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Waikato Regional Council Transport Activity Procurement Strategy 2015 - 2018

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Waikato
REGIONAL COUNCIL
Te Kaunihera ā Rohe o Waikato

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1 Executive summary

This Procurement Strategy (the Strategy) outlines Waikato Regional Council's (Council) integrated approach to the procurement of transport sector activities funded in partnership with the NZ Transport Agency under s20 of the Land Transport Management Act (2003).

The overarching objective of this Strategy is to ensure that Council procures land transport activities in a way that obtains best value for money, enables fair competition and encourages competitive and efficient markets.

Currently Council spends about $25 million per year on transport activities across two main areas being Land Transport Planning and Public Transport Operations.

Land Transport Planning broadly covers activities required by legislation such as the development of Regional Land Transport and Public Transport Plans. It also covers activities that support the management and implementation of these plans such as the application of the business case approach and the development of the regional road safety strategy.

Public Transport operations accounts for about 95 per cent of total transport expenditure. Contracted bus services are the single largest transport procurement activity the Council undertakes. Accordingly, the approach to procurement of bus services forms a major component of this strategy.

This strategy represents a key milestone in implementing the new operating model for Public Transport known as the Public Transport Operating Model (PTOM). The new model represents a fundamental shift in the delivery of public transport services in New Zealand. It is designed to grow patronage with less reliance on public subsidy and ultimately increase value for money spent.

The primary audience of this strategy is intended to be Council staff, potential suppliers, the New Zealand Transport Agency (Transport Agency) and local authorities within the Waikato Region.

1.1 Recommendations

It is recommended that the NZ Transport Agency:

- Endorses this "Transport Procurement Strategy 2015"
- Approves the use of in-house professional services as set out in section Four.
- Approves a variation to Rule 10.31 - *Vehicle quality requirements for bus public transport units* – to potentially allow a limited transitional period of up to 12 months from the commencement of a contract to introduce fully RUB compliant vehicles, where contract lead-in times are less than 12 months.

1.2 Corporate ownership and internal endorsement

Corporate ownership of this document is shared between Council's Directorates of Finance, Community Services and Science and Strategy. The overall strategy has been endorsed by Council's Finance Committee.

2 Policy context

2.1 Strategic objectives and outcomes

Waikato Regional Council's overarching objective is to work with others and build a Waikato region that has a healthy environment, a strong economy and vibrant communities. Transport has a key role to play in achieving this. The proposed Regional Land Transport Plan 2015 – 2045 identifies six long term objectives for the region's land transport system:

- Integration and forward planning – An integrated and aligned land use and transport system.
- Facilitating economic development – An effective and efficient land transport system that enhances economic wellbeing, and supports growth and productivity within the Waikato region and upper North Island.
- Road safety – To achieve a significant reduction in risk, deaths and serious injuries across the Waikato region.
- Affordability – An adaptable and flexible approach to managing and developing the land transport system that optimises funding options and provides innovative management approaches to best meet the needs of the region in an affordable way.
- Access and mobility– Communities in the Waikato have access to a multi-modal land transport system that functions effectively to meet their social, cultural and economic needs.
- Environmental sustainability and resilience- An environmentally sustainable and energy efficient land transport system that is robust and resilient to external influences.

These objectives underpin the transport activities that Council delivers and the way it works with other organisations and the community. More specific objectives, policies and actions are covered in detail within the proposed Regional Land Transport Plan and Regional Public Transport Plan. These documents form the basis for all transport activities that Council procures.

The Regional Land Transport Plan 2015-2045 describes what the region is seeking to achieve for the land transport system and how it will contribute to an effective, efficient and safe land transport system in the public interest as required under the Land Transport Management Act (2003). It also provides the basis for a number of specific strategies which include:

- Regional Road Safety Strategy 2013-2018
- Regional Walking and Cycling Strategy 2009-2015
- Regional Stock Truck Effluent Strategy 2010-2016

The Regional Public Transport Plan 2015-2018 supports the operational delivery of the Regional Land Transport Plan in respect to public transport. More specifically the plan provides:

- a means for encouraging regional councils and public transport operators to work together in developing public transport services and infrastructure
- an instrument for engaging with the public in the region on the design and operation of the public transport network
- a statement of the public transport services that are integral to the public transport network, the policies and procedures that apply to those services, and the information and infrastructure to support those services.

2.2 Objectives and Outcome of the Procurement Strategy

The objectives of this Transport Procurement Strategy are to:

- Provide the basis for procuring activities that contribute to achieving Council's strategic objectives.
- Achieve best value for money spent from all procured activities.
- Ensure that the procurement practises are conducted in a consistent and transparent manner.

2.3 The NZ Transport Agency's Procurement Requirements and what they mean for Council

The Land Transport Management Act 2003 (LTMA) requires that the NZ Transport Agency approve activities for funding (s20 LTMA) from the National Land Transport Fund (NLTF).

Council must account for funds received from the NLTF for approved activities through a land transport disbursement account (s24 LTMA). All expenditure from Council's disbursement account must be made in accordance with a procurement procedure approved by the NZ Transport Agency (s25 LTMA), unless exempt (by or under s26 LTMA).

To ensure alignment with LTMA requirements Council must have a procurement strategy that has been endorsed by the NZ Transport Agency. The strategy must be regularly reviewed – at a minimum, once every three years or when there is a significant change to the procurement approach/environment. Accordingly this procurement strategy:

- Documents Council's long-term integrated approach to the procurement of transport sector activities funded under s20 of the LTMA.
- Ensures all approved activities will be procured in accordance with procedures approved by the NZ Transport Agency.
- Ensures procurement is undertaken in a way that gives effect to s25 of the LTMA.
- Documents any activities that are exempt by or under s26 of the LTMA.

Section 25 of the LMTA requires that procurement procedures are designed to obtain best value for money spent and must have regard to the desirability of:

- Enabling persons to compete fairly for the right to supply outputs required for approved activities, if 2 or more persons are willing and able to provide those outputs; and
- Encouraging competitive and efficient markets for the supply of outputs required for approved activities.

2.3.1 Value for money

Value for money refers to the utility derived from a purchase or sum of money spent. Best value for money is achieved where maximum utility is purchased for the minimum sustainable price. The utility sought from procurement depends on the activity being procured, but will always relate back to Council's strategic objectives and outcomes.

Transport activities that Council procures are typically recurrent and/or long term. Therefore it is highly desirable to enable persons to compete fairly for the right to

supply outputs and encourage competitive and efficient markets. Competitive tension and efficient markets are vital to achieving best long term value for money.

2.4 Other relevant factors

2.4.1 Organisational polices

This Procurement Strategy is designed to be read in conjunction with other guiding documents relevant to procurement process, which include:

- **WRC Procurement Policy** – (Doc#1437366 (v2)) – covers activities associated with the procurement of all goods and services by Council.
- **WRC Procurement Guidelines** – (Doc#155922) – a resource for Council staff to help ensure that procurement activity reflects the principles in the Procurement Policy (above).
- **WRC Process for Formal Methods of Evaluating Suppliers** – (Doc#1378274) outlines process and requirements for tender development and evaluation
- **WRC Contracts Process** – (Doc#1420037) for WRC staff to be aware of the contract process and requirements, know how to engage a contractor, and can complete a contract precedent (template).
- **WRC Financial Delegations Manual** – (Doc#1708917) documents the delegation of financial authority from the Chief Executive to Council staff.
- **WRC Request and Authorisation Form for Contractual Engagement** (Doc#3042085) – pro-forma templates.
- **WRC Sustainable Procurement Guide 2014** – (Doc#3273388) outlines sustainability requirements for Council procurement.

These documents provide a clear procurement framework and are intended to deliver on the following:

- **Accountability** – to ensure that Council staff are accountable for their performance and are able to give complete and accurate accounts of the use funds.
- **Openness** – to ensure transparency in the administration of funds, to support accountability and provides understanding of respective roles and obligations of the Council and its stakeholders.
- **Value for Money** – having regard to the total costs and benefits of procurement.
- **Lawfulness** – to ensure that all Council transactions meet all legal obligations.
- **Fairness** - to ensure that procurement is carried out in a fair manner and that Council staff make and can be seen to have made all procurement decisions impartially and without bias.
- **Integrity** – ensuring that ethical and behavioural standards are of the highest level.
- **Sustainability** - ensuring that procurement decisions reward suppliers who are attempting to integrate environmentally and socially sustainable practices into their operations.
- **Consistency** – ensure that the procurement practises are conducted in a consistent manner
- **Strategic Direction** - Contribute to the Council's vision and strategic objectives.

3 Procurement programme

3.1 Procurement programme for the 3 year period – 2015-2018

Table 1 outlines the land transport activities that are proposed to be undertaken during the three year period from 2015/16 to 2017/18. Part of the work programme is required by legislation such as the development of regional land transport plans and regional public transport plans. Other work is undertaken in order to support the development and implementation of these documents.

Table 1 also identifies the nature of the activities. Work Type defines the work, 'Required' indicates a legislative mandate to complete the work, 'Specific' indicates a discrete activity that is stand-alone or informs other activities; 'Ongoing' refers to work ongoing commitments with no specific end date.

Table 3-1: Indicative Procurement Programme Overview

Transport Planning and Road Safety Promotion					
Topic Area	**Activity**	**2015/16**	**2016/17**	**2017/18**	**Work Type**
Business Case Development	Various				Specific
RLTP Plan review (2018)					Required
RPTP review (2018)					Required
Road Safety Promotion	Implementation				Ongoing
Road Safety Action Plan	Implementation				Specific
RLTP management					Required
Stock Truck Effluent	Implementation				Specific
WISE/WRTM integration					Specific
WRTM ongoing development					Specific
Public Transport					
Topic Area	**Activity**	**2015/16**	**2016/17**	**2017/18**	**Work Type**
Public Transport Operations	Bus Services				Ongoing
Minor Improvements	Improvements				Ongoing
Public Transport ticketing	Improvements				Specific
Real-time passenger information	Improvements				Specific
Bus Service improvements	Improvements				Specific

Procurement of transport planning and road safety promotion activities is outlined in the following Section 4. Procurement relating to public transport programme is detailed within Section 5 this Strategy.

4 Transport Planning and Road Safety Promotion

4.1 Overview

The primary activities undertaken under transport planning includes the preparation, implementation, monitoring and review of the Regional Land Transport Plan and Regional Public Transport Plan.

Much of the remaining work programme focuses on the addressing key issues or problems through the application of the business case approach promoted by the NZ Transport Agency and road safety road safety promotion.

The Road Safety team at Council coordinates the Regional Education Group (REG) in collaboration with the Transport Agency. This group is responsible for the planning and implementation of the region's road safety campaigns delivered under the established brand 'Reduce the Risk'.

Council also has sole charge over the operation of a children's' road safety education programme. This is officially known as the 'Young Road User Programme' and has a popular mascot, Ruben the Road Safety Bear who visits children at schools, pre-schools and events around the region. The programme is well established with website, teaching and activity resources, an administrator and a team of presenting staff, kids club and a vehicle.

4.1.1 Need for specialised skills

Skills required to deliver activities within the Transport Planning and Road Safety Promotion programme vary significantly depending on the activity. Given the large diversity of activities there is also a large range of specialised skills required. The nature of the work programme requires professional services only. Skills that are commonly procured include:

- Expert consultants (technical specialists and project managers)
- Website building and hosting
- Advertising
- Facilitation

4.1.2 Identification of pending high-risk or unusual procurement activities

There are no activities within the indicative Transport Planning programme that pose a high risk to Council or are considered unusual.

4.2 Procurement environment

4.2.1 Supplier market

The requirements for transport policy services are very specific in nature and are typically required for short-term contracts drawing primarily on consultancy service providers. There are a large number of consultancy providers within the Waikato and Auckland areas that have provided quality services to Council in the past and are capable of providing services in the future.

4.2.2 Transport Planning and Road Safety Promotion Current procurement spend and profile

Table 4-1: Expenditure Profile - Transport Planning and Road Safety Promotion

Activities	Total cost			
	2015/16 (indicative)	2014/15 (budgeted)	2013/14 (actual)	2012/13 (actual)
Transport Planning	$1,110,000	$792,327	$773,988	$672,068
Road Safety Promotion	$1,175,000	$925,000	$925,000	$925,000

The increase in road safety promotion (note in Table 2 above), is due to the inclusion of the Transport Choices Programme in 2015/16 and beyond. The increase in transport planning expenditure primarily relates to the inclusion of indicative Transport Planning Business Case projects within the programme.

4.2.3 Impact of procurement programmes of other organisations

Due to the discrete nature of transport planning activities there is unlikely to be any significant conflict between or duplication of activities with other organisations. Wherever possible and beneficial Council will seek to co-ordinate and co-fund transport activities with others.

