

Submission by

Hamilton City Council Staff

PUBLIC TRANSPORT OPERATING MODEL (PTOM) REVIEW

25 June 2021

It should be noted that the following submission is from staff at Hamilton City Council and does not necessarily represent the views of the Council itself.

1.0 EXECUTIVE SUMMARY AND RECOMMENDATIONS

- 1.1 Support the new overarching objectives proposed for the PTOM.
- 1.2 Believe that safe, efficient and zero emission public transport services will be key to achieving the climate change objectives and the reduction in transport emissions to net zero by 2050.
- 1.3 Note that funding for the changes is required - not only to the fleet but also to depots. This will be significant and higher levels of funding assistance will be required to enable the delivery of these initiatives in a timely manner.

2.0 INTRODUCTION

- 2.1 Staff at Hamilton City Council would like to thank the Ministry of Transport for the opportunity to make a submission to the Public Transport Operating Model (PTOM) Review.
- 2.2 We also support the submission to the PTOM by the Waikato Regional Council.
- 2.3 This submission includes general comments on the intent and scope of the PTOM review, along with specific comments relating to the key issues outlined in the Discussion Paper. These are:
 - The proposed new PTOM objectives.
 - Decarbonisation of the public transport bus fleet.
 - Roles and relationships in the public transport sector.
 - The labour market in the bus sector (drivers wages and conditions).
 - Services that operate outside of PTOM (exempt services).
 - On-demand public transport services.
- 2.4 We look forward to future engagement opportunities with the Ministry of Transport to ensure that our views are reflected in the final PTOM and relevant statutes and would also welcome the opportunity to comment on any new issues that emerge from engagement with the sector on the PTOM review.
- 2.5 Hamilton City Council staff support the direction and changes outlined in the Discussion Paper for the PTOM review. We see strong alignment between the proposed PTOM changes and Government's key priorities on decarbonising the public transport fleet and providing better

transport options to access economic and social opportunities.

- 2.6 Hamilton City Council staff also note that there is a strong correlation to the Green Paper currently out for discussion on **Transport Emissions: Pathway for Net Zero by 2050**, and the very important role that public transport will play in enabling sustainable travel choices.
- 2.7 We welcome the changes being signalled in the Discussion Paper, particularly on issues concerning roles and relationships in the sector, improving wages and conditions for public transport workers, exempt services and consideration of on-demand public transport.
- 2.8 These directions and changes outlined in the Discussion Paper are closely aligned with Hamilton City Council's strategic priorities.

3.0 SPECIFIC COMMENTS

3.1 NEW PTOM OBJECTIVES

3.2 Hamilton City Council staff support the new overarching objectives proposed for the PTOM.

3.3 These are:

- 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.

3.4 We note that the new objectives are more closely aligned with regional and central government priorities. 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.

3.5 The new objectives also retain elements of the current objectives in terms of ensuring competitors have access to public transport markets as a means of ensuring value for money.

3.6 We agree that ensuring access to public transport markets is essential to ensuring public transport is priced efficiently and wish to see it retained as an objective. However, we also point out that the number of bids per contract does not guarantee value for money.

3.7 We note that the supplier market is trending towards fewer but larger bus operators. We anticipate this will still enable credible competition for larger contracts in major urban areas and we anticipate that efficient pricing can still be achieved with fewer bids.

3.8 However, we anticipate it may become harder to ensure credible competition for contracts in smaller urban centres and provincial areas.

3.9 While challenging to measure, we consider that ensuring credible competition between suppliers is more important than the absolute number of bids received for tendered contracts. We request that the Ministry of Transport considers this when setting measures to evaluate the effectiveness of objectives relating to competition and market access.

3.10 IMPLEMENTING 2025 ZERO EMISSION BUS MANDATE

3.11 Hamilton City Council staff strongly support the direction set by Government and the requirement for all new public buses entering the fleet to be zero-emission from 2025 onwards.

3.12 We believe this outcome can be assured through amendments to the Requirements for Urban Buses (RUB). We note that Regional Councils must comply with RUB as a condition of receiving public transport funding from Waka Kotahi.

