



17 September 2021

OC210669

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

**Action required by:**  
 Thursday, 30 September 2021

## **PUBLIC TRANSPORT OPERATING MODEL REVIEW - SUMMARY OF SUBMISSIONS**

### **Purpose**

This paper summarises feedback received on the Public Transport Operating Model (PTOM) Review Discussion Paper. It also seeks your agreement to next steps for the PTOM review.

### **Key points**

- Te Manatū Waka (Ministry of Transport) officials have completed a Summary of Submissions from consultation on the PTOM review, which is included at Annex One. We received 314 responses to the online survey, and 65 formal submissions. We received feedback from councils, unions, operators, other sector stakeholders, and members of the public.
- Some of the key areas of feedback included:
  - support for public ownership of assets from councils, unions and many individual submitters, and opposition to public ownership from operators
  - support for improving and protecting wages and submissions across all submitters, but differing views as to the best way to achieve this
  - a range of views regarding the roles of, and relationships between, regional councils, territorial authorities, operators, and Waka Kotahi NZ Transport Agency (Waka Kotahi). Many submitters thought roles and relationships could be improved, with various suggestions offered. There were differing views on whether Waka Kotahi should play a greater role in ensuring national consistency, or allow for regional variation
  - suggestions for changing the process for bringing exempt services into PTOM. While many submissions focused on particular services, there was some feedback on how the process and requirements could be improved
  - a mix of feedback on how on-demand public transport services should be treated. There was some support for these services being brought under PTOM, but there were also concerns that doing so could restrict innovation.

- As a result of the feedback received, we have developed a range of policy options for further consideration. We would like to engage with key stakeholders on these options, particularly Waka Kotahi, councils and operators. A summary of issues and proposals for further engagement is provided in Appendix One.
- In the meantime, we are seeking your agreement to proceed with some changes. We are proposing:
  - amending the new objectives to incorporate more of the explanatory statements, as detailed in Table One of the briefing;
  - amending the scope of the 2025 decarbonisation mandate to include buses and small passenger service vehicles used to deliver public transport services contracted by councils; and
  - seeking inclusion of the 2025 mandate in the Requirements for Urban Buses.
- We have also been considering options for legislative design (outlined in Annex Two), and would welcome a discussion with you on your preferred option. We have identified three options, which vary according to the level of legislative intervention:
  - an enabling approach – some amendments to the LTMA, but most outcomes achieved through changes to Waka Kotahi's procurement guidance
  - a directive approach – much greater legislative intervention to achieve outcomes, supported by changes to Waka Kotahi's procurement guidance
  - a flexible approach – minimal legislative intervention, with outcomes driven through a new Government Policy Statement on public transport (that could be directive or enabling).
- We will prepare material for you to present an update to Cabinet in October 2021, should you agree to providing an oral item. Should you agree to officials engaging further with key stakeholders, we anticipate engagement starting November 2021. We expect to provide you with final advice on preferred options in March 2022.

## Recommendations

We recommend you:

- 1 **discuss** high level options for any reforms to the Public Transport Operating Model (PTOM) with officials
- 2 **agree** to updating Cabinet through an oral item on the outcomes of consultation on the PTOM review Discussion Paper in October 2021 Yes / No
- 3 **agree** to the proposed revised objectives for PTOM set out in Table One of the briefing Yes / No
- 4 **agree** that the scope of the 2025 decarbonisation mandate will include both buses and small passenger service vehicles used to deliver public transport services contracted by councils Yes / No
- 5 **agree** to write to the Waka Kotahi NZ Transport Agency Board to seek inclusion of the 2025 mandate in the Requirements for Urban Buses Yes / No
- 6 **agree** to officials engaging further with key stakeholders on other issues and proposals set out in Appendix One. Yes / No




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Robert Anderson  
**Manager, Mobility and Safety**  
 17 / 09 / 2021

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Hon Michael Wood  
**Minister of Transport**  
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**Minister's office to complete:**  Approved  Declined  
 Seen by Minister  Not seen by Minister  
 Overtaken by events

### Comments

### Contacts

Name	Telephone	First contact
Robert Anderson, Manager, Mobility and Safety	s 9(2)(a)	✓
Jacob McElwee, Principal Adviser, Mobility and Safety	s 9(2)(a)	

## **PUBLIC TRANSPORT OPERATING MODEL REVIEW - SUMMARY OF SUBMISSIONS**

### **We have completed a Summary of Submissions on the Public Transport Operating Model (PTOM) Review**

- 1 Consultation on the PTOM Review Discussion Paper included the following avenues for feedback from the public and stakeholders:
  - 1.1 written submissions – we received 65 submissions in total, 45 from organisations and 20 from individuals
  - 1.2 engagement sessions in person and online – we held in-person sessions in Wellington and Auckland, and online sessions with the general public, stakeholders, and the Local Government NZ Transport Special Interest Group
  - 1.3 online survey – we received 314 responses, 301 from individuals and 13 from organisations.
- 2 We have summarised the feedback received and a Summary of Submissions is attached at Annex One. This briefing provides an overview of the themes that came through from the feedback and seeks decisions from you on certain matters. We propose further engagement with key stakeholders on a range of issues and proposals. These are summarised in Appendix One.

