



# Strategic Public Transport Asset Control Strategy

Proposed for consultation

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## Purpose

The purpose of the Public Transport Asset Control Strategy (the Strategy) is to ensure there is a long-term framework and direction for public transport authority (PTA) control of key public transport assets.

While the Strategy will help shape the size and location of significant infrastructure investments across the Wellington region, these investments will largely be required, regardless of whether they are publicly or privately held. The objective of the Strategy is for Greater Wellington to play a more active and strategic role in the planning and management of key public transport infrastructure through a range of potential commercial arrangements (not necessarily confined to outright ownership).

Greater Wellington will fund these investments through a variety of potential financial approaches. These may include one off capital investment or through ongoing lease / financing costs. The Strategy influences how Greater Wellington pays for the investments needed rather than the quantum of investment needed. Overall, the project will aim to make savings to operational costs in the long term, through cheaper local government financing, consolidating asset locations and potential reduction of private profit margins associated with private control of assets.

Adoption of the Strategy does not constitute approval of specific investments (or actions) by Greater Wellington required to deliver the strategy. These will be determined through Council's normal business planning and investment approval processes.

## Council's Strategic Context

The goal and vision for Greater Wellington's public transport is to provide an efficient, accessible, and low carbon public transport network.

To support the attainment of this vision, the Regional Public Transport Plan (RPTP) sets three strategic priorities:

1. *Mode shift*: a 40% increase in mode shift to public transport by 2030.
2. *Improve customer experience*: to continue to improve customer experience on public transport across the network, maintaining a customer satisfaction rating greater than 92%
3. *Decarbonise public transport vehicle fleet*: to reduce public transport carbon emissions by 60% for Wellington Region by 2030 primarily by decarbonising the public transport fleet.

Across the three strategic priorities, there are several themes within the RPTP that provide guidance on the work and direction that needs to be undertaken. The themes are:

| Mode Shift   | Decarbonise Public Transport Vehicle Fleet  | Improve Customer Experience  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Provide a high quality, high capacity, high frequency core network</li> <li>• Improve access to public transport</li> <li>• Promote behaviour change</li> </ul> | <ul style="list-style-type: none"> <li>• Drive environmental and cost sustainability by pursuing smart commercial opportunities and lower carbon technologies</li> <li>• Decarbonise the Metlink bus fleet by 2030</li> <li>• Explore ways to further decarbonise the Metlink rail and ferry fleet</li> </ul> | <ul style="list-style-type: none"> <li>• Greater choice and flexibility for journey planning, fares and fare payment options.</li> <li>• Improve the accessibility of public transport for all</li> <li>• Prioritise safety through continuous improvements to both infrastructure and operations</li> </ul> |



The availability, locality and quality of network assets are critical for the achievement of all Greater Wellington's strategies priorities and corresponding themes. In particular:

- *Mode shift and customer experience:*
  - the availability and quality of the asset base needs to be maintained to ensure service sufficient reliability and customer comfort;
  - asset use and services need to be able to be directed to respond to growing capacity and customer experience requirements particularly around vehicles maintenance and onboard amenities.
- *Decarbonisation:*
  - the existing asset base needs to be transitioned to assets which support lowering emissions. This includes not only the vehicles (train, bus, ferry) but also the infrastructure that supports them (line and depot electrification, in route infrastructure) and from where we source electricity (higher renewable sources).

Greater Wellington needs sufficient control of its assets (through either direct ownership or appropriate contractual arrangements) to ensure these strategic priorities and themes can be met through considered and timely investment.

## Need and Context for Change

In 2021 Council directed GW to look at options for control of strategic public transport infrastructure assets. As part of its submission on the Public Transport Operating Model (PTOM) review to Government it noted that *"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"*.

Control of strategic assets is also now a major focus of the Sustainable Public Transport framework (SPTF) review which is expected to replace the existing PTOM model within the next 2 – 3 years. In addition, several other Public Transport Agencies (PTAs) around New Zealand are developing similar strategies.

