



# OTAGO REGIONAL COUNCIL'S TRANSPORT ACTIVITY PROCUREMENT STRATEGY

2021

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# INTRODUCTION

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Otago Regional Council is a statutory body with obligations to its ratepayers and the public as defined under the Local Government Act 2002. The statutory objectives of the Land Transport Management Act (LTMA) and Local Government Act (LGA) apply to Council. The LGA empowers Council to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach while the Council's responsibilities under the LTMA include contributing to an effective, efficient, and safe land transport system in the public interest.

This Procurement Strategy will be used to conclude the implementation of Council's approach to PTOM in accordance with the Regional Public Transport Plan and Council's Long-Term Plan and the Waka Kotahi guidelines and procurement policies.

The transport strategic objectives of the Council are defined by the Otago Regional Council's draft Long Term Plan 2021-2031 (LTP).

The transport section of the LTP details the levels of service and performance measures for public passenger transport services. Public passenger transport services are provided in Dunedin and Queenstown, and Council contracts the provision of those services. It aims to ensure a viable, affordable, quality service that will attract patronage growth.

Council also administers the Total Mobility scheme in Otago to meet the transport needs of those with disabilities that are unable to access public transport.

The LTP also provides for a review of the network of stock truck effluent disposal sites throughout Otago. Constructing additional sites (if required) will be provided for in future Annual Plans.

The following documents inform the LTP:

- Otago Southland Regional Land Transport Plan 2015-2021
- Regional Public Transport Plan 2014 (and Addendums May/June 2017)

The Goal set out in the Regional Public Transport Plan (RPTP) is "Viable passenger transport meeting the needs of Otago's communities"

## Community outcomes

The Otago Regional Council's LTP 2021-2031 includes the following outcomes:

### COMMUNITIES THAT CONNECT WITH, AND CARE FOR, OTAGO'S ENVIRONMENT

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Otago's people are included in decisions made about the environment, and feel empowered to act for the environment, through a community group, or by themselves.

Our natural world and how we care for it contributes to how Otago's communities connect. All residents and visitors in Otago have access to nature, and to Otago's outstanding landscapes, and to its rivers and lakes and coast, be it for fishing, swimming, boating, or for Kāi Tahu customary uses.

Otago's people have a deep appreciation of Otago's heritage, and its natural and cultural landscapes (wāhi tupuna).

### AN ENVIRONMENT THAT SUPPORTS HEALTHY PEOPLE AND ECOSYSTEMS

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All living things depend upon the health of the ecosystem they are a part of:

- Otago's ecosystems are diverse, healthy and resilient, and we protect and restore our threatened and indigenous species and ecosystems.
- The mauri of Otago's natural environment is restored.
- Otago people enjoy healthy air quality, good water quality, and all the other "ecosystem services" nature provides to enhance the community's health, and its social, cultural, economic wellbeing.

### COMMUNITIES THAT ARE RESILIENT IN THE FACE OF NATURAL HAZARDS & CLIMATE CHANGE AND OTHER RISKS

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Our communities are aware of climate change and are adapting to its effects on the region. Otago communities, like most of New Zealand, are exposed to the possibility of a wide range of natural hazards: floods, droughts, earthquakes and landslides. Vulnerability to those risks is reduced by building in low risk areas or designing buildings and infrastructure to cater for these risks.

Otago's people and communities are well equipped to respond to emergency events, be they a pandemic, a natural disaster, or other man-made emergencies.

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#### A SUSTAINABLE WAY OF LIFE FOR EVERYONE IN OTAGO

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Otago's people enjoy quality of life, and make environmentally sustainable choices, so that future generations can also enjoy a healthy environment. As a community, we minimize, re-use and recycle waste effectively, and adopt 'best' environmental practices to reduce our environmental footprint.

Our communities are built to accommodate environmentally sustainable choices and our industries and economy are viable for the long term while taking responsibility for their environmental impacts. We all play our part in reducing our greenhouse gas emissions.

#### TE AO MĀORI AND MĀTAURANGA KĀI TAHU ARE EMBEDDED IN OTAGO COMMUNITIES

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Kāi Tahu whānui are the tangata whenua of and have mana whenua over Otago. Otago is whenua tūpuna (a cultural landscape), treasured for its wāhi tapu (sacred places), spiritual values, traditions, waterways, places and placenames, mahinga kai, cultural values and associations and associated mātauranga.