### **We are seeking a discussion with you on the high-level approach to any reforms**

- 3 We have also been considering how to implement any changes to PTOM. The options are provided in Annex Two and are based on the level of legislative intervention. The implementation options outlined are intended to be illustrative, and the policy options are not necessarily mutually exclusive. We are interested in discussing these options with you:
  - 3.1 an enabling approach, which would see high-level changes to the LTMA, but most changes occurring through procurement requirements
  - 3.2 a directive approach, which would see more changes embedded in the LTMA, with less reliance on procurement requirements.
  - 3.3 a more flexible approach, with minimal legislative intervention. A key part of this would be establishing a Government Policy Statement for public transport. We are still developing this concept, but our early thinking is it would be analogous to the Government Policy Statement on land transport, in that Waka Kotahi and local authorities would be required under the LTMA to give effect to it in the planning and procurement of public transport services, including in regional public transport plans.

## Submitters supported the proposed PTOM objectives, but also suggested changes

- 4 The Discussion Paper proposed new objectives for PTOM (see Table One). Three-quarters of respondents to the online survey agreed or strongly agreed with the proposed objectives. There was also broad support from those who provided written submissions. However, many submitters made suggestions to improve the objectives, including a suggestion to reorder the objectives to give more prominence to social and environmental objectives. These suggestions are reflected in Table One.

*We propose amending the objectives in response to feedback and would like to discuss options for establishing the objectives*

- 5 We propose amending the objectives in line with the feedback received through consultation. The amendments bring more of the explanation up into the statement of the objective, to provide further clarity. Table One sets out the original proposed objectives, views of stakeholders, our response, and the revised objectives we propose. We have also outlined potential options for implementing the new objectives, set out in our high-level options for reform in Annex Two.

*Table One: Summary of proposed amendments to objectives based on consultation feedback*

Original – Objectives with explanatory statements	Stakeholder Views	Response/rationale for any changes	Revised – Proposing objectives without an explanatory statement
<b>Public transport is an attractive mode of transport</b> – this is intended to support the Government's mode shift objectives and encompasses factors such as reliability, frequency, accessibility and affordability.	Suggestions included: <ul style="list-style-type: none"> <li>• explicit reference to mode shift objectives</li> <li>• adding a new objective around the accessibility of services for disabled people.</li> </ul>	While the suggestions raised by submitters were broadly included in the explanatory statement, they could be given more prominence by rewording the objective.	Public transport services support mode shift from private motor vehicles, including by being reliable, frequent, accessible, affordable, and safe.
<b>There is sustainable provision of services, including through a sustainable labour market</b> – this relates to the ability of the sector to deliver, on an ongoing basis, the public transport services desired by the community.	Submitters provided various interpretations of what “sustainable provision of services” entails. Additional suggested measures included the financial sustainability of bus operators and more explicit reference to the ability to attract and retain drivers.	We consider the existing objective is sufficiently broad to cover the broader measures of sustainability noted by submitters. We also consider the explicit reference to a sustainable labour market is important given the scale of labour force issues for the sector.	There is sustainable provision of public transport services, including through a sustainable labour market.

Original – Objectives with explanatory statements	Stakeholder Views	Response/rationale for any changes	Revised – Proposing objectives without an explanatory statement
<p><b>Public transport services reduce the environmental and health impact of land transport</b> – this relates to the contribution of public transport to decarbonising the transport system, including through decarbonising the public transport bus fleet.</p>	<p>Submitters noted that mode shift will likely deliver greater environmental and health impacts than decarbonising the bus fleet and this should be reflected in the objective.</p>	<p>We note mode shift to public transport will also contribute to environmental and health outcomes. The revised objective is intended to capture both issues directly.</p>	<p>Well used public transport services reduce the environmental and health impact of land transport, including by reducing reliance on single occupancy vehicles and by utilising low- and zero-emission technology</p>
<p><b>Competitors have access to public transport markets</b> – this is intended to ensure ongoing value for money from public transport service procurement.</p>	<p>Issues raised by submitters included:</p> <ul style="list-style-type: none"> <li>• whether a commercial objective would conflict with social and environmental objectives;</li> <li>• ensuring access to market is not the best proxy for value for money; and</li> <li>• value for money should be considered in a broader sense.</li> </ul>	<p>Submitters noted access to market is one option to support value for money but could be achieved in other ways. We consider access to market is still important, particularly for units that are yet to be competitively tendered.</p>	<p>Procurement supports value for money from public transport investment, including by ensuring competitors have access to public transport markets.</p>

**Submitters supported the proposed design of the decarbonisation 2025 mandate, but suggested some changes**

6 In the Discussion Paper, we set out our proposed design of the mandate that only zero-emission public transport buses are to be purchased by 2025 (the 2025 mandate). We sought feedback on that design, and on options for establishing the mandate, through:

- 6.1 amending the Requirement for Urban Buses (RUB);
- 6.2 amending the Government Policy Statement on land transport 2021 (GPS); or
- 6.3 establishing the requirement in legislation.

