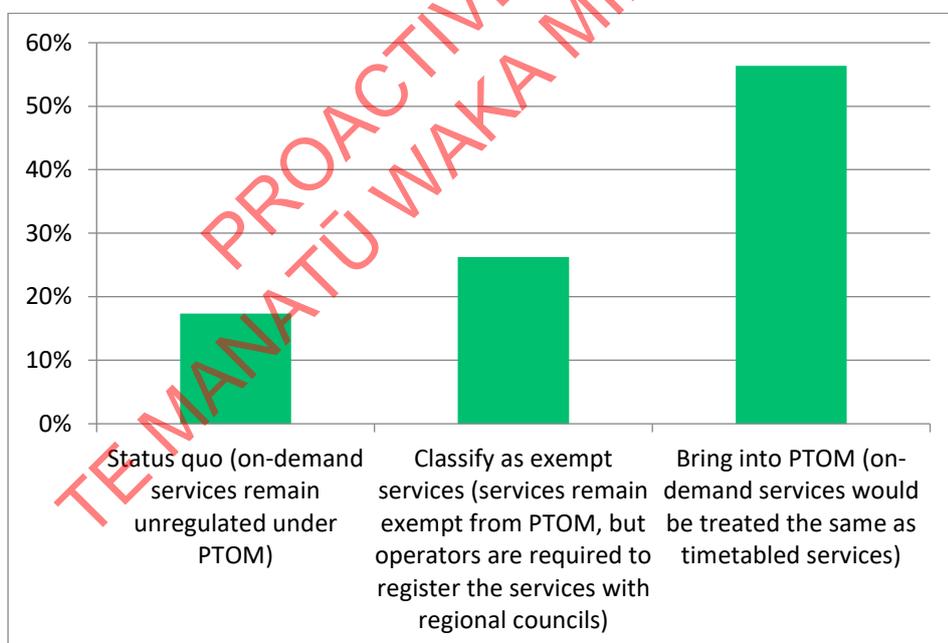
We received 259 responses to this question, with 131 providing a reason for their answer. Some submitters said that they did not fully understand the implications of the alternatives, and a small minority of responses suggested that there was some confusion about the difference between on-demand transport (as defined in the Discussion Paper) and services such as Uber.

Just over half of respondents said that they favoured on-demand services being brought under the PTOM framework. Those who offered a reason for their view gave a variety of reasons.

Some wanted the drivers of these services to have their wages and conditions protected in the same way as drivers of contracted services. Some wanted to ensure that on-demand services would not be able to undercut traditional public transport and others thought on-demand services were an integral part of the public transport network (particularly in rural and peri-urban areas) that should be treated as such.

A number of submitters predicted that use of on-demand transport would grow as the technology that supports it develops, and argued that the PTOM framework should be adapted now to respond to it.

> *"There is a risk if left unregulated that, once autonomous vehicles become viable, on-demand services will be able to undercut core public transport services to such an extent that patronage shifts significantly. Autonomous vehicles will not be as spatially efficient as public transport and thus the equilibrium level will be greater levels of traffic and congestion, which will further impact public transport unless it has its own exclusive running ways." (individual submitter)*

> *"All forms of public transport should be addressed in the PTOM. On-demand public transport has much potential to extend reach and accelerate take-up by integrating with public transport, particularly across end-points of journeys (i.e. 'last mile'). On-demand public transport is an integral part of the public transit ecosystem." (individual submitter)*

> *"All services should be paid for using the same method (eg Hop Card or similar). Exempt services fall outside this and cause confusion and limit the ability to manage costs on multi-leg trips." (individual submitter)*

Many of those who recommended a continuation of the status quo (with on-demand transport remaining unregulated under PTOM) said that the growth of innovative new services should be left to the market.

> *"Why kill innovative and responsive alternatives?" (individual submitter)*

> *"There is no problem here that needs solving, and the risk is that you stifle these services." (individual submitter)*

> *"Bringing these into PTOM would likely stifle any development in this space, when it should be encouraged." (individual submitter)*

Others were sceptical of the potential of on-demand services and said that it would be more appropriate for government funding to be used to support proven public transport services.

"On demand is a waste of time and money. Let the private sector burn their own investor capital trying to make it work, save government funds for proven service models." (individual submitter)

"On-demand services are more expensive that bus services and are less effective. The market should provide the best solution. It is too early and there are enough expenses in the current PTOM framework." (individual submitter)

Those who were in favour of classifying on-demand services as exempt services (but with operators required to register the services with regional councils) suggested that this approach would offer a degree of oversight, would make it easier to bring on-demand services under PTOM at a later date, and to collect data about usage rates. Others argued that a flexible approach was required to suit the needs of local communities.