As first peoples of the land the iwi established creation traditions and ancestral associations with land, water and sea, with rights to the resources being based on whakapapa and a kinship with the natural world. With rights came the responsibility to manage and maintain values and resources in a manner that future generations would enjoy the same benefits, responsibilities and knowledge. Mātauranga is the accumulated knowledge and observations, codified for example in waiata, pepeha, customs and traditions transferred across the generations to inform and guide resource use and protection. In traditional times the kaitiaki were the Ātua (supernatural beings), the children of Rakinui and Papatūānuku, the advent of new people (settlers) to the land caused tangata whenua to take on the role of kaitiaki due to the rapid change and impacts that were occurring to the natural world.

Otago's communities value the kaitiakitanga of Kāi Tahu for the region. They embrace Kāi Tahu's worldview and perspectives, and the valuable knowledge they have developed on the region's environment.

#### SUSTAINABLE, SAFE & INCLUSIVE TRANSPORT

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People travel safely in Otago, on land and on water. Otago's people transition away of fossil-fuel private cars, and increasingly choose to travel by bus, on foot or on a bike.

Public transport is accessible, and offers a sustainable, safe and inclusive means of transport.

## **Transport Activity**

### *Procurement Strategy*

Council's purpose is caring for Otago's environment: enabling communities to thrive. This will be achieved by leading with responsibility, working co-operatively to encourage community participation and taking into account the Treaty of Waitangi.

The measures for ensuring the contribution of transport are met are set out in Council's LTP.

Achieving best value for money spent in procuring Council's needs using the approach set out in this Procurement Strategy will contribute to the community outcomes.

# 1. EXECUTIVE SUMMARY

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The Otago Regional Council's procurement of transport activities are designed to contribute to the community outcome of sustainable, safe and inclusive transport within the region. There is an increasing focus on transition away from fossil-fuel dependent private vehicles and increasingly choosing to travel by bus, on foot or on a bike.

Council regularly engages with its community to determine what services to provide and with its suppliers to understand their capacity and capability to deliver on these services.

This year Otago Regional Council will complete the implementation of the Dunedin public transport units, a process that commenced in 2015. The final unit to be tendered is Unit 3 which covers Pine Hill, Lookout Point, Shiel Hill, Opoho and the Ridge Rider trial service. Work is also underway on a wider business case process called Shaping Dunedin which may see some public transport service contracts varied. Otago Regional Council is also contracting for a Lake Wakatipu Ferry trial service to test demand for a longer-term service.

There are not expected to be any significant changes in the procurement of Total Mobility services and no further stock effluent sites are planned for the next three years.

Council will continue to engage professional service providers for specialist expertise and to manage capacity issues within the team. These procurement activities will be compliant with Council's internal procurement policy along with the Waka Kotahi Procurement Manual and the Government's Rules of Sourcing.

## 2. STRATEGIC PLANNING CONTEXT

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When preparing this procurement plan, Council has drawn on the following to form the strategic planning context:

**Land Transport Management Act** including section 25 which requires Waka Kotahi to approve one or more procurement procedures designed to obtain best value for money. Section 24(4) requires approved organisations to use a procurement procedure for any expenditure from their land transport disbursement account (unless exempt under s26).

The Waka Kotahi procurement policy which gives effect to its statutory function under s25 to approve procurement procedures is contained in the Procurement Manual.

### Best value for money

The following definition of 'Best Value for Money' accessed from the Waka Kotahi Procurement Manual Section 3.2 has been adopted for this strategy:

The best available outcome for the money spent in procuring the Council's needs.

### Competitive and efficient markets

The purpose of this Strategy is to acknowledge the above and ensure that a competitive market is still maintained, where possible. The Strategy also needs to be flexible to adapt to rapidly changing political and economic factors, whilst still allowing for innovation. The Strategy therefore is a living document.

### Fair competition amongst suppliers

Council uses the Waka Kotahi Procurement Manual to ensure fair competition in the market is maintained. This resource was designed to ensure that the transport activities procured achieve best value for money spent and promotes a whole of business strategic approach to public transport services. That approach is endorsed by this Strategy.

The principal means of achieving this objective is by giving confidence to the market that everyone who is willing and able to provide the outputs necessary to undertake an activity has a fair chance of obtaining work, in an environment, where they know all the rules. For example, Council will disclose patronage and fare revenue information for services, therefore allowing full market disclosure.

### Public Transport Operating Model

Section 115 of the LTMA includes the following set of public transport principles:



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- All regional councils and public transport operators should work in partnership and collaborate with territorial authorities to deliver the regional public transport services and infrastructure necessary to meet the needs of passengers,
- The provision of public transport services should be coordinated with the aim of achieving 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 public transport services are priced efficiently,
- Incentives should exist to reduce the reliance on public subsidies to cover the cost of providing public transport services, and
- The planning and procurement of public transport services should be transparent.