4.3 Delivering the programme

4.3.1 Confirmation of specific strategic objectives

The draft Regional Land Transport Plan 2015 – 2045 identifies six strategic objectives for the region's land transport system. These objectives underpin the transport activities that Council will deliver. The objectives are as follows:

- Integration and forward planning – An integrated and aligned land use and transport system.
- Facilitating economic development – An effective and efficient land transport system that enhances economic wellbeing, and supports growth and productivity within the Waikato region and upper North Island.
- Road safety – To achieve a significant reduction in risk, deaths and serious injuries across the Waikato region.
- Affordability – An adaptable and flexible approach to managing and developing the land transport system that optimises funding options and provides innovative management approaches to best meet the needs of the region in an affordable way.
- Access and mobility– Communities in the Waikato have access to a multi-modal land transport system that functions effectively to meet their social, cultural and economic needs.
- Environmental sustainability and resilience- An environmentally sustainable and energy efficient land transport system that is robust and resilient to external influences.

4.3.2 The procurement approach

Council can only deliver on the six objectives in partnership with other organisations. Council's primary role relates to the coordination and development of regional scale transport planning, policies and programmes, which provides a framework for other organisations, such as local authorities, to refine and implement transport activities that deliver on the RLTP objectives but in a way that is tailored to respective local communities.

The highest priority activities within the programme are those that must be completed in order for Council to meet its statutory requirements (refer "required" activities outlined within Table 1 Section 3) within relevant timeframes. The delivery of other activities that are beneficial, but are not necessarily required to meet statutory requirements, will be programmed in a way that complements the overall programme and with relevant related work programmes of other Councils.

A key factor in delivering best value for money spent relates to delivering the transport programme in a way that maximises potential synergies between activities. There is significant potential to achieve a high level of coordination across transport planning activities through application of the Transport Agency's business case approach.

Council's transport planning and road safety promotion activities are delivered utilising a combination of external and in-house professional services.

4.3.3 Professional Services – Externally Sourced

Council recognises the need to have fair, competitive and efficient markets. There is no preference for the use of local suppliers or contractors. The objective is to procure a supplier that can provide the highest quality output for the best price.

Professional services sourced externally will be produced in accordance the:

- Relevant pre-approved procedures outlined in Chapter 7 - Procurement procedure 2 – Planning and advice of the NZ Transport Agency's Procurement Manual.
- Relevant procurement rules outlined within Chapter 10 of the Procurement Manual, which govern the use of the procurement procedures.

Rule 10.8 requires that every supplier selection process must commence as an open competitive process in which all potential suppliers are invited to engage unless the procurement activity that meets the requirements for closed contest supplier selection or direct appointment.

Rule 10.9 states that direct appointment of a single willing and able supplier is permitted where the contract cost estimate is less than or equal to the limits set out in the table on the following page (Table 3 – Procurement Thresholds).

Table 4-2: Procurement Thresholds

Contract for	Physical Works	Professional services	Public Transport Services (gross contract price per year)
Direct appointment	$100,000	$100,000	$100,000
Closed contest	$200,000	$200,000	$200,000

Procurement of Transport Planning and Road Safety Promotion is specific to the individual activities making up the total programme. The contract value of each activity is typically well below the professional services threshold for direct appointment outlined within the Transport Agency's Procurement manual. Council's preference is to competitively procure professional services unless there is a compelling reason not to.

For contracts up to $100,000 in value, Council will either seek quotes from two or more suppliers or competitively tender contracts on open basis - unless there are exceptional circumstances justifying an alternative approach.

The contract will be utilise a staged delivery model and most appropriate supplier selection method (outlined within table 4 below) depending on what method is likely to achieve the best value for money relative to the specific activity and context.

Where there are exceptional circumstances that require an alternative approach, the rationale and decision must be documented by way of a file note or memo signed by the relevant staff member and respective Programme Manager.

For contracts with an estimated value of $100,000 or more, Council will competitively tender the contract utilising a staged delivery model and one of the following supplier selection methods depending on what approach is likely to achieve the best value for money relative to the specific activity and context.

The contract will be utilise a staged delivery model and most appropriate supplier selection method (outlined within table 4 below) depending on what approach is likely to achieve the best value for money relative to the specific activity and context. Where there are exceptional circumstances that require an alternative approach, Council staff must seek approval from Council's Tenders Committee and seek an approval from the NZ Transport Agency for a variation to relevant procurement procedures under s25 of the LTMA.

Table 4-3: Supplier Selection Methods

Supplier Selection Methods	
Method	**Rationale**
Lowest price conforming	Utilised where Council determines that best value for money can be obtained by selecting the supplier(s) that offers the lowest price and meet the contract requirements. This method will only be used where the output required is very well specified.
Purchaser Nominated Price	Purchaser nominated price should be used where the Council has predetermined the price that it is prepared to pay for the desired outputs. Best value for money is obtained by selecting the supplier(s) that provide the best proposal for the price as set out in the RFT.
Price Quality	Price quality should be used where the specified outputs can be priced by the supplier and where Council determines that best value for money will be obtained by selecting the supplier that offers the best combination of price and quality requirements as set out in the RFP.
Quality Based	Quality based should be used where the purchaser determines that best value for money can be obtained by selecting the best quality supplier(s) and then negotiating the price with that supplier(s).

All tendering and contract processes must be undertaken within the guidelines of the Council's Process for tendering (Doc #1378274) and Process for Contracting (Doc #1420037) documents. These guidelines help to ensure a consistent approach to tendering and contract development across the organisation.

4.3.4 In-House Professional Services

Most transport planning and road safety promotion activities are delivered utilising a combination of external and in-house professional services.

The Transport Agency requires activities (approved under s20 of the Land Transport Management Act) to be fully costed. Where the full cost of an activity includes the cost of professional services obtained in-house or administration, then the cost of those services or administration must be determined in accordance with generally accepted accounting practice.

Council accounts for in-house professional services and administration costs through a two step process.

Step 1

Corporate costs are allocated to Management cost centres. Those cost centres that support the organisation are deemed “Corporate” (Chief Executive officer, Finance, Facilities, Information Services, Human Resources, Communications) and are allocated to cost centres (deemed “Management”) which support staff in their regional activities. Allocation is done on the most appropriate basis: eg Facilities is allocated on floor space, Information Services is allocated on computers used, Human Resources is allocated on staff numbers, Finance on a determined basis of benefit.

Step 2
Management cost centres are then allocated to publicly reported activities by a multiplier on staff hours. This multiplier ensures that all publicly reported activities with a staff input reflect full organisational costs.

Salaries are costed by staff hours as recorded in weekly timesheets by all staff. Labour costs can thus fall in any of Corporate cost centres, Management cost centres, and Activity cost centres.

With the above method all salaries and organisational overheads are reflected in fully costed Activities.

As part of endorsing this strategy, Council requests that NZ Transport Agency approves the use of in-house professional services in accordance with s26 of the LTMA 2003.

4.3.5 Requirements for advanced procurement components and customised procedures

It is not intended that Council will make use of the advanced procurement procedures at this stage. Advanced components are those as described in the NZ Transport Agency Procurement Manual. Should the Council feel it is necessary to employ an advanced procedure this will be discussed with the NZ Transport Agency on an as required basis and approval sought before employing these methods.

5 Public Transport Programme

5.1 Purpose

This section of the strategy documents Council’s approach to the procurement of public transport services and related activities that are necessary to give effect to the Regional Public Transport Plan (RPTP) and all relevant requirements and objectives to the Land Transport Management Act (LTMA)

The strategy is intended to promote transparency of public transport procurement processes. The primary audience is intended to be Council’s own staff, any interested public transport suppliers, the Transport Agency and local authorities within the Waikato Region.

5.2 Statutory & planning context

5.2.1 The Land Transport Management Act 2003

The LTMA (2003) is the primary transport legislation that governs the planning and provision of public transport. The purpose of the LTMA is “to contribute to an effective, efficient, and safe land transport system in the public interest".

The LTMA was amended on 13 June 2013.The amendments repealed the Public Transport Management Act 2008, carrying over its relevant provisions and embedded the PTOM into a statutory framework and represents a fundamental shift in the delivery of public transport services in New Zealand and is detailed further section 5.2.4 below.

- Section 115 of the LTMA includes a set of principles to guide the actions of organisations such as the Waikato Regional Council in undertaking their public transport functions. These principles are:
- Council and public transport operators should work in partnership to deliver the public transport services and infrastructure necessary to meet the needs of passengers.
- The provision of services should be coordinated with the aim of achieving the levels of integration, reliability, frequency and coverage necessary to encourage passenger growth.
- Competitors should have access to regional public transport markets to increase confidence that services are priced efficiently.
- Incentives should exist to reduce reliance on public subsidies to cover the cost of providing services.
- The planning and procurement of services should be transparent.

The LTMA also sets out the legislative requirements for the development of the Regional Land Transport Plan (RLTP) and Regional Public Transport Plan (RPTP).

5.2.2 The Regional Land Transport Plan

The RLTP provides the framework for the long term development of the transport system in the Waikato region over the next 30 years. The RLTP identifies public transport as critical component of the regional transport system. The RLTP's land transport priorities, objectives and policies are reflected in the RPTP goals for the region (as outlined in section 5.3.1). In particular, the RLTP's direction towards improving transport access and mobility through the provision of a multi-modal integrated transport system that meets the social, cultural and economic needs of the region.

5.2.3 Regional Public Transport Plan

The RPTP supports the operational delivery of the RLTP in respect to public transport. The RPTP is required by the LTMA to be consistent with the RLTP. To achieve this, Council has developed the RPTP alongside the RLTP to ensure a consistent approach.

The RPTP statutory purpose is to provide:

- a means for encouraging regional councils and public transport operators to work together in developing public transport services and infrastructure
- an instrument for engaging with the public in the region on the design and operation of the public transport network
- a statement of the public transport services that are integral to the public transport network, the policies and procedures that apply to those services, and the information and infrastructure to support those services.

The RPTP must also give effect to the Public Transport Operating Model (PTOM).

5.2.4 The Public Transport Operating Model

PTOM represents a fundamental shift in the delivery of public transport services in New Zealand by providing for a fully contracted environment for services that have been identified as integral to the public transport network, irrespective of whether the services are subsidised by central and local government.

The model is designed to grow patronage with less reliance on subsidy and was developed with two overarching objectives:

- to grow the commerciality of public transport services and create incentives for services to become fully commercial
- to grow confidence that services are priced efficiently and there is access to public transport markets for competitors.

Central to PTOM is an emphasis on regional councils and operators building a stronger partnering approach to the planning and delivery of public transport services. This approach recognises that both parties have a stake in, and are reliant on each other for delivering affordable public transport services that people want to use. Key features of PTOM include:

- a requirement for public transport services to be provided under contract with the relevant regional council unless exempt;
- a requirement for public transport services to be arranged into ‘units’ that are described in a Regional Public Transport Plan;
- the insertion of a definition of a ‘unit’ as a public transport service (or a group of public transport services) that encompasses all the timetabled services operating on a route (or routes) identified in a Regional Public Transport Plan;
- a requirement for all units to be under exclusive contract to the council, including commercial ‘units’ that do not receive any public subsidy;
- allowing services that are not considered integral to the urban public transport network to be exempt from operating under contracts; and
- a requirement for councils to have an ‘exempt services’ register.

5.3 Regional context

The Waikato Region has a population of about 400,000 with the majority of people being located in Hamilton and the satellite towns such as Huntly, Ngaruawahia, Morrinsville, Cambridge and Te Awamutu. Outside of the greater Hamilton area the

population distribution is characterised by dispersed towns with relatively low populations.

The population of the Waikato region as a whole is growing and ageing. However population change is uneven, with growth primarily occurring in Hamilton and satellite towns while many rural districts are facing static or declining populations.

It is anticipated that population growth will increase demand for services and infrastructure in some areas. In contrast, population decline in other areas is expected to result in ongoing demand for services and infrastructure that service a reducing number of people. A key issue for the region how to provide affordable transport choices that meet changing access and mobility needs of the population.

5.3.1 Vision & priorities for public transport

The vision for public transport in the region is:

"A growing and affordable public transport system that contributes to the economic and social vitality of the region"

The vision describes the desired state of the public transport system in the Waikato by 2025 (the planning horizon for the new RPTP). It reinforces the direction in the RLTP across most of the objectives, including economic development, access and mobility, affordability, land use integration and environmental sustainability. It also recognises that public transport will play a growing role in promoting economic and social outcomes, while ensuring ongoing affordability to its users and funders.

Underpinning the goal is a set of strategic priorities outlined in the RPTP to guide the achievement of the goal. Some strategic priorities are appropriate to the network as a whole, whereas others have been developed for the Hamilton urban area, satellite towns and rural areas as each of these areas have different needs/drivers that require different public transport responses (refer Chap 5 RPTP).

5.3.2 The Public Transport Network

Public transport services contracted to the Council currently consist entirely of subsided bus services. There are no commercial services currently operating that considered integral to the network. The network can be broadly categorised into three groups being Hamilton urban services, satellite services and rural services.

Hamilton urban services accounts for about 90 per cent of the region's public transport services and currently comprises comprehensive network of 26 routes with most operating Monday to Saturday, with 12 key routes that operate on Sundays and public holidays.