7 There was general support for the 2025 mandate. Some submitters thought it should be sooner than 2025, and some councils noted that they already had their own ambitious decarbonisation plans in place.

- 8 There were some concerns raised about the 2025 mandate. Those concerns included:
- 8.1 how the mandate would work in practice and whether it might have negative environmental consequences (e.g. the environmental impact of batteries for electric buses)
  - 8.2 the cost implications of requiring zero-emission public transport buses
  - 8.3 that a more effective approach for reducing emissions could be through encouraging more people to travel by bus than by private motor vehicle, regardless of the fuel powering the buses
  - 8.4 making sure regional councils are able to choose the pathway for decarbonisation that best suits their circumstances.
- 9 These concerns relate to the establishment of the 2025 mandate (which has already been agreed by Cabinet) rather than the design of the mandate and, as a result, we are not considering them further. However, they will help inform our assessment of the impact of establishing the mandate should this be required when seeking Cabinet decisions.
- 10 In addition, submitters made more detailed suggestions about the design of the mandate. These are summarised, along with our response, in Table Two below.

*Table Two: Detailed stakeholder view on the design of the 2025 mandate and our responses*

2025 mandate issue	Stakeholder Views	Response	Proposal
<b>Framing of mandate</b>	The mandate should be an end date for procuring diesel buses, rather than a start date for only procuring zero emission buses.	We note Cabinet has already agreed to require only zero-emission buses to be purchased by 2025 mandate. We consider an end date for procuring diesel buses is very similar to the agreed mandate and we propose to retain the current framing.	No change to framing of mandate.
<b>Emissions within scope of the mandate</b>	Submitters suggested a broader definition of zero-emission vehicles to include all emissions from the production of the vehicle and battery manufacture, not just tailpipe emissions.	We consider this suggestion would be very difficult to administer and would have unintended consequences. For example, it could make it challenging to source vehicles and make compliance with the mandate very difficult to assess.	No change to emissions within scope of the mandate. The scope should be limited to tailpipe emissions.

<p><b>Scope of vehicles included /implications for cascading of fleet</b></p>	<p>Submitters suggested a whole-of-government approach to decarbonisation, considering some public transport buses are subsequently used to fulfil Ministry of Education school transport contracts.</p>	<p>Applying the mandate to Ministry of Education-contracted services is outside the scope of PTOM. We will raise the feedback we have received on this issue with the Ministry of Education.</p>	<p>No change to the scope of vehicles included in the mandate.</p>
<p><b>Scope of vehicles included – small vehicles</b></p>	<p>Through engagement stakeholders queried whether the mandate was limited to “buses” or would extend to smaller vehicles used to deliver public transport services (i.e. vehicles with fewer than 12 seats (referred to as small passenger service vehicles)).</p>	<p>The Government has committed to require only zero-emission public transport buses to be purchased by 2025. However, for consistency we suggest the mandate should include both large passenger service vehicles (buses) and small passenger service vehicles.</p>	<p>Clarify the scope of the mandate includes both small and large passenger service vehicles</p>
<p><b>Quality of vehicles purchased under mandate</b></p>	<p>Submitters noted the mandate could allow the import of second-hand e-buses with old batteries, with limited range.</p>	<p>While the proposed design of the mandate would allow purchase of second-hand e-buses we consider this risk can be managed through procurement, including the RUB.</p>	<p>No change to prevent the purchase of second-hand e-buses.</p>

- 11 In response to the question of how to establish the mandate, there was general support from councils, unions and operators for this to happen through amending the RUB and/or amending the GPS. Submitters suggested amending the RUB or the GPS would be less resource-intensive than amending legislation. However, some suggested legislative change may be needed to ensure compliance with the mandate.

*We recommend seeking inclusion of the 2025 mandate in the RUB in the first instance*

- 12 Given the support from key stakeholders, we recommend seeking inclusion of the 2025 mandate in the RUB. This would provide certainty to councils and operators in planning procurement of new vehicles and/or service contracts. Inclusion of the 2025 mandate in the RUB would not preclude the Government from legislating the mandate, or from including the mandate in the GPS, if this was considered necessary or desirable.
- 13 Should you agree to seek inclusion of the 2025 mandate in the RUB, we will prepare a letter to the Waka Kotahi Board. We expect this would mean Waka Kotahi will begin the process of amending the RUB, which will involve consultation with key sector stakeholders.
- 14 We have also set out options for establishing the 2025 mandate in Annex Two.

**A lot of feedback on the 2035 decarbonisation target focused on asset ownership and the need for flexibility in procurement, funding and financing**

- 15 The Discussion Paper noted barriers to achieving the Government's target of decarbonising the public transport bus fleet by 2035, and sought feedback on how these barriers could be reduced or removed. We sought feedback on options in relation to asset ownership, procurement practices, and funding and financing.