Any public transport service operated in a region must be provided under contract with a regional council as part of a unit unless it is an exempt service. A regional council must contract for the provision of every unit on an exclusive basis (s115).

The Government is currently reviewing the impact of PTOM particularly on driver wages.

### Government rules of sourcing

Council's procurement approach will be consistent with the Government rules of sourcing including the Principles of Government Procurement. The five principles of government procurement are:

- a. Plan and manage for great results
- b. Be fair to all suppliers
- c. Get the right supplier
- d. Get the best deal for everyone
- e. Play by the rules

### Waka Kotahi Procurement Manual

The Procurement Manual is used for activities funded through the National Land Transport Programme and contains procurement procedures approved by Waka Kotahi for use by approved organisations when purchasing infrastructure, planning and advice and public transport services.

### Otago Regional Council Procurement Policy- June 2020

Council has its own Procurement Policy which is used for the purchasing of goods and services. The objective of this document is to keep the risks associated with procurement within Council's established risk criteria and ensure the required controls are being followed.

### Otago Regional Council Delegations Manual – 9 December 2020

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The primary purpose of the Delegations Manual is to set out the delegations given to officers (and elected members in some instances) in relation to certain administrative and financial matters and also delegations made in relation to Council's statutory duties, responsibilities and powers.

The Delegations Manual sets out the responsibilities of the Regional Transport Committee as well as the role of key Otago Regional Council staff in terms of financial responsibility and statutory functions.

Procurement activities must be compliant with the delegations set out in the latest version of the Delegations Manual.

## 3. MARKET ANALYSIS

This Procurement Strategy considers the market for public transport service provision; Total Mobility Service providers; professional services; and stock truck effluent sites design and construction.

### Public transport services- current

The following table outlines the services that Council currently contracts, including contract details. The values reflect the cost at the time contracts were let, include variations since being let and additional costs to comply with the 2018 rest and meal break changes.

Table 1 Public Transport Operating Model Contracts

Unit	Description	Value (before fares)	Contract start date	Contract end date	Supplier
1	Balaclava, Logan Park, Concord, Port Chalmers, Northern Services and Peninsula	\$2.99m	18 September 2017	30 September 2026	Ritchies
2	St Clair, Normanby, Corstorphine, Wakari, St Clair Park, Helensburgh	\$3.56m	18 September 2017	30 September 2026	Go Bus
3	Pine Hill, Lookout point, Shiel Hill, Opoho	\$1.12m	1 July 2011	30 June 2020 (extended)	Ritchies
3a (trial)	Ridge Rider	\$0.56m	18 September 2017	30 June 2020 (extended)	Ritchies

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<b>4</b>	Half way Bush/Brockville, St Kilda (rapid), Waverley, Ocean Grove, Ross Creek, Belleknowes, Kenmure	\$3.79m	15 August 2016	14 August 2028	Go Bus
<b>5</b>	Mosgiel, Mosgiel Loop, Abbotsford	\$1.28m	1 July 2015	30 June 2023	Ritchies
<b>6</b>	Queenstown Airport- Fernhill (Sunshine Bay); Kelvin Heights to Five Mile Shopping Centre	\$3.71m	20 November 2017	19 September 2029	Ritchies
<b>7</b>	Arrowtown to Queenstown and Kelvin Heights to Frankton Flats (via Remarkable Park)	\$1.94m	20 November 2017	19 September 2029	Ritchies

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#### Total mobility services-current

The expenditure for Total Mobility (TM) services is dependent on the number of trips users take each year. Most trips occur in Dunedin. The current operating budget for TM is approximately \$1.4m.

Table 2 Annual Total Mobility Contract Value (April 2019 – March 2020)

Location	Value	Suppliers
Dunedin	\$1550.35	Airport Shuttles / Eco Friendly
	\$257.10	Corporate Cabs
	\$370,393.48	Dunedin Taxis
	\$128,241.89	Driving Miss Daisy North
	\$67,237.00	Driving Miss Daisy South
	\$102,284.86	Grab A Cab
	\$222.70	Mainland Taxis
	\$123,091.25	Mobility Vehicles
	\$296,348.27	Southern Taxis
Queenstown	\$15,347.90	Queenstown Taxis
Oamaru	\$27,830.03	Driving Miss Daisy Oamaru
	\$102,347.25	Whitestone Taxis
Wanaka	\$3,469.00	Wana Taxis
	\$8821.50	Yellow Taxis

In addition to the funding of TM trips Council may provide funding assistance for the provision of new or retrofitted wheelchair equipment for vehicles fitted with either a hoist or ramp. The current budget is \$67,000 (excluding GST) for hoist installation.

