

# Transport Activity Procurement Strategy

for the Taranaki Region

March 2023

# Transport Activity Procurement Strategy

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Approved by  
Date: March 2023  
Steve Ruru  
Chief Executive

## Executive summary

This Transport Procurement Strategy sets out the Taranaki Regional Council's (the Council) approach to the procurement of transport activities and services funded from the Council's long-term and annual plans and the National Land Transport Programme (NLTP). The intended audience is primarily the New Zealand Transport Waka Kotahi NZ Transport Agency (Transport Waka Kotahi NZ Transport Agency), the Council itself and to provide a signal to the suppliers of services.

### **Summary statement of key issues and opportunities to obtain value for money**

The Council's *Transport Activity Procurement Strategy* is based on the value for the money spent in procuring the Council's transport related activities that are not funded, or either funded in part or fully funded from the National Land Transport Fund.

Key issues and opportunities include:

- Ongoing legislative adjustments and evolving strategies to support decarbonisation and improving transport and safety choices impacting decision making in procurement management.
- Packaging contract management strategically to ensure competition and access for local suppliers is equitable.
- Maintaining mutually beneficial long term supplier/client relationships with a clear goals around achieving public transport step change in Taranaki
- Considering efficiency and economies of scale with the potential to arrange multi council procurement arrangements –supporting a national consistency of service delivery and increased reporting requirements.

### **Recommendation that the New Zealand Transport Waka Kotahi NZ Transport Agency**

Endorses the Transport Activity Procurement Strategy.

Notes the previous approvals with the variation to the procurement rule for the vehicle standard of the school buses operating within the urban unit.

Notes the previous approvals to the variation to the procurement rule for the length of the contract terms for the connector and rural units.

### **Evidence of corporate ownership or internal endorsement of the Procurement Strategy**

The Council's Chief Executive has endorsed this Procurement Strategy.

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Appendix I The following table shows the transport service registered as exempt as per section 130 of the LTMA. 1

Appendix II Financial incentive mechanism 1

## Part A

### Policy context

#### 1 Introduction

The purpose of this Procurement Strategy is to document the Council's long-term approach to the procurement of all transport activities, such as public transport services, supporting the Regional Transport Committee and professional services.

It is intended that the Strategy will:

- Be relevant to the Taranaki region.
- Have corporate ownership and commitment within the Council.
- Be endorsed by the Transport Waka Kotahi NZ Transport Agency, pursuant to Section 25 of the *Land Transport Management Act 2003* (LTMA). The Transport Waka Kotahi NZ Transport Agency's *Procurement Manual* acts as the regulatory guideline for procurement of subsidised transport activities.

#### 2 Legislative requirements

At the highest level the statutory objectives of the LTMA and *Local Government Act 2002* (LGA) apply to the Council. The LGA empowers the Council to play a broad role in meeting the current and future needs of its communities for good quality local infrastructure, while the Council's responsibilities under the LTMA include contributing to an effective, efficient, and safe land transport system in the public interest.

The LTMA, as amended in 2013, introduced a new approach for the funding, procurement and contracting of public transport services - the Public Transport Operating Model (SPTF). The aim of SPTF is to grow public transport patronage with less reliance on subsidies.

The Council must be guided by each of the following principles to the extent relevant to the particular power or function being exercised under Part 5 (Regulation of Public Transport) of the Land Transport Management Act 2003.

- a. regional councils and public transport operators should work in partnership and collaborate with territorial authorities to deliver the regional public transport services and infrastructure necessary to meet the needs of passengers;
- b. the provision of public transport services should be coordinated with the aim of achieving levels of integration, reliability, frequency and coverage necessary to encourage passenger growth;
- c. competitors should have access to regional public transport markets to increase confidence that public transport services are priced efficiently;
- d. incentives should exist to reduce the reliance on public subsidies to cover the cost of providing public transport services; and
- e. the planning and procurement of public transport services should be transparent.

Any public transport service operated in a region must be provided under contract with a regional council as part of a unit unless it is an exempt service. A regional council must contract for the provision of every unit on an exclusive basis (*LTMA s116*).

This Procurement Strategy will be used to implement the Council's approach to SPTF.