Satellite services provide access between the satellite towns and Hamilton itself. The Satellite towns include:

- Huntly and Ngaruawahia
- Raglan
- Te Awamutu, including Kihikihi
- Cambridge, including Leamington
- Paeroa, Te Aroha and Morrinsville.

Rural services include Taupō urban services and cross-boundary services in North Waikato (Tuakau and Port Waikato to Pukekohe). Additional rural services also operate on a seasonal basis (e.g. Ferry Landing/Hot Water Beach summer services in the Coromandle) meeting localised mobility or access needs of specific communities.

The regions bus patronage has risen significantly from 1.7 million trips in 2003/04 to over 4.5 million trips in the 2013/14 financial year. Most of this patronage increase has

been in the Hamilton urban area, which reached over four million passenger trips in 2013/14.

Satellite and rural patronage levels have also grown steadily over this period, but with relatively smaller numbers. The total patronage for satellite and rural services in the 2013/14 financial year was approximately 500,000.

5.3.3 The Strategic Network Review

The Waikato Regional Council, in conjunction with key stakeholders, undertook a strategic network review (SNR) in 2013. The purpose of the SNR was to review the current public transport services and determine the optimal form of a future network to meet the needs of the region. Four key principles that underpinned the review were

- the need to examine the fundamentals of investment priorities for public transport in the region
- determine the optimal form of a future network to meet the needs of the region
- develop an investment and planning methodology which ensures that public transport outcomes are optimised on the current and future network
- to ensure available resources are prioritised to the greatest effect.

The key outcomes of the SNR have been considered as part of the review of the RPTP.

5.4 Current procurement profile and spend

5.4.1 Operational expenditure

As illustrated by the table 5 below, the majority of expenditure on public transport operations relates to the provision of contracted bus services (90% of operational expenditure). Contracted bus services are the single largest transport procurement activity the Council undertakes. Accordingly the approach to procurement of bus services forms a major component of this strategy.

Table 5-1: Expenditure Profile Public Transport

Forecast Expenditure 2015/16 to 2017/18						
		Years	2015/16	2016/17	2017/18	Totals (3 years)
NZTA Work Categories	511	Bus services	20,030,000	20,365,000	20,740,000	61,135,000
	514	Passenger transport facilities operations and maintenance	562,000	562,000	562,000	1,686,000
	517	Total mobility operations	550,000	600,000	650,000	1,800,000
	519	Wheelchair hoists	20,000	20,000	20,000	60,000
	521	Total mobility wheelchair hoist use payments	95,000	100,000	110,000	305,000
	524	Public transport information operations and maintenance	1,135,000	1,147,000	1,110,000	3,392,000
		Totals	**22,392,000**	**22,794,000**	**23,192,000**	**68,378,000**

Over the next three years operation expenditure is expected to be similar to current levels (approximately $21.6 million 2013/14). This is due to the focus on delivering services more efficiently and effectively within existing budgets. Forecast increases in operational expenditure are largely due to forecast allowances made for input cost escalation and capital improvements.

5.4.2 New Improvements

With the potential exception outlined below, there is not any significant additional bus services planned within the next three years. There is however a possibility that Council may need to respond to a potential withdrawal of school bus services currently provided be the Ministry of education.

Withdrawal of the services would result in a transfer of some students to services provided by the Regional Council. Providing additional capacity to cater for increased demand will require increased operational funding and could be progressed as a new bus services improvement. This is discussed further in section 5.18 of this strategy.

There may be a requirement to provide interim services to meet growing demand prior to the implementation of the Plan, particularly in the Northern Suburbs. These will be varied into existing contracts and would likely be an extension of existing services.

Outside of bus service improvements Council intends on progressing the following improvements during the life of this strategy:

- Improved ticketing system for buses
- Improved real-time information system for buses.
- An electronic ticketing system for the total mobility scheme.

The improvements outlined above will have both capital and operational cost components. The improvements are discussed further in sections 5.23 to 5.25 of this document.

5.5 Defining value for money

Value for money refers to the utility derived from a purchase or sum of money spent. Best value for money is achieved where maximum utility is purchased for the minimum sustainable price.

In relation to public transport services, utility is maximised where services are highly utilised by customers. Utilisation in turn is highly sensitive to the quality of the services on offer. Importantly this means that price alone is not a determinant of value for money.

Council's objective is to seek an optimal balance between quality and price to achieving best value for money spent. To help meet this objective the principles outlined below have been identified to help guide behaviours and development of a procurement approach designed to achieve best value for money.

5.5.1 Principles for achieving best value for money

1. **Think holistically and be innovative** – this is about accounting for all costs and benefits over the lifetime of public transport services and committing to continuous improvement (plan, do, check and improve).
2. **Ensure standards are fit for purpose relative to the outcome being sought –** this is about being conscious about the balance between quality and price and avoiding unnecessary cost.
3. **Be fair to all suppliers and treat all suppliers equally** – this is about being accountable, transparent, reasonable and making it easy for all interested parties to engage and/or do business with us.
4. **Maximise potential for credible competition** – this is about creating the conditions that will deliver quality outputs for efficient and sustainable prices.
5. **Keep it simple –** this is about maximising certainty for all parties and avoiding unnecessary costs and barriers for participation.

6. **Value partnering –** this is about recognising that best outcomes can only be achieved in partnership with other stakeholders.

It is important to note that most of the principles are not mutually exclusive and require trade-off between them.

5.6 Defining the market - bus services

Public transport services are generally (but not exclusively) defined as services for the carriage of passengers for hire or reward that is available to the public generally (s5 LTMA). Existing public transport services in the Waikato region can be broadly classified into three groups:

- Services that receive financial support from Waikato Regional Council, including contracted bus services in Hamilton, satellite towns and rural areas (including Taupō), and Total Mobility services
- Special purpose services that receive funding from education, health or community agencies. e.g. Ministry of Education funded school services
- Exempt services (provided commercially) that do not receive any financial support from the Waikato Regional Council, including inter-regional bus and rail services, tourist and charter services, and small vehicle services such as shuttles.

Within the Waikato region there are currently no commercial services operating that Council considers integral to the of the public transport network it provides. Therefore Council's primary focus is subsidised public transport services.

However it is recognised that all aspects of the public transport market are linked regardless of whether they are subsidised, commercial, exempt or excluded. For example a Regional Council can decide the size of the bus subsidies market, which in turn can influence the size of commercial bus services market. Accordingly all aspects if the public transport market needs to be considered holistically. It is also common for service providers to operate in multiple regions and interchange resources between regions. The potential supplier market for public transport services warrants consideration from national and regional perspectives.

5.7 Competition assessment

Competition can be an effective means of achieving best value for money. Competition is a process of rivalry between firms seeking to win the right supply an output and in doing so realise a financial profit. This process of rivalry, where it is effective, encourages suppliers to deliver benefits to purchasers and end users in terms of prices, quality and choice. Where competition is low purchasers have less choice and may pay higher prices and/or realise lower levels of quality.

Since 2005 the Council has tendered 12 contracts for the provision of public bus services. On average Council has received 2.3 bidders per contract. The majority of tender rounds attracted two bidders. As illustrated in the table below, this appears to

be a relatively low level of supplier participation compared to other regions such as the Bay of Plenty and Canterbury.

There also appears to be a relationship between the typical level of competition within regions and the typical cost of bus service provision. Regions that have lower numbers of bidders per contract, on average tend to pay higher prices per in service kilometre travelled.

It would overly simplistic to assume that an increased number of bids will result in lower contract prices, as there are many variable factors that affect price and quality (refer Table 6).

However at the very least, encouraging credible competition from a larger number of suppliers will increase confidence that services are priced efficiently and there is access to public transport markets for competitors.

Table 5-2: Competition Assessment

Region	Average contract cost per in service KM travelled ($-2013/14)*	Average number of bidders per contract**	Approximate number of vehicles in contracted bus fleet
Bay of Plenty	$2.6	3.6	62
Canterbury	$2.7	4.9	244
Waikato	$3.4	2.3	88
Auckland	$4.8	1.33	1053
Wellington	$5.8	1.12	505

*Assumes all gross contracts, excludes GST and super gold card expenditure. Actual figures are likely to be higher all regions.

** Figures relating to Canterbury, Auckland & Wellington were sourced from the 2011 PTOM Competition Assessment Report. Figures relating to Waikato and Bay of Plenty are sourced from the respective Regional Councils.

5.8 Analysis of the supplier market

5.8.1 Existing supplier market

Currently the Council has four bus operators providing subsidised services as part of the public transport network. Table 7 below outlines the approximate scale of their Council specific operations. All existing suppliers have proven capable of meeting the terms of their respective contracts.

Table 5-3: Current Suppliers

Bus Operator	Approximate Market Share (2014/15)
Go Bus Transport	68%
Pavlovich Coachlines	29%
Turley Murphy	1.5%
Waipawa Buses	1.5%

Go Bus Transport is the largest operator in the Waikato with a diverse business catering for: School Bus and Special Education Transport services throughout New Zealand on behalf of the Ministry of Education.

- Urban bus services in Hamilton, Napier/Hastings, Tauranga, Gisborne, Christchurch, Dunedin and Invercargill.
- Private charter services throughout New Zealand. x

In the Waikato, Go Bus has existing transport depots in Huntly, Hamilton, Matamata, Te Awamutu and Tokoroa.

Pavlovich Coachlines has been operating since the 1930's. Pavlovich operates a fleet of approximately 70 buses and coaches including urban services in Auckland and the Waikato. Pavlovich has a depot located in the North of Hamilton, near The Base shopping complex.

Turley Murphy is a cooperative arrangement between Murphy Buses and Turely Motors. Murphy Buses was established in the late 1970's and primarily operates charter and school bus services in Auckland and the Coromandel. Turley Motors is based in Te Aroha and primarily operates charter and school services.

Waipawa Buses core business focuses on bus tours and charters and have depots located throughout the central North Island, with Taupo being its base in the Waikato.

5.8.2 Supplier market

There are a large number of entities nationally that hold a passenger services licence, which are theoretically capable of supplying bus services. However only a relatively small proportion compete for and operate public services contracted to local and regional government.

In larger urban areas there appears to be a trend towards fewer but larger operators who typically have a presence in multiple regions. Smaller urban and rural areas tend to accommodate smaller operators who typically operate within specific geographical areas.

In developing this strategy Council has identified a pool of 15 suppliers it considers most likely to be able to provide quality services and potentially operate one or more units. Council has also put significant effort into developing a unit structure, procurement approach and contractual framework that is likely to be attractive to a range of potential suppliers of various sizes and businesses models.

In developing components necessary to implement PTOM, information and feedback has been sought directly from operators who have registered an interest with Council and more broadly via the Bus and Coach Association. The key initiatives opportunities for engagement included:

- Strategic Network Review
- Market Sounding Workshop
- Regional Public Transport Plan Development
- Development Key Performance Indicators - Industry Steering Group
- Financial Incentive Mechanism Development - Industry Steering Group
- Consultation informing Unit Structure and Procurement Approach Development
- Regional Public Transport Plan Hearings
- Consultation informing development of a Regional Collaboration and Partnering Framework
- Consultation informing development of tendering and contractual documents

Some operators actively participated in multiple work streams while others wished only to be kept informed of progress and tendering timeframes. Council has sought to engage with the industry as broadly as possible and keeping operators informed of progress and timeframes.

5.9 Potential barriers to market entry

Potential bidders can be discouraged or prevented from participating in tender processes where there are significant barriers to entry. The following potential barriers have been considered as part of developing this strategy:

- Access to compliant vehicles
- Access to labour
- Access to land for bus depots and infrastructure.
- Tender design

The key findings are summarised below and the more detailed analysis is included within Appendix 1

5.9.1 Access to vehicles

Access to compliant vehicles within critical timeframes could limit or enhance an operator's relative ability to participate in tender processes. For example an operator looking to enter a new market may need to secure a significant number of additional vehicles in order to meet the requirements of the contract on offer. The availability and ease of securing vehicles within contract lead times can be a significant determinant of whether an operator can compete and potentially enter into a new area.

The convergence of procurement activity into a relatively compressed timeframe nationally along with new contracts being a key mechanism for implementing RUB; could serve to increase demand for vehicles beyond supply at critical times. This could serve as a barrier to entry into new markets.

To mitigate potential risk Council intends to specify RUB as the urban vehicle standard but may not require that the fleet be fully RUB compliant from the outset of a contract, provided non-compliant vehicles can be transitioned to a fully compliant RUB fleet within a specified timeframe of no more than 12 months. As part of tender evaluation preference would still be given to bids that are fully RUB compliant from the outset.

It is intended that this approach would only apply to contracts that have lead-in times of less than 12 months. This approach would require agreement from the Transport Agency to a variation to national procurement rule - 10.31 Vehicle quality requirements for bus public transport units. Approval will be sought as part of endorsing the Strategy.

Council intends to implement relatively generous contract lead in times for the majority of units. Longer lead in times should provide potential operators with additional flexibility in terms securing vehicles of an appropriate standard. Subject to the above mentioned factors it is considered unlikely that access to vehicles will be a significant barrier to entry into the Waikato market.