*Views on asset ownership varied between councils and unions, and operators*

- 16 There was support for public ownership of assets among councils, unions and many individuals. Reasons for this support included the need for public ownership as a matter of principle, and advantages of public ownership, such as access to cheaper credit and greater purchasing power to get cheaper vehicles. Public ownership of depots and charging infrastructure was seen as important for aligning depot placement and urban planning, and the potential to support continued competition in the public transport market by removing a barrier to entry.
- 17 However, there was some divergence from this view, particularly in relation to ownership of bus fleets. Auckland Transport (AT) preferred private ownership of buses to remain, but strongly supported the ability for councils to own depots and charging infrastructure. For some councils it was considered most important to have flexibility to consider all options for ownership, including a mix of ownership models. One council said it would be helpful if Government provided a stronger statement of support for public ownership of strategic public transport assets.
- 18 Conversely, there was some support for private (e.g. operator) ownership to continue, particularly among operators. Reasons given for this view were that operators were best placed to maintain their own fleet, and that government lacked the necessary level of funds and expertise to purchase and manage bus fleets. Some also thought ownership was less important than councils being able to ensure operators meet their contractual obligations.
- 19 Operators stressed that it would be more efficient for bus depot locations to be determined by technology limitations (for example the range of e-buses) and operators' business considerations, rather than local government owning depots. They noted that many operators use their depots to service buses for PTOM contracts, as well as other buses in their fleet.

*Submitters were interested in how length of contract terms might support decarbonisation*

- 20 There was support among councils and operators in considering the length of contract terms to help meet decarbonisation goals. Councils considered different ownership arrangements would allow them to offer different contract lengths. The Bus and Coach Association (BCA) was particularly interested in the potential for longer contract terms, providing greater commercial certainty. It recommended contracts be extended to 12 years to allow operators to better amortise the cost of the bus fleet over the life of the contract.

*There was support, particularly among councils, for considering different funding and financing options*

- 21 There was support among councils for consideration of different financing options. Large and small councils supported having a range of options that would allow them to utilise different financing approaches, along with different ownership arrangements.
- 22 There was also some support among operators, but on the whole they were more cautious. Operators indicated that they are already able to access finance on good terms, although the BCA was concerned about accelerating the speed of decarbonisation under current funding arrangements.
- 23 The BCA acknowledged that central or local government provision of funding or grants for fleet purchases, potentially under a 'pay-as-you-save' model, could help accelerate decarbonisation. However, it warned that this could end up transferring significant financial risk from operators to ratepayers and taxpayers.

*We propose to focus on ensuring the PTOM framework supports a range of asset ownership models*

- 24 While we note there were a range of views on changes to asset ownership arrangements, we consider the PTOM framework should specifically provide for council ownership – without mandating it. Appendix One (Table One) sets out some of the key options to explore further in providing for council ownership, and proposed actions for officials.

### **Submitters supported improving relationships between the key entities involved in public transport, but had different views on how to achieve it**

- 25 The Discussion Paper sought feedback on whether improvements could be made to the roles of and relationships between:
  - 25.1 regional councils and territorial authorities
  - 25.2 regional councils and operators
  - 25.3 Waka Kotahi and regional councils.

*There was strong support for changes to improve or strengthen co-operation between regional and territorial authorities*

- 26 Many responses indicated strong support for changes to improve co-operation between regional councils and territorial authorities. Many cited a lack of alignment of interests as a key factor. Submitters and survey respondents raised instances where co-ordination between regional and territorial authorities could be improved. These included specific complaints about the provision of infrastructure such as bus stops and the current division of responsibilities not taking into account the needs of rural areas.
- 27 The Disabled Persons Assembly noted the importance of co-ordination to enable disabled people to use public transport on an equal basis with others. To achieve this

outcome, associated transport infrastructure such as footpaths, route information and bus stops, need to be accessible, not just the vehicle.

- 28 Submitters suggested potential solutions to some of the problems identified:
- 28.1 some recommended local and regional councils work together better within the existing framework
  - 28.2 some suggested more powers be given to local councils to ensure local views are better reflected in the public transport system
  - 28.3 others wanted Waka Kotahi to take on a greater co-ordination role to encourage greater national consistency
  - 28.4 some submitters recommended significant reform of local government structures and responsibilities, including replicating the Auckland Transport (AT) model in other cities.

*There was also support for changes to improve the relationship between councils and bus and ferry operators, but feedback was mixed*

- 29 A large majority of survey respondents thought improvements could be made to the relationship between councils and operators. Some noted that the relationship was difficult due to a fundamental misalignment of interests; some respondents also considered the relationship to be skewed in councils' favour. There was some agreement on the need for improvements among submitters, but they offered competing explanations for the current difficulties
- 30 Survey respondents suggested ways to improve the relationship, including:
- 30.1 greater transparency in the awarding and operating of PTOM contracts
  - 30.2 positive changes, such as council officers spending more time with operators to see how the network operates, and bus drivers given an opportunity to provide feedback to councils responsible for planning services and providing infrastructure
- 31 Some submissions from operators reported issues around the relationship with councils, with descriptions such as 'master and servant'. Council personnel issues were sometimes cited as part of the problem. The BCA noted it wanted more clarity on the partnering principles underpinning the relationship under PTOM, and more guidance from Te Manatū Waka and Waka Kotahi on the principles and partnership outcomes.