Section 17a of The Local Government Act (2002) provides for the effectiveness of service delivery. At Taranaki Regional Council this document was reviewed and endorsed in June 2017, and is due for review in June 2023. A copy of this document is provided with the Transport Procurement Strategy. Document number 1801183

## 3 Organisational goals

### 3.1 Strategic objective

The strategic objectives of the Council are defined by the *2021/2031 Long-Term Plan (LTP)*. The strategic objective in relation to transport activities can be summarised as:

*The Transport group of activities promotes an affordable, integrated, safe, responsive and sustainable transport system that assists economic development and safety and personal security, improves access and mobility, protects and promotes public health and ensures environmental sustainability.*

The Transport section of the Long Term Plan (LTP) details levels of services, performance measures and funding requirements for the next 10 years (refer to pages 67 to 70 of the LTP).

The following documents inform the LTP:

- Regional Land Transport Plan for Taranaki 2020/2021 – 2026/27 (RLTP)
- Regional Public Transport Plan 2020 (RPTP).

The Government Policy Statement (GPS) sets out the government's desired outcomes and funding priorities for the land transport sector, and is the policy document that directly influences decisions on how funding from the National Land Transport Fund (NLTF) is invested for the next three year period. The Government Policy Statement on land transport 2021 builds on the direction set in GPS 2018 and continues the Government's commitment to safety within the transport system. With an emphasis on broader outcomes of any procurement and policy decisions and the prioritisation of a safe and healthy network that is accessible.

At Taranaki Regional Council, the health and safety of all parties is a key driver in procurement decisions. This will include the assessment of each company's safety record, and evidenced by their commitment to ensuring safe and healthy journeys for all people. The management and identification of these risks when assessing any particular project will determine the success of the procurement process when undertaken by Taranaki Regional Council.

The Policy Statement also prioritises better travel options in our towns and cities, and supports investments for improving freight connectivity through rail and coastal shipping. By including Climate Change as a strategic priority, the GPS highlights the Government's commitment to reducing greenhouse gas emissions in the transport system. The four strategic priorities for GPS 2021 are: Safety Developing a land transport system where-no one is killed or injured. Better Travel Options Providing people with better transport options to access social and economic opportunities Climate Change Developing a low carbon transport system that: supports emissions reductions, while improving safety and inclusive aspects Improving Freight Connections Improving freight connections for economic development.

Decisions around procurement will be guided by the strategic objectives and targets within the RLTP and the Better Travel Choices Strategy (incorporating the RPTP), in which there will be vehicle travelled reduction targets in accordance with the Emission Reduction Plan and the guiding Government Policy Statement for Land Transport. VKT measures are strongly influenced from

increases in PT patronage, this is monitored by TRC. Additional measures through Transport Insights from WK will be utilised to monitor.

#### Community outcomes

The Taranaki Regional Council works with the Taranaki community to help make the region a fantastic place to live, play and do business.

#### Improving lifestyles

Our healthy environment is highly valued and the provision of services, amenities and infrastructure are vital to the well-being and lifestyle of everyone in Taranaki. Strong investment by the Taranaki community and the Council contributes to Taranaki's enviable lifestyle:

#### Supporting livelihoods

The Council works with the region's industries, farmers, iwi and communities to ensure the sustainable use, development and protection of our environment which supports a strong regional economy:

#### Taking Taranaki forward

Connecting people and planning for the future.

Supporting community initiatives.

Building scientific knowledge

Educating future generations

Owning Port Taranaki.

Taranaki Regional Council — working with people, caring for Taranaki.

#### Our mission

To work for a thriving and prosperous Taranaki by:

- Promoting the sustainable use, development and protection of our natural and physical resources.
- Safeguarding Taranaki's people and resources from natural and other hazards.
- Promoting and providing for significant services, amenities and infrastructure.
- Representing Taranaki's interests and contributions regionally, nationally and internationally.

We will do this by leading with responsibility, working co-operatively, to encourage community participation, and taking into account the Te Tiriti o te Waitangi.

The Council's contribution to achieving these aspirations and the measures to be used, are set out in the Council's LTP.