5.9.2 Access to labour

Access to skilled labour, in particular qualified and experienced bus drivers, has potential to limit the ability for an operator to establish in a new area. However within the Waikato there appears to be a relatively healthy pool of drivers situated throughout the region. Furthermore it is considered likely that the majority of existing drivers utilised for existing contracts would remain even if the operator running a contract changed. It is also likely that new drivers could be trained and licensed within the proposed contract lead in times. On balance is considered that access to labour is unlikely to be a significant barrier to entry into the Waikato market.

5.9.3 Access to land for bus depots

Land requirements for bus depots in the Waikato could vary significantly. For example a depot serving all of Hamilton may need to be capable of accommodating 70+ buses, while urban units awarded to multiple operators may require multiple depots. A depot

serving a satellite town may only need to accommodate between 3 and 10 buses depending on the associated service. Given the large number of potential variables, consideration has been given to a range of potential depot scenarios.

The Council commissioned The Property Group Ltd (TPG) to investigate the availability of potentially suitable land for the establishment of bus depots in the Waikato. The key findings are as follows:

- that on balance land affordability within the Waikato (relative to other regions) is unlikely to be a significant barrier to entry.
- However availability of suitable land and at the right time could be a significant issue along with the time needed to potentially modify a site or sites and establish fixed depot infrastructure if required

To reduce the potential for land availability to limit potential Competition, Council proposes to implement generous contract lead in times (6 months to 2.5 years) and offer all satellite and urban units to the market at the same time. This will provide opportunity to bid for one or more units depending on what best suits an individual operator and maximises time available to secure fixed and moving infrastructure.

5.9.4 Tender design

All units within the Waikato will be procured via a completive tendering process. Therefore tender design is an important consideration in terms maximising competition.

In New Zealand certain elements relevant to tender design are essentially fixed. For example tendered partnering contacts must have a term of 9 years and include specific partnering elements. Tenderer evaluation must utilise the price quality method and vehicle specifications must comply with the national Requirement for Urban Buses. Many of these elements have been develop for the purpose of increasing competition and value for money.

The basis for tender design is to an extent predetermined. However there remains significant scope to unnecessarily complicate process or impose unwarranted or irrelevant requirements on operators. Such factors are likely to discourage or prevent potential suppliers from participating.
To minimise this risk, Council has developed principles, outlined in Section 5.1, to help guide appropriate behaviours and process development. In addition and most importantly the industry has contributed to development of the unit structure, procurement approach, regional partnering approach and contractual documents. Specific feedback has been received regarding tender design elements and has been valuable in designing and finalising the tender process.

5.10 Assessment of other procurement programmes

The development and implementation of PTOM has meant many regions have delayed tender rounds, leading to existing contracts being extended. The extensions are likely to result in a convergence of procurement activity into a relatively short period of time compared to historic patterns.

There are a number of large tender rounds likely to occur approximately yearly for at least the next five years. The larger tender rounds, units with a peak vehicle requirement of 50 or more, are associated with Auckland (each year 2014 to 2016), Wellington (2015 and 2016) Dunedin (2016 onwards), Bay of Plenty (2017) and Canterbury from (2018 onwards).

It is the Council's intention to release RFT's to the market in a way that avoids running procurement processes in parallel with significant tender rounds in other regions. However it is recognised that some overlap of process between regions may be unavoidable. Minimising parallel processes with Auckland and Bay of Plenty is

particularly desirable due to the greater potential for common suppliers between the regions.

5.11 Bus Units

A core component of PTOM is the segmentation of the public transport network and services into coherent units. From July 2015 onwards all public transport services within the region (with the exception “exempt” or “excluded” services) must form part of a public transport unit and be provided under contract to the Regional Council. More specifically in accordance with the LTMA regional Council, in its RPTP must:

- identify the public transport services that are integral to the public transport network,
- provide an outline of the routes, frequency and hours of operation of the services integral to the network
- arrange all integral services into units
- indicate the date by which a unit is expected to start operating

Chapter 7.1 of RPTP 2015 -2025 identifies the public transport services that are integral to the network, and provides an outline of the routes, frequency and hours of operation of those services. Appendix E of the RPTP records how the services identified as integral to the network have been arranged into units and the intended commencement dates for the units.

The unit structure was identified following a comprehensive network review (2013-2014), targeted consultation with interested operators, the NZ Transport Agency, respective Local Authorities and publically as part consultation on the RPTP. The final unit structure was identified in consideration of all stakeholder feedback and unit principles, statutory requirements and design considerations outlined below.

5.11.1 Unit principles

1. **Attractive** - A unit or group of units should be attractive to multiple tenderers.

   This principle is central to the Public Transport Operating Model and the overarching objective to grow confidence that services are priced efficiently and there is access to public transport markets for competitors. The potential for credible competition for a market is regarded as a fundamental driver of efficient pricing. Consideration of the attractiveness of a unit from the perspective of multiple operators requires consideration of the conditions that are likely to make it viable for an operator to enter an otherwise established market.

2. **Marketable Whole** - Units should align with identifiable customer markets and provide exclusivity to those markets.

   This principle aligns with the requirement for Regional Council to contract for the provision of every unit on an exclusive basis (LTMA s116). Unit alignment with identifiable customer markets is desirable as it focuses attention on growing patronage overall in preference to attracting existing patronage from other services or units. Maximising exclusivity of a unit should also enhance the relevance of any financial incentive mechanism applicable to the unit. This is due an operator having exclusive exposure to the growth potential of the unit.

3. **Efficient** - Units should be configured and potentially grouped to maximise operational and administrative efficiencies.

   Maximising operational and administrative efficiencies can serve to reduce costs and increase returns on investment for operators and Councils. Ultimately maximising efficiencies should be of most benefit to public transport users by minimising the need for fare increases and ensuring maximum resource can be applied to providing quality and desirable services. Operational efficiencies also

require consideration of efficient groupings of routes and services and effect unit configuration may have on the ease of incrementally changing an integrated network of routes and services overtime.

5.11.2 Unit requirements

1. **Whole Route Operation** - Each unit must comprise a service or group of services that operates all timetabled services on the entire length of one or more routes in the RPTP (legal requirement). This precludes the defining of a unit that only covers part of a route in the network, and helps define the 'marketable whole' and reinforce the customer base.

2. **Mode Specific** - Units must be single mode-specific - that is, a unit cannot include both a bus and ferry or train route.

5.11.3 Unit design considerations

1. **Network and service review** - The network review, completed in 2013 and the subsequent revised public network proposed for Hamilton has been included in the RPTP 2015 -2025.

2. **School services -** The Ministry of Education is currently reviewing the provision of Ministry funded school bus services in the region. The outcome of the review may have implications for the final identification of services integral to the network. There are also School services operated under contract to individual schools that are not considered integral to the network that may need to be registered with Council as exempt services

5.12 Unit structure and commencement

Table 5-4 and figure 5-1 below provide an outline of the Regions unit structure and indicative unit start dates. For more detailed unit information refer to Chapter 7.1 of RPTP 2015 -2025. Unit start dates may vary from what is outlined below, depending on the actual timing of procurement and unit contract award.

Table 5-4: Unit structure and indicative start dates for region

Unit	Unit Start	PVR (indicative)
Hamilton Urban 1	Jan 2017	22
Hamilton Urban 2	Jan 2018	43
North	Nov 2016	6
East	Nov 2016	1+
South	Jan 2019	4
West	Jan 2017	3
Taupo	Jan 2017	3
North Waikato	TBD	1+
Coromandel Unit	Jan 2016	TBD
Trial Services Unit	TBD	TBD

Figure 5-1: Diagram of unit structure for the Waikato region

5.13 Unit performance monitoring

Council proposes to develop the basis of a monitoring regime (refer to Appendix 3 proposed KPIs) that will apply to all units and agree specific details relevant to each unit with operators, post award of contracts. As a minimum the monitoring regime will incorporate all relevant key performance indicators outlined in the NZ Transport Agency's Procurement Manual. Any further elements of the regime will be developed in consultation with operators taking account of the following:

- relevance of performance measurement to providing a quality public transport service
- availability and reliability of data required to measure performance
- ease and cost of collecting data required to measure performance
- how external factors that can impact on performance, but cannot be controlled
- reciprocal performance measures

5.13.1 Commerciality ratio

The commerciality ratio is a financial calculation that measures performance by assessing the proportion of revenue generated by public transport users against the cost of providing the services.

Council will calculate a commerciality ratio for:

- the region as a whole, and
- each unit of public transport services identified in the RPTP.

The unit commerciality ratios will be published as part of a league table annually and included within annual reporting on the Regional Land Transport Plan.

5.14 Procurement Plan - Hamilton urban and satellite units

The Council has included all of the Hamilton Urban and Satellite Units (with the exception of the Southern Unit) into one tender round to be completed during 2015. The approach is intended to reduce potential barriers of entry for new market participants and enhance the potential for value for money improvements. In addition, a combined approach provides some economies of scale benefits for Council, and ensures a consistent approach to the procurement and subsequent evaluation.

5.14.1 Delivery model

All Satellite and Urban Units will utilise the Partnering Delivery Model with nine year contract terms as outlined in the NZ Transport Agency's Procurement Manual. Key elements of the delivery model are detailed in sections 5.19 and 5.20 of this strategy.

5.14.2 Timing

The Council intends to issue RFTs for all Hamilton Urban and Satellite Units during 2015 as part a single tender round, with the exact timing taking into account procurement activity elsewhere in New Zealand.

Operator feedback relating to procurement timing varied. Generally incumbent operators' strongly favoured staggered tender rounds while feedback from non-incumbent operators favoured a lager offering of units to the market at one time.

On balance Council favours a single tender round for the Hamilton and satellite units as it creates potential for group tendering. The expected benefits of enabling group tendering are outlined in section 5.21.3.

5.14.3 Unit commencement

The Hamilton Urban and Satellite Units will have staggered commencement dates over a three year period. Staggered commencement of units enables phased implementation of network changes identified in the RPTP, and also removes a potential barrier to entry for new operators – providing relatively generous lead in times to secure the required infrastructure and vehicles.

There was no specific feedback from operators concerning unit commencement dates. The commencement dates align with the end dates of existing contracts. Current expiration dates are consistent with an initial concept unit design identified in 2013 as part of review of the public transport network. The concept unit configuration was used as the basis for extending existing bus contracts necessary to transition to PTOM and comply with the various transitional requirements. Further contract extensions will be made to contracts that align with the north and east units. The NZ Transport Agency has approved the extension of the contracts.

5.14.4 Unit lead in times

A single tender round during 2015 along with staggered unit commencement allows for unit lead in times of between nine months to 2.5 years depending on the unit.

The two largest units (Hamilton Urban 1 and Hamilton Urban 2), which account for about 90 percent of the total Waikato market, would have lead in times of approximately 1.5 and 2.5 years respectively. The precise lead in times will depend on when contracts are actually awarded.

Contract lead in times longer than one year could be considered unusual compared with typical lead in times within the industry. Longer leads in times are intended to provide additional flexibility for the supplier market to secure resources establish fixed and moving infrastructure.

5.15 Procurement Plan - Coromandel unit

This unit will enable the contracting of seasonal targeted services within the Coromandel Peninsula. As illustrated in the figure 5.2, the Coromandel population increases to over four times the size of the usually resident population during summer months. The temporary but significant population increase can put significant pressure on transport infrastructure at particular times.

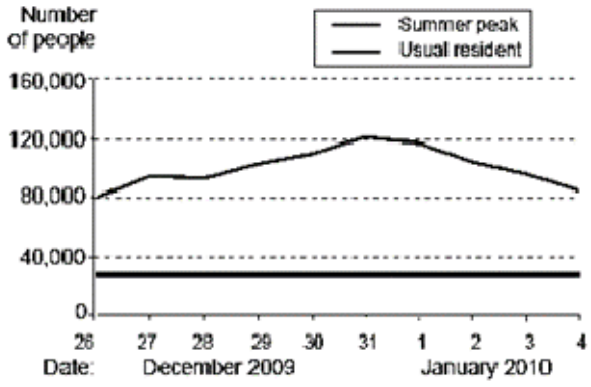

Figure 5-2: Coromandel population increase during summer months

To help cater for peak transport demand and avoid the need for infrastructure improvements (that are not needed for most of the year) the Regional Council in partnership with the Thames-Coromandel District Council, provide targeted shuttle services and temporary park and ride facilities at key locations. The services are small scale but effective.

There is potential for the services to be provided on a commercial basis. Council intends to utilise contract tenure as an incentive for provision of the services on a fully commercial basis. This will be tested by offering two options to the market as part of a completive tendering process -

- A subsidised gross based unit with a contract tenure of 3 years or:
- A commercial unit with contract tenure of 9 years.

Council would award a subsidised unit in the event there are no viable tenders for operation of the unit on a commercial basis.