*There was support for greater involvement from Waka Kotahi in providing greater national consistency, but different views as to what that role should entail*

- 32 Many submitters and survey respondents supported Waka Kotahi taking a greater role in providing national consistency on different aspects of the public transport system, including:
- 32.1 bulk purchasing of vehicles
  - 32.2 aiding network integration

32.3 introducing a national ticketing standard.

- 33 However, there were also some reservations about Waka Kotahi's role and the need for greater national consistency. Some were concerned that this could add another layer of administration and questioned whether Waka Kotahi should assume an even greater role. Councils were also concerned that achieving greater national consistency would come at the expense of ensuring services are responsive to local needs.

*We propose further engagement on options to improve roles and relationships*

- 34 Appendix One (Tables Two, Three and Four) summarises potential options for improving roles and relationships, based on the feedback received from consultation. We propose further engagement on some of these options with key sector stakeholders (and the Department of Internal Affairs in relation to any changes relating to local government).

### **Feedback was mixed on the best option to improve and protect bus driver wages and conditions**

- 35 There was a strong sentiment from submitters and survey respondents that wages and conditions for bus drivers need to be protected and improved, but there were a range of views on what option would be best to achieve this.
- 36 Many councils and operators supported a procurement approach. Councils' rationale for this was that it 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 LTMA or the Employment Relations Act 2000. Some also suggested a legislative approach, supported with procurement requirements, was the best approach.
- 37 There were other suggestions for improving wages, as well as feedback indicating the need for other changes to make bus driving more attractive as an occupation. Some submitters suggested a multi-employer collective agreement or a Fair Pay Agreement as ways to protect and standardise wages and conditions. Improving shift structures was suggested to make the job more attractive.

*We intend to provide you with separate, detailed advice on options to improve and protect wages and conditions*

- 38 Because of the complexities with the options canvassed in the Discussion Paper, we intend to provide a separate briefing on this issue. However, we have included these options in Annex Two for the purposes of discussion.

### **Most feedback on exempt services focused on the Waiheke ferry service and inter-regional services**

- 39 Many submitters and survey respondents provided feedback on the issue of exempt services and referenced frustrations with the Fullers ferry service to Waiheke Island. Residents on the island referred to concerns about cost of fares on the service and

their perception of anticompetitive behaviour on the part of the operator. Most wanted to see the service brought under PTOM.

- 40 AT provided feedback on the process for bringing an exempt service under PTOM, which reflected its experience negotiating with the operator of the Devonport and Waiheke ferry services. AT argued that the process for bringing an exempt service under PTOM should be through the Regional Public Transport Plan process, rather than through an Order in Council process involving the Minister of Transport and Waka Kotahi.
- 41 Other feedback on exempt services focused on inter-regional services. There were concerns that their exemption makes it difficult for neighbouring regional councils to work together to provide inter-regional public transport services.

*We propose further engagement on options to amend the framework for exempt services*

- 42 There are some specific changes raised in submissions that we need to explore further with Waka Kotahi, regional councils, and operators. Appendix One (Table Five) outlines those changes, our initial response and proposals for further engagement.

### **Feedback on treatment of on-demand services was mixed**

- 43 There was some support 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 submitters and survey respondents (including both councils and operators) were concerned that bringing on demand services under PTOM could stifle innovation.

*We propose further engagement on options for the treatment of on-demand services*

- 44 On the basis of consultation we have narrowed the options to:
- 44.1 classifying on-demand services as exempt – such that councils have oversight of commercial on-demand services, but providing flexibility in procurement and contracting; or
  - 44.2 bringing on-demand services under PTOM to provide a clear framework for planning and procurement.
- 45 We would like to engage further on these options with Waka Kotahi and regional councils – particularly to consider whether flexibility around procurement and contracting could be maintained while including on-demand services in PTOM. This is also summarised in Appendix One (Table Six).

### Next steps following your feedback

- 46 The table below outlines our overall timeline for seeking Cabinet approval for policy and legislative changes.

Milestone	Indicative Timing
Oral item to Cabinet on the outcome of consultation	October 2021
Targeted engagement with key stakeholders	November 21 – February 22
Advice on preferred options for PTOM reforms	March 2022
Cabinet paper seeking policy approvals to DEV/ENV	April/May 2022
Drafting instructions to Parliamentary Council Office	June 2022
Drafted Bill to Cabinet Legislation Committee	December 2022

- 47 We propose that you report back to Cabinet on the outcomes of consultation and next steps for the PTOM review through an oral item. We can provide you with information to support you with this, outlining the feedback received from consultation and next steps for the review.
- 48 During consultation, we advised stakeholders that we would engage further with them on more detailed proposals. Subject to your agreement, we would like to undertake engagement on the issues and options set out in Appendix One.