Procurement of the Council's goods and services for transport activities (as specified in the LTP) using this strategy and achieving the best value for the money spent in procuring the Council's needs, will contribute to the outcomes listed above.



## 4 Procurement principles

### 4.1 Procurement Principles

S25 of the LTMA requires the Transport Waka Kotahi NZ Transport Agency to approve one or more procurement procedures designed to obtain best value for money.

S24(4) requires approved organisations to use a procurement procedure for any expenditure from their land transport disbursement account (unless exempt under s26)

The Transport Waka Kotahi NZ Transport Agency's procurement policy that gives effect to its statutory function under s25 to approve procurement procedures, is contained in the Waka Kotahi NZ Transport Agency's Procurement Manual.

### 4.2 Best value for money

The following definition of 'Best Value for Money' accessed from the Transport Waka Kotahi NZ Transport Agency's *Procurement Manual* Section 3.2 has been adopted for this strategy: 'the most effective combination of cost, quality, benefit and risk to meet a requirement'.

### 4.3 Competitive and efficient markets

The transport budgets in the LTP provide a statement to the community of what the Council intends to procure during the period of the LTP. This statement provides information to the market about how much is anticipated to be spent per annum for the next ten years. However, the Council and suppliers will still need to be mindful of the following uncertainties:

- climate change;
- changes in legislation, such as the Emissions Trading Scheme; the evolution of the PTOM model, decarbonisation strategies, and Government Policy statements.
- change in land use;
- focus on Vehicle kilometres travelled (VKT) reductions
- limited contractor competition due to isolation, and resource stress in the labour market
- change to national funding priorities; and
- change in the funding of public transport.

The purpose of this Strategy is to acknowledge the above and ensure that a competitive market is still maintained, where possible. The Strategy also needs to be flexible to adapt to rapidly changing political and economic factors, whilst still allowing for innovation. The Strategy therefore provides for an approach to transport activity procurement that ensures competition is maintained, without creating costly inefficiencies through a 'one size fits all' rule.

### 4.4 Fair competition amongst suppliers

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

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

## 4.5 Taranaki Regional Council Procurement Policy

Council has its own procurement policy for the purchasing of goods and services. The objectives of the Procurement Policy are to provide clear direction and support to management, employees and third parties in relation to the performance of procurement activities in line with the Procurement Principles and establishes a decision framework that ensures:

**Adherence** — all procurement is required and is undertaken in accordance with the Procurement Policy and all other associated Council Policies and Strategies;

**Openness** - all procurement is made in an open and transparent manner with full and fair opportunity for all eligible suppliers;

**Fairness** - all procurement is carried out in a fair manner and decisions are made with impartiality and without bias;

**Integrity** - all Council employees and/or third parties undertaking procurement do so ethically, equitably and with behavioural standards of the highest levels;

**Value for Money** — all procurement considers the costs and benefits over the life of the goods, services and/or works;

**Risk**— all procurement considers the risks (commercial and otherwise) and ensures these are managed appropriately;

**Lawfulness** - all procurement is within the law and meets Council's legal and organisational obligations;

**Accountability** - employees and/or third parties and Suppliers are accountable for their performance; and

**Sustainability** - all procurement is environmental and socially sustainable wherever possible, having regard to economic, environmental, and social impacts over their lifecycle.

## 4.6 Scope of the Transport Activity Procurement Strategy

This *Transport Activity Procurement Strategy* is not an organisation-wide document. It focuses on the procurement of those land transport activities (land transport planning, public transport, Total Mobility and professional services) that receive funding from the Transport Waka Kotahi NZ Transport Agency's National Land Transport Fund only.

## 5 Procurement framework

The Council's procurement framework is referenced through a hierarchy of guidelines, regulatory requirements and best practice (as outlined in this section).

### 5.1 Delegations manual

The *Delegations Manual for the Taranaki Regional Council* sets out the authority to approve purchases, authorise payments and enter into contracts on the Council's behalf. This Manual provides a baseline for expenditure authorities. This document was last amended

### 5.2 Public transport service manuals and contracting documents

The Council has a number of manuals and contract agreement documents all of which are used in assessing Tenders and letting Contracts. These include the *Public Transport Services: Tendering and Contracting Manual* and '*Agreement for the provision of Total Mobility Services*', '*Total Mobility Wheelchair Hoist Funding Policy Manual*', and a number of other minor Agreements.