#### Professional Services

Council engages both in-house and external professional services to undertake its transport activities.

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### **Professional service- internal**

Council maintains a management team to oversee its transport activities (refer to the

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Management and **implementation** section for the staff positions and functions). This team is supported by other in-house professionals where there is capability and capacity as detailed below:

- Communication;
- Customer services;
- Engineering;
- Finance;
- Information Management (IM);
- Legal; and
- Records.

In-house professional services costs are captured by staff submitting weekly timesheets with their time coded directly to Council's general ledger. Each general ledger code is allocated to the applicable Waka Kotahi NZ Waka Kotahi work category. A charge-out rate is used to calculate the value of the professional service. This is to capture the true cost of the staff's time when working on the activity. The scale of charges for staff time is set through the Council's Long Term Plan and updated each year through the Annual Plan.

These professional services are managed through Council's internal procedures.

### Professional service- External

External professional services are typically provided by transport consultants, planners, technology specialists, legal and marketing. The work undertaken is broad and can include strategy, policy development, planning and advice, investigation and design, revenue collection, real time information, community consultation and communications.

The following table outlines the professional services that the Council currently procures or that may be procured in the next three years. The value of these services is likely to be within the low dollar value as specified in the Waka Kotahi Procurement Manual, Section 10.9.

*Table 3 Professional Services Contractors*

Professional service	Current provider	Contract start date	Contract duration
Ticketing system	Electronic Ticketing Systems	1 January 2015	> 5 years

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Professional service	Current provider	Contract start date	Contract duration
	INIT	~July 2020	~ 5 years
National Total Mobility Administration System	Eyede	20 September 2018	30 June 2024
Legal services	Ross Dowling Marquet Griffin	04/02/20	30/06/21
Passenger transport service cost assessor	-	As required	As required
Transport planning and passenger transport consultancy services	Various	As required	Ongoing
Total Mobility eligibility assessment provider	Various (17 in total)	Various	Ongoing
Marketing consultant	Various	As required	Ongoing
Graphic screen printers	Various	As required	Ongoing
Radio advertisers	Various	As required	Ongoing
Print advertisers	Various	As required	Ongoing
Media advertisers	Various	As required	Ongoing



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Professional service	Current provider	Contract start date	Contract duration
Printers	Various	As required	Ongoing
Tender evaluator	To be determined	As required	As required

## Infrastructure

Public transport facilities (infrastructure such as new bus stops, timetable signs) operations and maintenance, renewals and improvements, are the responsibility of the Regional Council in Dunedin and Queenstown Lakes District Council in Queenstown. Council, on behalf of the District Councils applies to Waka Kotahi for the funding of these activities. Council works collaboratively with the district councils to plan and agree infrastructure improvements.

## Road safety

Road safety services are provided by the region's city and district councils.

## Exempt services

Exempt services are not required to be arranged into units and contracted by the regional council. Exempt services are those which are exempt under Section 130(2) of the LTMA or treated as exempt under section 153(2). Council keeps a register of exempt services.

There are six operators with exempt services that are registered with Council and there are at least another nine operators running non-integral services including tour and charter services.

## Transport Activity

### Procurement Strategy

## Analysis of supplier markets

### Bus services

The region's market for bus services is reasonably limited. There are two operators with Council contracts in the Otago and these two operators were the only bidders in tender rounds dating back to 2015.

Council will look at methods to encourage competition, however based on the size and market of the upcoming procurement competition is likely to be limited.

Council has undertaken regular engagement with the supplier market and with the Bus and Coach Association. Bus suppliers (both incumbent and potential) have been invited to provide input into this Procurement Strategy and have been involved in the development of previous versions of the document.

### Lake Wakatipu Ferry services

A commercial ferry service began operation on Lake Wakatipu in November 2018 and offered a scheduled service between Frankton and Queenstown Bay. The operator has indicated the service will cease operation due to it being commercially unsustainable.

The current service provides connectivity between four stops from Queenstown to Frankton as below:

- The service is available from 7:45am to 6:05pm weekdays, 10:05pm Fridays and Saturdays on the hour;
- The ferry has capacity for ~30 passengers and travels at a speed of 12-18 knots;
- The current fare is \$9 single trip per person, \$15 return trip per person and \$49 for a 10-trip concession card per person;
- Hilton residents are offered a \$5 single trip per person discount;
- The ferry ride between the Hilton and Queenstown is scheduled to take 20 mins;
- The service is limited to a single operator who drives the ferry, collects the fares and assists passengers on and off the wharves.