PROACTIVELY RELEASED BY  
TE MANATU TRANSPORT  
MINISTRY OF TRANSPORT

## APPENDIX ONE: ISSUES AND PROPOSALS FOR FURTHER ENGAGEMENT WITH KEY STAKEHOLDERS

*Table One: Proposals to support council ownership of assets*

Issue	Stakeholder views	Response	Te Manatū Waka's Proposal	Proposed Engagement
<b>Requirement that public transport interests are owned by a Council Controlled Trading Organisation (CCTO)</b>	Environment Canterbury (ECan) submitted that the requirement that public transport interests are owned by a CCTO is a barrier to changing asset ownership arrangements.	We consider this requirement should only apply to a situation where a council holds an interest in an operator of public transport services (e.g. a bus company), particularly in a competitive market.	Consider enabling public transport assets to be owned directly by local and regional authorities.	Engage with Department of Internal Affairs (DIA), Local Government New Zealand (LGNZ), BCA, AT, Greater Wellington Regional Council (GWRC), ECan.
<b>Contract length, approach to procurement and contracting, approach to funding and financing</b>	Councils noted that while council ownership is possible under PTOM, they are seeking explicit provision and guidance.	Many aspects of the PTOM framework are based on the premise of private ownership of assets. Changes to asset ownership arrangements could require a new approach to various aspects of procurement and contracting.	<p>Establish a new procurement/contracting framework that provides for council ownership of assets, including consideration of:</p> <ul style="list-style-type: none"> <li>• new capabilities required for councils</li> <li>• contract lengths reflecting a potential reduced need for to invest (e.g. full asset ownership by councils)</li> <li>• types of contracts, for example separating service operation from asset maintenance</li> <li>• funding and financing options.</li> </ul> <p>Establish a working group with councils, operators and Waka Kotahi to develop a procurement framework/guidance.</p>	Engage with Waka Kotahi, councils and BCA.
<b>Enabling changes to asset ownership arrangements</b>	Councils supported public ownership of assets. During engagement local government stakeholders	To enable changes to asset ownership arrangements we expect councils will need a range of tools – depending on	<p>Potential options to enable changes to asset ownership arrangements include:</p> <ul style="list-style-type: none"> <li>• transferring assets</li> </ul>	Engage with councils to understand whether they have the tools they need. Depending on the outcome,

Issue	Stakeholder views	Response	Te Manatū Waka's Proposal	Proposed Engagement
	noted different potential options to gain control of strategic assets, notably land/depots.	the local context such as land availability.	<ul style="list-style-type: none"> <li>• planning controls</li> <li>• direct purchase/lease of land</li> <li>• procurement (e.g. through a tender)</li> <li>• compulsory acquisition.</li> </ul>	explore additional options and engage with other stakeholders where necessary.

PROACTIVELY RELEASED  
 TE MANATŪ WAKA  
 MINISTRY OF TRANSPORT

**Table Two: Options for improving roles and relationships between regional and local councils**

Issues	Stakeholder views	Response	Te Manatū Waka's Proposal	Proposed Engagement
<b>Proposal to require regional councils to prepare RPTPs in partnership with territorial local authorities (TLAs)</b>	A number of council (both regional and local) submitters noted they already prepare RPTPs in partnership.	While we understand current practice in some regions is joint preparation of RPTPs, we consider there may still be value in a requirement to reinforce this	Progress with further engagement on establishing this requirement.	Engage with DIA initially to refine options, engage with LGNZ and councils subsequently.
<b>Making local councils responsible for provision of public transport services</b>	Submitters proposed giving TLAs greater powers/responsibilities for public transport. Dunedin City Council sought a transfer of responsibilities for providing public transport services from Otago Regional Council.	We consider that, in general, responsibilities for public transport service provision sit best with regional councils to ensure a level of integration. However, the Local Government Act 2002 enables the transfer of public transport responsibilities between regional councils and TLAs. We consider any transfer of responsibilities in a particular region should be dealt with through this process.	Not progressed.	
<b>Provision of public transport infrastructure</b>	Submitters noted issues with alignment of interests between local and regional councils. Responses focused specifically on the provision of public transport infrastructure – including accessibility to disabled people	There may be value in putting greater onus on territorial local authorities to improve public transport infrastructure. For example, your office previously asked whether there would be merit in implementing a rule/requirement for councils to implement bus priority measures on high frequency public transport routes.	We propose to engage on a potential requirement that TLAs demonstrate in RPTPs how they are going to support reliable, frequent, accessible, and affordable public transport. This could place greater onus on TLAs to improve public transport infrastructure – including bus stops and bus priority measures. We will also engage with Waka Kotahi on its role as a road controlling authority in this regard.	