The unit contract will be structured to allow:

- transition from a subsided unit to commercial unit (if a subsidised contract is awarded)
- transition from a commercial unit to a subsidised unit if the need for subsidy arises from a Council initiated change to the contract terms.

In the event a commercial unit is awarded and the operator is unable to meet the terms of the contract or is unable to operate the service on a commercial basis, then the contract would be terminated and unit would be re-tended.

In any event Council intends to utilise a staged delivery model as the basis for contracting the unit due to the temporary and small scale nature of service provision.

5.16 Procurement Plan - Taupo unit

Taupo unit currently consists of regular scheduled Monday to Friday services within Taupo, with limited weekend services. The unit also includes the Mangakino to Tokora and Mangakino to Taupo services (targeted services).

The Taupo Unit will be tendered in 2017 in line with the expiration date of the existing contract. Due to the remoteness of the Taupo services relative to other services within the Region, there is unlikely to be any significant benefit in including the unit as part of group tendering.

The Taupo Unit will utilise the Partnering Delivery Model with nine year contract terms as outlined in the NZ Transport Agency's Procurement Manual. Council intends to allow for a contract lead in time of approximately nine months, but not less than six. This is considered appropriate given the relatively small size of the unit (PVR of two).

5.17 Procurement Plan - North Waikato unit

The North Waikato Unit enables provision of publicly subsidised services to cross the boundary between the Waikato and Auckland regions. Pursuant to the LTMA, public transport units cannot cross regional boundaries and public transport services that cross regional boundaries are defined as inter-regional services, and must be registered as exempt services. Exempt services are not eligible to receive public subsidy.

There are currently a number subsidised services that operate between Pukekohe, (situated in the Auckland Region) and Hamilton, Port Waikato and Tuakau (situated in the Waikato Region). In order to comply with the LTMA requirements THE COUNCIL will work with Auckland Transport to establish units either side of the regional boundary and jointly procure a single operator for both units, as well as agree on a funding arrangement to share the cost of the adjoining services**.**

Timing for procurement of the North Waikato Unit is likely to be towards the end of 2015 when Auckland Transport intends to go to market for its southern units. It is likely that the council will seek to apply the same contractual framework to the North Waikato Unit that Auckland Transport utilises for its unit covering the Pukekohe area. This has

been signalled in the latest Regional Public Transport Plan. The council may also seek to delegate management for all relevant cross boundary services to Auckland Transport. Discussions with Auckland Transport are ongoing and a preferred approach is yet to be agreed.

5.18 Procurement Plan - School bus unit

The Ministry of Education is currently reviewing the provision of Ministry funded school bus services in the region and is considering withdraw of ten school bus services. The ten Ministry-funded routes cater for approximately 560 students travelling from Te Awamutu, Huntly, Cambridge, Ngaruawahia, Te Aroha, Morrinsville and Melville to three Special Character Schools in Hamilton. The schools are Sacred Heart College, St Johns College and Waikato Diocesan School for Girls.

Withdrawing the services is expected to result in a transfer of some students to services provided by the Regional Council. In principle Council is supportive of growing patronage on existing services. However some existing services and service transfer locations have limited capacity at peaks times and will struggle to cater for a significant increase in patronage. Providing additional capacity will require increased operational funding or a reallocation of resources within the limits of available funding.

The withdrawal of MoE funded services provide both a challenge and opportunity to improve the way public transport is provided in the region. The Council along with the NZ Transport Agency, affected territorial authorities and school principals are working collaboratively to address the potential withdrawal services. However at present a transition plan has not yet been agreed nor a likely time frame for withdrawal identified

A “reserve” unit for school bus services has been included in the Regional Public Transport Plan to allow flexibility in responding to the potential withdrawal if required. In addition, or as an alternative approach, to competitively tendering services via the school bus unit, council could seek variations to existing contracts to increase service provision if required.

Council in intends to utilise the NZ Transport Agency Business Case Approach, as the framework for agreeing how best to respond the withdrawal of services with key stakeholders.

5.19 Contractual & Partnering Framework- Bus Services

5.19.1 Delivery model

The delivery model for the “reverse” School Bus Unit will be determined in the future if required. The delivery model for the North Waikato Unit will be identified in collaboration with Auckland Transport. All other units (Satellite, Urban and Taupo) will utilise the Partnering Delivery Model as outlined in the NZ Transport Agency’s Procurement Manual. The only exception being the Coromandel Unit which will utilises a staged delivery model.

The partnering model is not a formal partnership, but recognises the importance of collaboration between Council and operators to the provision of quality public transport services and leverages investment from both parties.

Under a partnering delivery model, Council and operators are incentivised to work collaboratively to achieve high performance standards and grow the commerciality of units. Successful collaboration demands that all parties share a common commitment to achieving the mutual goal of growing patronage with less reliance on subsidy. Risk is shared, to ensure that risks are placed with the party best able to manage them. This is achieved through the inclusion in contracts of key partnering tools, such as principals

for partnering, financial incentive mechanisms, key performance indicators and annual business planning.

Under the partnering delivery model, contracts will be partnering contracts with a term of nine years and must include key partnering tools.

5.19.2 Principles for partnering

One of the core components of PTOM is the collaborative partnering approach, enhancing the relationship between the Council and operators (and also less directly with the Transport Agency and territorial authorities). Ultimately, this is achieved via the contractual and commercial framework, but more specifically through the proactive business planning initiatives, key performance indicators and the financial incentives mechanism.

The Council has identified and developed the following key principles in consultation with bus operators to help guide behaviours and successful partnering:

1. The parties will seek to build relationships based on transparency, accountability and trust.
2. The parties will seek to understand and acknowledge respective objectives and needs regardless of how well they align with their own.
3. The parties will seek to agree common objectives and deliver mutual benefits.
4. The parties will have clearly identified roles and responsibilities.
5. Risk should be apportioned to the party best able to manage it.
6. The parties must have a commitment to continuous improvement of service delivery, customer experience and value for money.
7. Parties are committed to resolving any differences simply, effectively and in a manner that supports a long term partnering relationship.

5.19.3 Joint business planning

One of the key tools for achieving this partnering relationship between Council and operators relationship will be joint business planning focused on the enhancement of unit performance and customer experience. Council proposes to establish a governance and operational management framework consisting of the following entities:

Service Delivery Forum – a yearly forum, with representatives from each operator, the Transport Agency, affected territorial local authorities and chaired by the Council providing an opportunity for discussion of public transport issues that have implications for the region. This forum will contribute to collaborative network enhancements and the efficient delivery of services.

Unit Operations Management Team – meeting 1-4 times each year (depending on the size of each Unit) to assess and review operational issues, including performance. The team would consist of operational senior management from the Council and the Operator.

Unit Partnering Team – meeting regularly and responsible for the day-to-day service provision. The team will consist of the Council's account manager and the Operator's local operations manager.

The annual business plan is a cornerstone for partnering and is envisaged to be a working document, which will align and integrate into contract management processes.

Council anticipates that the Unit Operations Management Team will be responsible of overseeing the development and currency of annual business plans. It is anticipated

that the Unit Partnering Team will have the primary responsibility of giving effect to the plan in collaboration with other stakeholders as and when required.

It is anticipated that Council and operators will collaboratively develop a plan for each unit that delivers on key objectives for both parties. The Business Plan is pivotal to ensuring that a "no surprises" approach is adopted to ensure that the desired outcomes are reached.

Where an operator provides the services for more than one Unit, the Council and the operator may agree to combine the business planning process for that operator's Units, to make the best use of available resources.

5.19.4 Key performance indicators

Appendix 3 includes key performance indicators (KPI) that are currently proposed to apply to all units. The KPI's remain subject to discussions with operators and may be subject to change. Final KPI's will be confirmed in subsequent procurement and contractual documents.

However as a minimum Council will utilise all relevant key KPI's outlined in the NZ Transport Agency's Procurement Manual. Additional KPI's specific to particular units may be identified in partnership with operators as part of developing business plans or as otherwise required.

5.19.5 Priced key performance indicators

The Council's intends to utilise priced key performance indicators to incentivise high performance in relation key service delivery factors critical to providing great customer service. A draft set of priced KPI's were developed in consultation with operators and the NZ Transport Agency. Further changes indicative draft set of priced KPI's as result of consultation with elected officials (refer Appendix 3). Final versions of the priced KPI's will be confirmed in unit contracts but are expected to be broadly consistent with the draft KPI's outlined within Appendix 3.

5.19.6 Financial incentive mechanism

The financial incentive mechanism (FIM) is the formula that specifies the parties' share of the change in fare revenue. It ensures that both Council and operators have a mutual financial interest in the positive performance of a public transport service unit, to incentivise them to collaborate to improve performance by growing patronage with less reliance on public subsidy.

The New Zealand Transport Agency (Transport Agency) provides specific guidance for considering when developing. The guidance is outlined below:

Requirements - FIMs must comply with the following requirements:

- apply to all subsidised partnering contracts; may apply to non-subsidised (commercial) partnering contracts by agreement
- be separate from cost indexation and KPI processes and payments.

Principles - FIMs must be consistent with the following principles:

- incentivise both parties to collaborate to grow patronage and revenue
- take account of unit and regional market characteristics
- be simple to apply and administer
- contribute to value for money.

Options - Each FIM will share changes in farebox revenue (and service cost if incorporated into the FIM formula) compared to a baseline, using one of two broad approaches:

- patronage-based sharing, which links the incentive directly to patronage change through a 'per passenger' payment
- revenue-based sharing, which allocates a share of revenue change, and cost change if desired, on a proportional basis.

The Council invited interested operators, the NZ Transport and local authorities, to form a FIM Steering Group. The group explored both revenue and patronage based models over the course of a number of meetings.

The Steering Group clearly identified a patronage model, with a per passenger payment, as the preferred option. The FIM Steering Group considered that a patronage model was the most likely option to encourage the desired behaviours for both key parties, and also contribute towards the aim and objectives of PTOM.

It was agreed that a revenue based model presented several challenges, including ability to influence fares, which were considered as being too significant to overcome whilst retaining the simplicity and transparency required.

- The key features of The Council's FIM are as follows:
- Patronage growth based
- Per passenger rate, above forecast patronage growth, based on unit characteristics, but with a minimum level
- Applies to upside only (the Council believes that the performance regime will manage the operator influenced factors more appropriately than downside share)
- Baseline patronage reset at Year 6 – same time as Gross Price reset
- Baseline reset as part of any service level variation based on agreed elasticities.

Per Passenger Payment

The operators will be paid a per passenger payment for each passenger above the forecast patronage (as defined at the commencement of contracts, this will essentially become the target patronage for each year). Indicatively, units may have a have a per passenger payment of between $.60 and $3 (depending on whether the unit is urban or satellite/rural).

The rate will be confirmed prior to the procurement of the unit, as will the forecast patronage for the first three years of the contract to provide operators with as much detail as possible with which to price their tenders.

Forecast patronage

Whilst it is difficult to forecast patronage, especially with the proposed network changes and the move to PTOM units, the Council will provide forecast growth for each unit, most likely based on population growth forecasts. These forecasts will provide the baseline patronage for each year (with the FIM applying to any patronage above this level). The forecasts will be set for three years with a review at the end of each three-year period. Council will work with the operator when reviewing the next three-year period of forecasts.

Patronage will be based on total bus boardings by unit but will not include boardings associated with free transfers between services. This is to ensure the patronage targets strongly correlate with revenue.

Upside Only

The Council will only apply the FIM to upside growth (as opposed to patronage decline) to truly incentivise the desired behaviour. Key Performance Indicators and other clauses within the service contract for units will manage the operator influenced behaviours that may result in a reduction in patronage. It also recognises that operators should not be exposed to downside risk associated with factors outside of their direct control.

Baseline Patronage Reset

To ensure consistency with the gross price resets at the end of year six of the contract term at same time as Gross Price reset, the Council will reset the target patronage using actual patronage figures.

Baseline Reset due to Change

Any major service level variations, or any other significant change that affect the network and/or patronage will prompt a review of the patronage baseline and forecasts. This will be collaborative, and most likely be part of the business planning process. The intent of the reset is to manage the risks to both parties related to any upward or downward change. The commerciality ratio (and farebox recovery ratio) of the unit will be considered when the adjusted patronage forecasts are assessed and agreed.

The annual business planning process will also be used to address any trends in actual patronage that vary from the forecasts, to ensure neither part is adversely affected. It is important that the forecasts and actual patronage are continuously reviewed to ensure the aim and objectives of PTOM are being actively achieved.

The FIM Assessment against Transport Agency guidance can be seen in Table 5.5 on the following page.