The purpose of the strategic Assets strategy is to develop an approach for the long-term direction of asset control and the contractual arrangements that support operation of the networks providing public transport. This would give guidance on:

- Control and ownership approaches for each class of asset based on the key strategic principles
- Identify pathways and a plan for transition to the identified control structures
- Design of the wider network integrating key strategic assets into network design
- Design of the operational models to support the network and strategy

The model for the operation of public transport and its assets is in a state of change with an upcoming change to the Public Transport Operating Model (PTOM) and move to the Sustainable Public Transport Framework (SPTF). This reflects a ideological shift away from commercially driven models towards a greater focus on the outcomes for the service and public.

The assets strategy reflects this by identifying best approaches for control and security of the network, while maintaining a focus on minimising long-term costs. It takes a holistic view across a long time period (30-40 years).

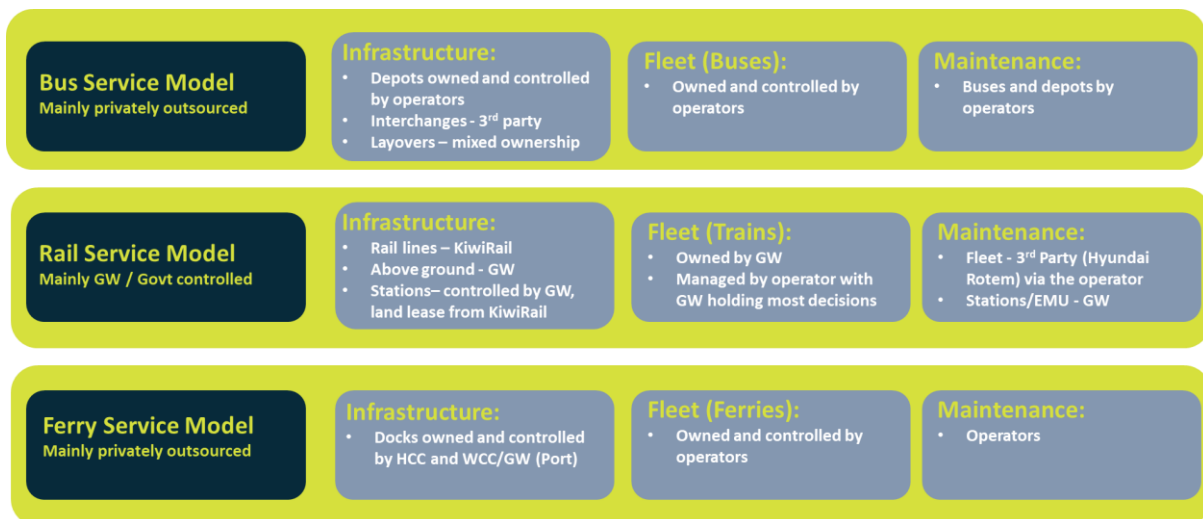
## Current Public Transport Infrastructure and Operational Models

The public transport network in Wellington is provided by two main modes, rail and bus, with ferry and total mobility providing supplementary services. The network carries approximately 40 million passengers per year across the region and patronage across the modes.

Delivery of the Greater Wellington public transport network services are currently provided by:

- Bus – four operators who contract to deliver services across 18 different units;
- Rail – a single operator contracted to manage and operate the rail services;
- Ferry – a single operator contracted to deliver ferry services across Wellington harbour;
- Total mobility – A number of individual private operators providing mobility taxi services.

There are several operational models that are available to Greater Wellington to deliver public transport services - including fully in-house or outsourced models, and a range in-between. Greater Wellington currently has different operational models across its rail, bus, ferry public transport services. These can be summarised as follows:



One of the key differences between the rail, bus and ferry operational models is the amount of control and influence retained by Greater Wellington over its infrastructure assets.

Under the rail model:

- The provision of rail services is a mixed model where operational delivery is provided by a commercial operator, above ground assets (including the train fleet) are owned by Greater Wellington (through a subsidiary CCTO) and rail lines are provided by KiwiRail or through long term contracts in place with KiwiRail.
- The contract with operators for managing rail operations are currently 9 years plus a renewal of 6 years.
- Decisions on keeping or removing operators are entirely based on the ability to provide a quality affordable service and achieving KPIs, rather than influenced by the control of assets.
- Greater Wellington has either direct control or a high degree of influence over the long-term direction, planning and investment in the PT rail network assets.