### 5.3 Sustainable Public Transport Framework

The *Regional Public Transport Plan* (RPTP) provides the statutory framework for implementing the SPTF. A high level overview of the procurement approach to implement SPTF will be amended in the midterm review of the RPTP due to be completed 12/2023.

The SPTF is implemented in the Taranaki region, with the *Regional Public Transport Plan 2014/2024* adopted in December 2020 and the proposed updated *RPTP 2020-2030*.

### 5.4 Requirements for Urban Buses in NZ

The Council aims to raise the overall quality of the public transport fleet, subject to affordability. Therefore, the Council intends to comply with the Transport Waka Kotahi NZ Transport Agency's *Requirements for Urban Buses* (RUB), as updated from time to time, for the urban unit for buses operating on the urban routes. The Council may seek a procurement variation where value for money or safety concerns can be shown.

The Council will continue to seek a procurement variation for the standard and age of school buses operating within the urban unit. This is due to the potential cost implications of RUB-compliant vehicles for school bus services.

Any additional features such as bike racks, which are outside the scope of the RUB, will be detailed in the applicable tender documents

## Part B Procurement programme

The LTMA requires all services, except exempt services, be arranged into units. A unit is “at a minimum, all services on a route for the full timetable, but can include more than one route where a group of routes forms a marketable whole”.

A public transport service, or group of public transport services that a regional council:

- identifies as integral to the region’s public transport network; and
- operates, or will operate, on the entire length of 1 or more routes specified in the regional council’s regional public transport plan; and
- includes all of the public transport services operating to a timetable that applies to the entire route or routes specified for the unit.

### 6 Unit procurement

The Council has defined the following units operating within the region. A detailed description of the services contained in each unit is to be found in the RPTP 2020-30.

The network comprises one urban unit, three rural units and one connector unit. These provide a mix of service frequency and coverage throughout the region and remain fit for purpose. The network is:

- Citylink unit (Monday to Saturday, requiring 34 PVR),
- Southlink units (between one and two services, per week, requiring one bus per service), and
- Connector unit (Monday to Friday, with potential for Saturday promotional or regular services, requiring two buses).

### 7 Total Mobility Services

The number of small passenger service operators in the region are currently contracted to provide Total Mobility. At such time as a new small passenger service operator requests Council approval to provide Total Mobility, Council will follow WAKA KOTAHI WAKA KOTAHI NZ TRANSPORT WAKA KOTAHI NZ TRANSPORT AGENCY’s Procurement Procedure 4.

### 8 Infrastructure

Public transport infrastructure improvements, i.e. new bus stops, timetable signs and associated infrastructure, and transport facilities operations and maintenance are the responsibility of the region’s three district councils. However, the Council, on behalf of the districts, applies to the Transport Waka Kotahi NZ Transport Agency for the funding of these activities. Council works collaboratively with the district councils to plan, and where possible, agree on infrastructure improvements.

### 9 Exempt services

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

There are a number of known commercially registered public transport services that will become exempt services. These are identified in Appendix I.

## 10 Tendering strategy

The Council's tendering strategy is to tender units as they fall due.

For the urban service (Citylink) the retendering process will commence no less than twelve months prior to the expiry date of the contract.

For the rural services (Southlink) the retendering or direct appointment process will commence no less than four months prior to the expiry date of the contract.

For the daily Hawera to New Plymouth service (Connector) the retendering process will commence no less than nine months prior to the expiry date of the contract.

Due to the limited number and scope of the units, the length of contract for each unit will be:

- Urban unit – nine years
- Rural unit(s) – six years
- Connector unit – nine years

The Council views a term of six years for the rural units as appropriate given the low capital investment required, that is, these are 'one' bus units. A six-year term allows for the cost to be competitively assessed more frequently than a nine-year term as benchmarking will not be likely for these services.

The urban contract is due to expire at the end of November 2024. The nine-year contract term is aligned with the SPTF.

The Connector contract has a term of five years and is due to expire at the end of October 2021. It is proposed to move to a nine year term to align with the SPTF.