Table 5-5: FIM Assessment against Transport Agency guidance

Transport Agency Policy		Council's FIM
Requirements	*i. apply to all subsidised partnering contracts; may apply to non-subsidised (commercial) partnering contracts by agreement*	The FIM will apply to all partnering contracts, including commercial contracts (unless mutually agreed otherwise)
	ii. *be separate from cost indexation and KPI processes and payments.*	The FIM is separate from indexation and KPIs. The FIM is solely focused on patronage growth
Principles	*i. incentivise both parties to collaborate to grow patronage and revenue•*	The FIM has been developed in collaboration with the operators to ensure the level of incentive is appropriate to encourage the desired behaviours from both parties. The Council has decided to make its FIM upside only, as the operator, generally, has limited control over the exogenous factors that can result in patronage decreases.
	ii. take account of unit and regional market characteristics	Council has developed a separate share model for its rural/regional units to reflect their unique characteristics. In addition, WRC will provide an opportunity, as part of the annual business planning process, to vary the operator share upwards further on an as needs basis. This would be used in specific circumstances where significant investment is proposed by the operator, or in areas that are experiencing minimal growth.
	iii. be simple to apply and administer	The basic patronage approach for growth beyond forecast makes the FIM both simple to apply and administer.
	iv. contribute to value for money	The intent of PTOM is to grow patronage and improve the commerciality of public transport. Council's FIM will actively contribute towards both, enhancing value for money. When setting the FIM share, Council carefully managed the balance between operator incentive and return on investment for the funding parties (Council, Transport Agency and local authorities).

5.20 Unit Pricing

5.20.1 Unit Price

The contract price for a partnering contract will be based on the annual gross price of operating the service and will be initially set through a competitive tendering process.

5.20.2 Price adjustment for input cost fluctuation

The NZ Transport Agency requires that all public transport unit contracts procured under the partnering delivery model (excluding commercial units), must provide for price adjustment on the annual gross price to compensate for input cost fluctuation (inflation and deflation) using an appropriate index approved by the Transport Agency.

- Price adjustments must be paid on a quarterly basis in arrears from the commencement of the service operation.
- Price adjustments must reflect movements in the index, from the quarter in which tenders closed or negotiations were concluded.

- The most recent version of the indices will always apply, including any changes to the composition or weighting of index components.

Contract price adjustment is intended to cover all inflation (or deflation) that occurs from the quarter that tenders close, including the interval between the close of tenders and the commencement of the service (ie the adjustment reflects the fluctuation in input prices between the quarter in which services are priced and each quarter in which services are delivered). In effect indexation on the gross cost transfers input risk from suppliers to the purchaser, reducing the risk premium suppliers would otherwise incorporate into tender prices.

5.20.3 Gross price reset

Bus unit contracts longer than six years, will have the annual gross price reviewed at year six of the contract to ensure confidence in costs. This the review relates to the gross price only. It is not a review of the contract terms, or an opportunity to end the contract early.

The review may result in the annual gross price increasing, decreasing or remaining unchanged. If the price is reset it will apply for the start of year seven of the contract, and if necessary will be paid in arrears.

The price reset review is intended to recognise that agreements need to ensure value for money is being achieved in the longer term. Over time, indexation payments, changes in farebox recovery and financial incentive mechanisms may shift the balance between value for money for Council and sustainable pricing for operators.

The reset review process is designed to ensure a reasonable balance is being maintained. The approach the reviewing gross contract price at year six is as follows:

- Council and the bus unit operator will enter into discussions in good faith to determine whether any demonstrable factors can be identified that would justify a gross price reset. Factors for consideration may include (but not necessarily limited to):
  - Whether suitable intra or inter-regional benchmark price information is available, from competitive tender processes, to establish a benchmark price range (a proxy for recent market prices) for comparative purposes.
  - Any review by the NZ Transport Agency of the relevant index formula(s) used to calculate contract indexation payments.

- If agreement cannot be reached on the process for reviewing the gross price and/or the quantum of change to the gross price within a specified timeframe then the existing gross price will be automatically reconfirmed.

5.20.4 Contract payments

Contract payments will be based on the annual gross price adjusted by indexation. The application of the financial incentive mechanism and any performance incentives will be separate.

5.20.5 Contract payment variations

From time to time the contract may need to be varied in response to such thing as (but not limited to) changes in service demand, network design and/or available funding.

Changes to the level of payments arising from a service level variation at the Councils request will be based upon default variable rates nominated by an operator at the time of tendering. The variable rates will be finalised in respective contract documents, but are likely to be based on:

1. The price per peak Vehicle per day, and
2. Price per vehicle per kilometre; and

3. Price per vehicle per hour

The variable rates would take account of indexation outlined in section 5.20.2.

It would be at Councils discretion as to which figures are applied to determine the default price for variations. However in determining which rate to use Council would consider such factors as:

1. The existing gross unit price per in-service kilometre
2. The existing average gross unit price per vehicle per in-service kilometre
3. the default variation rate that aligns most closely with Council's estimate of a variation cost (if an estimate exists)

The default variation prices are intended to serve as the basis for agreeing a final variation price in collaboration with unit operators.

Council is aware that it can be difficult for operators to confidently nominate variations rates as part of tender process in anticipation of unknown changes over the life a nine year contract. In some circumstances the default variation rate may not represent an efficient or viable marginal cost for variations.

Using the default variation rates as a starting point and in a successful partnering environment, it is anticipated that Council and respective unit operators will be able to mutually agree contract price variations on a case by case basis that are both efficient and sustainable from the perspectives of both parties.

In the event that the unit operator and Council are unable to mutually agree the final variation rate, then the default variation rate would apply at Councils discretion. It is important operators price unit variation rates as efficiently as possible. Contract variation rates will be factored into the tender evaluation process. The approach is outlined in section 5.21.2 of this strategy.

This approach to contract payment variations is not intended to preclude any potential alternative approach to service and price variations that Council and a unit operator may mutually agree on a case by case basis as part of joint planning processes and in consideration of partnering tools.

5.21 Unit procurement methodology

5.21.1 Supplier Selection Method

All partnering contracts will be procured using the price quality supplier selection methodology - without disclosure of the estimate as outlined in the Transport Agency's Procurement Manual.

The price quality method balances price and quality by use of a formula. It is a good method to use when the quality of the supplier is important and a trading of price and quality is practically possible through the supplier selection process.

The partnering focus of the contractual relationship and the transparent and accountable focus of this relationship requires a focus on the quality of the operator. Council is considering applying an overall spilt of 40 percent weighting on quality attributes and a 60 percent weighting on price. The final weightings will be confirmed in relevant procurement documents, in consultation with the Transport Agency.

The suppler selection method for units that utilise a staged delivery model will be determined on a case by case basis, in consultation with the NZ Transport Agency and key stakeholders. In most cases Council is likely to have a preference for the price quality method.

5.21.2 Tender evaluation

Quality components

The Council is currently working with the Transport Agency to review and refine the evaluation criteria detailed in the Procurement Manual, in a PTOM context. This is to ensure that the quality components, especially partnering and business planning are emphasised and given the appropriate attention and weighting. Several modelled examples will be developed prior to finalising to ensure the desired output is achieved.

Price components

The total price weighting will be split between the overall unit price and operator nominated contract variation rates.

For the purposes of assessing which Tender Response provides the best Total Cost of Ownership as part of the Tender Evaluation process, the Council will assess the impact that the following Variation Cost Components will have on the Annual Gross Price (AGP),

1. Price per Vehicle per day, and
2. Price per vehicle per kilometre; and
3. Price per vehicle per hour

For the purposes of evaluating each Tender Response, the Annual Gross Price of each response will be adjusted by varying the service levels set out in request for tender by 30%.

The Variation Cost Components submitted by the Tenderer will be used to calculate an adjusted AGP. This adjusted AGP will be used in the tender evaluation, but will not affect the submitted AGP.

The adjusted AGP for each tender response will be ranked from the highest price to the lowest price. The lowest adjusted AGP will attract a higher tender evaluation weighting compared to next lowest adjusted AGP. The precise weightings and methodology will be included in tender documentation.

5.21.3 Group Tendering Policy

The unit structure and procurement approach enables the potential from group tendering for Hamilton urban and satellite units. As per Transport Agency policy, the Council has considered the various group tender elements to ensure any potential short-term financial gain does not outweigh the longer-term aim of sustaining competitive and efficient markets. Group tender categories is noted in Table 9. The Council's group tender policy is as follows:

1. Only similarly categorised units can be grouped together. That is two urban units can be grouped together, or any combination of the four satellite units can also be grouped together, but not a combination of urban and satellite units together.
2. A group tender for satellite units must not be conditional on also being awarded one or more urban units and vice versa.
3. Respondents submitting a group tender will also be required to submit conforming individual tenders for each of the units that comprise the group tender.
4. The total number of group bids able to be submitted by an individual respondent will be limited to a maximum of two.
5. If one or more respondents jointly submit a group tender bid then the maximum number of bids will apply as if the joint bid was from an individual respondent and will be in addition to any group bids a respondent may submit on an individual basis.

Table 5-6: Group Tender Categories

Category 1 Satellite Units		Approx PVR	Unit Start	Category 2 Hamilton Urban Units		Approx PVR	Unit Start
North	North Waikato & Huntly	8	2016	**Urban Unit 1**	Hamilton West	22	2017
East	Paeroa, Coromandle	1+	2016	**Urban Unit 2**	Hamilton East & Obiter	43	2018
West	West Waikato - Raglan	3	2017		**Total**	**65**	
	Total	**12**					

Generally incumbent operators' strongly favoured staggered tender rounds and by implication did not favour group tendering. While non-incumbent operators favoured a larger offering of units to the market at one time.

Key concerns raised by some operators were that a single tender round with provision for group tendering could likely result in a sole supplier for the Region (although this could still occur without the provision for group tendering). The Council agrees that a sole supplier for all Hamilton urban sand satellite units is not desirable for the longer-term aim of sustaining competitive and efficient markets and has factored this into the design of the group tender policy.

More specifically the policy is designed to:

- Enable the supplier market to determine whether greater value for money can be achieved by operating one or more urban units and one or more satellite units.
- Encourage more competition by providing opportunity to bid for larger portions of the market, which may make establishment of supporting infrastructure more viable for potential new entrants to the region.
- Encourage competitive and efficient markets by increasing the likelihood of more than one operator being awarded units by precluding grouping of both satellite and urban units together
- Be attractive to multiple tenders of various sizes and commercial models by providing sufficient scale to encourage larger operators to respond, while protecting the opportunity for smaller operators to compete. This is achieved by precluding grouping of both satellite and urban units and by limiting the number of group bids an individual respondent can submit.
- Promote sustainable pricing by encouraging respondents to focus on the portion of the market they are best suited to operating. For example respondents will only be able to submit a total of two separate group bids and will have to bid for either satellite units or urban units on the basis they could be awarded either but not necessarily both. This will reduce the risk of a single operator biding aggressively (potentially unsustainably) on the basis of winning the entire market end reducing long-term competition.

The group tender policy will enable the market to determine whether greater value for money can be achieved by operating one or more urban units and one or more satellite units.

5.21.4 Alternative Tenders

Provided that a respondent to an RFT has submitted a conforming tender, and the Council accepts that conforming tender, then Council may also consider any alternative tender the respondent may have submitted for the same RFT.

Council acknowledges the important role that alternative tenders provide in encouraging innovation and operator led service enhancements. However, given the recently completed strategic network review addressed timetable, route and other service specific components, Council will only consider alternative tenders that meet the timetable and route specifications of each Unit. Each RFT will outline the specific components that Council will be willing to consider alternative tenders, which may include vehicle specifications.

In order to ensure a tender evaluation process is not overly complex Council is likely to limit the maximum number of alternative tenders it will accept from an individual bidder.

This alternative tender policy does not prevent the joint development of service initiatives, including route and timetable, as part of the annual business planning process following contract commencement.

5.21.5 Sustainable Price Policy

Council has developed the following tender evaluation policy to encourage sustainable pricing over the life of unit contracts.

In the event a bid price for a unit is outside of a non-disclosed estimate price range (determined by the Council) Council would retain the right to implement the following:

a) Request that the bidder agrees to allow a suitably qualified and mutually agreed independent third party to confidentially review:
    1. how the unit has been priced, and;
    2. the likelihood of the bidder being able to sustain the bid price over the life of the contract and meet the requirements of the contract and obligations outlined in the bidders tender.
b) Council would reserve the right to put aside any tender under the following circumstances:
    1. If the bid price is considered likely to be unsustainable over the life of the contract.
    2. If the bidder does not agree to the aforementioned review.
    3. If the review cannot be completed within a specified timeframe for any reason.

The role of independent third party is to provide an opinion to Council regarding the sustainability of the bid price relative to the requirements of the contract and obligations outlined in the bidders tender only. Any information considered confidential by the bidder would not be disclosed to Council.

The purpose of the policy is to ensure units are priced sustainably. However the policy is not intended to prevent or limit the ability of suppliers to bid strategically. For example a supplier may choose to operate a unit with minimal profit margins for legitimate reasons. This is not necessarily a problem for Council, provided the supplier can reliably meet the requirements of the contract and any obligations outlined in the bidders tender.

5.21.6 Total Mobility

Total Mobility is a national transport scheme involving disability support agencies, approved transport providers and local government. The Total Mobility scheme provides subsidised taxi services to people who have an impairment that prevents them from undertaking any of the following components of a public transport journey unaccompanied, and in a safe and dignified manner:

- getting to the place from where transport departs
- getting onto the transport service
- riding securely
- getting off the transport service
- getting to the destination.