#### Under the bus model:

- The provision of bus services is almost totally outsourced to commercial operators who provide the infrastructure (depot and fleet) and manage the operations. Essentially network design and a degree supporting bus stop infrastructure are the key functions left to Greater Wellington. Commercial operators are then incentivised to build their own fleet and depot infrastructure to meet various KPI associated with the desired timetables. In addition to fleet and depot infrastructure there are other smaller assets, such as layovers and interchanges, which are owned by either GWRC or the relevant territorial authority.
- The contracts with bus operators are mainly 8-10 years in duration which provides a constraint around long term infrastructure planning as investment beyond contract periods run the risk of becoming sunk costs.
- Greater Wellington specifies the fleet requirements (number, size and special features) but not depot requirements.
- Greater Wellington has a medium degree of control over the fleet assets but a low degree of control over depots which require significant and long-term investment to support growth.

#### Under the ferry model:

- The provision of ferry services is completely outsourced to a commercial operator who is accountable for ensuring the provision of all required infrastructure (including the ferry and dock facilities) and manages the operations.
- It is small in the overall scale and turnover relative to Greater Wellington's wider public transport network – making it difficult to attract competition.
- The management of ferry and marine assets requires significant expertise beyond normal public transport requirements.
- Greater Wellington has a low degree of control over ferry assets but given this is premium public transport service and customers have other public transport options for their journeys, this is not seen as a problematic.

## Objectives

Greater Wellington identified six key objectives that underpin the asset control strategy and are used to assess different strategy outcomes:

- *Service continuity* – Ensuring infrastructure critical to delivering the network's intended routes and timetables remain available.
- *Coordinated services and infrastructure* - planning certainty and centralised coordination of services and infrastructure to deliver a more planned, responsive and efficient network.
- *Aligned roles and capabilities* - Greater Wellington and operator capability aligns with allocation of future delivery roles and operating models.
- *Value and broader Council outcomes* – procurement and competitive processes provide value for money (through open and fair competitive processes) and assist in meeting Council's broader strategic priorities including social and environmental outcomes.
- *Responsive to opportunities* - responsiveness to new innovations and operating models and modes to drive environmental, cost sustainability and service enhancements.
- *Reduce PT Emissions (by 2030 and 2035)* - all core routes are electric by 2030 and enabling the supply of Zero Emissions Bus assets to be scaled in response to an accelerated transition to 100% decarbonisation no later than 2035.

## Options

Four options were developed for assessment. These options considered depot land, depot facilities, charging infrastructure (for site and to vehicles), and fleet assets.

- **Status Quo** (Option A): Operators own or lease all assets, and fund / procure electrification to sites. Investment and operating costs are passed on to Greater Wellington through ongoing service charges. Multiple operators maintain control over all assets and subsequent investment decisions.
- **Depot Ownership** (Option B): Greater Wellington owns or leases all depot sites and facilities, including funding / procuring electrification to sites. Operators hold sub-leases for depots from GWRC, and own or lease fleet and charging equipment. Greater Wellington has an option to purchase all vehicles via transfer obligation contracts.
- **Depot and Fleet via Transfer** (Option C): Greater Wellington gains control over assets through contractual transfer obligations. Operators own or lease all assets in the meantime, funding / procuring electrification to sites could be by Greater Wellington or operators.
- **Depot and Fleet Ownership** (Option D): Greater Wellington owns or leases all strategic assets, and funds / procures electrification to sites. Operators sub-lease assets from Greater Wellington in order to provide services.

## Consequences of retaining status quo

If the current bus operating model continues, we will need to consider a range of factors:

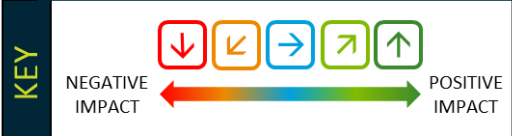
- Mitigating the significant competitive advantage incumbents will have in future contract tenders with established depots in highly urban areas. Significant mitigation options seem unlikely given the scarcity and cost of land.
- Service continuity risk, posed by current operators having shorter term leases on depot land. This may be partially mitigated through negotiating transfer clauses or rights of first refusal with the landowners.
- Long term investments and technology risks being potentially recovered over shorter contract terms, rather than the economic lives of assets. This can be somewhat mitigated through incentivisation and transfer rights to new technology– but will add complexity to changing operators.
- Sub-optimal network design and growth, through insufficient timely investment in depot capacity and charging. This can be managed by operator incentives however these additional investments may create competitive advantage issues.

