

What reduction of fees has been imposed?

Information pertaining to financial penalties has been withheld under section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987 (the Act) on the basis that it would be likely to unreasonably prejudice the commercial position of the person who is the subject of the information.

What portion of the fee does the fee reduction represent on the non-provided service?

From 2019 until 30 June 2021, the Key Performance Indicator (KPI) regime in the Bus Partnering Contract allowed Greater Wellington to apply monthly financial abatements. Abatements were applied when bus operators' performance results for Reliability (due to events such as cancellation of bus trips etc.) fall below the 95% threshold. In such cases, Greater Wellington could withhold a percentage of its monthly payment to operators for every 0.1% of trips below the 95% threshold. Greater Wellington could also withhold a percentage for lateness under the Punctuality KPI.

The contract also allowed Greater Wellington to apply abatements should bus operators not use an appropriately sized bus for the anticipated demand of the service. However, the dollar value of these abatements is commercially sensitive information and therefore is withheld under section 7(2)(b)(ii) of the Act on the basis that it would be likely to unreasonably prejudice the commercial position of the person who is the subject of the information.

The KPI regime was amended with effect from 1 July 2021. The threshold for Monthly Reliability was changed to 98% and a Daily Reliability KPI measure was introduced with a threshold of 96%. The Punctuality threshold remained at 95%. Greater Wellington will either:

- Withhold a percentage of the daily payment to operators when the performance is below 96% but higher than 80%; or
- Withholds a percentage of the average daily payment when the performance is below 80%

Greater Wellington suspended the application of the KPI regime during various stages of the COVID-19 response framework. This occurred during Alert Levels 3 and 4, as well as the red and orange settings of the 'Traffic Light' framework. The application of the Reliability KPI measurement criteria were suspended for cancelled trips from 1 February 2022 to 30 September 2022 due to the significant impact COVID-19 was still having.

What practical steps has WRC taken to remediate the driver shortage?

Greater Wellington has worked with bus operators and unions to:

- Increase driver wages to the living wage, and then increased it further to an average of \$27 per hour
- Increase the number of interpeak bus services to reduce the number of split shifts and improve the driver shift patterns
- Develop a work programme to improve driver toilet facilities and supply of sanitary items

Greater Wellington has also supported the Government announcement on Fair Pay Agreements.

In the view of WRC is the business model flawed?

The public transport business for bus operations is called the Public Transport Operating Model (PTOM). This is mandated through the Land Transport Management Act 2003 (LTMA) and the Waka Kotahi procurement manuals and policies that derive from the LTMA. The Ministry of Transport initiated a review of PTOM in 2021. As a result of this review, it was decided to replace PTOM with a new Sustainable Public Transport Framework (SPTF). This decision was made by the Cabinet Environment, Energy and Climate Committee. More information on this can be found on the Ministry's website: www.transport.govt.nz/consultations/ptom-review-public-consultation/

Greater Wellington submitted to the Ministry of Transport's PTOM review in June 2021. This submission is included as **Attachment 1**. In this submission we provided our perspective on various aspects of PTOM and offered some proposals for a reform of the business model. A press release on Greater Wellington's submission can be found on our website at www.gw.govt.nz/your-region/news/greater-wellington-urges-government-to-back-regional-ownership-of-transport-assets/

Has the WRC asked the Minister to change the model?

Letters written to the Minister can be found on our website: www.gw.govt.nz/your-council/council-and-councillors/council-advocacy/

We have considered whether the public interest in the requested information outweighs Greater Wellington's need to withhold certain aspects of the requested financial penalties. As a result, we do not consider that the public interest outweighs Greater Wellington's reason for withholding parts of the document under the grounds identified above.

If you have any concerns with the decision(s) referred to in this letter, you have the right to request an investigation and review by the Ombudsman under section 27(3) of the Local Government Official Information and Meetings Act 1987.

Please note that it is our policy to proactively release our responses to official information requests where possible. Our response to your request will be published shortly on Greater Wellington's website with your personal information removed.

Nāku iti noa, nā

A handwritten signature in blue ink that reads "sugar". The signature is enclosed in a thin black rectangular border.

Samantha Gain
Kaiwhakahaere Matua Waka-ā-atea | General Manager Metlink

PROACTIVE RELEASE

Public Transport Operating Model Review – Greater Wellington Regional Council Submission

Opening statement

Thank you for the opportunity to make this submission on the Public Transport Operating Model (PTOM) Review. Greater Wellington Regional Council (Greater Wellington) broadly supports the focus and values underpinning the review and its associated discussion documents. We have also reviewed the Climate Change Commission's report and consider that this submission aligns with the direction set out by the Commission. In addition, we are preparing a submission on Ministry of Transport's 'Hikina te Kohupara – Kia mauri ora ai te iwi - Transport Emissions: Pathways to Net Zero by 2050'; our submission on Hikina te Kohupara aligns with the positions taken in this submission.

Greater Wellington has taken a strategic approach to our response which is reflected in the brevity of our comments below. We welcome further engagement with the Ministry of Transport on this review and can supply further information, including financial modelling, if required.

We will address the key themes from the review under the eight headings laid out below.