The Council manages the Total Mobility scheme within the Waikato region. It is currently operating in Hamilton, Taupō and Tokoroa. The region moved to Phase 2 of the Total Mobility scheme in 2013.

Council Regional funds the scheme in Hamilton. Outside of Hamilton, respective local authorities are responsible for funding the local share. Availability of funding from local authorities has limited the extent to which the scheme has been rolled out in the Waikato. Council with continue to work with local authorities to further expand the scheme. Current suppliers are outlined within table 5.7 below.

Table 5-7: Current suppliers of the Total Mobility scheme within the Waikato Region

Total Mobility Area	Total Mobility Supplier
Hamilton	Hamilton Taxis Red Cabs Trikiso Buses Ltd Driving Miss Daisy – Hamilton East Driving Miss Daisy – Hamilton West
Taupo	Great Lake Taxis
Tokoroa	Tokoroa Taxicabs

As per Chapter 9 of the NZ Transport Agency's Procurement Manual, all suppliers that meet the Regions criteria for joining the scheme must be allowed to join the scheme.

Currently a supplier would need to meet all relevant legal and regulatory requirements and be able to deliver on the following levels of service in order to be able to join the scheme outlined in table 5.8.

Table 5-8: Levels of service required to join Total Mobility Scheme in the Waikato Region

Area	Service Level
Hamilton	The approved Total Mobility providers must be available 24 hours, seven days a week. The wheelchair service must be available 24 hours, seven days a week unless exempt from the NZ Transport Agency. It is expected the service will normally be provided within 30 minutes of a request being received, except at school times.
All Other Areas	The approved Total Mobility providers must be available 24 hours, seven days a week. The wheelchair service must be available between 6am and 5.30pm Monday to Friday, and at weekends by prior request. It is expected that within the core period of operation (6am-5.30pm) service will normally be provided within 30 minutes of a request being received, except at school times.

Council intends to review the supplier eligibly criteria and delivery of the total mobility scheme within the region, following a broader review of the scheme by the NZ Transport Agency.

5.22 Integrated ticketing (bus)

The existing integrated ticketing system, in the Waikato Region, is provided by Electronic Ticketing Systems (ETS). The current contract with ETS expires in July 2016, if the right of renewal clauses are not invoked.

The existing system is nearing the end of its technological life and requires replacement, but to ensure continuity of existing ticketing systems, affected Councils and the Transport Agency have negotiated a Service Level Agreement with ETS to remain the provider until a new system can be procured and implemented.

The Council is working collaboratively with the Transport Agency, Northland Regional Council, Bay of Plenty Regional Council, Horizons Regional Council, Hawkes Bay Regional Council, Taranaki Regional Council, Nelson City Council, Otago Regional Council and Invercargill City Council to develop a joint procurement approach to upgrading the electronic ticketing.

This approach, given the small size of New Zealand's market in an international context, should ensure that the affected regions jointly procuring a replacement system achieve better value for money than an individual approach.

5.23 Total Mobility Ticketing

The current approach is a paper based voucher system. The Council will work closely with the Transport Agency to explore opportunities for implementing an electronic system. It is the regions understanding that a National Total Mobility Administration System (NTMAS) is being jointly procured by the NZ Transport Agency and Auckland Transport and may be possible to Waikato Regional Council to integrate with the system and potentially introduce an electronic ticketing system.

5.24 Real-time information system

The current system was implemented in 2004, which is now fully depreciated. Considerable advancements in technology have occurred since the system was

implemented. The existing system falls short of meeting customer expectations. An improved system is important in terms of maintaining current bus users and attracting new ones.

Council's first priority is the successful procurement of a new ticketing system. It will then focus on procuring an improved real time information system. It is Councils intention to work closely with the Transport Agency and if possible to procure a new system in collaboration with other Regions.

6 Communication plan

In developing components necessary to implement PTOM, information and feedback has been sought directly from operators who have registered an interest with Council and more broadly via the Bus and Coach Association. The key initiatives opportunities for engagement included:

- Strategic Network Review
- Market Sounding Workshop
- Regional Public Transport Plan Development
- Development Key Performance Indicators - Industry Steering Group
- Financial Incentive Mechanism Development - Industry Steering Group
- Consultation informing Unit Structure and Procurement Approach Development
- Regional Public Transport Plan Hearings
- Consultation informing development of a Regional Collaboration and Partnering Framework
- Consultation informing development of tendering and contractual documents.

Council will continue to keep industry and key-stakeholders informed of the key milestones and councils work programme.

7 Capability and capacity

7.1 Organisational Structure

Waikato Regional Council underwent a structural change in 2014/15, and is in the closing stages of these changes. The new structure contains five Directorates, three of which are implicated in transport activities and feature in Fig 1 below.

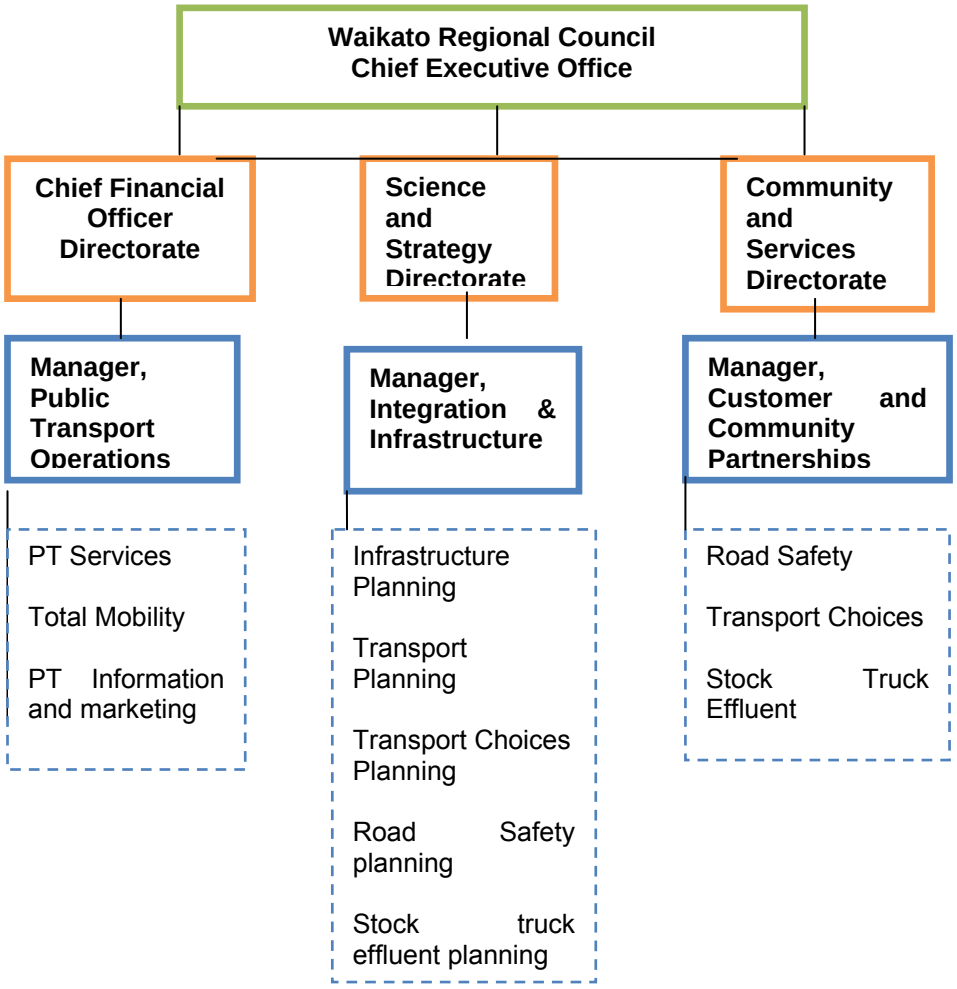

Figure 7-1: New Directorate Structure Waikato Regional Council

Transport Planning & Road Safety Promotion

The transport plan team lies within the Science and Strategy Directorate (SAS) and comprises a small team of transport planners and a team leader. The road safety strategy is undertaken in the SAS directorate whilst the delivery of road safety is undertaken in the Community and Services Directorate (CAS). The Stock Truck Effluent Strategy is similarly prepared under the SAS directorate with delivery of the programme under the CAS directorate. The team is supported by in-house administration support.

Public Transport

Council has a well-established public transport operations team that has been managing bus service contracts for a significant number of years, both in Waikato and in other regions. The team has been involved in contract negotiations for varying existing service agreements and have a comprehensive knowledge of the network and the supplier market. Recent additions to the team have strengthened the operator and relationship management skillset and depth.

For the procurement component of implementation, the public transport operations team will supplement its skillset and experience with input from key territorial local authority officers and external resources as and when required.

8 Corporate ownership and internal endorsement

This Waikato Regional Council Transport Activity Procurement Strategy (Policy Series 2015/05) has been endorsed by Council's - Finance Committee on 13 May 2015.

Corporate ownership of the document is shared between Council's Directorates relative to the transport activities undertaken by the respective directorates.

Directorate	Director	Signed	Date
Finance Office	Mike Garrett		
Science and Strategy Directorate	Tracey May		
Community and Services Directorate	Neville Williams		

Appendix 1 - Potential barriers to entry analysis

Access to vehicles:

Since 2005 there have been two significant changes that have the potential to influence the ease of access to vehicles. These are the introduction of the Requirements for Urban buses in New Zealand (RUB) and the development and implementation of the Public Transport Operating Model.

The RUB is a common standard for urban buses in New Zealand. The standard is intended to:

- reduce capital and operating costs of building, purchasing and operating buses
- improve journey experience and safety for users
- provide more flexibility for operators to use buses in multiple regions, which may not be otherwise possible due to different regional vehicle quality standards.

The RUB was first published in 2008 and was designed to take effect from 2012 to 2015. It is intended that overtime the specifications contained In the RUB will apply to all contracted services that receive funding from the National Land Transport Fund (NLTF), administered by the NZ Transport Agency (the Transport Agency). As a prerequisite of funding the Transport Agency requires that all urban bus public transport contracts must incorporate the vehicle standards contained in RUB.

RUB is applicable to all new buses (including newly constructed buses, as well as new or used imports) that enter urban service on and from 2012 onwards. Vehicles that predate 2008 are less likely to be RUB compliant and there potentially remains a significant number of vehicles nationally that are yet to be transitioned to full RUB compliance.

The development and implementation of PTOM has meant many regions have delayed tender rounds, leading to existing contracts being extended. The extensions are likely to result in a convergence of procurement activity into a relatively short period of time compared to historic patterns.

The convergence of procurement activity could mean that there will be fewer vehicles traded amongst operators. For example in the event an incumbent operator is unsuccessful in winning a contract they previously held they may choose to retain the vehicle fleet on the basis it will enable them to compete for upcoming contracts elsewhere. Whereas in a procurement environment where there were longer periods between contracts being offered to the market, operators may be more inclined to dispose of vehicles that are surplus to immediate requirements.

The convergence of procurement activity into a relatively compressed timeframe combined with new contracts being a key mechanism for implementing RUB could potentially create an increased demand for new RUB compliant vehicles over a relatively short timeframe. An operator's ability to access RUB complaint vehicles within critical timeframes could limit or enhance their relative ability to participate in tender processes.

Access to labour

To assess the approximate size of the existing driver labour pool, information was sourced from the NZ Transport Agency's Driver Licensing Register. Information obtained related to the highest class of driver licence held with a passenger

endorsement. The data was regionalised to the physical address recorded on the Driver Licence Register as at 25 August 2014.

Persons that hold a Class 2 Licence or higher with a passenger endorsement are legally able to drive a bus, depending on the weight and nature of the bus. A Class 2 license with a passenger endorsement would be sufficient to drive the majority of urban buses within Hamilton. A Class 4 licence is required to operate some of the heavier buses utilised on the rural and satellite services. Table 10 below summarises data received from the NZ Transport Agency.

Number of Licence Holders by Highest Licence Class/Stage Held

Region	2008 Territorial Local Authority	Number of Licence Holders by Highest Licence Class/Stage Held						Total
		2F	2L	4F	4L	5F	5L	
Waikato	Franklin District	49		59	5	113	7	**233**
	Hamilton City	78	8	229	25	202	15	**557**
	Hauraki District	13		41		36		**90**
	Matamata-Piako District	28		74	4	94		**200**
	Otorohanga District	9		18		15		**42**
	South Waikato District	15		38	5	42		**100**
	Taupo District	42		111	15	77		**245**
	Thames-Coromandel Dist.	27		91		56		**174**
	Waikato District	32		81	10	78		**201**
	Waipa District	31		118	4	121	15	**289**
	Waitomo District	15		41		17		**73**
Total		**339**	**8**	**901**	**68**	**851**	**37**	**2204**

Class 2 License - relates to a rigid vehicle with a gross laden weight of more than 6000kg but not more than 18,000kg (Medium Rigid Vehicle).
Class 4 License - relates to rigid vehicle with a gross laden weight of more than 18,000kg (Heavy Rigid Vehicle).
Class 5 License - relates to combination vehicle with a gross combined weight of more than 25,000kg (Heavy Combination Vehicle).