### Sustainability

The *Local Government Act 2002* requires local authorities to take a sustainable approach when procuring goods, services and works. Sustainable procurement has the most positive economic, environmental, social and cultural impacts on a whole of life basis and creates value and legacy.

The tender will require the inclusion of a step change to decarbonise the fleet. TRC will also consider supply chain sustainability to assess environmental and human impacts.

TRC will assess outcomes relating to:

- minimising environmental impacts over the whole of life of the goods/services/works - supporting local businesses where possible and economically viable.
- strategies to avoid unnecessary consumption that manage demand and minimise waste.
- our suppliers' social responsibility practices, including compliance with legislative obligations to its employees.
- our obligations under Te Tiriti o Waitangi and our relationships with local iwi.

Taranaki Regional Council has adopted the Climate Emergency Response Fund Improving Bus Drivers terms and conditions initiative, and as other opportunities arise to access funding for various projects to implementation phase the Taranaki Regional Council will assess these opportunities on a case by case basis. The intent would be to endeavour to access all possible funding streams in order to improve Public Transport in the Taranaki rohe.

## 10.1 Alternative tenders

The Council may, when issuing a Request for Tender (RFT), permit alternative tenders. The reason for this is:

- To allow tenderers to demonstrate how the alternative tender achieves better value for money while still achieving the outputs required.

Full details of the criteria for alternative tenders applicable to a unit will be detailed in the RFT.

The Council proposes that service enhancements such as route changes will be managed as part of the unit contract the Council enters into with each successful Service Provider.

## 10.2 Direct appointment for low dollar value contracts

The Council may use the Direct appointment selection method where there is a single willing and able and where the contract cost estimate is less than or equal to \$100,000 for public transport services (gross contract price per year) as provided for by the Transport Waka Kotahi NZ Transport Agency' in accordance with Section 10.9 of the Procurement Manual.

## 10.3 Gross Price Resets

As Taranaki has a small bus market, it is not feasible for Council to use price benchmarking to reset the gross contract price at year 6 of the 9 year contract term. (Rule 10.28 of the Procurement Manual). The Council can reconfirm the contract price as the "current contract price" when undertaking this gross cost reset.

The current contract price is defined as the original winning tender contract price (i.e. the initial contract price) plus the price of any contract variations (for service level adjustments) made during the first six years of the contract, each adjusted for input price variation using an index approved by the Transport Waka Kotahi NZ Transport Agency in accordance with Rule 10.25 of the Procurement Manual

## Part C Procurement environment

### 11 Current services

#### 11.1 Bus services

The following tables outline the services that the Council currently procures, including contract details.

Location of service	Value (before fares)	Contract start date	Supplier	Peak Vehicles	Contract details
Citylink (New Plymouth, Bell Block, Waitara and Oakura) service	~\$2.4M	01/11/2015	Tranzit Coachlines Taranaki	~34	Nine year SPTF contract.
Hawera to New Plymouth service via SH3	~\$200,000	03/10/2016	Pickering Motors Ltd	4	Contract extended (Waka Kotahi Approval granted to extend to 1/10/2025)

The following services are all low-value contracts that are less than \$50,000 as these operate only once or twice-a-week targeting the transport disadvantaged.

Location of service	Value (before fares)	Contract start date	Supplier	Peak Vehicles	Contract details
Opunake to New Plymouth return service	~\$18,500	01/12/2021	Pickering Motors Ltd	1	Six year contract
Opunake to Hawera return service (via Kaponga and Manaia)	~\$12,000	03/10/2021	Pickering Motors Ltd	1	Six year contract
Waverley to Hawera return service	~\$27,000	03/10/2017	Weir Bros	1	Six year contract

## 11.2 Total Mobility services

The expenditure for Total Mobility (TM) services is dependent on the number of trips users take each year. The majority of trips occur within New Plymouth city. The operating budget for Total Mobility services (excluding Ironside Vehicle Society) is approximately \$500,000 to \$600,000 per annum. This growth has been due to the various Covid recovery incentives, and the intention to continue the discounted TM fares permanently will increase costs across the next LTP period.