Prior to the Registration of Interest process set out in procurement activity section Council is providing financial assistance through direct appointment to maintain the existing ferry service. This will maintain a continuity of service for the community. On two recent occasions the Council has tested the community's support for the service and its willingness to pay and on both, the community was unequivocal in its support for the need for a ferry service.

## Total Mobility

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### Procurement Strategy

The ORC has agreements in place with all 13 operators in Otago for the provision of the Total Mobility services in Oamaru, Dunedin, Balclutha, Alexandra, Wanaka, and Queenstown see Table 2. There are 26 agencies who administer the scheme on a voluntary basis. Operator contracts have a term of 5 years and use the Waka Kotahi template.

The number of operators in the taxi industry has remained reasonably static in recent years and this situation is not expected to change. New entrants must enter into a formal agreement with Council for the provision of these services consistent with Chapter 9 and Rule 10.32 of the Waka Kotahi Procurement Manual. Council will consider all applications from new service providers. New applications will be considered based on service and vehicle quality, and vehicle age (note some flexibility on vehicle age may be applied where the level of demand may not justify vehicle replacement or where no service exists). The RPTP contains the procurement policy for considering new entrants into the Total Mobility Scheme (Policy 6.2).

### Professional services

The market for professional services is constrained. There are a limited number of consultants in the market who have specialist skills and knowledge to assist with ORC's transport modelling and planning requirements. This skill set is particularly limited with respect to the transport modelling and public transport technology.

It is Council's preference to partner where possible with existing systems or tender processes. There is likely to be some competition for real time passenger information systems as demonstrated through the Expression of Interest process in Auckland. Partnering will reduce the risks associated with purchasing a stand-alone solution.

### Professional services - external

Approximate annual operating expenditure	\$100,000 - \$200,000
Proposed delivery method	Staged
Proposed supplier selection method <sup>1</sup>	Direct appointment Lowest price conforming Price quality Quality based

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<sup>1</sup> The proposed professional services supplier selection method used will depend on the type of professional service required, using criteria such as achieving best value for money, the value of the contract, the number of suppliers and the quality attributes of the suppliers.

## **Transport Activity**

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The ORC Procurement Policy requires purchases under \$5,000 to be made from a preferred supplier; between \$5,001 and \$25,000 at least three written quotes and the use of a preferred supplier; between \$25,001 and \$100,000 at least three written quotes or a minimum of two where supply is limited. Over \$100,001 a tender is required. In all situations a contract must be in place.

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#### **Stock truck effluent sites**

Otago has installed eight stock truck effluent sites with six located on State Highway One between Pukeuri and Clinton another one at Raes Junction at the intersection of Highway 8 and Highway 90 and the final one on S85 at Brassknocker Road.

A further site has been constructed at Tarras in 2020. The design and construction of stock effluent disposal sites is overseen by Council's engineers with contracts competitively tendered for the design and maintenance of these sites. Council has no further sites planned.

# 4. DELIVERY

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Over the next three years Council's procurement activity will be focused on the following activities:

- Public transport service- Unit 3 Dunedin
- Variations to Dunedin public transport service contracts to implement the Shaping Dunedin improvements
- Professional services
- Lake Wakatipu Ferry Service Trial (and potential longer-term contract)
- **Dunedin Public Transport Service- Unit 3**

The planned procurement process for Unit 3 will conclude the procurement activities which commenced in 2015. The procurement process and contract will include the Public Transport Operating Model (PTOM) provisions set out in the Waka Kotahi Procurement Manual- these are explained in Appendix One.

- **Variations to Dunedin public transport service contracts to implement the Shaping Dunedin improvements**

Connecting Dunedin, a partnership of Waka Kotahi, Dunedin City Council and the Otago Regional Council is a city-wide business case planning for changes to the central city transport system. Any changes to public transport services will predominantly be undertaken by negotiating variations to existing service contracts.

- **Professional Services**

Due to the scale of transport activities, the geographic location and skills within the team Council will from time to time engage external parties to undertake professional services. These may include legal, public transport expertise and specialist public transport technology.

- **Lake Wakatipu Ferry Service**

Council intends to procure a ferry which will service the Frankton Arm of Lake Wakatipu running between Queenstown Bay and the Hilton Hotel, Frankton.