In general, the largest risk of the counterfactual is both commercial (incumbent advantage,) and service continuity to availability and appropriate growth.



### Assessment

Each of the four options have been assessed against the six objectives outlined above, and the results are summarised in the table below:



|  | A: Status quo | B: Depot ownership | C: Depot and fleet transfer | D: Depot and fleet ownership |  |
|--|---------------|--------------------|-----------------------------|------------------------------|--|
| <b>Service Continuity</b>                      | ↙             | ↗                  | ↗                           | ↑                            | Option D (ownership of depot and fleet assets) provides the greatest safeguards for service continuity, and both options B and C provide improvement compared to the status quo.   |
| <b>Coordinated Services and Infrastructure</b> | ↙             | ↗                  | →                           | ↑                            | Option D (ownership of depot and fleet assets) provides the greatest scope for effective coordination across all asset types. Depot ownership is a critical component, enabling effective long-term network planning.  |
| <b>Aligned Roles and Capabilities</b>          | ↗             | →                  | ↗                           | ↙                            | Operators have established capabilities and OEM relationships, and Option A (status quo) utilises existing roles and capabilities. While GWRC can develop its own capabilities for ownership, this entails risk and elapsed time to establish, particularly in relation to fleet.  |
| <b>Value for outcomes</b>                      | ↙             | ↗                  | ↗                           | ↑                            | Option D (ownership of depot and fleet assets) reduces barriers to entry the most, while both options B and C provide significant improvement over the status quo. Option D is also likely to have the lowest cost of finance.   |
| <b>Responsive to Opportunities</b>             | ↙             | ↗                  | →                           | ↑                            | Option D (ownership of depot and fleet assets) optimises GWRC’s ability to respond to opportunities across all asset types or where integration between vehicles and fixed infrastructure is required. Depot control is a critical element, e.g. to enable investments such as solar panels or multi-tenanted facilities.  |
| <b>Reduce PT Emissions (by 2030 and 2035)</b>  | →             | ↗                  | ↑                           | →                            | Option A (status quo) builds on existing operators ZEB experience, while Option D entails time and execution risk as GWRC develops its in-house capabilities. Option C (depot and fleet transfer) is considered best, as it leverages existing experience but removes investment uncertainty and associated risks. Option D may be best for emissions reduction in the long term, but the time constraints for meeting targets mean Option C and Option B are considered lower risk. |

## Assessment

These assessment results are outlined for each option in the table below.

| A: Status quo  | B: Depot ownership  | C: Depot and fleet transfer   | D: Depot and fleet ownership  |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>• Maintains current commercial incentives, and continues to leverage operator capabilities, relationships and supply chains.</li> <li>• Maintains barriers to entry, which ultimately erode value for money and the ability to change operators.</li> <li>• Greater Wellington lacks ready access to assets in the event of unplanned operator change.</li> <li>• Some required investments (e.g., electrification of depots) face significant mismatch of current contract expiries vs asset life, leading to uncertainty / risk.</li> <li>• Greater Wellington is not able to readily able to optimise depot locations and features as part of longer-term planning.</li> </ul> | <ul style="list-style-type: none"> <li>• Provides the opportunity for Greater Wellington to plan new depot locations (owned or leased from third party owners) based on the future network plan, energy supply, and acceptable resilience and environmental standards. It may also be better positioned than operators to coordinate investments for depot electrification with Lines Companies.</li> <li>• Greater Wellington needs to build strong capabilities in design, development and asset management for Depots, as well as associated procurement capabilities (e.g., leveraging additional third parties).</li> <li>• Operators continue to build and leverage their experience, relationships, and supply chains to make good investment decisions for fleet and charging.</li> <li>• Reduces barriers to entry by providing access to depots for new entrants.</li> <li>• Reduces the ability of operators to make use of depots for other commercial purposes.</li> </ul> | <ul style="list-style-type: none"> <li>• Transfer obligations may provide greater confidence for operators to make investments, knowing these will be priced into end-of-term arrangements.</li> <li>• Existing depot locations will remain a constraint on investment (e.g., relating to electrification, or network-wide emission reduction opportunities).</li> <li>• Reduces barriers to entry barriers to entry by providing new entrants with access to Depots as well as vehicles. However, new entrants would still be required to raise finance to acquire assets, or third-party ownership models would need to be established.</li> <li>• Operators may target only minimum standards when procuring and maintaining assets, so these standards will require careful development to align incentives.</li> <li>• Reduces the ability of operators to make use of depots and vehicles for other commercial purposes.</li> </ul> | <ul style="list-style-type: none"> <li>• As for Option B in relation to Depots.</li> <li>• Greater Wellington needs to build strong capabilities in design, development and asset management for vehicles, as well as associated relationship management and procurement capabilities (e.g., OEMs and supply chains). Greater Wellington may be able to work with other PTAs at a national level to build and maintain appropriate capabilities.</li> <li>• Control over all assets means planning, coordination and inter-operability may be optimised at a network level.</li> <li>• Reduces barriers to entry by providing new entrants with access to all assets, without the need to raise finance to acquire assets.</li> <li>• Reduces the ability of operators to make use of depots and vehicles for other commercial purposes.</li> </ul> |

