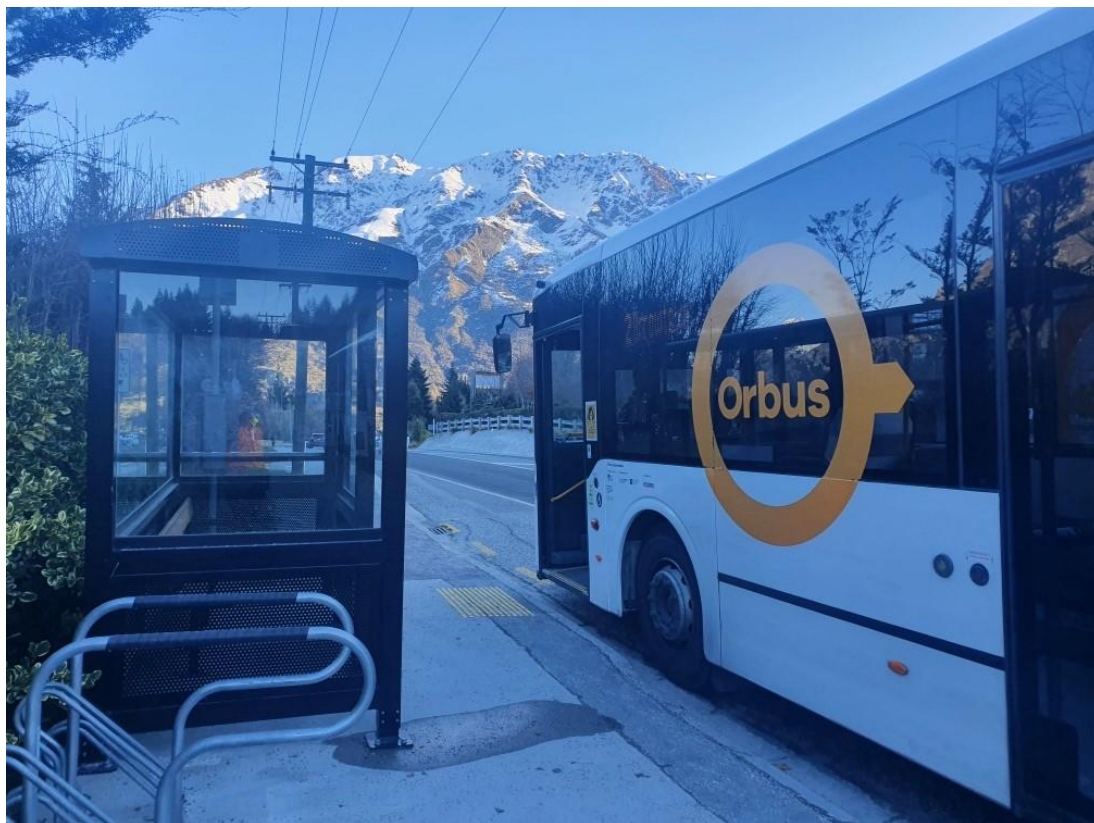


Transport Procurement Strategy 2024-2027



Otago Regional Council

Final Strategy v1.03

Transport Procurement Strategy 2024-2027

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EXECUTIVE SUMMARY

Otago Regional Council (ORC) undertakes a variety of procurement activities in the transport space, with the most financially significant being the procurement of bus contracts. In the next three years, major procurement activities will occur affecting the majority of bus contracts in Otago either through tender processes for new contracts, or the substantial procurement planning for a tender beyond this three-year period. The strategic environment in which these procurements occurs is dynamic, with changing policy in the form of the Sustainable Public Transport Framework (SPTF), which is yet to be fully implemented. There are a variety of questions around the design of future contracts, including the question of how new assets might be delivered and whether ORC looks to take an interest in controlling these assets.

Effective procurement processes and practices are required for ORC to demonstrate an overarching procurement outcome of *“best value for money spent”*, which should be considered in terms of whole-of-life costs. Along with demonstrating this, particular consideration is given to the fostering of *“competitive and efficient supply markets”*, a range of *“broader outcomes”*, and the contribution of procurement to ORC’s wider *“decarbonisation”* objectives.

For all considerations there is the potential for ORC to improve its methodologies and capabilities, allowing for the implementation of better contract management and opening up policy options through this Procurement Strategy. This represents a challenge for ORC’s approach to professional services; while there will always be a need for significant external support, increased internal delivery of core professional services will give greater ownership of ORC policies and methodologies.

ORC’s Queenstown Ferry service will be renewed, and the development of this service and its enabling infrastructure will be a significant challenge. There remain obstacles to a competitive market environment for this services and ORC will work to develop a Ferry Strategy to develop the long-term future of this service beyond the lifetime of this Strategy. There are also new procurement processes for on-demand public transport, and community transport around the region.

Another area of change is Total Mobility, where there are declining levels of market competition and a high level of strain on operators. The Total Mobility scheme is currently undergoing review at a national level which is hoped to address these issues, but it will be important for ORC to develop its approach to Total Mobility under the current model.

While the procurement of day-to-day public transport infrastructure is generally external to ORC under the current operating models with Dunedin City Council and Queenstown Lakes

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District Council, ORC does have a significant interest in these activities and a more direct role in some projects. Other parts of the procurement environment that are external to ORC but have an impact, including exempt services, which interact with potential trials, and Ministry of Education services, where changes from time-to-time may create new requirements for bus services, are also encompassed in the Strategy.



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INTRODUCTION

Welcome to Otago Regional Council's (ORC) Transport Procurement Strategy 2024-2027. This document sets out ORC's understanding of, and response to, the procurement environment for activities that receive funding from the National Land Transport Fund (NLTF). This forms a targeted part of ORC's wider transport planning activities, whose key documents are the Regional Land Transport Plan (RLTP) and the Regional Public Transport Plan (RPTP).

At a high level, the purpose of a Procurement Strategy is to demonstrate a strategic approach to procurement. For ORC, this is especially important in 2024, because:

- the procurement environment for financially significant public transport activities is in a state of transition from the previous Public Transport Operating Model to the new Sustainable Public Transport Framework (SPTF).
- The transition to zero-carbon public transport networks is moving into gear. The first electric buses in Dunedin are hitting the road as this Strategy is being written, and key procurement activities for all other current bus contracts in Otago will occur within the lifetime of this strategy (either the tender processes themselves, or at least the substantive procurement planning).

For these reasons, this strategy does not represent business-as-usual; there are significant new areas of interest that must be addressed in order to prepare for the challenges and opportunities of the next three years and beyond.

This strategy navigates significant uncertainty with the implementation of the SPTF, which is still ongoing, with further changes expected. ORC will also be reviewing its RPTP. This strategy has to navigate between the current policy environment (the current Procurement Manual and RPTP), and expectations of how this policy environment will change in the next three years with SPTF, and an understanding of areas of interest for the next RPTP process.

This strategy has several key audiences:

- For ORC, the Strategy represents an appraisal of the organisation's needs and key decision areas relating to Procurement. Due to its timing in the policy cycle, development of the Strategy is also a preliminary to the future development of a new RPTP, previews certain areas of interest for that process. The Strategy also meets a regulatory requirement, as procurement activities cannot be funded without an active strategy.

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- For the NZ Transport Agency (NZTA), the Strategy gives insights into ORC's current strategic thinking. As a funder of transport, the regulation of procurement activities is fundamental to NZTA's role in the transport system.
- For suppliers, especially large suppliers such as bus operators, the Strategy will help set expectations for the direction of ORC's procurement activities, supporting their readiness to participate in procurement activities and operate in a changing environment.
- For ratepayers and public transport customers, the Strategy indicates ORC thinking on how best value for money will be achieved in ORC's transport activities.

The strategy has the following parts.

- Chapter 1 (Strategic Context) outlines the context of legislation, policy, and plans that define the requirements of this strategy and the environment it operates under. For clarity of subject matter
- Chapters 2 to 6 each combine a summary of current state with future strategic thinking for a variety of areas of work, with Chapter 2 (Bus and Ferry services), Chapter 3 (Total Mobility), Chapter 4 (Professional services), Chapter 5 (Stock truck effluent disposal sites), and Chapter 6 (Externally delivered/procured Transport activities).
- Chapter 7 (Procurement programme) gives a summary of the Strategy's implementation, and a timeline for major procurement activities over time.



1. STRATEGIC CONTEXT

The ORC undertakes a variety of transport activities:

- It leads regional planning functions through a joint Regional Transport Committee (RTC) with Environment Southland. The RTC develops the Regional Land Transport Plan and reviews legislation and policy that affect transport planning, investment funding, and financing.
- It is the Public Transport Authority (PTA) for the Otago region, co-funding and implementing two significant public transport networks (centred on Dunedin and Queenstown respectively). In financial terms, this is the ORC's most significant function, and can be viewed as overlapping operational and planning functions.
- It provides Transport input into regional land-use planning
- Other minor transportation functions such as stock effluent sites

Procurement is essential to delivering these activities. A large portion of ORC's transport spending goes to suppliers in the form of bus contracts. With a small staff and the need for specialised knowledge, skills, and tools, ORC is reliant on external support for significant parts of its work. To achieve success requires effective procurement processes and practices. This is achieved through reference to the NZTA Procurement Manual, which implements s25 of the Land Transport Management Act 2003 (LTMA) in defining procurement procedures that obtain *best value for money spent*, which the Procurement Manual (s3.2) defines as:

the most effective combination of cost, quality, benefit and risk to meet a requirement

To meet this aspiration, statutory and regulatory requirements, and to meet our values and our vision, ORC must consider the strategic context of its procurement activities within its wider work program. This is outlined below in two parts: firstly, a current-state summary of the key documents (legislation, regulations, plans) that transport procurement activities must align with, and secondly, a future-focused discussion of how ORC views key procurement outcomes.

1.1. DOCUMENTS, POLICIES, AND PLANS

Procurement of transport activities at ORC is subject to the mandates or guidance of a range of requirements, plans, and guidance, both internal to and external to the ORC. External instruments are legislation, the NZTA Procurement Manual, and government procurement rules. Internal documents include planning documents and organisation policies. This section sets out a summary of key documents that guide the development of this strategy.

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LAND TRANSPORT MANAGEMENT ACT 2003

The Land Transport Management Act 2003 (LTMA) is the overarching legislation under which ORC operates transport activities. The LTMA's purpose is (s3)

to contribute to an effective, efficient, and safe land transport system in the public interest

Under s5, ORC is an *approved organisation*. s25 mandates NZTA to develop *procurement procedures* for approved organisations. The NZTA Procurement Manual (see below) is the document which fulfils this mandate.

SUSTAINABLE PUBLIC TRANSPORT FRAMEWORK

The Land Transport Management (Regulation of Public Transport) Amendment Act 2023 amends, and is incorporated into, the LTMA. This forms the legislative part of the Sustainable Public Transport Framework (SPTF), a reform of the previous Public Transport Operating Model (PTOM), with the following objectives:

- public transport services support mode-shift from private motor vehicles, by being integrated, reliable, frequent, accessible, affordable, and safe
- employment and engagement of the public transport workforce is fair and equitable, providing for a sustainable labour market and sustainable provision of public transport services
- well-used public transport services reduce the environmental and health impact of land transport, including by reducing reliance on single-occupancy vehicles and by using zero-emission technology
- provision of services supports value for money and efficiency from public transport investment while achieving the first three objectives.

Although the legislative component of the SPTF is now incorporated into law, the development of operational policy is an ongoing process, and will lead to changes in the Procurement Manual. A change of government in the 2023 general election increases the level of uncertainty in this area. ORC will need to balance operating under the current legislative and policy context, while managing the risks of future legislative and policy changes causing disruption. However, excessive caution should be avoided, for two reasons:

- There is a risk of strategic paralysis if ORC waits for clarity that may take a long time to arrive



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- ORC also has an inherent political role as an advocate and stakeholder in national policy development, and will be in a stronger position to fulfil this role effectively if it has actively worked to implement policies and can comment on their practical merits.

WAKA KOTAHI PROCUREMENT MANUAL

The NZTA Procurement Manual fulfils the mandate of s25 of the LTMA, along with providing supporting guidance and rules. Four procurement procedures are defined:

- for infrastructure
- planning and advice
- public transport services, and
- the Total Mobility scheme.

The Procurement Manual also defines requirements for this document in Chapter 4 “*Strategic Approach to Procurement.*”

The public transport services procedure is the most strategically significant for the delivery of value for money at Otago Regional Council. For public transport services, the Procurement Manual mandates a “Partnering” delivery model for all significant activities, with the exception of low-cost, low risk activities (LCLR). LCLR services, for example special event services or small-scale trials, may be procured through staged or supplier panel approaches.

Under the 2021 Manual, the partnering model aims to encourage collaboration and risk-sharing through a range of processes. These include annual business planning, a financial incentive mechanism that gives operators a share of fare revenue growth within what would otherwise be gross contracts, and Key Performance Indicators (KPIs). These elements are defined by contractual terms. Prices are adjusted by indexation and a cost adjustment six years into each contract. The SPTF is a shift in this partnering model; although the underlying principle is similar, in general there are fewer compulsory elements and more policy options that council can tailor to local needs.

For infrastructure or planning and advice supplier selection can be by direct appointment, lowest price conforming, purchaser-nominated price (excluded for physical works), price-quality, or quality-based. Direct appointment can only be used in certain cases, including low dollar values or when it can be demonstrated that competition will not help obtain best value for money.

For public transport services, selection is currently by direct appointment or price-quality only. An additional justification for direct appointment is available for large bus markets: if enough pricing data is available to give the approved organisation confidence in costs, direct

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appointment of strongly performing units will provide a performance incentive during the life of contracts.

The Procurement Manual has not yet been updated to reflect the SPTF, but draft guidance has been produced and indicates significant changes for the Manual. This draft guidance is referenced in this Strategy.

OTAGO SOUTHLAND REGIONAL LAND TRANSPORT PLAN

A joint Otago and Southland Regional Land Transport Plan (RLTP) is the primary document guiding integrated land transport planning and investment in Otago and Southland. This is required under the LTMA and is developed by the two regions' Regional Transport Committees.