Issues	Stakeholder views	Response	Te Mana ū Waka's Proposal	Proposed Engagement
<b>Provision of public transport infrastructure</b>	Bay of Plenty Regional Council (BOPRC) proposed making regional councils responsible for funding both public transport services and infrastructure. BOPRC argued this would ensure funding is prioritised for this purpose.	There is some rationale for this proposal, given TLAs have a much wider set of responsibilities/priorities in the transport system. However, given public transport infrastructure would still presumably be owned and provided by TLAs this proposal could add complexity to funding public transport infrastructure.	Progress with engagement on the option of making regional councils responsible for funding public transport infrastructure.	
<b>Integration of public transport with land use and active modes</b>	Whanganui District Council proposed a requirement for regional councils to give effect to local transport strategies and plans. This would allow better integration of public transport with planning documents and integration with active transport modes.	We consider there could be merit in this proposal sitting alongside a broader requirement for regional councils and TLAs to jointly prepare RPTPs.	We propose to engage on a potential requirement for regional councils to give effect to local transport strategies and plans.	
<b>Reform of local government</b>	A number of submitters proposed significant reform of local government, including replication of Auckland Transport-type entities in other parts of New Zealand.	We consider this matter is outside the scope of the PTOM review. However, we note that stakeholders saw benefits in working with single entities with responsibility for both public transport services and infrastructure.	We do not propose to progress reform of local government as part of the PTOM review. However, we intend to raise the issues with stakeholders as part on wider engagement.	

**Table Three: Options for improving roles and relationships between regional councils and Waka Kotahi**

Issues	Stakeholder views	Response	Te Manatū Waka's Proposal	Proposed Engagement
<b>Vehicle standards</b>	Operators and BCA raised concerns about regional variations to vehicle standards and want greater adherence to the RUB to prevent this.	We note the concerns of operators and BCA relate to the ability to transfer buses between regions without the need to refit them. Currently the RUB is part of Waka Kotahi procurement requirements. If this is not sufficient to achieve consistency of vehicle standards further prescription may be desirable.	We propose to engage on a potential legislative requirement that public transport vehicles adhere to the standards set out in the RUB.	Engage with Waka Kotahi on the merits of these options. Depending on the outcome, engage further with key stakeholders as required.
<b>Consistency of procurement processes and contracts</b>	Operators and BCA raised concerns about the lack of consistency around procurement and the content of contracts, and the associated costs of participating in public transport tenders.	We recognise regional variation in procurement processes and contracts can place greater transaction costs on operators. However, to some extent this may be unavoidable given local context varies.	Consider whether Waka Kotahi could have a greater role in encouraging or requiring greater national consistency in procurement and contracts.	
<b>Coordinating national outcomes</b>	Submitters suggested Waka Kotahi could have a role in: <ul style="list-style-type: none"> <li>enabling bulk purchasing of vehicles</li> <li>aiding network integration</li> <li>introducing a national ticketing standard.</li> </ul>	There may be benefits in Waka Kotahi taking a more active role in facilitating outcomes either nationally, or across multiple regions. We note Waka Kotahi has already taken a leadership role in developing a national integrated ticketing system – and we consider a similar approach could be taken for other issues of mutual interest.	Consider whether Waka Kotahi could take on a stronger role in facilitating/coordinating outcomes nationally or across multiple regions.	
<b>Oversight of regional council performance and partnerships</b>	Operators suggested there is undue focus on the performance of operators, and not enough focus on the performance of regional councils. Operators proposed that Waka Kotahi should take on a role in monitoring regional council partnerships with operators.	While Waka Kotahi is a co-funder of public transport services, it does not currently have any power or responsibility to arbitrate between councils and operators.	Consider what role, if any, Waka Kotahi could have in monitoring regional council performance and monitoring partnerships between regional councils and operators.	

**Table Four: Options to improve relationships between regional councils and operators**

Issues	Stakeholder views	Response	Te Manatū Waka's Proposal	Engagement
<b>Transparency around PTOM contracts</b>	Greater transparency in the awarding and operating of PTOM contracts.	We consider councils generally meet a reasonably high standard of transparency around PTOM contracts. Some specific details around the operation of PTOM contracts is likely to be commercially sensitive to operators and councils. However, there may be opportunities to increase transparency through specific reporting requirements	Consider whether additional requirements are needed to increase transparency around PTOM contracts.	Engage with Waka Kotahi, BCA and councils.
<b>Operational Collaboration</b>	Operational suggestions, such as council officers spending more time with operators to see how the network operates, and bus drivers given an opportunity to provide feedback to councils responsible for planning services and providing infrastructure.	These suggestions could provide positive outcomes in developing a mutual understanding of each others' perspectives between councils and operators	Incorporated as part of considering the development of additional guidance on partnering – see <b>Partnering principles and partnership outcomes</b> below.	No further action.
<b>Partnering principles and partnership outcomes</b>	Operators and BCA raised concerns about the relationship between operators and councils and suggested more guidance on partnering principles and partnership outcomes from central government  Both councils and operators noted the importance of having shared goals and a collaborative approach to achieve them.	To some degree tension between councils and operators is inevitable given the nature of the contractual relationship. However there may be opportunities to encourage a more collaborative relationship between regional councils and operators.	We propose to consider whether additional guidance around 'partnering' between regional councils and operators would support improved outcomes from public transport planning and investment.	Engage with Waka Kotahi, BCA and councils.