Market analysis suggests that vessel suitability will limit competition in the short term. This assumption will be tested as Council will undertake an registration of interest (ROI) process to identify potential suppliers with vessel availability.

The ROI will be used to short-list suppliers. If a competitive market exists Council will issue a request for proposal for the trial service from the short-listed suppliers. Council is seeking

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approval for a direct appointment negotiation through this procurement strategy if there is only one supplier short-listed.

There are several other businesses offering scenic and adventure activities on Lake Wakatipu and the Kawarau River. Discussions with the current ferry operator identify the safety and quality of access at wharves to be a key issue.

The existing operator has suggested a jet boat would be required for routes up the Kawarau River due to the shallow water and a larger vessel would be required to service a wider area of the lake.

Council proposes to subsidise the operating costs of the service through a gross contract, with fare revenue being returned to the Council. To assess the effectiveness of the service a trial will operate for a minimum of 18 months (from July 2021- to December 2022). The assessment of success will include reference to the LTP Community Outcomes.

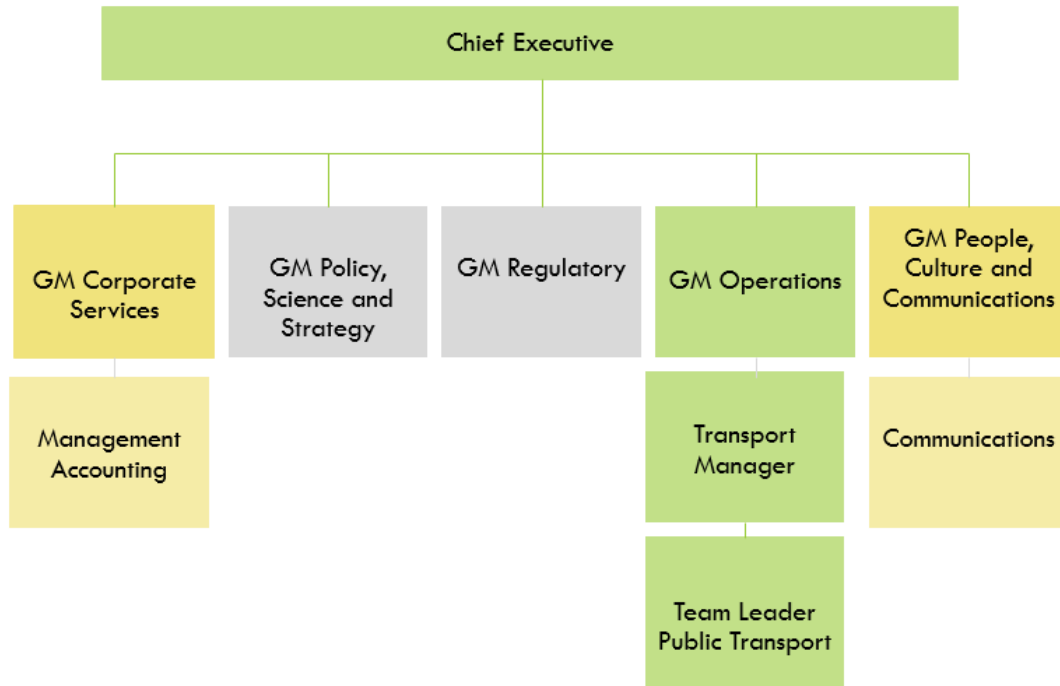
- **Total mobility**

Council will procure Total Mobility services using the Waka Kotahi Procurement Procedure 4 – Public transport fare subsidy schemes. Selection of an operator will be based on Council's application criteria and evidence that they will provide additional benefit for the TM clients and value for money for Council. Applications from new scheme providers will be considered with regard to community need and sustainability.

Council uses agencies to assess client eligibility. The Council contracts assessment agencies as set out in the Waka Kotahi publication Total Mobility Scheme: a guide for local authorities for contract principles, minimum standards and general guidance for Total Mobility scheme contracts with service operators and assessment agencies.