The RLTP outlines the strategic direction, priorities, and objectives for land transport in the Regions. Activities are prioritised in the RLTP for inclusion in the National Land Transport Programme (NLTP). In this way the prioritised programme in the RLTP forms a bid for funding from the National Land Transport Fund (NLTF) in the next three-years, along with indications of spending over a longer 10-year period. The RLTP therefore has a significant impact on the work programmes (and associated procurement activities) of approved organisations (AOs) in the region, including ORC. Activities that do not receive NLTF funding are unlikely to go ahead, as approved organisations are unable to entirely fund the activities themselves or obtain alternative sources of funding.

As part of the 3-yearly funding cycle, a review of RLTP 2021 -2031 is currently underway. The procurement activities in Chapter 7 of this Strategy are consistent with the RLTP's development.

LONG-TERM PLAN

ORC's Long Term Plan outlines the organisation's budget for its activities for the next 10 years, with a focus on the next three. From a transport perspective, it is developed in parallel to the RLTP: while the RLTP is a bid for NLTF funding under the LTMA, the LTP is governed by the Local Government Act 2002 (LGA) and determines local funding (from rates and other sources of ORC revenue). Most transport activities ORC undertakes are funded from a mix of RLTP (national funding) and local funding, meaning the LTP and RLTP need to be aligned.

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REGIONAL PUBLIC TRANSPORT PLAN

Public transport in Otago operates under the Regional Public Transport Plan 2021-2031 (RPTP). This plan is structured around an underlying vision, a set of four priorities for delivering the vision, and a set of five objectives. This is summarised below:

| | | |
|-------------------|---|---|
| Vision | Inclusive, accessible, and innovative public transport that connects Otago and contributes positively to our community, environment and economy. | |
| Priorities | 1 | <i>Improve the customer experience with the goal that more people choose to use public transport more often</i> |
| | 2 | <i>Improve environmental health by supporting the introduction of zero emission vehicles into the fleet to reduce greenhouse gas and particulate matter emissions</i> |
| | 3 | <i>Capitalise on new technology and opportunities for innovation</i> |
| | 4 | <i>Be cost effective such that the improvements to public transport provide value for money and ensure that the right investments are in place at the right time for the greatest number of current and potential users</i> |
| Objectives | 1 | <i>Contribute to carbon reduction and improved air quality through increased public transport mode share and sustainable fleet options</i> |
| | 2 | <i>Deliver an integrated Otago public transport network of infrastructure, services, and land use that increases choice, improves network connectivity, and contributes to social and economic prosperity</i> |
| | 3 | <i>Deliver a public transport system that is adaptable</i> |
| | 4 | <i>Establish a public transport system that is safe, accessible, provides a high-quality experience that retains existing customers, attracts new customers and achieves high levels of satisfaction</i> |
| | 5 | <i>Deliver fares that are affordable for both users and communities</i> |

This Strategy contributes to all the priorities and objectives above to varying degrees; in some instances, such as around zero emission vehicles, the contribution is very direct. In other instances, such as around customer experience, the contribution of this strategy is more indirect, with procurement outcomes from the Strategy supporting the effective delivery of public transport services and thus improving customer experiences.

While the RPTP is a key strategic document, this Strategy anticipates and, in places, sets a case for, the development of a new RPTP. It is therefore important to set limits on this strategy, particularly with regards to questions of wider community interest. For these matters which



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require consultation and political engagement the RPTP is the guiding document. Any departures suggested by this Strategy from existing RPTP policies are indicative of policy options, to be determined by future decision-making processes.

ORC PROCUREMENT POLICY

The ORC's internal procurement policy gives a set of cascading requirements depending on the purchase price. Under \$5,000 suppliers can be engaged directly; up to \$25,000 they can be engaged directly under contract, or else 3 quotes are required; up to \$100,000 both a contract and three quotes are required; and above \$100,000 a tender process should be conducted. This \$100,000 limit aligns with the Procurement Manual's limit for direct appointment on the grounds of low dollar values.

Exceptions are available in emergencies, where there is only a single supplier, or an exception from open advertising applies under MBIE procurement rules (referring to the Government Procurement Rules). This last point is important, because it creates a three-way alignment: the ORC Procurement Policy references Government Procurement Rules, and the NZTA Procurement Manual (s1.3, p.8) claims alignment with Government Procurement Rules. In theory, therefore, any exception to competitive tendering under the Procurement Manual should be acceptable under Government Procurement Rules and therefore can be viewed as consistent with ORC policy.

However, this alignment should not be taken for granted. Procurement plans should certainly still give reference to the ORC Procurement Policy, the Procurement Manual, which ensures internal documentation of procurement decisions and a connection between contracts and spending.

ORC DELEGATIONS MANUAL

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

To assist staff to understand the responsibilities of the Council and its committees, the Delegations Manual includes specified duties, functions, and powers which cannot be delegated from the Council, as well as the Council committees associated delegations.

Procurement activities such as tendering, contracting, and purchase orders must be compliant with the delegations set out in the latest version of the Delegations Manual.

1.2. STRATEGIC PROCUREMENT OUTCOMES

This section sets out an ORC understanding of five key concepts that drive procurement activities:

- Best value for money spent
- Competitive and efficient supply markets
- Broader outcomes
- Decarbonisation

For each, ORC has various mandates to pursue these outcomes, including from the documents above.

BEST VALUE FOR MONEY SPENT

As discussed above, best value for money spent is defined as “*the most effective combination of cost, quality, benefit and risk to meet a requirement*”. This concept is subsidiary to a wider concept of “*best value for money*”, but in the context of procurement, decisions are not being made from scratch. There is already a desire to invest, and procurement is about implementing this decision. This does not mean that procurement activities are divorced from the wider “*best value for money*” concept: clearly, if procurement activity reveals that the assumptions of underlying investment decisions are invalid, it is proper to reconsider the underlying investment decisions.

ORC’s understanding of best value for money spent takes account of the following:

- Whole-of-life costs: procurement needs to be approached in terms of the long-term value of a contract. An assessment of a contract needs to include consideration for how costs will, or might, change over the course of the contract, including secondary costs not included in the upfront figure, and internal costs such as the cost of procurement itself. The value for money question is especially important when evaluating approaches to asset control which may involve capital expenditure (e.g. purchase of land or construction of a depot) or hidden costs to future contracts (such as inadequate maintenance of a depot that is to be transferred at the end of contract).
- Risks and rewards: Due to the financial scale of ORC’s transport activities, uncertainties in costs have a direct impact of uncertainty in future rates levels, or service levels. Conversely however, offloading these risks onto suppliers can mean paying significant risk premiums. There is a significant and non-trivial trade-off, and careful consideration needs to be given as to where the appropriate balance lies, particularly in terms of the extent to which risks can be mitigated by ORC, by its suppliers, by both or by neither.

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- Organisational capability: particularly for high-value contracts such as bus service contracts, the level of confidence that best value for money spent is being achieved will be significantly enhanced if ORC have confidence that its staff have the technical capability, and capacity, to commit to contract management. This enables more sophisticated methodologies across a range of areas and allows for the principles of collaborative “partnering” approaches to be achieved.

COMPETITIVE AND EFFICIENT SUPPLY MARKETS

In Otago as all around New Zealand, transport services are generally delivered through market mechanisms. For integral public transport services, this is through “off-the-road” competition whereby operators are competing through tender processes for service contracts. This compares with exempt services and Total Mobility, where operators compete directly for passengers.

Competitive markets support best value for money spent in a variety of ways. They keep the value of contracts closer to the costs of operating services due to the assessment of quality that emerges from tender processes, and due to the variety of different approaches and perspectives that different suppliers bring. This variety encourages innovation and varied perspectives.

Competitive and efficient supply markets do not imply that every individual procurement needs to be contested by a competitive process. There is a place for direct appointment as a standard procedure under the Procurement Manual, although caution should be taken. Ultimately, however, any activity needs to support long-term competition: direct appointment could be used to procure activities when there is a lack of confidence in the current market conditions, or a desire to align future procurements.

Although other considerations such as fairness and broader outcomes support competitive and efficient markets, the connection with best value for money spent is very important. In some instances, activities to increase the level of market competitiveness may not appear to support best value for money spent; for example, a desire to engage with new suppliers and increase the supplier base for professional services may mean approaching procurements in a way that does not deliver the best value for money spent on an individual project. However, such approaches should ultimately support best value for money spent in the long term, when considering the value of diverse suppliers, the development and growth of suppliers relying on opportunities, and the cost risk of less competitive procurements.



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FAIR COMPETITION AMONG SUPPLIERS

Fair competition among suppliers refers to fairness in the way ORC and its supplier market operate. For ORC, this means:

- engaging with markets in a way that participants with sufficient capability will have a fair chance of obtaining work
- minimising barriers to entry by giving new suppliers opportunity to demonstrate their capability
- disclosing sufficient information for suppliers to be able to make fully informed decisions for their pricing and methods – for example, patronage figures, or sufficiently detailed data for suppliers to conduct their own analysis ahead of a tender
- while maintaining close working relationships with suppliers for day-to-day work, engagement about procurement processes should be through formal procurement activities
- preventing and identifying opportunities for market manipulation such as bid rigging

Fair competition among suppliers supports long-term best value for money spent, and competitive and efficient supply markets in particular. As well as *actual* fairness, there is also a question of *perceived* fairness: if suppliers or the public are unable to trust that ORC procurement processes are fair, this will have a negative impact even if, internally, ORC are treating suppliers fairly.

BROADER OUTCOMES

Broader outcomes represent the secondary benefits of procurement that go beyond the immediate activity being procured. This involves social, environmental, economic, cultural or economic benefits and may go beyond organisational boundaries.

Some examples of broader outcomes of interest to ORC are as follows:

- Environmental enhancement: public transport activities have the potential to enhance local environments through reducing traffic levels, construction of facilities such as bus stops and stations as well as forming a part of street enhancements that will support pedestrian and cycling access; reducing particulate and greenhouse gas emissions.
- Economic development: public transport activities support affordable and efficient access to jobs and businesses, creating economic activity. Public transport supports increased employment and residential density, leading to long-term virtuous cycles of development and public transport enhancement around key corridors.

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- Social inclusion: ORC's transport activities support affordable access for many groups of people to public and private facilities and activities. For example, young people who do not have access to a car are able not only to access school, but also to navigate urban areas independently; disabled people are able to get around cities on accessible buses or through Total Mobility services.
- Cultural enhancement: the creation or enhancement of facilities and buses represents opportunities to enhance the ability of culturally important groups, notably mana whenua, to be represented in public places, such as through artwork, informational displays, naming and use of language.

DECARBONISATION

Decarbonisation is a key procurement outcome for ORC transport activities. Transport is an important source of carbon emissions, and therefore public transport is a key area where ORC can support a transition to a zero-carbon economy.

The most significant contribution that public transport can contribute to decarbonisation is in mode-shift: reducing the number of cars on the road and moving more people with less energy. The scale and patronage levels of ORC bus services are such that greater decarbonisation benefits will come from the most heavily patronised routes, meaning decarbonisation supports patronage-focused service design. Broader outcomes around cycling and walking are also significant from a decarbonisation perspective.

Greenhouse gas emission reductions will also come from the transition to zero-emission vehicles in public transport fleets. ORC's first eleven electric urban buses are soon to begin service in Dunedin as a part of Unit 3. Future procurements will specify zero-emission vehicles. Some of the key topics in this Strategy relate to the challenges of bringing zero-emission vehicles into service at scale, which may impact the operating model, and the approach to key strategic assets such as fleet and depot.

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2. BUS AND FERRY SERVICES

2.1. CURRENT STATE

ORC currently defines and operates the following public transport Units, each delivered by a single contract.

| Unit Contract Name | Routes | Operator Expiry date | Peak vehicles | Annual service hours | Annual service km |
|-----------------------|---|-------------------------|---------------------|----------------------------|----------------------|
| Unit 1 PTC 2017-1a | Dunedin routes 1, 14, 18, 37, 63 | Ritchies 30/06/2026 | 15 | 51,401h | 1,353,751km |
| Unit 2 PTC 2017-2 | Dunedin routes 8, 33, 50 | Go Bus 30/09/2026 | 14 | 58,402h | 812,332km |
| Unit 3 PTC 2022-1 | Dunedin routes 5, 10, 15, 39, 40 | Ritchies 30/03/2031 | 14 (11 electric) | 35,157h | 647,755km |
| Unit 4 PTC 2015-3 | Dunedin routes 3, 19, 44, 55, 61 | Go Bus 30/06/2028 | 14 | 55,017h | 941,479km |
| Unit 5 PTC 2015-1 | Dunedin routes 70, 77, 78, 80, 81 | Go Bus 30/06/2025 | 11 | 21,558h | 700,515km |
| Unit 6 PTC 2017-6 | Queenstown routes 1, 4 | Ritchies 19/11/2028 | 9 | 37,252h | 791,685km |



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| | | | | | |
|---|---------------------------|---|----|---------|-----------|
| Unit 7 PTC 2017-7 | Queenstown routes 2, 3, 5 | Ritchies 19/11/2026 | 10 | 33,436h | 950,476km |
| Unit 8 Trial Services contract Ferry | Queenstown Ferry | Real Journeys 30/06/2024 New contract anticipated as until 30/06/2029 | 1 | 2,863h | 74,432km |

MARKET ANALYSIS - BUS

The supplier market for bus services is constrained, with only two market participants (Go Bus and Ritchies or their predecessors) in all recent tenders, both for Dunedin and Queenstown.

Previous tender processes have occurred with relatively short timeframes before implementation. This was potentially acceptable for simple diesel-bus contracts, but with supplier feedback, the complexity of electrification, and the lack of third tenders, ORC will be seeking to tender earlier to give lead time before contract activation. The Unit 5 tender, which is being developed at the same time as this Strategy, will be the first tender taking this approach.

While earlier tender processes are a necessary improvement to make the market more attractive to new participants, this is likely not sufficient to achieve this aim. If ORC wishes to attract new suppliers to tenders, wider changes would be required. However, the benefits of attracting a new supplier to tenders need to be weighed up against how realistic this would be, other considerations when it comes to assessing market competitiveness: the quality and price-competitiveness of the tenders is also important. It is therefore important that, should the barriers to entry prove too high, that the two-supplier market remains competitive, with the existing two suppliers are confident in their ability to expand operations and hence compete closely for contracts.



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A key challenge in recent years has been in maintaining a sustainable workforce, which has been worsened by a severe post-covid labour shortage. This has resulted in ORC funding increases to driver wages, up to \$30 a year in 2023. With driver numbers having recovered, the situation has stabilised and full service restored. However, the sustainability of the public transport workforce remains a significant risk, both in terms of the cost pressures from increased wages, and the risks of driver shortages disrupting services.