## Approach to Future Asset Control

The option assessment highlighted that Option D (Depot and fleet ownership) provided the greatest opportunity for benefits and value in the long term. In shifting towards greater asset control, Greater Wellington will need to prioritise investments where ownership provides the best value for increased control given risk and funding constraints.

Greater Wellington already has transfer rights over some depots, and the possibility to develop the Lyall Bay leased land. Given the significant development lead-times to building key infrastructure, the short to medium term focus will be on establishing greater control of key depots and charging infrastructure.

Fleet ownership is likely to require a significant uplift in operational and maintenance capabilities that Greater Wellington does not have in place today. This level of change may create cost and organisational capacity risk. Developing the roles and capabilities needed for ownership of fleet is complex and effort-intensive, and full fleet ownership is likely to add very high short term investment costs in buying out various Operator fleet.

As a result of the above asset control assessment, the approach to be taken by Greater Wellington to its control of bus assets will be to:

### Over the long term:

- increase control of all strategic bus assets
- prioritise investments where ownership provides the best value for increased control in light of risks and funding constraints
- grow capabilities needed for increased control.

### Over the short to medium term:

- accept a mix of transfer rights and ownership responses
- move to establish greater control of key depots
- seek transfer rights over standard fleet, with potential ownership of specialised fleet (e.g., on demand vehicles)
- collaborate with other Councils in relation to evaluating fleet ownership as an option.

This approach is illustrated in the diagram below.

| <i>LTP Periods:</i> | <b>2024-27</b>   | <b>2027-30</b> | <b>2030-33</b> | <b>2033-36</b> | <b>Beyond</b>  |
|---------------------|--|----------------|----------------|----------------|--|
| Depots              | Mix of transfer rights, ownership and status quo, with focus on key depots, and providing investment certainty for electrification                                       |                |                |                | Evaluate further control and ownership options based on strategic priorities at the time |
| Fleet               | Comprehensive transfer rights for standard fleet through new contract terms, and case-by-case consideration of ownership for specialised fleet                           |                |                |                | Evaluate further control and ownership options based on strategic priorities at the time |
| Capabilities        | Strengthen commercial and depot ownership capabilities, while evaluating fleet ownership maturity requirements (including experience through specialised fleet and Rail) |                |                |                | Develop roadmap for future capability requirements                                       |

Depots are Tier 1 asset investments with 30 – 40-year lifecycles. Metlink will develop more detailed analysis, options and plans to help determine optimal locations and investment requirements in the longer term.

Individual asset investment decisions will be subject to specific business cases and review of funding options. This will include ensuring alignment with all Greater Wellington focus areas including mana whenua partnerships, climate resilience and emissions reduction, and improved access to services and equity of outcomes.

Business cases will also apply the six key asset control objectives to determine the right solution for each specific case. For example, where transfer rights provide the outcomes sought, this can enable relatively more capital allocated to other urgent priorities.

The Strategy will inform subsequent Long-Term Plans (LTP) and Wellington Regional Public Transport Plans (RPTP).