"There should be flexibility. E.g. Auckland should be able to prevent a commercial service competing on money-making routes but a small council should not be required to put in to much bureaucracy for small operators, e.g. on the south island." (individual submitter)

Responses from sector stakeholders

Sector stakeholders were divided in their views about the most effective approach to on-demand transport. However, the dominant theme was that on-demand transport offered a potentially important solution to the transport needs of people in areas currently under-served by public transport. As such, many submitters noted the importance of enabling or supporting innovation in this emerging transport area.

Some submitters favoured bringing on-demand services under PTOM

"We support the ability to plan, contract and subsidise on-demand services under PTOM and to require commercial on-demand services to be registered with councils/Public Transport Authorities. Doing this will support the proposed new objectives and provide Public Transport Authorities with the ability to utilise new and emerging Mobility as a Service technologies and initiatives." (Greater Wellington Regional Council)

"On-demand services are becoming more mainstream discussion points and accordingly should be considered as falling within the PTOM model to allow for a consistent approach in public transport." (Taranaki Regional Council)

" [T]he inclusion of on-demand services in PTOM would enable funding to be attracted from the National Land Transport Fund that would assist with the affordability to users. … [We] support the third on-demand option identified in the discussion document and a proposed change in PTOM that would enable on-demand services, and that such services would be required to be contracted (unless exempt/commercially operated) and managed through entities such as Auckland Transport." (The Aotea / Great Barrier Local Board)

In contrast, Entrada supported a continuation of the status quo (in which on-demand survives would remain unregulated), saying that this would ensure that operators have the ability to innovate and be flexible with the use of their assets.

Most sector stakeholders favoured a flexible approach to regulation

However, the majority of sector submitters suggested that a flexible approach to on-demand transport was necessary, including one that would allow councils to contract on-demand services either as part of a PTOM bus contract or under a separate procurement process and contract. This procurement approach would need to be recognised in the procurement guidelines issued by Waka Kotahi.

> *"Because the on-demand and shared mobility market is fast moving AT strongly believes that the criteria for contracting on demand services under PTOM is managed through the RPTP rather than directly through the LTMA. AT would also have the right to decline commercial registrations of on-demand services where they undermine existing contracted services, either scheduled or existing contracted on-demand services." (AT)*

AT said that greater flexibility was also desirable in situations where it wants to seek competitive bids for growth in scheduled services on routes or introduce on-demand services to complement, supplement or replace existing scheduled services and cross-utilisation of operators and vehicles. As such, the requirement under s116(2) of the LTMA that requires regional councils to contract for the provision of every unit on an exclusive basis is too restrictive.

AT noted, however, that its proposed approach may not be appropriate for all councils and suggested that a balance of cost, value, competition, and use is required to ensure the most appropriate response is implemented in each region.

> *"Commercial operators should have the ability to develop and implement an on-demand service if they see a commercially viable opportunity. Likewise, a Regional Council should have the ability to identify an on-demand service in its RPTP that is integral to the public transport network, and contract for that service, even it may compete directly or indirectly with an existing commercial operator." (AT)*

> *"The rules should be simple and clear to both Councils and operators i.e. a service needs to be identified in an RPTP and procured by the Regional Council for it to attract NLTF [National Land Transport Fund] and Council funding, otherwise an operator is free to provide it on a purely commercial basis in the knowledge that it may be in competition with a future Council contracted service." (Bay of Plenty Regional Council)*

Some sector stakeholders advocated a light-touch approach while on-demand transport services are still in their infancy

Both ECan and Horizons said that more consideration should be given to this issue, including potentially broadening what is regarded as public transport and ensuring that the PTOM model can cater for innovation. A submission from Hamilton City Council staff also recommended approaching the regulation of on-demand ride-share services with caution, noting that they were unclear on the problem that regulation of on-demand ride-share services would be trying to solve at this stage.

> *"We note the private and public provision of on-demand ride-share services are still emerging and introducing regulations at this point in time could stifle innovation within the sector. We recommend that the issue is closely monitored and responded to if needed." (Hamilton City Council staff)*

Operators were also cautious about the need to take a strong view at this stage on the most appropriate regulatory framework for on-demand transport, with some noting current demand does not warrant the risk involved in offering a commercial service.

"Transdev believes that future services could be regulated, and where appropriate, funded under the PTOM model, or perhaps a hybrid model. However, more work needs to be done to understand the benefits that on-demand services can bring to Public transport."

"Operators can bring significant value in this fast changing first and last mile mobility market, so any changes should protect and improve the ability to innovate, invest and strengthen mode shift outcomes across the board."

Part 4: Next steps

We plan to engage further with sector stakeholders on more detailed proposals to develop preferred options for any policy and legislative reforms.