Decarbonisation creates new pressures. Electric bus services can, depending on operational details, require more buses and more depot space per bus, and electrification can be associated with centralisation of depot facilities. With electrification there is a risk that capital investment in depot facilities by an operator could give such an advantage to an operator that market competition would not exist.

Potential strategies to mitigate decarbonisation risks and deliver value for money for consideration include:

- ORC taking a more direct role in the ownership or control of enabling assets (fleet or depot assets). This could take a number of forms, including full ownership of assets, leasing them, or transfer provisions. For example, the Queenstown Public Transport Business Case (QPTBC) is recommending that ORC purchases land for an electric depot in Queenstown. This would allow bus contracts to be significantly tightened, giving greater clarity in price and opportunities for new suppliers. While there might be significant benefits, it could also generate new risks, and would rely on ORC possessing staff capability and expertise beyond what currently exists, or under currently envisioned staffing structures. In other cases, end-of-contract transfer provisions could ensure competitors have confidence in their ability to access assets in a financially viable manner.
- There is a need to develop the staffing expertise and a base of knowledge so that ORC can have confidence in contract costs. This would allow implementation of improved information-sharing with operators and improved contractual management approaches, including around scheduling of buses and drivers, more detailed break-downs of costs, as well as clearer and more effective performance management.

These matters are considered below, utilising NZTA discussion document.

MARKET ANALYSIS – FERRY

There is significant uncertainty in the market for operators for the Queenstown Ferry service. A 2021 registration of interest received three responses including the incumbent, and a fourth operator indicated interest informally but did not respond within the timeline. This indicated

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that there is a potentially competitive market, however, there are also two potential barriers to a competitive market:

- The requirement for a resource consent to operate on the surface of Lake Whakatipu;
- The lack of agreed access arrangements for the use of wharf facilities, with the wharf in Queenstown Town Basin owned by the incumbent operator.

For these reasons, ORC staff determined in 2023 that there was a significant risk that a tender process would not generate effective competition. As such, ORC is currently working to directly negotiate a new, five-year contract with the incumbent operator. As well as the certainty of a longer-term ferry contract, it will allow time to take measures to overcome barriers to market competitiveness.

Once this contract is in place, there will be no further ferry procurement in the lifetime of this Strategy, but ORC will work to prepare for the contract expiry. Staff will develop a Ferry Strategy. Considerations for this strategy will include:

- Resource consents
- Wharf access arrangements
- Wharf maintenance, access, health and safety considerations
- Control of enabling assets, including wharves, boats, and maintenance facilities
- Integration with the bus network
- Decarbonisation

From a procurement perspective, this will build towards the goal of a competitive tender in time for a 2029 contract expiry.

2.2. FUTURE STATE

Although SPTF policy is still a work in progress, a discussion document on public transport assets, operating models, and partnering, published in November 2023¹, allows for a general understanding of the strategic policy environment that ORC will be working in within the lifetime of this document. Despite the status as a discussion document, it provides an effective preliminary framework for understanding and discussing the range of strategic options that are of interest within and beyond the lifetime of this Strategy. In particular, the toolkit appended to the document has formed the basis for much of the policy outlined in this section.

¹ <https://www.nzta.govt.nz/assets/Walking-Cycling-and-Public-Transport/docs/Discussion-document-partnering-and-delivery-models.pdf>



UNITS AND CONTRACT DESIGN

Legislative change around the SPTF has affected the relationship between public transport contracts and Units. Until the LTMA was amended in 2023, a Unit was a “*public transport service or group of public transport services [...] identified as integral to the region’s public transport network*”. A Unit was required to be contracted on an exclusive basis. As such, a Unit and a bus contract were, in practice, interchangeable terms (although contracts would take some time to come into alignment with changing Units).

However, under the amended Act, a Unit is no longer a set of services, but “*a geographic area (of any size) [...] for which the regional council for the region has specified (in any way) how public transport services must be operated*”. This does not merely remove the exclusivity provisions that were previously in place but can be argued to break the conceptual connections between Units and routes, and between Units and contracts. Units could potentially be defined as strategically important geographies, with services running from one such Unit to another, and bundled into contracts that are not “unit contracts” at all. For example, South Dunedin could be taken as a distinct and strategically important geographic area, and hence could be regarded as a non-contractual unit in an RPTP.

Whether such an interpretation is taken, and whether it is legitimate, is a question for the RPTP, not for this strategy. For the purposes of procurement and hence for this strategy, future contracts are referred to as **contractual units**.

The existing seven bus Units in Otago represent groupings of bus routes within the Dunedin and Queenstown networks. While there can be some network logic as to why a set of routes are grouped into the same Unit, this is limited by path-dependencies arising from the way routes were contracted in the past. Hence the current unit structure does not divide the networks in ideal ways either from a contracting/procurement perspective, or from a strategic perspective. As such, ORC will, in the next RPTP, determine a new set of contractual units.

Following the NZTA discussion document, the new contractual units will be designed to effectively meet network outcomes, be operationally and financially efficient, and support long-term competitive and efficient markets. However, the following should be noted:

- If contractual units remain small, maintaining the operational efficiency and network logic of individual units will be prioritised (for example, fleet considerations and common termini of routes), while financial efficiency is best considered on a network scale rather than unit-by-unit. (This would allow for structures, for example, where one contract consists of less frequent routes with smaller buses, and another contract consists of more frequent routes with larger buses).

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- There is potential conflict between the mandate to enable a regular program of procurement that avoids extended periods of minimal procurement activity, and the efficiency/value for money benefits that may occur from larger contracts, or from integrating multiple procurements into a single process. ORC would choose “best value for money” over “a regular program of procurement” if the two principles were determined to be in conflict. The downsides of less regular procurement are mitigated by considering the market at a national level, ORC already engages outside support for bus procurement tapping into national experience in this area. Less regular procurement would support this approach being continued.

SCHOOL SERVICES

Under current contracts, certain services that are focused on accessing schools will only operate until 2025. This is consistent with the RPTP, which indicates that ORC will not operate direct school services.

It is likely that this policy will be reviewed. New school services, or route variations for the benefit of school students, have been added in recent years and it is considered possible that policy will be changed to support school-focused services, at least in some cases. This could be a mix of school-only services, like the existing routes 39 and 40, and school variations on regular routes, such as occur on routes 18 and 70.

Other public transport authorities have created “school units”, and ORC will consider this approach. School services typically use older but still RUB-compliant buses although electrification will mean that a reasonable fleet quality of older diesel buses should be relatively accessible.

INDICATIVE OPTIONS FOR FUTURE CONTRACTUAL UNIT STRUCTURE

The following section summarises three indicative options for how a future structure of contractual units could operate, assuming no changes to the route structure. The first option maintains the existing number of contracts, but re-factors them into more logical groupings. The second option reduces the number of bus contracts to two in Dunedin and one in Queenstown, and the third option reduces to a single contract in Dunedin.

Option 1: The contractual units have a similar structure to present, but the two Queenstown bus units are divided according to bus type, and routes are re-arranged in the five Dunedin units so that services with operational similarities are placed in the same units as each other:

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| Contractual Unit | Definition | Implementation |
|------------------|--|--|
| A | Routes through Green Island and Mosgiel: 70, 77, 78, 80, 81. | New contract starts 1 July 2025 as Unit 5. Tendering process currently proceeding and may have significantly progressed ahead of this Strategy. |
| B | Routes terminating at University: 15, 37, 63 | Expiry of Unit 1 on 1 July 2026. Route 15 remains in place so would need to be implemented in this contract by agreement, or staged to 2031. |
| C | Frequent through-routes in South Dunedin: 8, 44, 55 | Route 8 is available upon expiry of Unit 2 on 1 June 2026; other routes upon expiry of Unit 4 on 1 June 2026. To be implemented by staging or negotiation |
| D | Other through-routes operating in South Dunedin: 3, 5, 10, 19, 33, 50 | Routes 33 and 55 are available upon expiry of Unit 2 on 1 June 2026; other routes upon expiry of Unit 4 on 1 June 2026. To be implemented by staging or negotiation. |
| E | Other Dunedin urban routes terminating at Bus Hub: 1, 14, 18, 61 | Routes 1, 14, 18 available to contract on 1 July 2026. Route 61 can be staged 1 July 2028 |
| F | Queenstown Ferry | New contract to begin 1 July 2024 and expire 30 June 2029. |
| G | Major Queenstown bus routes to be operated by high-capacity buses under the QPTSBC | Current Queenstown contracts to expire in September 2026 and September 2028. New contracts likely to be structured differently; |



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| | | |
|---|--|---|
| | | to be implemented by staging or negotiating a common expiry date. |
| H | Minor Queenstown bus routes to be operated by normal-capacity buses under the QPTSBC | Current Queenstown contracts to expire in September 2026 and September 2028. New contracts likely to be structured differently; to be implemented by staging or negotiating a common expiry date. |

Option 2: Enlarged units: Dunedin will operate two units, combining all South Dunedin through-routes into a single contract, with all other routes in the other contracts. Queenstown will operate a single unit.

| Contractual Unit | Definition | Implementation |
|------------------|--|---|
| A | All routes that terminate at University, Bus Hub, or which connect to Mosgiel service. | Will largely be implemented in major 2026-2028 tender round, but Unit 3 and Unit 5 routes will need to be added at contract expiry or by negotiation. |
| B | All through-routes that serve South Dunedin | Will largely be implemented in major 2026-2028 tender round, but Unit 3 routes will need to be added at contract expiry or by negotiation. |
| C | All Queenstown bus services | Will be implemented between 2026-28 |
| F | Queenstown Ferry | New contract to begin 1 July 2024 and expire 30 June 2029. |

Option 3: Single contract per city

| Contractual Unit | Definition | Implementation |
|------------------|------------|----------------|
|------------------|------------|----------------|



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| | | |
|---|-----------------------------|---|
| A | All Dunedin bus services | Would be implemented in 2026 tender, with services from other contracts staged according to contract expiry (or negotiated) |
| B | All Queenstown bus services | Will be implemented between 2026-28 |
| F | Queenstown Ferry | New contract to begin 1 July 2024 and expire 30 June 2029. |

In all options the operations of new trial services would need to be considered. These could form their own units, or where appropriate be add-ons to existing contracts.

In options 1 and 2, there is an additional question of whether contracts should be procured together or individually. Procuring contracts apart – e.g. with five Dunedin units, a new contract every 1-2 years – would spread risk and ensure ORC could run a continuous procurement program, maintaining expertise. On the other hand, procuring contracts together would enable economies of scale in procurement, and could be an effective compromise on contract size. By procuring multiple contracts in the same process, operators could include cost reductions conditional on winning multiple contracts, allowing economies of scale to be effectively priced.

Further options could include:

- The addition of a separate contractual unit for school-focused services
- Separating Dunedin route 1 (City-Palmerston) into a separate Dunedin Regional contractual unit, that could also include a trial Balclutha service, allowing for a different fleet to operate the longer-distance services
- Whether any on-demand service in Dunedin or Queenstown (e.g. replacing Mosgiel routes 80/81) would be included as a part of a bus contract, or as their own contracts.

The transition to a new contract structure could be quite complex. A changed structure of contractual units would cut across current contracts, including current units 3 and 5, which will not expire until 2031 or later.

If a contractual unit structure emerges from the RPTP, ORC may have to take certain actions ahead of tendering to implement such a structure. For example:

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- Negotiating major variations to the current Unit 3 or 5 (or new like-for-like contracts to replace them, or ending the contracts and adding the routes into other contracts), for example to switch Unit 3 services to a different grouping of routes.
- Negotiating to change contract expiry dates: the misalignments of expiry dates between Units 2 and 4, and between Units 6 and 7, could be dealt with by negotiating a new common expiry date for both. In principle ORC would regard half-way between as the obvious new date, but consideration would need to be given to the relationship with other contracts and tender processes, e.g. there may be a desire to tender all Dunedin routes outside of Units 3 and 5 together, and there will also be a desire to tender the Queenstown contracts at a separate time to the Dunedin contracts in order to spread out the procurement and implementation workload.
- Defining staged items in new contracts: staged items could involve contracts having one set of routes for an interim period, then another, distinct set of routes for the remainder of the contract. This could be an effective strategy for implementing changes that affect routes in the current Unit 4, and also could be used to implement a new route structure if one were determined. However, given the longer time periods for Units 3 and 5, it would be less desirable to have staged items that do not apply until late in a contractual term (e.g. waiting for these contracts to expire before putting their routes into a new contract).
- Considering market-share limits in Dunedin to maintain a two-operator environment
- For Queenstown, staging of contractual changes may be useful in mirroring the gradual roll-out of QPTSBC services, but with contracts less likely to be split between multiple operators, such staging could equally occur under a single contract.

PUBLIC TRANSPORT ASSETS

There is a strong case that having some level of control over some strategic assets could support a competitive market and value for money spent. However, moves in this direction which requires significant resourcing, and hence at present will need to be targeted and strategic. Experiences in Australia that informed the Deloitte / NZTA framework indicate that changes to asset control tend to occur in the long-term, perhaps over several contractual cycles.

Therefore, the focus for ORC will be on where the need is greatest, or where major opportunities or challenges arise.

Acknowledging that more work will be required, an indication of a possible approach to public transport assets would be:

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- Collaborate with operators in Dunedin to support the development of long-term electrified depots
- Subject to Council approval, purchase land for an electric bus depot in Queenstown to support QPTSBC service improvements, as recommended by the business case. A depot would be constructed as part of a tender, and leased by ORC to operators as part of the Queenstown unit contract(s).
- Develop capacity to ensure effective contract management of the Queenstown depot.
- Utilise this capacity to enable ORC to have a strong understanding of operator-owned depots in Dunedin and is in a strong position to take up future opportunities for greater asset control if appropriate
- Give consideration to bus transfer provisions in future contracts
- Be in a position to support enabling assets for smaller public transport operations (e.g. in smaller towns, or the Queenstown Ferry) if required.

However, this approach remains indicative, with further decision-making to occur through RPTP and other processes.