**Management and implementation**

**A. ORGANISATIONAL CHART**



**Roles and responsibilities**

*Table 4 Staff roles and responsibilities*

Role	Responsibility
Elected members	Set the community outcomes and approve the LTP i.e. the community plan
Chief Executive	Overall responsibility to the Otago Regional Council for all passenger transport operational activities and transport policy (including regional land transport plan and regional public transport plan).
General Manager Operations	Oversees the management of passenger transport operational activities and transport policy (including



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Role	Responsibility
	regional land transport plan and regional public transport plan).
Manager Transport	Oversees all transport policy related activities and manages passenger transport operations.
Transport Planners	Prepare and oversee the development of the Regional Land Transport Plan and Regional Passenger Transport Plan; public transport network planning; convenes in collaboration with Environment Southland, the Regional Transport Committee supporting Technical Advisory Group and other transport working parties as necessary.
Team Leader Public Transport	Leads the implementation of the Council's public transport activities such as the Total Mobility Scheme, public transport contracts, community transport services, assists with public transport infrastructure development and other related activities.
Passenger Transport Officers	Assists in the implementation of public transport activities such as the Total Mobility Scheme, public transport contracts, community transport services, and other related activities (including data analysis).
Transport support staff	Assists the public service and transport policy staff with the day-to-day management of transport activities in a support capacity.

The present Transport team resourcing level (four operational and two policy roles) and buying-in specialist skills as needed delivers the procurement programme and provides back-up support where necessary. Other individuals involved in transport activities within the Council are balanced by various levels of experience and abilities. The close liaison between different work teams ensures open and effective communication is maintained.

A commercial manager will be recruited in the next 12 months to strengthen the capability of the team.

# 5. MONITORING AND REVIEW

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The Council has a range of monitoring systems for internal performance and external reporting. The Council will monitor the following indicators, as suggested in the Waka Kotahi Procurement Manual to determine the success of this Strategy:

## Achievement of value for money

- Time – estimated duration of key contracts versus actual duration of contracts.
- Cost – estimated cost of key contracts versus actual cost of contracts.
- Quality – Council’s satisfaction with the goods or services procured.

## Regard for markets

- Fairness – whether or not the supplier selection process was an open or closed contest, and the reasons for these decisions.
- Competitiveness – number of bids received and whether alternative bids were permitted and/or received.
- Innovation – whether alternative bids that added value for money were permitted; whether alternative bids were received and accepted or rejected; what added value did alternative bids achieve and their cost.

These factors will be reviewed by the Transport Manager at the conclusion of any competitive tendering process.

## Efficiency of procurement procedures

This area of monitoring aims to measure whether the procurement procedures are cost effective and to ensure they are not overly complex. This will be broadly measured by comparing the overall cost of the procurement function to the total cost of contracts let.

## Compliance with procedures

This area of monitoring aims to measure how well the Council is complying with this Strategy. This will be broadly measured by the number of complaints received on the purchasing process. The Council will also use the Waka Kotahi audits to ensure compliance with funding requirements.

Overall success is measured by achievement of the Council’s transport programme as specified in the Regional Land Transport Plan and Long Term Plan (LTP).

## Contract Performance KPIs

Data will be collected in accordance with the Waka Kotahi requirements, for example monthly for SuperGold Card patronage, monthly for public transport services patronage and revenue,

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and yearly for other KPI's such as service kilometres and customer satisfaction levels and expenditure as set out in the Waka Kotahi Procurement Manual Appendix K.

# APPENDIX ONE

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This appendix sets out the method that Otago Regional Council has implemented the requirements of the Public Transport Operating Model (PTOM) in its current public transport contracts.

## A. PROCUREMENT APPROACH

The Waka Kotahi Procurement Manual specifies the rules for the delivery of transport activities, the Council has selected the following approaches to procure its transport activities.

Information on each of the proposed delivery and supplier selection methods can be found in Appendix I or the Waka Kotahi Procurement Manual s 8.4 (<http://www.nzta.govt.nz/resources/procurement-manual/>).

## B. BUS SERVICES

Delivery method- partnering.

Proposed supplier selection method- price quality (without disclosure of the estimate).

## C. PRICING MODEL AND CHANGE CONTROL

During the term of any contract, either the Council or the operator may request a service level variation (for example changes to the route, frequency and timings of a service) to meet changing circumstances.

Changes will in the main be identified, planned and implemented as part of a contract's annual business planning process. Where necessary the contract price will be amended to take into account the nature of the changes.

Any contract price adjustment will use the contract variation rates established at the time of the tender.

## D. GROSS PRICE RESETS

Bus public transport unit contracts longer than six years will have an annual gross price reset at year six. This reset mechanism will be informed by best available data (such as unit rates) used in a manner that is consistent with the requirements of the Waka Kotahi Procurement Manual in discussion with the operator.

If there is no suitable benchmark information available, the contract price will be reconfirmed at the current contract price. The current contract price is defined as the original winning tender contract price (i.e. the initial contract price) plus the price of any contract variations (for service level adjustments) made during the first six years of the contract, each adjusted for input price

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variation using an index approved by the Waka Kotahi in accordance with section 10.25 of the Procurement Manual.