1. Proposed new objectives

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 suggests the objective related to attractiveness of public transport is amended to specifically refer to the importance of transport equity and removal of access barriers.

2. Zero emission bus mandate

Greater Wellington supports the government's zero emissions bus mandate and notes that, as a regional council, we have committed to reducing our carbon emissions to an earlier timeframe than the mandate requires. Our target, as set out in Greater Wellington's Regional Public Transport Plan (RPTP) and Long Term Plan (LTP), is to have a fully electric core bus fleet by 2030.

Through the recent high volume of submissions to the reviews of our RPTP and LTP, we have experienced strong public support for our decarbonisation goals. To achieve these goals we will require significant financial support from central government considerably above the \$50 million fund set aside to support decarbonisation of the national bus fleet. We will also address related matters under the following two topics.

3. Asset ownership and operating model

Greater Wellington has put considerable thought into asset ownership and its related financial implications. 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 acknowledges that the current PTOM framework does not exclude regional councils from owning this infrastructure, but we do consider that it would be helpful for our long term financial planning if a stronger statement of government's support for strategic public transport asset ownership would be forthcoming.

Greater Wellington considers that public ownership of the bus fleet either directly or through a Council Controlled Organisation (CCO) provides the following benefits:

- A better ability to be flexible and agile in fleet distribution to meet demand
- A more strategic and financially beneficial approach to the procurement and financing of fleet purchases including the reduction of private profit margins
- Security and continuity of fleet availability in our region.

With regard to the consultation questions: for bus fleet ownership, Greater Wellington supports local government owning public transport bus fleets which could be leased back to operators in a similar manner to the ownership model currently in place for metro rail in Wellington; for depot ownership, we support local government ownership of depots and related infrastructure, particularly EV charging, which could be leased to individual or multiple operators to enable competitive access.

Greater Wellington believes that asset ownership is best held by local government to ensure complete accountability to ratepayers is maintained and service provision continues to be responsive to local and community needs and requirements.

Greater Wellington is proud to work with our bus operators in partnership. Greater Wellington considers that there are many benefits from public transport continuing to be operated under contract by private service providers. These benefits include the access to skills and experience that operators bring to our services.

4. Funding and financing

Greater Wellington has put considerable thought into the current funding and financing model in place in our region. We do 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. A model which saw more active ownership by councils of key public transport infrastructure would better balance the risk profile for the public good. Examples of aspects of the financial model that we believe need consideration of include:

- The public good – under the current model, public funds (taxes and rates) funds the private acquisition of public transport assets. This situation sees the long-term public good dependent on the short to medium term commercial interests of private companies. We are increasingly seeing that these two interests are at odds.
- The profit motive – under the current PTOM objectives, commercial imperatives strongly drive the contracting model. As would be expected from this, the pursuit of a return on investment (i.e. profit) is a significant focus of operators. Depending on the private ownership model, and the commercial objectives of individual shareholders, the pursuit of what could be considered unreasonable returns can impact on the quality of service provision. While Greater Wellington supports the principle of private enterprises to make a reasonable profit from the provision of services, we also believe there is a place for some public ownership of profit to control costs and enable reinvestment in public goods. The CCO model could achieve this.
- The cost of borrowing – through the Local Government Funding Agency, supported by our high credit rating, we are able to borrow at cheaper rates than commercial operators. Under the current model, local government is effectively compensating operators for their more expensive borrowing through the contracting model
- Balance sheet – under the current model, councils carry the notional debt of assets on our balance sheets without the benefits accrued from asset ownership. Councils would welcome continued local and central government funding of large asset purchases
- Amortisation – the current private ownership model incentivises private operators to attempt to recover the cost of the investment across the remaining life of the contract. This adds additional cost to councils, particularly when the contract periods are considerably shorter than the lifespan of the asset.

We recognise the current constraints on the national purse due to current economic difficulties. Greater Wellington considers that local government, in particular regional councils, are in a stronger financial position than central government to own, acquire and secure for the long-term the key public transport assets needed to provide this essential service for social good, and environmental well-being and economic growth. Greater Wellington is certainly in a position financially to co-fund the acquisition and ownership of assets for the long-term public good.

5. Roles and responsibilities

Greater Wellington acknowledges and appreciates the relationships it holds with all key stakeholders including our operators, territorial authority partners, Waka Kotahi and the Ministry of Transport. 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.

6. Labour market

Greater Wellington is committed to seeing ongoing improvements to the terms and conditions, including pay rates, of our public transport workforce. We support the three

stated measures in the PTOM review discussion documents to protect bus driver wages and conditions in future contracting.

7. Exempt services

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.

8. On-demand services

Greater Wellington supports on-demand services being brought 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.

Closing remarks

Greater Wellington greatly values the strong working relationship we have with the Ministry of Transport and Waka Kotahi. We note that our officers have been involved in the development of the discussions documents that inform and underpin this review. We appreciate our ability to provide comments towards the key strategic issues raised through this review. This review covers complex matters that will impact on the character of the long-term provision of public transport services across New Zealand and, in light of our current collective focus on decarbonisation and the labour market, is a timely review of national importance.

We welcome further dialogue with the Ministry on this review and our comments set out above. We are available to discuss any and all matters we have raised in greater detail at your convenience.