SERVICE DELIVERY MODELS

The draft NZTA guidance gives an expansion of the existing service delivery models. Unlike the current Procurement Manual which essentially mandates a “partnering” model except for small-scale or short-term services (e.g. trials), the new guidance gives a spectrum of options:

- A continued short-term option
- An updated partnering model
- A “supplier pool” model conceived of as an extension of partnering, where operators may have a greater overlap of service areas. This might be logical if ORC has, in the future, a level of asset/depot control.
- “Alliance” type approaches where operators collaborate with each other as well as with ORC in a more structured manner,
- In-house service delivery, as an advanced delivery model

The additional spectrum of options is a matter of long-term interest to ORC, but unless specific opportunities emerge, a sudden change in approach would represent significant risks. Therefore, the ORC’s approach will continue to be grounded in the principles of partnering approach, while being aware of developments in the industry and the potential to transition to alternative approaches over time.

Major public transport contracts will continue to be tendered on a gross-cost basis. This is regarded as an industry standard and supports ORC’s strategic position undertaking planning

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of services. Exceptions are possible: for example net-cost or even concessionary approaches may be of interest to services with very different characteristics to core urban routes. However, there are no current expectations that these approaches will be taken.

In general, it is expected that contracts will continue to be of the approximate same length as at present. However, the exact length of nine (9) years that has been used in all recent contracts does not need to be used. ORC should take opportunities to vary contract lengths up or down from here based on factors such as alignments with other contracts.

PROCUREMENT METHODS

ORC will retain the current approach of open tenders evaluated under the Price Quality method as the standard approach to bus contracts. This is regarded as a well-established best practice and there is no need to change the standard approach.

Direct award of contracts remains an option and could particularly be used for shorter-term extensions or alternative circumstances. Partnering and “supplier pool” service delivery models indicate the possibility of direct appointments for rewarding performance, where strong benchmarking data supports price certainty. ORC will develop its approach to price certainty and operator performance to open up such options.

Alternative tender methods (quality-only, lowest-price-conforming, or sophisticated value for money assessments) may be of interest in select cases. The exploration of such alternatives will be considered as and when further evidence emerges of their potential benefit.

CONTRACTUAL PRICING

There are several areas where ORC can look to make improvements to contractual pricing methodologies.

Firstly, the most recent ORC bus contracts have a level of transparency at payment component levels, which means that tender pricing requires a level of justification. ORC will continue to evolve and develop the level of payment transparency in tenders, according to industry best-practice.

The current pricing structure of ORC contracts is to have a fixed “annual gross price” defined from the tender, which is modified by variations over time. Although simple in principle, the build-up of variation costs makes for very complex payment structures. An improved approach would be for prices to be divided into a “fixed” price (paid regardless of service level variations) and a “variable price” which represents the level of actual service at variable rates. Every month, the variable element would be paid according to the services scheduled in the month

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(less any deductions for missed services). This would remove any uncertainty in the pricing of most variations: they would simply be incorporated into a change in the number of hours and kilometres invoiced in a given month.

Supporting the implementation of this approach, and useful for other reasons also, would be a shift to variable rates that include dead running. This would mean ORC would need to develop an understanding of driver and bus schedules. This is considered desirable and supports a closer ORC understanding of bus operations.

Indexation has been a matter of concern for bus operators. ORC is comfortable with the current approach to indexation, which involves adjusting prices according to a single composite index, but operators are concerned that this does not fully represent the granular detail of how their costs have changed, meaning that inflation risks are not fully mitigated. As a logical outcome of ORC gaining a greater level of understanding of cost components, a more granular indexation calculation for new contracts is acceptable to ORC, who will follow emerging NZTA-led best practices.

PERFORMANCE INCENTIVES

ORC's performance incentives are currently focused on the Financial Incentive Mechanism (FIM), which shares a portion of revenue growth with operators, and KPIs around service delivery, quality, and customer feedback.

Developing the latter will be ORC's focus. By having a closer, more detailed understanding of operator performance, ORC will be able to make improvements and open up alternative options that are currently difficult to implement, such as re-appointment of strongly performing operators.

The FIM in its current form will be removed from new contracts, but future performance incentives will be explored and can be implemented by contract variations.

SUSTAINABLE WORKFORCE

To maintain a sustainable workforce, ORC will continue to maintain base wage requirements in new contracts, of Living Wage or higher. New contracts will include provisions that operators pass on increases in the labour component of NZTA indices, in line with existing wage uplift contracts.

ORC will also seek opportunities to improve bus driver conditions, seeking opportunities to develop driver break facilities and to ensure adequate access to facilities around route termini.

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If such facilities are able to reduce out-of-service running, ORC will recover cost savings through the usual contractual mechanisms of variable rates.

Queenstown has additional sustainable workforce concerns, due to the difficulty experienced in acquiring accommodation for new drivers, which makes recovery from any driver shortages difficult and expensive. ORC will consider opportunities to make strategic investments on the basis of providing value for money and greater network reliability, although further work and decisions would be required to progress this.

3. TOTAL MOBILITY

The Total Mobility scheme provides a relatively affordable transport option for people whose disabilities restrict their ability to use conventional public transport. Eligible clients receive a 75% subsidy on the first \$50 of fares, with approved operators. Services currently operate in five geographic areas – Dunedin, Oamaru, Wānaka, Queenstown, and Balclutha. Services can either be hoist trips (where a wheelchair hoist is used to safely lift a client in their wheelchair into a specifically fitted vehicle) or non-hoist trips (where the client is able to board their vehicle with a lower level of assistance).

3.1. CURRENT STATE

Total Mobility operates in a market environment. ORC does not contract a fixed value as per bus contracts; rather, a concession is provided for each trip delivered and for each hoist conducted. Some Total Mobility operators are general taxi operators, while others are more targeted to a mobility function.

The following table summarises the current suppliers in the Total Mobility market, with market shares in the period of July to December 2023:

| Market | Supplier | Share of non-hoist market | Share of hoist market |
|---------|------------------------------------|---------------------------|-----------------------|
| Dunedin | Dunedin Taxis | 75.83% | 15.60% |
| | Big John’s Mobility Express | 6.16% | 29.70% |
| | Driving Miss Daisy (Dunedin North) | 5.27% | 3.82% |
| | Urban Link | 4.43% | |
| | Driving Miss Daisy (Dunedin South) | 3.19% | |



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| | | | |
|------------|---------------------------|--------|--------|
| | Freedom Drivers | 3.07% | |
| | Mobility Vehicles Dunedin | 1.90% | 50.88% |
| | Airport Shuttles | 0.11% | |
| | Corporate Cabs | 0.03% | |
| Oamaru | Whitestone Taxis | 57.78% | |
| | Driving Miss Daisy | 22.72% | 22.62% |
| | Door2Door | 19.49% | 77.38% |
| Wānaka | Yellow Taxis | 83.46% | |
| | Wana Taxi | 16.54% | |
| Queenstown | Queenstown Taxis | 100% | |
| Balclutha | Nathan's Taxis | 100% | |

LEVEL OF SERVICE

With the Total Mobility concession now permanently at 75% (having previously been 50%), Total Mobility patronage is now at its highest levels since the current Ridewise datasets began in 2017, although only marginally above pre-Covid usage levels. However, patronage figures only show part of the story: average trip distances, and hence average fares, are trending significantly upwards. Two possible explanations are:

- With reduced fares, price-sensitive customers are more willing to take longer trips
- With increased levels of demand, operators are prioritising longer-distance trips

More study would be required to understand the balance between these or other factors. However, feedback from customers and advocacy groups has indicated that Total Mobility services (especially hoists) can be hard to access, and operators report that many drivers are working long hours.

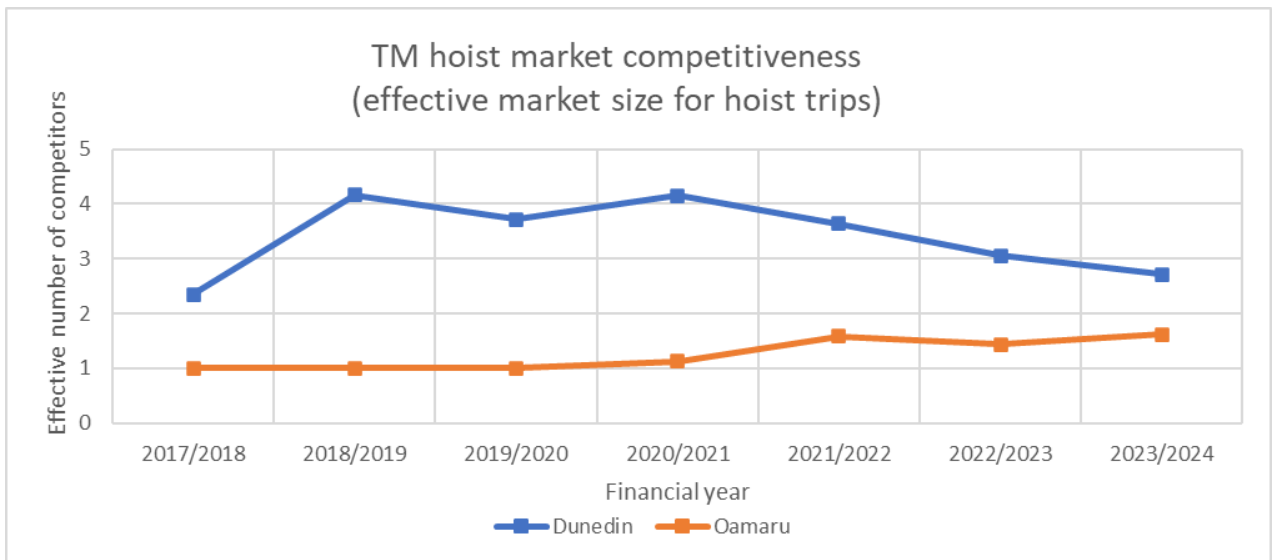
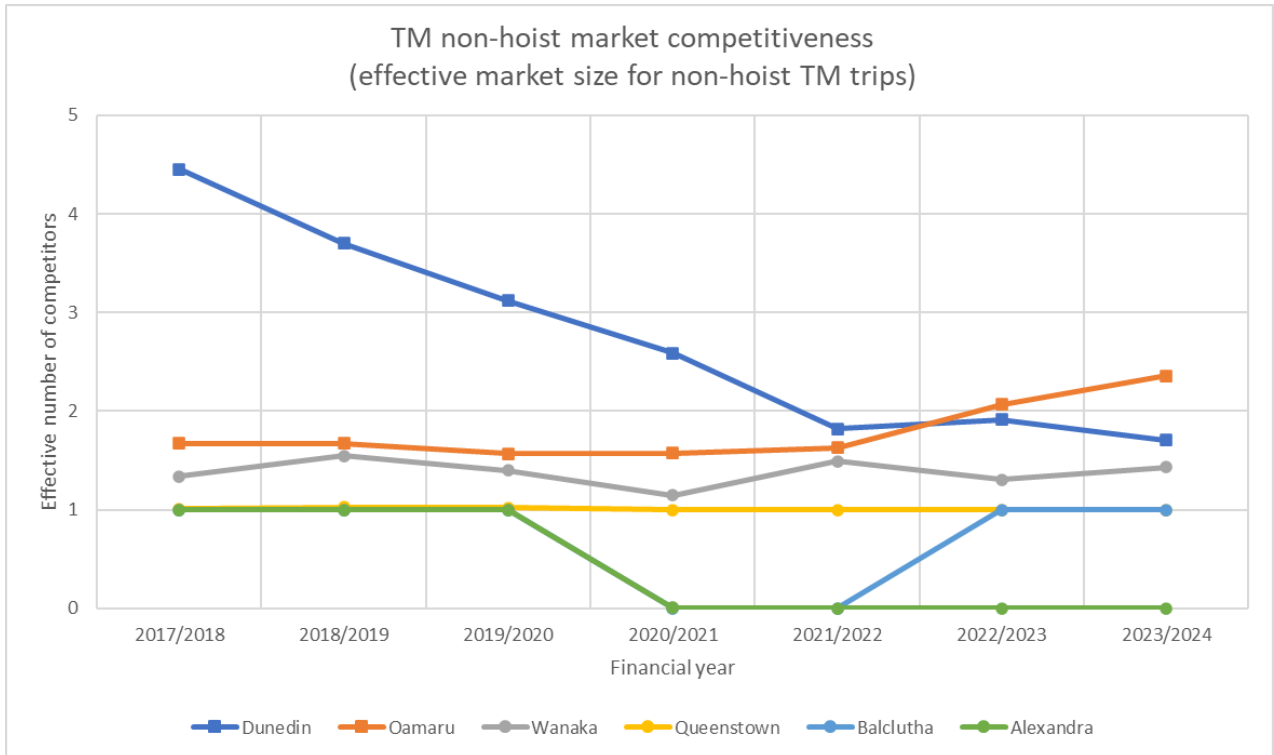
LEVEL OF COMPETITION FOR TRIPS

As the above table shows, the market for Total Mobility services is more competitive in larger centres, and less competitive in smaller centres, which often have only one operator. However, a simple count of the number of firms providing the service does not provide a full story of how competitive a market is, because firms can vary strongly in size. For example, if there are two competitors but one has 95% of the market, this is effectively a 1-supplier monopoly. From Ridewise data, a diversity index of “effective market size” can be computed



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over time based on market share; this is equal to the number of suppliers if all suppliers have equal market share, but is less if the market share is uneven.



As can be seen, the effective number of suppliers has declined significantly in Dunedin. One operator has developed a dominant market position which risks taking away customers’ ability to “vote with their feet” if they receive poor service. The decline in the hoist market is less severe thanks to several operators who focus on this market.

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Oamaru now has, by this measure, a more competitive market for non-hoist trips than Dunedin due to a greater balance between its three firms, and an upward trend in competitiveness for both hoist and non-hoist trips. Other markets have limited competition: Wānaka has two suppliers, one much smaller than the other; Queenstown has not seen a second competitor with any significant level of service, and the smallest centres (Balclutha, Alexandra, Cromwell, and smaller towns) are unlikely to see more than a single firm operate.

HOIST INSTALLATION

Special funding is available to fund the fit-out of hoists into new vehicles, in order to maintain an adequate level of service for hoist users. This funding is provided under a three-year contract; if the operator leaves the market within this period, they are to return a proportion of the funding.

At present, two hoist installations remain under contract.

The scale of hoist installation funding depends on the nature of the vehicle and the complexity of the installation, with smaller installations being of the order of \$10,000, and larger ones \$20,000-30,000. There is usually an underspend of this funding.