#### E. PERFORMANCE MANAGEMENT

Performance management will be a critical component of the contractual relationship in ensuring that the delivery of the Council's public transport contracts is successful.

The following Council staff will be involved in the contract management process. The executive management team will be:

- Chief Executive
- General Manager Operations

The Council's day-to-day contract management team will be:

- Transport Manager
- Public Transport Team Leader

Further information on the roles for each staff member is provided in Roles and responsibilities.

#### F. ANNUAL BUSINESS PLANNING

The Service Provider and the Council will form a business team for the purposes of jointly developing a business development plan for all units under contract (the Business Development Plan). The Business Development Plan (BDP) process is viewed as a way for the parties to work collaboratively in a structured and systematic manner to improve the service and grow patronage, and in managing the contract obligations.

The BDP will set out activities in the form of resourced project plans (action plans), to be carried out during the ensuing 12-month period and may include but will not be limited to:

- service improvement initiatives;
- plans for the development and/or introduction of new services;
- infrastructure projects;
- plans for the development and/or introduction of new technology;
- co-branding or promotion of services;
- performance review against Plan targets; and
- any other joint business and/or marketing activities.

For new contracts, the BDP will be created within thirty (30) working days of the commencement date of those contracts and reviewed annually.

For existing PTOM contracts, the Council will work with Service Providers in the 2020/21 financial year to properly initiate the BDP process. Thereafter, the BDP will be reviewed annually.

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When accepted by the parties, the BDP will form part of the relevant contract and the parties will be bound by its terms.

The performance of the parties against the BDP and action milestones specified in the BDP will be reviewed at least annually, or upon such other dates as the parties agree.

## G. PARTNERING

The recent operator workshop discussed partnering and saw that both parties have responsibilities for maintaining the relationship. Council is the Principal to the contract and pays the contract costs and the operator is the supplier of the service. Partnering is about working together and building trust. It was not seen to be a relationship where both parties share directly in profits or share control of the business as would be the conventional meaning of partnership. Operating with integrity and continuing to demonstrate goodwill form the basis of the partnering arrangement. A successful partnering relationship includes a transparent approach to service delivery in a 'no surprises' environment and is encouraged by both operators and Council.

The principles for partnering will be:

- Recognising the objectives of both parties are different, but both share a commitment to increasing patronage and commerciality of services;
- A commitment to working together;
- Building trust; and
- No surprises.

## H. FINANCIAL INCENTIVE MECHANISM

The Financial Incentive Mechanism (FIM) is consistent with the Waka Kotahi stated principles for FIM (Appendix J of the Waka Kotahi Procurement Manual). It is simple to apply and administer based on the up-side change in fare revenue from one year to the next. It incentivises both parties to collaborate and to promote the service with the aim of growing passenger numbers and therefore fare revenue. Not setting a financial cap ensures the service provider remains engaged, thereby achieving greater reward. It contributes to value for money as the greater the fare revenue the more likely the required level of public subsidy will decrease.

Existing contracts use the following model where the FIM shares 15% of the net revenue growth with operators, recognising the current level of commerciality that exists in Otago and the desire to continue growing patronage. The ORC and operators have questioned the effectiveness of a revenue share as there are plans to reduce fare levels to encourage more public transport use. Operators would prefer the use of KPIs developed in the Annual Business Planning linked to financial rewards where KPIs are met. Any changes to the FIM in existing contracts will be considered by both parties as part of the annual business planning process.

## I. PERFORMANCE MEASURING AND MONITORING

Council will comply with the performance measurement and monitoring requirements as stated in the Waka Kotahi Procurement Manual section 11.1. Included in ORC's Regional Public Transport Plan 2014 is the policy framework for managing, monitoring and evaluating unit

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performance. The **Error! Reference source not found.** section details the minimum Key Performance Indicators to be monitored.

#### J. COMMERCIALITY RATIO

All public transport services are required by the Waka Kotahi to be measured to determine a service's efficiency and effectiveness. These measures provide a management tool in identifying poor performing units and allowing regional comparisons between services to be made.

Council will make available the regional commerciality ratio in its annual report. Council will also monitor and report the farebox recovery ratio on an annual basis.

#### K. CONTRACTOR PERFORMANCE REPORT

In addition to the regular monitoring and reporting on public transport service delivery the Council will, at the conclusion of a contract, compile a Contractor Performance Report. This report will evaluate the overall satisfaction level of the Council with the Contractor's performance. The Council will allow the Contractor to comment on the performance report before it is included in the Contract file.