The figures in the table above indicate there is a relatively healthy pool of licensed drivers situated within the Region. Licence holders appear to be spread across the region comparatively evenly relative to the size of the general population located within the respective local authority areas.

While there may be a reasonable pool of appropriately licensed persons within the region it does not necessarily follow that those persons are experienced bus drivers let alone easily employable from the perspective of an operator considering entering the market.

As part of consultation with operators, access to labour was discussed on a number of occasions. There were not any specific concerns raised in relation to the availability of drivers within the region from either incumbent or non-incumbent operators. However one operator did observe that typically when a supplier for a given contract changes, the labour pool directly related to that contract often remains largely the same with existing drivers and other staff often being employed by the new operator.

Information available online suggests that it typically takes anywhere from 9 to 26 week to licence and train a new driver. Shorter time frames appear to relate to meeting licence requirements only. Longer timeframes typically relate to obtaining relevant licences and driving experience. Either way the typical time frames appear to well within the minimum contract lead in times proposed.

In summary, it appears that there is a relatively healthy pool of drivers situated throughout the region; it is likely that majority of existing bus drivers would remain in their respective locations even if the operator running a contract changed. It is also likely that new drivers could be trained and licenced within the proposed contract lead in times. On balance is considered that access to labour is unlikely to be significant barrier to entry into the Waikato market.

Access to land for bus depots

Land requirements for bus depots in the Waikato could vary significantly. For example a depot serving all of Hamilton may need to be capable of accommodating 70+ buses, while urban units awarded to multiple operators may require multiple depots. A depot serving a satellite town may only need to accommodate between 3 and 10 buses depending on the associated service. Given the large number of potential variables, consideration has been given to a range of potential depot scenarios.

The Council commissioned The Property Group Ltd (TPG) to investigate the availability of potentially suitable land for the establishment of bus depots in the Waikato. More specifically TPG were requested to provide:

- An outline of potentially suitable sites currently on the market for sale or lease by unit locality.
- An outline of estimated purchase and/or lease costs for each site identified.
- Typical rates per square-meter (sale and lease) for generally comparable sites that have most recently been on the market by unit locality.
- Typical rates per square-meter (sale and lease) for generally comparable land in Auckland, Wellington, Tauranga and Dunedin.

The key output was the assessment that on balance land affordability within the Waikato (relative to other regions) is unlikely to be a significant barrier to entry, however availability of suitable land and at the right time could be a significant issue along with the time needed to potentially modify a site or sites and establish fixed depot infrastructure if required.

TPG utilised online resources and consulted with valuers, property consultants and real-estate agents in order to meet the brief outlined above. TGP's findings are summarised below. It is important to note that the findings should be treated as indicative only. The exercise primarily focused on land availability generally and did consider the specific or relative suitability of sites. A key assumption underpinning the investigation was that new bus depots are most likely to be established in industrial areas. Table 11 outlines land availablility, indicative purchase purchase price range and lease price range.

Land Availability

Location	Land Availability	Indicative Purchase Price Range $/m²	Indicative Lease Price Range $/m²	Comments
Hamilton Central		$450 - $600	$25	Prices include buildings. Limited supply and movement.
Hamilton East		$200 - $300	$25	Prices include buildings. Limited supply and movement.
Hamilton West		$101 - $108	$25	Prices include buildings. Some sites available. Moderate movement.
Cambridge		$130 - $220		Land only. Very limited supply and movement.
Hautapu		$100		Land only. Typically large lots.
Te Awamutu		$100 - $220	$10 - $15	Higher rates include building. Limited supply and movement
Paeroa		$50		Land only. Very limited supply and movement.
Raglan				No data available. Nothing on the market.
Huntly		$40 - $50	$9 - $20	Includes building. Some options available, suitability questionable.
Taupo		$136 - $140	$11 - $12	Includes buildings. Sites available. Moderate market turnover.
Comparative Centres				
Auckland		$200 - $400	$25 - $35	Vacant land. Very limited supply.
Tauranga		$160 - $185	$15 - $35	Vacant land. Sites available. Moderate movement.
Wellington		$300	$17 - $21	Variable by location. Prices can be significantly higher.
Dunedin		$40 - $82		Vacant. Sites available. Moderate movement.

The analysis found that within Hamilton there is a reasonably frequent turnover of sites potentially suitable for establishing bus depots. The most common parcel sizes were between 2000m² to 5000m². Examples of sites in excess of 10,000m² were limited.

While there appears to be a reasonable level of land being offered to the market in Hamilton, the nature and suitability of land for use as a bus depot appears highly variable. For example some sites have poor accessibility to the transport network. Some sites were vacant and completely undeveloped while others include existing buildings and surfacing that may or may not be suitable. All sites identified would require modification to some extent for use as a bus depot.

The Hamilton City Operative District Plan allows for transport depots as a permitted activity in industrial zones (with some exceptions), subject to complying with relevant development standards. The Hamilton City Proposed District Plan will require the establishment of depots in industrial zones to be subject to a resource consenting process.

Additional time could be required to satisfy resource and building consent requirements in addition to the time needed to purchase/lease a site and modify a site for use as a depot, should it not be fit for purpose in the first instance. The amount of time required comply with consenting processes is variable and could range from 20 working days to many months depending on specific circumstances.

Typical purchase prices in Hamilton were lower than prices in Wellington and Auckland, comparable with prices in Tauranga and higher than prices in Dunedin. Land availability generally appears higher in Hamilton than in Auckland and Wellington

and comparable with Tauranga and Dunedin. Information on potential lease options was limited in all centres.

The analysis also found that land availability and market turnover of suitable land in the satellite towns such as Huntly, Te Awamutu, Paeroa and Raglan is very low. However this is not necessarily a cause for concern in terms of being a potential barrier to entry as the contracted fleet sizes associated with satellite towns are typically small. A small fleet size may mean that sub-leasing depot facilities or parking only facilities with support functions subcontracted to other suppliers might be a viable option

On balance land affordability within the Waikato (relative to other regions) is unlikely to be a significant barrier to entry. However availability of suitable land and at the right time could be a significant issue along with the time needed to potentially modify a site or sites and establish fixed depot infrastructure if required.

Appendix 2: Current Public Transport Contracts

Locality	Contract Short Code	Description	Year Contract Let	Contract type	Review Year	Contract Expiry Date	Current Contract Holder	Approx Annual Service KM	Approx PVR
Hamilton Urban Services	HNO52	Urban Hamilton City Services	2005	Gross 4 + 4	2009	31-Dec-17	Go Bus Transport	889,525	18
	HNO53	Nightrider	2005			31-Dec-16	Go Bus Transport	4,224	1
	HNO54	Urban Hamilton City Services	2006	Gross 4 + 4	2010	31-Dec-16	Go Bus Transport	1,244,845	22
	HNO55	Urban Hamilton City Services	2007	Gross 4 + 4	2011	31-Dec-17	Go Bus Transport	576,110	8
	ORB02	Urban Hamilton ➢ Orbiter ➢ CBD	2009	Gross 4 + 4	2013	31-Dec-17	Pavlovich Coachlines	1,200,000 88,500	16 2
Satellite and Rural Services	TP02	Taupo Services ➢ Urban ➢ Assist ➢ Mangakino	2009	Gross 4 + 4	2013	31-Jan-17	Waipawa Buses	59,400	2
	ME04	Hamilton to Pukekohe	2006			31-Dec-15	Pavlovich Coachlines	4,475	Fortnightly
	RAG09 ➢ 23B ➢ 23C	Raglan Service ➢ Assist ➢ Whatawhata	2009	Gross 4 + 4	2013	31-Dec-17	Go Bus Transport	99,000	3
	HLY08	Huntly Services ➢ Assist	2006	Gross 4 + 4	2010	31-Dec-15	Pavlovich Coachlines	308,550	4 1
	PAE03	Paeroa/Hamilton	2006	Gross 4 + 4	2010	31-Dec-15	Turley Murphy		1
	PAE04	➢ Assist						65,000	1
	CAM20	Cambridge	2011	Gross 4 + 4		5-Jan-19	Go Bus Transport Ltd	98,400	2
	TA 24	Te Awamutu						138,000	2
	MCB01/02	Mercury Bay ➢ M/Bay Shuttle ➢ Park & Ride ➢ Ferry Landing	2011	Summer only service	2016	Jan-16	Turley Murphy		n/a

Appendix 3 –Key Performance Indicators - Indicative

Draft Minimum Key Performance Indicators Applicable to all Bus Units

Attribute	Key Performance Measure	Parameters
Patronage	Number of passenger boardings per service trip operated	Disaggregated by mode, transfers, passenger type, time period (peak, off-peak) -service level breakdown (unit, sub-region and region).
	Average trip length	Disaggregated by route/unit (to allow calculation of passenger kilometres at unit and regional levels)
Revenue	Fare box revenue	Disaggregated by route, unit and region.
Fleet Information	Fleet information	Fleet information should include: • fleet size • percentage of bus fleet compliant with requirements for urban buses in New Zealand (RUB) • average age of the bus fleet (number of Euro 3 or higher buses).
Service Performance	Service trip reliability	Disaggregated by peak and off-peak. Percentage of scheduled service trips completed in full. (Note that a service trip leaving the origin stop >59 seconds early or >9 minutes and 59 seconds late is deemed not to have operated)
	Cancelled service trips	Disaggregated by peak and off-peak. Percentage of timetabled service trips that were cancelled
	Service trip punctuality: a. trip start b. at destination (or en route if required)	Disaggregated by peak and off-peak a. Percentage of scheduled service trips leaving origin stop between 59 seconds before and four minutes and 59 seconds after the scheduled departure time. b. Percentage of scheduled service trips between 59 seconds before and four minutes and 59 seconds after the scheduled departure time at the selected points.
Safety and security	Number of incidents	The maintenance of an up-to-date incident register, disaggregated by: Nature (eg criminal, anti-social) Severity (eg resulting in serious injury, nuisance) (Note: Including the requirements of the health and safety sections of the Health and Safety in Employment Act 1992 and the Operator Rating System)
Complaints	Number of complaints received	Disaggregated by service attributes (eg punctuality, vehicle cleanliness, ect)
	Percentage of complaints responded to within 3 and 10 working days	
Customer satisfaction	Customer satisfaction with the quality of PT services	As per Appendix K of the NZ Transport Agency Procurement Manual with any agreed modification.
Cost efficiency	Total gross cost per In-service kms	Disaggregated by route, unit and region.
	Commerciality ratio	Disaggregated by route, unit and region.
Service Inputs	In-service kms delivered	Disaggregated by route, unit and region.
	In-service hours delivered	Disaggregated by route, unit and region.
Unit Specific	Unit specific KPI(s)	Mutually agreed KPI's to be determined as and when required and incorporated into annual business planning processes.

Indicative Priced Key Performance Indicators – All Partnering Units

Final KPI measures, targets, deductions and bonus to be confirmed in individual contracts.

Attribute	Key Performance Measure	Target	Reporting Cycle	Deduction/Bonus
Service Reliability	Defined as percentage of trips departing origin and arriving at destination within -59 seconds to plus nine minutes, 59 seconds late compared to scheduled departure time	100%	Monthly reporting. Data available at all times through RTPI	Deduction: • Between 95% and 98.5% missed trips are not paid for. • Below 97% a remedial action plan is instigated. • Below 95%, in addition to non-payment for each missed trip, a negative financial consequence is also imposed as follows: ➢ 0.05% of contract price as abatement below for every 0.5% below 95%.
Punctuality at Origin	Percentage of trips departing origin within -59 seconds to plus four minutes, 59 seconds late compared to scheduled departure time	100%	Monthly reporting. Data available through RTPI	Deduction: • Between 95% and 97.5% missed trips are not paid for. • Below 97% a remedial action plan is instigated. • Below 95%, in addition to non-payment for each missed trip, a negative financial consequence is also imposed as follows: ➢ 0.05% of contract price as abatement below for every 0.5% below 95%.
Punctuality at Timing Points	Percentage of of trips departing within -59 seconds to plus four minutes, 59 seconds late compared to scheduled departure time.	100%	Monthly reporting. Data available through RTPI	Deduction: • Between 95% and 97.5% missed trips are not paid for. • Below 95% a remedial action plan is instigated. • Below 92.5%, in addition to non-payment for each missed trip, a negative financial consequence is also imposed as follows: ➢ 0.05% of contract price as abatement below for every 0.5% below 95%.
Customer satisfaction	The percentage score identified through WRC's Customer Satisfaction Survey for operator controlled attributes for the previous period covered by the previous Customer Satisfaction Survey	100%	Annual	Bonus: For performance of 97% and above there will be a bonus of 2.0% of the contract price. Deduction: • 0.5% of contract price as abatement for every 5% below 97%. • At 93% and below an remedial action plan may be instigated.