Mobility-focused suppliers in Dunedin are often extremely busy, and despite the efforts of suppliers, wheelchair users can struggle to access services, especially outside of daytime hours. Outside of Dunedin, Oamaru also has two hoist-capable vehicles operating; these are not as highly used, so the availability of hoists in Oamaru is considered adequate. There are no hoists in Total Mobility operation in Queenstown or Wānaka, although Queenstown Taxis did have a hoist vehicle in the past. The provision of hoist vehicles in these areas would have a positive impact on the accessibility of the Queenstown-Lakes area, although given Total Mobility usage is low in these areas, it may not be commercially attractive to operators. In other areas of Otago (e.g. Balclutha, Alexandra/Clyde, Cromwell) any level of Total Mobility service is likely to be too low for hoist vehicles to be considered viable on a commercial basis; however ORC would be willing to consider opportunities if they arose.

Given the above, ORC's position towards hoist installation can be summarised in the following table. "Maintenance of existing fleet size" refers to installations required to maintain the current level of availability, (e.g. to replace a vehicle leaving Total Mobility service due to age, or damage); "Additions to hoist fleet" refers to installations that will increase the number of hoist vehicles on the road (e.g. due to an operator wishing to enter the hoist market or increase their level of service):



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| City/town | Maintenance of existing hoist fleet size | Growth of hoist fleet |
|------------|--|-----------------------|
| Dunedin | Vital | Strongly desired |
| Oamaru | Strongly desired | Not expected |
| Wānaka | n/a | Desired |
| Queenstown | n/a | Desired |
| Other | n/a | Not expected |

ASSESSMENT AGENCIES

Eligibility is assessed through a range of specialised and general agencies. Although ORC has a contract with these agencies, the value of the contracts is a nominal \$1, as agencies fund this activity themselves through various means. It is possible that an agency could receive funding to provide assessments, which would be done on a per-assessment basis. If this were done, it would be to ensure the availability of a general, free option in a town where none could otherwise be provided. The following agencies currently operate:

| Area | Agency |
|---------|---------------------------------------|
| Dunedin | Age Concern Otago |
| | CCS Dunedin |
| | Livingwell Disability Resource Centre |
| | Epilepsy NZ |
| | Idea Services Dunedin |
| | Multiple Sclerosis Society |
| | MDA South Island |
| | PACT |
| | Parkinsonism Society of NZ |
| | Presbyterian Support Otago |



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|-------------|----------------------------------|
| | Royal NZ Foundation of the Blind |
| | Stroke Foundation |
| | The Dunedin RSA Trust |
| North Otago | CCS Disability Action |
| | Stroke Foundation |
| | Age Concern |
| Wānaka | Community Networks Wānaka |
| Queenstown | Age Concern Southland |
| | DRC Southland |
| | Enliven Southland |

OTHER SUPPLIERS

Other notable suppliers supporting the Total Mobility system are Eyede (who supply the national Ridewise system which ORC participates in) and Placard (who print Total Mobility cards and mail them to clients).

3.2. FUTURE STATE

The Total Mobility scheme is currently undergoing a national review. Among factors such as eligibility and affordability, the review will consider the supply of Total Mobility services, including how to improve availability of wheelchair-accessible vehicles and alternative delivery models.

Many of the challenges ORC faces in the Total Mobility space have the potential to be addressed in this review. However as with SPTF changes affecting bus/ferry services, it will be important that ORC continues to administer the system in the current environment. Key actions from a procurement perspective will include:

- Preparing for the next round of contract expiries in 2027
- Seeking opportunities for new operators across the region. New contracts for Total Mobility transport providers (to new or existing suppliers) will be considered on the basis set out in the RPTP, which currently references grounds of community need and sustainability.
- Seeking opportunities for new assessment agencies across the region, on the basis of community need and sustainability, or as otherwise provided in a future RPTP.

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- Identifying if there is a need to provide funding for assessment agencies, and if so providing it on the basis of community need and sustainability, or as otherwise provided in a future RPTP.
- Administering and promoting hoist funding to maintain/expand the current wheelchair-accessible fleet, on the basis of community need and sustainability, or as otherwise provided in a future RPTP.
- Improvement of performance monitoring processes and implementation
- Continued participation in the Ridewise scheme for the administration of Total Mobility

The next RPTP review will be an opportunity to consider Total Mobility policy, including criteria for inclusion of operators and assessment agencies in the scheme, and payments to operators to support new hoist vehicles, and to assessment agencies for assessments.

4. PROFESSIONAL SERVICES

Professional services for Transport at ORC are delivered through a mix of internal staff and external contractors. Transport staffing has been limited in recent years, which has meant there has been a significant need for external support to deliver key pieces of work. The recruitment of skilled staff will remain a significant challenge, but the number of transport staff is projected to grow, and this will allow for an increased level of internal delivery.

The anticipated level of growth in staffing does not reach the same level as comparable councils around the country. There will remain a significant need to utilise external professional services to deliver major projects and specialised experience, skill, and tools. Growth in internal staffing will only deliver improved balance between internal staff delivery and external support, not a wholesale shift to an internal delivery model.

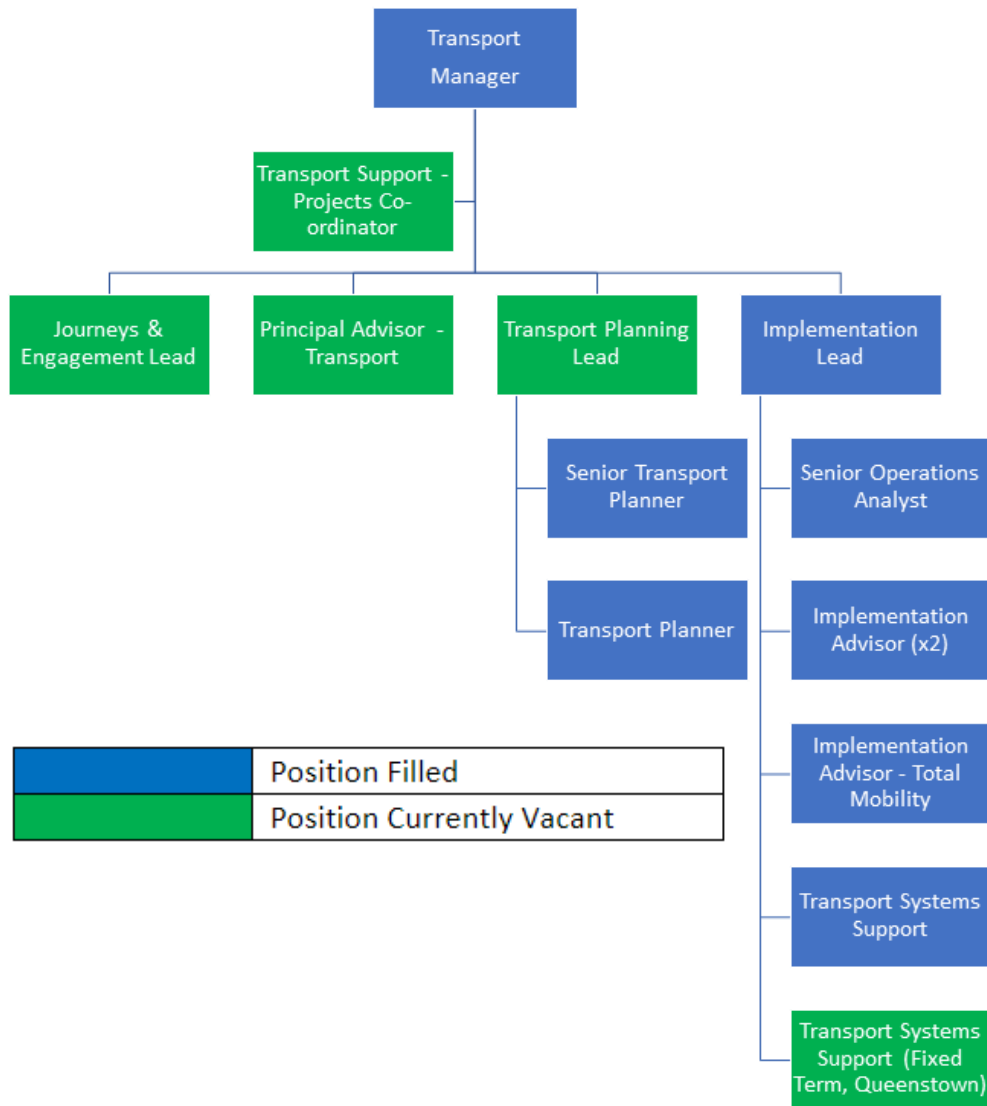
4.1. CURRENT INTERNAL STAFFING

ORC's core transport team currently consists of 9 staff led by the Manager Transport, who reports to the Chief Executive. The team is divided into two main functions, Planning and Implementation, with three roles (currently unfilled) sitting between these teams.

Additionally, two positions in Marketing and Communications, and one position in Finance, are transport-focused. Further support for Transport work comes from across the organisation: examples include Customer Experience, IT, Legal, Finance, Governance, etc.

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Figure 1: Current structure of Transport staff



4.2. EXTERNAL PROFESSIONAL SERVICES

ORC procures a wide range of external professional services. These involve the engagement of specialists in a variety of areas. This could be consultancy services, technology, or a wide range of other services. The following table indicates the areas of professional services we expect to procure, who the existing supplier(s) are, and what future strategy is expected.

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| Professional service | Current state | Future strategy |
|--------------------------------------|---|---|
| Public transport ticketing | INIT supply and support this system, supported by the ORC-based RITS team. | RITS system to be replaced by NTS system, expected in 2026 although timelines could change. |
| Real-time information | ORC uses the INIT/Mattersoft system. | Continue to use current system until NTS implementation. Ahead of NTS, a procurement process will be run for a system to operate in the NTS environment |
| Legal services | Legal support that cannot be delivered in-house is generally supported by Ross Dowling Marquet Griffin | Review. |
| Public transport cost assessor | Previous cost assessments have been undertaken by Ian Wallis Associates | Review |
| Transport planning consultants | A range of planning consultancies are regularly engaged for a variety of projects | Maintain and grow relationships with multiple suppliers to foster a strong local market. Ensure that new suppliers have opportunities to prove their capability through smaller pieces of work. Consider opportunities for internal delivery where staff skillsets / capacity can be developed. |
| Total Mobility administration system | Eyede system (Ridewise) is used. This is national system. | Continue to support the Ridewise program. Changes to be determined nationally, ORC to be a participant providing feedback to or participating in the Steering Group. |
| Total Mobility assessors | A range of assessment agencies operate. Some serve specialised communities (e.g. particular disabilities) | Continue to work with agencies and identify opportunities for new agencies. Work to ensure availability in smaller towns. |



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| Professional service | Current state | Future strategy |
|--|---|---|
| | while others give more open availability | |
| Procurement support / tender evaluation | Rachel Pinn is engaged for most major procurements. | Undertake a procurement process to appoint a specialist to support major procurements in ~2026-28 |
| Marketing consultants | Various consultants utilised during high work volumes | Continue current approach |
| Media | Engage with major and minor media outlets according to need | Continue current approach |
| Printers | Various printing companies are used according to need | Continue current approach |
| Advertising | Various suppliers for online and offline advertising are used according to need | Continue current approach |
| Photographers | Several suppliers are used according to need | Continue current approach |

4.3. BALANCE BETWEEN INTERNAL AND EXTERNAL DELIVERY

An efficiency review finalised in October 2023 indicates that, organisation-wide, ORC has a higher reliance than other regional councils on contractors and consultants. In transport, ORC has the lowest proportion of employee costs for transport activities across all regional councils. The report suggests that this may represent under-resourcing of transport planning activities.

Although the number of staff has increased recently and is forecast to increase again, the number of staff will still be low for the scale of ORC's transport services. As such, ORC will still be reliant on external support for a range of functions, some of which may be delivered



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internally elsewhere. This raises the question as to where to prioritise internal delivery. The focus for increasing internal delivery should be for where ORC needs to take greater “ownership” of an area. As examples, this could include:

- A larger portion of business case work and/or service planning to be delivered internally
- Greater internal engagement with bus and driver scheduling, allowing for improved financial and contract management, such as variable rates that include out-of-service running and contract payments based on hours and kilometres delivered plus fixed costs.

An example of an area where greater internal delivery might be desirable, but will be less prioritised, would be in procurement, especially if ORC switches to less contractual units, or simultaneous procurement of most contracts. In this case, the spike in workload and importance of these activities supports the engagement of a national expert for the key activities.

Overall, ORC will continue to be constrained in transport staffing levels, and will need to be strategic in where to increase the level of internal delivery of professional services.

5. STOCK TRUCK EFFLUENT DISPOSAL SITES

As part of ORC’s wider environmental remit, ORC has installed nine stock truck effluent sites around the region. Six are on State Highway 1, and three are on inland highways. The design, construction, and maintenance of these sites is a Transport activity funded under the NLTF, and is overseen by Council engineers with competitively tendered contracts.

No further sites are planned at present.



6. EXTERNALLY DELIVERED/PROCURED TRANSPORT ACTIVITIES

This section provides a brief summary of Transport activities in areas which are entirely or primarily procured outside of the ORC, but are of interest to ORC's procurement environment. A strategic approach to procurement requires an understanding of these activities and markets.

6.1. INFRASTRUCTURE

Public transport infrastructure in Otago is delivered by territorial authorities (and Waka Kotahi on state highways).

For Dunedin's bus stops, the ORC typically funds the local share to the Dunedin City Council (DCC), while for Whakatipu, Queenstown Lakes District Council (QLDC) provides the local share (which in cases of new development areas is often gathered from developer contributions). ORC has no direct involvement with these procurement processes, but some consulting / professional service procurement occurs from time to time to support planning activities.

The future share of responsibilities around bus stop infrastructure in both centres is to be determined, as the arrangements are quite bespoke in both cases. In Dunedin, a Memorandum of Understanding (MoU) outlines responsibilities, but this is regarded as outdated. ORC will work with DCC to develop a new MoU.

From time to time, opportunities arise where local share may come from different sources. This could be special funding sources, activities such as developer contributions in new residential or commercial areas, or the like-for-like replacement of bus infrastructure when a street or adjacent site is developed.

In Queenstown, the four ferry wharves have varied ownership arrangements, with the Hilton Hotel owning their own wharf, Real NZ owning the Queenstown Town Basin wharf, and QLDC owning the Marina and Bay View wharves. ORC's role in contributing to the costs of wharf maintenance and development will be determined in a future Ferry Strategy, as outlined in the market analysis above.