3.13 **DECARBONISATION OF THE PUBLIC TRANSPORT BUS FLEET**

- 3.14 Hamilton City Council staff strongly support Government's target of decarbonising the public transport bus fleet by 2035.
- 3.15 Hamilton City Council staff also support the Waikato Regional Council's intention for achieving decarbonisation of its public transport fleet earlier than 2035 and is in the process of developing a road map to define the best pathway to achieve this.
- 3.16 We support the definition of zero-emission being buses that produce zero emissions at the tailpipe. We also note that decarbonisation could be achieved using different fuel sources, different vehicles, or a combination of these. Regional councils should have the ability to choose the decarbonisation pathways that suit their local circumstances or operations, recognising that there are a range of technologies that can be utilised.
- 3.17 Hamilton City Council staff also support the assertion from the Discussion Paper that local government currently faces a number of barriers to decarbonising the public transport, including:
- High upfront capital costs of zero-emission vehicles.
 - High upfront costs of supporting infrastructure, such as depot land, charging infrastructure and upgrades to power distribution networks.
 - A risk premium applied by operators for deploying unproven technology with an unknown residual value.
 - The impact of private ownership of assets on the potential for continued competition for public transport bus contracts.
 - Difficulty accessing global zero-emission bus supply chains given our relatively low volume of vehicles required.
- 3.18 **Bus Fleet Ownership Options** - We agree that ownership models for fleet will need to evolve from the current practice. However, we also believe there is no one-size-fits-all option, and the Government should allow flexibility for the sector to determine the fleet ownership model that is most appropriate to the nature of services, areas serviced, market conditions and capability to deliver necessary infrastructure. We consider that enabling a range of public and private ownership models will also encourage market competition and innovation and accelerate the uptake of zero emission vehicles.
- 3.19 We also recommend that the length of contract term should be considered as part of the fleet ownership model. 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.
- 3.20 **Depot Ownership Options** - We are of the strong view that public ownership of depot infrastructure in larger urban areas is essential to enabling zero emission bus fleets and ensuring access to markets for competitors.
- 3.21 The high upfront 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.
- 3.22 We anticipate that establishment of zero emission depot infrastructure may be one of the most significant barriers to achieving Government's requirement for all new vehicles to be zero emission by 2025 and complete decarbonisation at the tailpipe by 2035.

- 3.23 We consider it unlikely that councils will be in a position to fund the high upfront capital and land costs associated with the zero-emission depot infrastructure within the timeframes being mandated by central government.
- 3.24 **Funding and Financing** - We strongly support an approach where central government funds the upfront cost for establishing zero emission bus depot infrastructure provided those facilities remain in public ownership indefinitely. We note that upfront costs should be recouped through lower operating costs overtime, however the specialised infrastructure will require ongoing maintenance in order to be safe and efficient.
- 3.25 Hamilton City Council staff note that there will be a need for this type of infrastructure to be increasingly available from 2025 and that is within our current Long Term Plan period and is not currently budgeted for.

3.26 **ROLES AND RELATIONSHIPS IN THE PUBLIC TRANSPORT SECTOR**

- 3.27 **Regional Councils and Road Controlling Authorities** - We support the notion that regional councils and territorial authorities could prepare regional public transport plans in partnership to ensure alignment of service networks and infrastructure.
- 3.28 In the Waikato this is already the case where the Waikato Regional Council has formed a joint committee to prepare and oversee implementation of the Regional Public Transport Plan with a voting membership that includes territorial authorities, including Hamilton City Council.
- 3.29 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 coordinated programme for funding and the delivery of infrastructure and services across multiple entities.
- 3.30 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.

3.31 **THE LABOUR MARKET (WAGES AND CONDITIONS)**

- 3.32 We strongly support the initiatives that serve to safeguard wages and conditions for public transport workers.
- 3.33 In particular, Hamilton City Council staff support the establishment of minimum pay rates for public transport workers through tendering processes.
- 3.34 We recommend caution in prescribing other conditions of employment due to the significant variation in conditions offered across different operators. We consider that safeguarding and improving conditions can be achieved through evaluation incentives as part of contract tendering.
- 3.35 The Discussion Paper outlines two pathways for developing a longer-term, nationwide approach to protecting driver's wages and conditions during the procurement process.
- 3.36 These are:
- Through Waka Kotahi's Procurement approach - Waka Kotahi could require councils to implement measures that protect and/or improve bus driver terms and conditions when contracting public transport services.
 - Through legislative changes to the Land Transport Management Act 2003 (LTMA) and incorporating bus drivers to Schedule 1A of the Employment Relations Act 2000 (ERA).
- 3.37 We note that these pathways are not mutually exclusive and could be implemented together

to ensure that driver's wages and conditions are protected. Further, we support safeguards for conditions of employment not being limited to bus drivers but to also include support staff and ancillary workers.

3.38 Hamilton City Council staff also note the retraining that will also be needed for the bus maintenance workforce as they move from servicing and maintaining a fleet of buses that is currently diesel to a fleet that is electric or hydrogen/electric. This will require a new skill set and we should be looking to support the existing workforce to make this transition.

3.39 SERVICES THAT OPERATE OUTSIDE OF PTOM (EXEMPT SERVICES)

3.40 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.

3.41 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.

3.42 ON-DEMAND PUBLIC TRANSPORT SERVICES

3.43 We recommend approaching the regulation of on-demand ride-share services with caution.

3.44 While we are supportive of provisions designed to ensure the provision of integrated public transport services, we are unclear on the problem that regulation of on-demand ride-share services would be trying to solve at this stage.

3.45 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.

4.0 FURTHER INFORMATION AND OPPORTUNITY TO DISCUSS OUR SUBMISSION

4.1 Should the Ministry of Transport require clarification of the submission by Hamilton City Council staff, or additional information, please contact **Robyn Denton** (Network Operations Team Leader, City Transportation) on 07 838 6910 or 021 971 127, email robyn.denton@hcc.govt.nz in the first instance.

4.2 Hamilton City Council staff would welcome the opportunity to meet with representatives from the Ministry of Transport to discuss the content of our submission in more detail.

Yours faithfully



Richard Briggs
CHIEF EXECUTIVE