**Table Five: Exempt services - Issues and proposals for further engagement with key stakeholders**

Issues	Stakeholder views	Response	Te Manatū Waka's Proposal	Proposed Engagement
<b>Requirements for registration and variation</b>	Entrada noted the registration process for inter-regional services is disjointed and most councils do not have a clear process for registration. Entrada suggested Waka Kotahi provide a centralised system for registration of exempt inter-regional services.	We acknowledge the requirements for registration and variation would be cumbersome for inter-regional services. However, we are concerned the proposal for centralised registration may simply shift the burden to central government.	Consider whether there is merit in a centralised system/process for registering and varying exempt inter-regional public transport services.	Engage with Waka Kotahi and regional councils.
<b>Minimum notice to withdraw a service (currently 15 working days)</b>	AT noted the short notice period is a significant risk – effectively meaning the incumbent operator has to be contracted to maintain the service. AT proposed a notice period of 180 days.	There needs to be a balance such that operators are not forced to maintain a loss-making service indefinitely but also that councils and communities are not faced with the prospect of losing an integral service with short notice.	Consider what an appropriate minimum notice period would be for services that have been identified as integral to the network.	Engage with commercial operators and councils with exempt commercial services in their regions.
<b>Process to remove an exemption</b>	AT and other submitters suggested the process to remove an exemption should be through a Regional Public Transport Plan (RPTP) rather than through an Order in Council (OIC) process.	There need to be checks and balances around the process to bring an exempt service under PTOM. However, inclusion of an exempt service in an RPTP could be a key component of a newly designed process.	Consider the best framework for removing exempt services – whether to: <ul style="list-style-type: none"> <li>retain the current OIC process</li> <li>reform the current OIC process – e.g. establishing new criteria and/or an explicit trigger for the process</li> <li>establish a new process focussed on RPTPs.</li> </ul>	Engage with Waka Kotahi, commercial operators and councils.
	Entrada suggested an operator would be disadvantaged through the removal of an exemption and proposed financial	While the LTMA does not specify any requirement for compensation, there is an argument that operators of commercial services have built up a business or service and	Consider options to ensure operators are not disadvantaged by the removal of exemptions, including: <ul style="list-style-type: none"> <li>financial compensation</li> </ul>	

Issues	Stakeholder views	Response	Te Manatū Waka's Proposal	Proposed Engagement
	compensation to recognise foregone profits.	should be compensated for the loss of certain rights.	<ul style="list-style-type: none"> <li>a procurement requirement that councils negotiate directly with the operator of an exempt service as part of a transition to bringing the service under PTOM.</li> </ul>	
<b>Status of individual services (e.g. Waiheke ferry services and InterCity bus services)</b>	A large number of submitters raised concerns about individual exempt services, particularly the Fullers ferry service to Waiheke Island and InterCity bus services.	The PTOM review is intended to address issues at a framework level.	The status of individual services should be dealt with on a case-by-case basis.	No further action.
<b>Status of inter-regional public transport services</b>	GWRC submitted that the current category exemption for inter-regional services hinders its ability to work with neighbouring regional councils to provide public transport services that cross regional boundaries. GWRC proposed that inter-regional services be brought under PTOM (contracted unless provided commercially).	<p>PTOM could provide a framework for planning and procurement of inter-regional services – but may require significant changes to be fit-for-purpose.</p> <p>Separate work is underway to develop a business case toolkit that will provide guidance on the specific viability of inter-regional passenger rail, coach and bus services, and improve the planning, funding, and delivery of these projects.</p>	Planning and procurement arrangements for contracted inter-regional public transport services should be guided by the development of the business case toolkit.	Ensure alignment between the PTOM review and development of a business case toolkit for inter-regional services.

**Table Six: Summary of stakeholder views and proposed next steps for on-demand services**

Issue	Stakeholder views	Response	Te Manatū Waka's Proposal	Proposed Engagement
<p><b>Treatment of on-demand services</b></p>	<p>Feedback from stakeholders was mixed, with some wanting to retain flexibility and others wanting explicit provision for on-demand services in the PTOM framework.</p> <p>Most stakeholders considered it important that councils have oversight of commercial on-demand services.</p>	<p>On-demand services may not fit well with the existing PTOM framework, including bundling of services into units. We acknowledge the need to retain some flexibility given the significant differences between the on-demand service model and conventional timetabled public transport services</p>	<p>Consider whether on-demand services should be:</p> <ul style="list-style-type: none"> <li>• categorised as exempt, to provide flexibility while ensuring regional council oversight; or</li> <li>• brought under PTOM to provide a clear framework for planning and procurement.</li> </ul>	<p>Engage with Waka Kotahi and regional councils on whether flexibility can be retained while bringing on-demand services within PTOM.</p>

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**ANNEX ONE: SUMMARY OF SUBMISSIONS**

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**ANNEX TWO: SUMMARY OF HIGH-LEVEL REFORM OPTIONS TO  
THE REGULATION OF PUBLIC TRANSPORT**

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