There is also future work on central bus facilities in both Whakatipu and Dunedin. The NZUP development, funded by Waka Kotahi, will result in a new Frankton Bus Hub with greater capacity, passenger waiting areas, and driver break facilities. Further in the future, a new bus interchange in central Queenstown will support improved QPTSBC services; the way this is funded and procured is yet to be determined. In Dunedin, the long-term future of the Bus Hub has yet to be determined; with a small extension it may be able to support service increases,

but the quality of the facility for passengers may be insufficient. To study this, a business case will study the future form of central city bus operations. This could lead to greater enhancement of the existing on-street facility, the design of a new off-street facility, or an alternative operational approach such as focusing on enhancing a wider central city corridor. The funding and procurement of any new facilities is yet to be determined.

One other area of work is around customer information and wayfinding. ORC currently has a supplier and plans to roll out e-stops across the Otago networks; however in the longer term, further procurement activities may occur. Additionally, the current level of wayfinding on Otago's bus networks is limited. If opportunities arise, ORC will look to partner with Territorial Authorities (TA)s and/or NZTA to ensure any urban wayfinding projects integrate effectively with connected public transport.

6.2. MINISTRY OF EDUCATION SCHOOL SERVICES

The Ministry of Education (MoE) procures bus services across Otago for school students to access schools. In general, these are provided where public transport services are not available, such as in rural areas, subject to minimum usage requirements. In some cases, these services interface with the Dunedin and Queenstown bus networks: they move students from outside the PT network area to the nearest schools in the area. These services may sometimes make use of the same buses, or spare buses, from the urban network. In this way they have a notable impact on the market for buses by providing a longer life for buses, which are not subject to such stringent requirements for age and accessibility (as they serve a pre-defined set of students whose needs are known).

School services are subject to regular review. Due to their targeted nature, they can change as students move through and out of the school system. In Queenstown, major changes to school routes are expected in the future, as the growth of ORC's services and of the town means that the current school routes will need to be changed. Some of these changes are expected to add demand to ORC's services and may require changes to service such as running additional trips. This would be done through contract variations.

6.3. EXEMPT SERVICES

In Otago, exempt services are bus or ferry services that operate without subsidy which were not, when they started operating, defined by the RPTP as integral to the public transport network. For inter-regional services (e.g. Christchurch to Dunedin or Dunedin to Invercargill) any of the relevant regional RPTPs could define the service as integral.

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Certain exempt services are required to be registered with ORC, and ORC maintains a register of these exempt services.

Some exempt services may be defined as integral services in a region's public transport network, and be allocated into an exempt unit. This would indicate that ORC had interest in the service and could potentially operate the service in future (under contract) if the service were removed. In Otago, particular services where this could potentially apply in future could include Intercity services to Dunedin and Queenstown, as well as services between Queenstown, Cromwell, Cardrona, and Wānaka.

Alternatively, ORC may identify certain planned services of its own as part of new contractual units. It would be important when doing this to understand the impact of creating new contracted services could have on existing exempt services. For example, if ORC were to extend its Dunedin-Palmerston service to Oamaru, this would compete with InterCity services for Oamaru to Dunedin passengers, which could have a negative impact on the financial viability of the InterCity service. A reduction in service quality for passengers travelling beyond Oamaru could then result. It is therefore important that ORC is careful in the design of any new services, especially trial services. A trial that undermines the viability of an exempt service may become impractical to end, creating pressure to make the trial permanent regardless of the trial's actual success.

To avoid these pitfalls, ORC should ensure it identifies the potential for competing with exempt services, and works proactively with existing exempt operators to design trials and new services in a way that complement rather than compete the underlying service. For this reason, there will be a stronger case for direct appointment to new services and trial services that compete with exempt services; this way there can be a smooth transition from exempt to contracted service, and an off-ramp if the outcome of the trial is negative. This may also involve non-standard contracts: shorter terms, net contracts, or even concessionary contracts, depending on the nature of the service and the trial.

7. PROCUREMENT PROGRAMME

Based on the above analysis, this section summarises ORC's most significant procurement activities that will occur between 2024 and 2027. Several large procurements are likely to fall at the end of, or just beyond, this time period; these processes are included. This can be broken into several general workstreams: procurement of contractual bus units in Dunedin, Queenstown, and trial units elsewhere; procurement of the Queenstown Ferry contractual unit; procurement of Total Mobility, and procurement of professional services and products.

7.1. PROCUREMENT OF CONTRACTUAL UNITS – DUNEDIN URBAN

The Unit 5 procurement process is currently progressing, and this contract will be until 2034, joining Unit 3 (2031) as a small, long-term contract. The future alignment of these contracts with the rest of the network will require collaboration and creativity.

Units 1 and 2 are expiring in June 2026 and September 2026 respectively, while Unit 4 expires in 2028. Given procurement timelines and the desire for early procurement, a June 2026 contract expiry, a 12-month lead time for new contracts, and 3-6 months for the procurement process, the structure of future contractual units would need to be defined, or at least understood, by the end of 2024.

To reduce the scale of this constraint and bring Unit 4 into the same procurement process, ORC will evaluate the possibility of negotiating changes of expiry dates for all three units so that they expire together. If the requirements of Procurement Manual Rule 10.24 (4b) are not met but ORC wishes to take such an approach, NZTA approval will be required to make such a change.

In the procurement planning process, ORC will evaluate end-of-contract asset transfer mechanisms to support a competitive market for tenders in the future.

7.2. PROCUREMENT OF POTENTIAL DUNEDIN SCHOOL UNIT

If the next RPTP, or a policy change under the existing RPTP, determines that ORC will continue to support school services in certain cases, it is possible that school services will be delivered as its own unit. This would likely be procured in 2025. It would not require as significant a lead time as other contracts as it would likely use second-hand diesel buses at least at first, and would be very small in size.

7.3. PROCUREMENT OF CONTRACTUAL UNITS – QUEENSTOWN BUSES

Whether on Council-purchased or leased land or not, the development of a new electrified depot to support service improvements will be essential to the next contractual procurement

process in Queenstown. The current two contracts expire in September 2026 and September 2028 respectively, but the QPTSBC proposes that there should be a single unit in future. To allow this to be implemented most efficiently if it goes ahead, ORC will seek to negotiate a common expiry date as a variation, which can be done under Procurement Manual Rule 10.24 as it will be a part of implementing a significant service change.

If ORC decides to seek to purchase land for a depot (the preferred option under the QPTSBC) or to lease it, it is possible that a wider procurement process will seek to develop the depot and to award the unit contract. These two tenders would be planned, and potentially evaluated, together.

If ORC does not invest in capital assets, the development of depot facilities will proceed on the basis of operator investment, although ORC may still look to take a role in more minor asset control approaches, such as transfer provisions to secure handover of facilities at end-of-contract. This approach will be determined by procurement planning processes.

7.4. PROCUREMENT OF CONTRACTUAL UNITS – QUEENSTOWN FERRY

Negotiations are currently ongoing for a new Queenstown Ferry contract. This would be for five years.

During this time, the development of the Ferry service will continue. This could include new vessels and changes in service levels or patterns.

ORC will procure expert support for a Ferry Strategy in 2025. This strategy will support the development of the Ferry service beyond the contractual term, aiming for a competitive procurement process in time for a 2029 contract start. In particular, it will determine an approach to fleet, wharf access, and resource consents.

7.5. PROCUREMENT OF TOTAL MOBILITY SERVICES

Current Total Mobility contracts will expire in June 2026.

At present, with Total Mobility being a concession-based scheme, ORC determine the suitability of interested operators on a case-by-case basis on the criteria of community need and sustainability. There is no Procurement Manual mandate to undertake a competitive process as there is already “on-the-road” competition. However, Environment Canterbury have undertaken tendering processes for Total Mobility services, and ORC will investigate the merits of such an approach, along with reviewing criteria for inclusion of suppliers.

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These decisions will be taken through a combination of the RPTP and project-specific procurement plans, and will also be influenced by the progress and recommendations of the current review of Total Mobility services.

7.6. PROCUREMENT OF PROFESSIONAL SERVICES

There will likely be several notable procurement processes for professional services in 2024-2027, including but not limited to:

- A business case in 2025 for central city bus infrastructure
- Support for developing a Ferry Strategy
- A procurement advisor, with tendering to be timed for major unit bus contracts
- An RTI system to be implemented along with the NTS.



7.7. PERFORMANCE MEASUREMENT AND MONITORING

ORC conducts performance measurement and monitoring as part of business-as-usual processes. This can be divided into routine reporting (meeting internal or external requirements), along with data analysis (in response to specific questions or issues).

Current routine reporting includes

- Reporting requirements to NZTA, which is largely based around monthly reporting requirements along with some other elements such as end-of-year reporting and Market Activity returns
- Quarterly Reports to the Public and Active Transport Committee
- Other regular internal reporting against Annual Plan targets

Wider analysis may involve, but is not limited to, topics such as

- Patronage and revenue
- Timetable and trip performance
- Total Mobility
- Financial performance
- Complaints
- Network analysis and modelling

ORC will continue to develop its ability to undertake routine reporting in more efficient and accurate ways, and subsequently to increase the capacity and methodologies to undertake wider analysis as part of continuous improvement.



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7.8. COMMUNICATIONS AND ENGAGEMENT

To communicate procurement processes in ORC’s work program, the following potential stakeholders, and primary methods of communication, are identified.

| Stakeholder | Primary methods of communication/engagement |
|---|---|
| Council Leadership | Regular reporting and Committee reports |
| Suppliers (current or prospective) | Business-as-usual relationships and partnering meetings; formal GETS processes |
| TA partners | Business-as-usual staff relationships; collaboration for RPTP and other means such as business cases and regular working groups |
| Mana whenua | Early engagement on matters of high mana whenua interest |
| Community groups | Regular information-sharing; particular engagement for matters of specific interest to a given community; involvement with RPTP |
| Wider public | Regular communication and information-sharing; target for wide engagement for RPTP |



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7.9. IMPLEMENTATION TIMELINE – KEY PROCUREMENT ACTIVITIES

| Time period | Activities |
|-------------------|--|
| Jan 2024-Jun 2024 | <ul style="list-style-type: none"> Ferry procurement Unit 5 procurement |
| Jul 2024-Dec 2024 | <ul style="list-style-type: none"> RPTP development: define future contracts Procure procurement advisor Procurement planning to commence for Dunedin contracts – or decision to extend contracts Development of case for land acquisition for Queenstown depot Procurement for central city bus infrastructure study (Dunedin) |
| Jan 2025-Jun 2025 | <ul style="list-style-type: none"> RPTP completion Procurement activity for Units 1 and 4 (or equivalent), unless extended Procurement planning for Total Mobility contracts Procurement for Ferry Strategy Land acquisition for Queenstown depot to commence (if this approach is taken) |
| Jul 2025-Dec 2025 | <ul style="list-style-type: none"> Procurement planning for Queenstown unit and any associated procurements (e.g. for depots) Procurement planning for Real Time Information under NTS |
| Jan 2026-Jun 2026 | <ul style="list-style-type: none"> Procurement process for Queenstown |
| Jul 2026-Dec 2026 | <ul style="list-style-type: none"> New Dunedin contracts to start (unless extended) |
| Jan 2027-Jun 2027 | <ul style="list-style-type: none"> Procurement Strategy to expire – replacement due and new timeline Procurement for Unit 4 (or replacement) and any extended Dunedin contracts |
| Jul 2027-Dec 2027 | |
| Jan 2028-Jun 2028 | |
| Jul 2028-Dec 2028 | <ul style="list-style-type: none"> New Dunedin contract to start (Unit 4 or replacement, plus more if other contracts are extended) New Queenstown contracts to start |



APPENDIX 1: SPTF TOOLKIT ANALYSIS

| DUNEDIN NETWORK | | |
|--|--|---|
| Key Feature | Associated High-level Considerations | Assessment for Dunedin |
| <p>Demand for Public Transport</p> <p>Assessing the projected expansion and demand for public transportation services in the PTA's operating area.</p> | <p><i>In areas with declining demand, contracts can be structured to allow for demand-responsive services, ensuring cost-efficiency.</i></p> <p>Declining Steady Increasing</p> <p><i>An increasing demand for services indicates a need for scalability and flexibility. Contracts should allow for easy adjustments to service frequency and routes.</i></p> | <p>Although Dunedin is only a medium growth city, Dunedin's Orbus network is performing well and seeing sustained patronage growth, and there exists significant community support for improved service levels</p> |
| <p>Market Depth</p> <p>Evaluating the degree of market concentration now and potential for future market entry and competition.</p> | <p><i>In a shallow market where traditional open tenders may not attract strong competition alternative contractual arrangements may need to be considered to support value for money and improve competition.</i></p> <p>Shallow Deep</p> <p><i>In a deep market with multiple operators, competitive procurement methods can be effectively used to drive value for money.</i></p> | <p>All recent tenders have had two participants, the two current operators. Therefore, competition exists but it is not deep.</p> |
| <p>PTA's Capability and Resources</p> <p>Considering the PTA's expertise and capabilities in managing complex transportation operations and transition to full decarbonisation of public transport.</p> | <p><i>For PTA's with constrained capabilities and resources, simpler contract types that are easier to implement and manage across the contract lifecycle may be more suitable.</i></p> <p>Limited Advanced</p> <p><i>PTA's with greater capabilities and resources can explore more complex contracting models, including approaches to payments, variations, and performance incentive regimes that require enhanced contract management capabilities.</i></p> | <p>ORC has a relatively small transport team compared to similar-sized areas, and lacks sophisticated contract management and data resources that can support sophisticated approaches. There will be a need to be selective about changes that require more investment of staff capacity.</p> |
| <p>Degree of Funding Constraints</p> <p>The financial limitations or restrictions faced by the PTA in delivering and sustaining public transport services.</p> | <p><i>In financially constrained environments, contracts should emphasise value for money, budget certainty, cost transparency, and clear pricing mechanisms.</i></p> <p>Significant Limited</p> <p><i>PTA's with limited funding constraints may be better placed to increase asset control and more easily meet additional demand and service objectives.</i></p> | <p>ORC has indicated a willingness to invest in local share in principle through the ambitious Fares and Frequencies business case, and NZTA has been a supportive participant. However, funding is not yet confirmed and there are many competing demands on the NLTF, so there should not be an assumption that increased funding is easily accessed.</p> |
| <p>Control of Assets by PTA</p> <p>The cost-benefit and willingness of PTAs to have direct ownership or control of assets.</p> | <p><i>A lower appetite for asset control may require PTAs to consider alternative ways to lower barriers to entry in a shallow market. Lower levels of asset control may also support the transfer of dead running risk to operators and the use of in-service variation rates.</i></p> <p>Low High</p> <p><i>PTA's with appetite to control assets will need to consider the most appropriate pathway to achieving this given funding constraints and their capability and resourcing. Control of assets could impact pricing and variation approaches (e.g. PTA control of depots may better support the use variation rates based on total units - in-service and dead running).</i></p> | <p>Council has indicated in-principle interest in asset ownership or control, but it is a new topic that requires significant work, and Dunedin is likely to be a lower priority than Queenstown if this approach is pursued.</p> |
| <p>Anticipated Significant Change to Service Requirements</p> <p>Expected modifications to service demands resulting from the integration of new or upcoming public transport projects.</p> | <p><i>The level of service required is largely steady and predictable. The contract reflects a more 'business as usual' approach with traditional levers used to deliver outcomes. Variations are less of a focus given that minimal change to service levels is expected.</i></p> <p>No Yes</p> <p><i>Where there is an anticipated significant change to service requirements contracts should include appropriate variation mechanisms. Known changes could be pre-priced as options, and unknown changes will require Net Financial Impact approaches.</i></p> | <p>Fares and Frequencies business case indicates significant increases in service levels. Although funding is not yet confirmed, there will be a need to be ready for service increases.</p> |

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| WHAKATIPU NETWORK | | |
|---|--|--|
| Key Feature | Associated High-level Considerations | Assessment for Whakatipu |
| <p>Demand for Public Transport Assessing the projected expansion and demand for public transportation services in the PTA's operating area.</p> | <p><i>In areas with declining demand, contracts can be structured to allow for demand-responsive services, ensuring cost-efficiency.</i></p> <p>Declining Steady Increasing</p> <p><i>An increasing demand for services indicates a need for scalability and flexibility. Contracts should allow for easy adjustments to service frequency and routes.</i></p> | <p>Queenstown is one of the highest-growth parts of the country and high-quality public transport remains new, so significant further growth can be expected. The QPTSBC indicates significant service improvements.</p> |
| <p>Market Depth Evaluating the degree of market concentration now and potential for future market entry and competition.</p> | <p><i>In a shallow market where traditional open tenders may not attract strong competition alternative contractual arrangements may need to be considered to support value for money and improve competition.</i></p> <p>Shallow Deep</p> <p><i>In a deep market with multiple operators, competitive procurement methods can be effectively used to drive value for money.</i></p> | <p>It can be expected that there will be only one operator at time, however a level of competition at tender should be expected. The viability of operators other than the current one are yet to be determined but there may be an additional base of alternative market participants in the form of bus/coach operations currently focused on tourism.</p> |
| <p>PTA's Capability and Resources Considering the PTA's expertise and capabilities in managing complex transportation operations and transition to full decarbonisation of public transport.</p> | <p><i>For PTA's with constrained capabilities and resources, simpler contract types that are easier to implement and manage across the contract lifecycle may be more suitable.</i></p> <p>Limited Advanced</p> <p><i>PTA's with greater capabilities and resources can explore more complex contracting models, including approaches to payments, variations, and performance incentive regimes that require enhanced contract management capabilities.</i></p> | <p>ORC has a relatively small transport team compared to similar-sized areas, and lacks sophisticated contract management and data resources that can support sophisticated approaches. There will be a need to be selective about changes that require more investment of staff capacity.</p> |
| <p>Degree of Funding Constraints The financial limitations or restrictions faced by the PTA in delivering and sustaining public transport services.</p> | <p><i>In financially constrained environments, contracts should emphasise value for money, budget certainty, cost transparency, and clear pricing mechanisms.</i></p> <p>Significant Limited</p> <p><i>PTA's with limited funding constraints may be better placed to increase asset control and more easily meet additional demand and service objectives.</i></p> | <p>ORC has indicated a willingness to invest in local share in principle through the ambitious QPTSBC case, but the base of ratepayers is very small compared to most New Zealand cities so the per-head cost of local share is a potential pain point.</p> <p>Business case funding is not yet confirmed, but the case for Waka Kotahi share is very strong given the extremely high demands on the trans</p> |
| <p>Control of Assets by PTA The cost-benefit and willingness of PTAs to have direct ownership or control of assets.</p> | <p><i>A lower appetite for asset control may require PTAs to consider alternative ways to lower barriers to entry in a shallow market. Lower levels of asset control may also support the transfer of dead running risk to operators and the use of in-service variation rates.</i></p> <p>Low High</p> <p><i>PTA's with appetite to control assets will need to consider the most appropriate pathway to achieving this given funding constraints and their capability and resourcing. Control of assets could impact pricing and variation approaches (e.g. PTA control of depots may better support the use variation rates based on total units - in-service and dead running).</i></p> | <p>Council has indicated in-principle interest in asset ownership or control, but it is a new topic that requires significant work. The QPTSBC includes the purchase of land for an electric depot so this approach is considered likely for Queenstown.</p> |
| <p>Anticipated Significant Change to Service Requirements Expected modifications to service demands resulting from the integration of new or upcoming public transport projects.</p> | <p><i>The level of service required is largely steady and predictable. The contract reflects a more 'business as usual' approach with traditional levers used to deliver outcomes. Variations are less of a focus given that minimal change to service levels is expected.</i></p> <p>No Yes</p> <p><i>Where there is an anticipated significant change to service requirements contracts should include appropriate variation mechanisms. Known changes could be pre-priced as options, and unknown changes will require Net Financial Impact approaches.</i></p> | <p>QPTSBC will represent significant service level increases. Funding is not yet confirmed but the need is very evident.</p> |

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| NEW SERVICE AREAS (OAMARU, WĀNAKA, REGIONAL ETC) | | | | |
|--|--|--|--|--|
| Key Feature | Associated High-level Considerations | | Assessment for new service areas | |
| <p>Demand for Public Transport</p> <p>Assessing the projected expansion and demand for public transportation services in the PTA's operating area.</p> | <p>In areas with declining demand, contracts can be structured to allow for demand-responsive services, ensuring cost-efficiency.</p> | <p>Declining Steady Increasing</p> | <p>An increasing demand for services indicates a need for scalability and flexibility. Contracts should allow for easy adjustments to service frequency and routes.</p> | <p>There is significant community support for new service areas, and in some places especially in Wānaka / Central Otago, significant residential growth</p> |
| <p>Market Depth</p> <p>Evaluating the degree of market concentration now and potential for future market entry and competition.</p> | <p>In a shallow market where traditional open tenders may not attract strong competition alternative contractual arrangements may need to be considered to support value for money and improve competition.</p> | <p>Shallow Deep</p> | <p>In a deep market with multiple operators, competitive procurement methods can be effectively used to drive value for money.</p> | <p>Market is relatively untested, but there are significant exempt or charter operations across the region.</p> |
| <p>PTA's Capability and Resources</p> <p>Considering the PTA's expertise and capabilities in managing complex transportation operations and transition to full decarbonisation of public transport.</p> | <p>For PTA's with constrained capabilities and resources, simpler contract types that are easier to implement and manage across the contract lifecycle may be more suitable.</p> | <p>Limited Advanced</p> | <p>PTA's with greater capabilities and resources can explore more complex contracting models, including approaches to payments, variations, and performance incentive regimes that require enhanced contract management capabilities.</p> | <p>ORC has a relatively small transport team compared to similar-sized areas, and lacks sophisticated contract management and data resources that can support sophisticated approaches. New services in new areas would increase the burden on a small team</p> |
| <p>Degree of Funding Constraints</p> <p>The financial limitations or restrictions faced by the PTA in delivering and sustaining public transport services.</p> | <p>In financially constrained environments, contracts should emphasise value for money, budget certainty, cost transparency, and clear pricing mechanisms.</p> | <p>Significant Limited</p> | <p>PTA's with limited funding constraints may be better placed to increase asset control and more easily meet additional demand and service objectives.</p> | <p>ORC has indicated a willingness to invest in local share in principle. Previous Waka Kotahi bids for trial service funding have not been successful, and if approved in 2024, trial services will be operating under low-cost, low-risk funding, which is limited.</p> |
| <p>Control of Assets by PTA</p> <p>The cost-benefit and willingness of PTAs to have direct ownership or control of assets.</p> | <p>A lower appetite for asset control may require PTAs to consider alternative ways to lower barriers to entry in a shallow market. Lower levels of asset control may also support the transfer of dead running risk to operators and the use of in-service variation rates.</p> | <p>Low High</p> | <p>PTA's with appetite to control assets will need to consider the most appropriate pathway to achieving this given funding constraints and their capability and resourcing. Control of assets could impact pricing and variation approaches (e.g. PTA control of depots may better support the use variation rates based on total units - in-service and dead running).</p> | <p>ORC has indicated in-principle interest in asset ownership or control, but it is a new topic that requires significant work. For new service areas, ORC may have opportunities for asset control approaches especially around fleet, if this is considered desirable.</p> |
| <p>Anticipated Significant Change to Service Requirements</p> <p>Expected modifications to service demands resulting from the integration of new or upcoming public transport projects.</p> | <p>The level of service required is largely steady and predictable. The contract reflects a more 'business as usual' approach with traditional levers used to deliver outcomes. Variations are less of a focus given that minimal change to service levels is expected.</p> | <p>No Yes</p> | <p>Where there is an anticipated significant change to service requirements contracts should include appropriate variation mechanisms. Known changes could be pre-priced as options, and unknown changes will require Net Financial Impact approaches.</p> | <p>This is a new service area and could be subject to significant change over time.</p> |

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| OPTIONS MAPPING | | | | | | |
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| Issue | Options | | | | | Rationale |
| Asset control – end state | Full operator control (current state) | Mixed PTA-operator control (strategic target) | | Full PTA control (ideal state) | | <p>(strategic target): there is a strong case that having some level of control over some strategic assets will support a competitive market and value for money spent. This is expressed in the QPTSBC.</p> <p>(ideal state): ideally, ORC would have close control over depot and fleet assets and would be able to use them to tender narrow management contracts. However, ORC are not currently in a position to commit to such a target</p> |
| Asset control – pathway | N/A (current state) (strategic target) | Transfer obligation – fleet (alternative for select cases) | Transfer obligation – infrastructure (strategic target) | PTA leases or purchases assets – Fleet (alternative for select cases) (ideal state) | PTA leases or purchases assets – Infrastructure (strategic target) (ideal state) | <p>(strategic target): QPTSBC analysis supports purchase of land for a depot in Queenstown. There is no equivalent need in Dunedin and operator-led investment is already occurring, but for major 2026-28 procurements, ORC will investigate if end-of-contract transfer obligations (to a new operator, or alternatively to ORC) in order to support competitive tenders</p> <p>(alternative for select cases): In response to particular needs, ORC may need to take a more direct role in fleets. This could include around the Ferry, small-scale trials that need specific forms of support, or mid-contract fleet changes.</p> <p>(ideal state): As above, the ideal state is regarded as full ownership, but there is not currently capacity to achieve this.</p> |
| Contract type | Concession (alternative for select cases) | Quality partnership (alternative approach to explore) | Net cost contract (alternative for select cases) | Gross cost contract (current state) (strategic target) | Collaborative contract (alliance style) (alternative approach to explore) | <p>(strategic target): Gross cost contracts are regarded as the industry standard and support ORC's ability to conduct service planning and allocate risks in a manner that avoids ambiguity.</p> <p>(alternative for select cases): For very minor trial scenarios, concessions or net cost contracts can be considered if the nature of a service is such that ORC's control of the service is minor.</p> <p>(alternative approach to explore): There is not yet a clear understanding of what alternative approaches would look like or what can be regarded as an ideal state, but there may be a number of elements of interest in quality partnership or alliance style approaches that could be applicable as improvements to a gross-cost approach.</p> |
| Contract term | Short (1-5 years) (alternative for select cases) (ideal state) | Moderate (6-9 years) (current state) (strategic target) (ideal state) | Long (10-15 years) (strategic target) | Very long (15+ years) (alternative for select cases) | | <p>(strategic target): the current contract lengths are not considered a major issue, but ORC should be flexible in contract length for a variety of reasons: e.g. to reward performance, or to align contract expiries</p> <p>(ideal state): The ideal state for asset control above would imply narrower contracts, which could (but would not have to) be tendered more often, making bus contract procurement a more regular, continuous activity.</p> <p>(alternative for select cases): Very short contracts and very long contracts may be useful in select cases: for example long contracts to align with likely long lifetimes of ferry vessels, or very short contracts to support trials or to give time for future competitive processes</p> |
| Procurement evaluation | Quality based method (alternative for select cases) | Value for money assessment combining price and quality (alternative for select cases) | Price Quality Method (current state) (strategic target) | Price assessment only (alternative for select cases) | | <p>(strategic target) (ideal state): The Price Quality method is regarded as satisfactory at present with no major issues evident in recent tenders,.</p> |

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| | | | (ideal state) | | (alternative for select cases): other methodologies may have occasional merit in specific situations where they apply but no specific cases are noted |
| Procurement method | Direct award / negotiation (alternative for select cases) | Closed contest tender (reject) | Open competition tender (current state) (strategic target) (ideal state) | [in-house] (reject) | (strategic target) (ideal state): Open competition is regarded as best-practice. (alternative for select cases): Direct award/negotiation is an acceptable alternative, and could be used to reward good performance, or as a bridge towards future contracts. (reject): Closed contest tenders are rejected as unnecessary. In-house delivery is rejected as not being currently viable; such an approach would require wider organisational amendment beyond the scope of this Strategy. |
| Pricing transparency | Total fixed price (no transparency) (reject) | Transparency at payment component level (current state) | Detailed breakdown of elemental costs (strategic target) (ideal state) | | (reject): No price transparency is regarded as unacceptable. (strategic target): A degree of payment-level transparency already exists in tenders but significantly increasing the level of detail will give greater confidence over time |
| Pricing – payment approach | Annual budgeting (reject) | Combined fixed and variable pricing elements (strategic target) (ideal state) | Fully fixed annual pricing (current state) | | (strategic target) (ideal state): Structuring payments as fixed plus variable elements (where the main variable element is for time and distance including dead running) would require some upfront work, but in the long term would simply the understanding of payments and the costing of variations. (reject): An annual budgeting approach is an interesting alternative, but may reduce the ability to maintain a stable service without micro-managing frequencies and service hours. It is not therefore a target. |
| Variations | Marginal rates (in-service) (current state) | Marginal rates incl. dead running (strategic target) | Pre priced options (current state) (alternative for select cases) | Net financial impact (ideal state) | (strategic target): A shift to dead-running-inclusive marginal rates fits with the need to improve ORC's oversight of bus and driver schedules, and resolves a lot of the difficulties we already see in agreeing on reasonable pricing variations. It is a very viable improvement as long as there is capability to have confidence that the dead running levels are reasonable. (ideal state): Net financial impact would ultimately be the fairest approach, but ORC's capacity to fully evaluate an impact may be limited, so the target may not be realistic. None the less, it makes sense to flag the option for cases where the level of variation is high. (alternative for select cases): Pre-priced options to be used where there is a reasonably level of confidence in the exact form of a future service change, but avoid making tender pricing excessively complex or putting in excessively speculative options. |
| Indexation | No indexation (reject) | Composite index (current state) | Cost element index (strategic target) (ideal state) | | (strategic target) (ideal state): If there is a desire on the part of operators to take a more granular approach ORC should be capable of implementing cost-element approaches to indexation in new contracts, especially in combination with other improvements to financial approach. (reject): a regime without indexation will see a significant risk premium and is not regarded as viable. |
| Performance incentive regime | No performance regime (reject) | Service delivery, quality, and customer regime (current state) (strategic target) | Patronage regime (current state) | Behavioural regime (ideal state) | (strategic target): ORC will move away from financial incentives for patronage (FIM) as patronage outcomes are regarded as largely within ORC's control. There will be a focus on more effective implementation of service delivery / quality / customer responsiveness. |

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| | | | | | <p>(ideal state): A sophisticated behavioural regime would be the best approach, but would be too much of a burden on staff capacity to focus on at present.</p> <p>(reject): Some form of performance regime is regarded as essential.</p> |
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APPENDIX 2: CHECKLIST OF PROCUREMENT STRATEGY REQUIREMENTS

In order to support NZTA endorsement of this Strategy, this Appendix provides evidence, referencing the body of the Strategy, that the Procurement Strategy meets the guidelines of the Procurement Manual. This is based on Appendix A of the Procurement Manual, which has two checklists: Checklist 1 for general procurement, and Checklist 2 for bus public transport units. For the purposes of this document, “bus public transport units” is considered to additionally include the Ferry unit in Queenstown, to the extent that this is relevant.

CHECKLIST 1 (EXCLUDING UNIT CONTRACT PROCUREMENT)

| Heading | Checklist element | Evidence of fulfilment |
|--|--|---|
| 1.Executive summary | 1.1 Summary statements of key issues and opportunities to obtain best value for money | Fulfilled throughout Executive Summary |
| | 1.2 Recommendations where relevant that NZTA : a) endorses the procurement strategy b) approves the use of advanced components c) approves a customised procurement procedure d) approves a variation or an exemption to a procurement rule e) approves the use of in-house professional services | Page 68 |
| | 1.3 Evidence of corporate ownership or internal indorsement of the procurement strategy | Included in document development tracking on page 66 |
| 2. Policy context of the approved organisation | 2.1 Strategic objectives and outcomes | Outlined in Strategic Context section starting page 8 |
| | 2.2 Objectives and outcomes for the procurement strategy | Outlined in introduction |

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| | 2.3 NZTA procurement requirements and what they mean for the approved organisation: a) best value for money b) competitive and efficient markets c) fair competition among suppliers | Outlined in Strategic procurement outcomes section starting page 14 |
| | 2.4 Other relevant factors, such as organisational policies, wider organisational procurement plans, or the regulatory environment | Outlined in Strategic Context section starting page 8 |
| 3. Procurement program | 3.1 Procurement programme, segmented by: a) size, type, or duration b) complexity, scale, timing, innovation potential, risk, and an assessment of the supplier market c) need for specialised skills | Section 7 (Procurement programme) outlines the procurement program, focusing on public transport unit procurements, Total Mobility contract expiries, and identifiable professional services procurements. |
| | 3.2 Identification (where relevant) of any pending high-risk or unusual procurement activities | Section 7 (Procurement programme) outlines the procurement program, focusing on public transport unit procurements, Total Mobility contract expiries, and identifiable professional services procurements. |
| 4. Procurement environment | 4.1 Analysis of supplier market | Detailed analysis for Total Mobility. Other areas are descriptive in nature. |
| | 4.2 Analysis of the approved organisation's current procurement spend and profile | Detailed analysis for Total Mobility. Other areas are descriptive in nature. |
| | 4.3 Analysis of the impact of the procurement programmes of other approved organisations and entities | Analysis focuses on main external impacts – infrastructure, Ministry of Education school services, exempt services. |
| | 5.1 Confirmation of specific strategic objectives | Identified through the document |

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| 5. Approach to delivering work program | <p>5.2 The procurement approach. For each segment of the work program, the procurement strategy should identify the optimal procurement options as they relate to the strategic objectives. Consider:</p> <ul style="list-style-type: none"> a) key attributes and best value for money strategy b) the nature of the activities for each segment of work (e.g. complexity, scale, timing, innovation potential, risk, and an assessment of the supplier market) c) aggregation, bundling, and the term of term service contracts d) proposed delivery model(s) and supplier selection method(s) <p>impact of the preferred approach on best value for money, fair competition, and competitive and efficient markets</p> <ul style="list-style-type: none"> e) risk identification and management f) approach to contract management | <p>Table in section 4.2 External professional services gives strategies for professional services. Further approaches are given in various sections of Chapter 3. Level of detail proportionate to the scale of the activities and ORC's role.</p> |
| | <p>5.3 Analysis of whether advanced components, customised procurement procedures or variations to procurement rules are required and why</p> | <p>For Total Mobility, indications are given of the possibility of more advanced approaches, but these would not require advanced or customised procedures – they would simply go beyond requirements. For professional services all areas will be approached within regular procurement procedures.</p> |
| 6. Implementation | <p>6.1 Capability and capacity:</p> <ul style="list-style-type: none"> a) description of the current and desired state, including current structure, and roles and responsibilities within the wider organisational structure | <p>Considered in section 4 with discussion of internal staffing and how to balance internal/external delivery.</p> |

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| | <ul style="list-style-type: none"> b) identification of any capability or capacity gaps c) plan to fill the gaps | |
| | 6.2 Internal procurement processes | Summary of documents includes ORC Procurement Policy and Delegations Manual. |
| | 6.3 Performance measurement and monitoring: <ul style="list-style-type: none"> a) NZTA KPIs b) additional KPIs c) internal reporting, review, and feedback process | Page 48 |
| | 6.4 Communication plan: <ul style="list-style-type: none"> a) internal stakeholders b) other approved organisations and entities c) supplier market d) NZTA | Page 49 |
| | 6.5 Implementation Plan | Page 50 |
| | 6.6 Corporate ownership and internal endorsement | See Appendix 3: Document development and endorsement |

CHECKLIST 2 (UNIT CONTRACT PROCUREMENT)

| Heading | Checklist element | Evidence of fulfilment |
|--|---|---|
| 1.Executive summary | 1.1 Summary statements of key issues and opportunities to obtain best value for money | Fulfilled throughout Executive Summary |
| | 1.2 Recommendations where relevant that NZTA: a) endorses the procurement strategy b) approves the use of advanced components c) approves a customised procurement procedure d) approves a variation or an exemption to a procurement rule e) approves the use of in-house professional services | Page 68 |
| | 1.3 Evidence of corporate ownership or internal indorsement of the procurement strategy | Included in document development tracking on page 66 |
| 2. Policy context of the approved organisation | 2.1 Summary of strategic objectives and outcomes from the RPTP | Page 12 |
| | 2.2 Objectives and outcomes for the procurement strategy | Outlined in introduction |
| | 2.3 Any transitional considerations resulting from changes in government policy | Covered extensively due to uncertainty of SPTF transition |
| | 2.4 NZTA procurement requirements and what they mean for the approved organisation: a) best value for money b) competitive and efficient markets | Outlined in Strategic procurement outcomes section starting page 14 |

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| | c) fair competition among suppliers | |
| | 2.5 Other relevant factors, such as organisational policies, wider organisational procurement plans, or the regulatory environment | Outlined in Strategic Context section starting page 8 |
| 3. Procurement program | <p>3.1 Unit procurement programme, considering:</p> <p>a) whether the network identified in the RPTP is still fit for purpose</p> <p>b) whether the allocation in the RPTP of all services, including school services into units, impacts on the procurement programme</p> <p>c) (obsolete PTMA-PTOM transition)</p> <p>d) the number of units, the size of units, and the need to align or phase the procurement of units</p> <p>e) complexity, scale, timing, innovation potential, risk, and an assessment of the supplier market</p> | Extensively covered in Units and Contract Design section |
| | <p>3.2 Identification (where relevant) of any pending high-risk or unusual procurement activities</p> <p>a) whether there will be any directly appointed units and the implications for tendering activity for any other units to ensure the use of price benchmarks for directly appointed units are robust</p> | <p>Ferry project specifically identified as ongoing work program as well as current direct appointment negotiations</p> <p>Complexity of asset control questions flagged, particularly for Queenstown</p> |

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| | b) consideration of what process will be used to appoint an arbitrator or adjudicator should negotiations for direct appointment fail | |
| 4. Procurement environment | 4.1 Analysis of supplier market | Market analysis sections for bus and ferry |
| | 4.2 Analysis of the approved organisation's current procurement spend and profile | Current state summarised with contract sizes and dates |
| | 4.3 Analysis of the impact of the procurement programmes of other approved organisations and entities | Particular focus on issues around Ministry of Education school services and exempt services |
| 5. Approach to delivering work program | 5.1 Confirmation of specific strategic objectives | Identified throughout the document |
| | 5.2 The procurement approach. For each segment of the work program, the procurement strategy should identify the optimal procurement options as they relate to the strategic objectives. Consider: <ul style="list-style-type: none"> a) key attributes and best value for money strategy b) the nature of the activities for each segment of work (e.g. complexity, scale, timing, innovation potential, risk, and an assessment of the supplier market) c) aggregation, bundling, and the term of term service contracts d) proposed delivery model(s) and supplier selection method(s) <p>impact of the preferred approach on best value for money, fair competition, and competitive and efficient markets</p> <ul style="list-style-type: none"> e) risk identification and management | Extensive analysis of options for key strategic issues, in Future State section. Appendix 1 as further supporting evidence. |

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| | f) approach to contract management | |
| | 5.3 Analysis of whether advanced components, customised procurement procedures or variations to procurement rules are required and why | No advanced components etc are considered necessary at this stage |
| 6. Implementation | 6.1 Capability and capacity: a) description of the current and desired state, including current structure, and roles and responsibilities within the wider organisational structure b) identification of any capability or capacity gaps c) plan to fill the gaps | Considered under Professional Services |
| | 6.2 Internal procurement processes | Considered under Professional Services |
| | 6.3 Performance measurement and monitoring: a) NZTA KPIs b) additional KPIs c) internal reporting, review, and feedback process | Page 48 |
| | 6.4 Communication plan: a) internal stakeholders b) other approved organisations and entities c) supplier market d) NZTA | Page 49 |
| | 6.5 Implementation Plan | Page 50 |

APPENDIX 3: DOCUMENT DEVELOPMENT AND ENDORSEMENT

| Action | Date | Description |
|-----------------------------------|---|---|
| Early drafts (v0.1 and v0.2) | 12 December 2023 | Early drafting and structure of document |
| Preliminary feedback from Council | 13 December 2023 | Council resolution as follows: <i>That the Council:</i> <i>1) Notes this report, and</i> <i>2) Supports capital investment in depot/vehicle assets as a possible strategy for ensuring best value for money and competitive markets for public transport contracts</i> |
| Substantive draft v0.3 | 12 January 2024 | Substantive draft, taking into consideration Council resolution and NZTA discussion paper |
| Peer review | 19 January 2024 | Peer review of v0.3 draft by Taith Consulting |
| Working draft v0.4 | 25 January 2024 | Draft to Manager Transport / Chief Executive (CE) for feedback ahead of agenda close |
| Working Draft v0.5 | 31 January 2024 | Draft for Committee consideration. Some finalisation work still to do, without changing substance of document. |
| Council endorsement | Committee: 7 February 2024 Adoption of recommendation by Council: 21 February 2024 | Committee recommendation as follows: <i>That the Committee:</i> <i>1) Notes that:</i> <i>a. In order to receive Waka Kotahi funding for transport procurement activities, Council must have an up-to-date Transport Procurement Strategy</i> <i>b. Council is mandated to take a strategic approach to procurement in order to achieve best value for money</i> <i>c. The current procurement environment has significant uncertainties around the implementation of the Sustainable Public Transport Framework, the change of government, and risks around service growth and electrification</i> <i>2) Recommends that Council endorse the Transport Procurement Strategy 2024-2027</i> |

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| | | 3) Recommends that Council delegate authority for the Chief Executive to finalise the <i>Transport Procurement Strategy, with minor editorial changes, prior to submission of the document for NZTA endorsement</i> |
| Final Draft v1 | 14 February 2024 | Final draft implementing any Committee feedback and further improvements |
| Council, delegation of endorsement to Chief Executive | 21 February 2024 | Approval of Council, subject to any editorial changes |
| Final Draft v1.01 | 23 February 2024 | Approved draft of document |
| NZTA feedback | 15 March 2024 | Feedback received from NZTA, asking for some minor changes to clarify key points |
| Final Draft v1.02 | 18 April 2024 | Minor changes from NZTA feedback |
| NZTA endorsement | 27 April 2024 | Document is endorsed by NZTA |
| Council endorsement of changes and final adoption | Committee: 9 May 2024 Adoption of recommendation by Council: 22 May 2024 | Committee recommendation as follows: <i>That the Committee:</i> 1) Recommends that Council endorses changes to the draft Transport Procurement Strategy 2024-2027 and adopts the final Strategy. |
| Final Strategy v1.03 for publication | 12 June 2024 | Added appendix information about endorsement of Strategy by NZTA and Council |

RECOMMENDATIONS TO NZTA

| Decision sought | Reference in document | NZTA Decision |
|--|--|-----------------------|
| Endorsement of ORC's Transport Procurement Strategy 2024-2027 for a period of three years | Entire document | Approved 5 April 2024 |
| Approves the continued usage of in-house professional services in accordance with s.26 of the Land Transport Management Act | Professional services section, starting page 37. | Approved 5 April 2024 |