Location of service	Value	Contract start date	Suppliers
North Taranaki	~ \$300,000	2016       2019	Energy City Cabs New Plymouth Taxis Driving Miss Daisy Freedom Companion Driving Service TET Taxis Limited
Central Taranaki	~ \$9,000	2016	BL Tourism Limited
South Taranaki	~ \$7,000	2018	STOPS

Area	Approximate annual spend	Contract duration
Taranaki	\$450,000 - 500,000	6 years

The Council also procures TM services from the not-for-profit organisation Ironside Vehicle Society Incorporated, recognising their role in providing transport for the disabled within the Taranaki community. Expenditure is capped at \$65,000 per annum.

Location of service	Value	Contract start date	Supplier	Contract details
North and Central Taranaki	\$65,000	01/11/2017	Ironside	Six year contract

In addition to the funding of TM trips, the Council may provide funding assistance for the provision of new or refitted wheelchair equipment for vehicles fitted with either a hoist or ramp. This is budgeted in the 2023/24 year of \$60,000 (gst exc)



### 11.3 Professional services

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

#### Professional service – Internal

The Council maintains a management team to oversee its transport activities, refer section 14.1 for the staff positions and functions. This team is supported by other in-house professionals where there is capability and capacity as detailed in the following table.

Professional service	
Policy and planning	Development and analysis of programmes and plans i.e. RPTP, RLTP
Information management	Website (development and maintenance) Publicity (press releases and advertising copy) Graphics and artwork (timetables, posters, maps and notices) Marketing (managing marketing initiatives) Social media

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

These professional services are managed through the Council's internal procedures. Refer Section 14 for additional details.

#### Professional service – External

Includes professional services typically provided by transport consultants, planners, legal and marketing. Can include strategy or policy development, planning and advice, investigation and design services.

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

Professional service	Current provider	Contract start date	Contract duration
Current services			
Ticketing system	Electronic Ticketing Systems	1 January 2015	> 5 years
	INIT	~July 2020	~ 5 years

Professional service	Current provider	Contract start date	Contract duration
National Total Mobility Administration System	Eyede	20 September 2018	30 June 2024
Legal services	Till Henderson King	As required	Ongoing
Passenger transport service cost assessor	-	As required	As required
Transport planning and passenger transport consultancy services	Taith Consulting BECA	As required	Ongoing
Total Mobility eligibility assessment provider	Access Ability	2010/11	Ongoing
Marketing consultant	The Marketing Company	As required	Ongoing
Graphic screen printers	Various	As required	Ongoing
Radio advertisers	Various	As required	Ongoing
Print advertisers	Various	As required	Ongoing
Media advertisers	Various	As required	Ongoing
Printers	Various	As required	Ongoing
Tender evaluator	To be determined	As required	As required

The following table outlines future external services that the Council will likely need to procure.

Professional service	Provider	Contract start date	Contract duration
Bus App provider	Transit	01/10/2022	Ongoing
GTFS management provider	Radiola	01/06/2021	Ongoing

All external consultants and contractors costs are coded directly to the Council's general ledger code, allocated to the applicable Waka Kotahi NZ Transport Waka Kotahi NZ Transport Agency work category.

## 11.4 Infrastructure

District councils in the region carry out all infrastructure procurement i.e. bus stops and associated infrastructure improvements. The Council does not provide any direct financial assistance for these activities. However, the Council does collaborate with the district councils in infrastructure planning and placement.

## 11.5 Road safety

Road safety services are provided by the three district councils with the Taranaki Regional Council having no financial involvement.

## 12 Analysis of supplier markets

### 12.1 Bus services

The region's market for bus services is reasonably limited. For the urban unit there is one local experienced public transport Service Provider and one Service Provider who has the potential to be a provider. For the Council's rural units there are two rural Service Providers that due to their location have provided these services for many years. These Service Providers also provide a mix of services such as charter and Ministry of Education services. The diversity of their services helps drive efficiencies in fleet utilisation.

The main public transport Service Provider also provides a commercial service for students from central Taranaki to the major secondary/intermediate schools in New Plymouth. These are long-standing services but are not integral to the regions public transport services.

The urban unit operating across New Plymouth, Bell Block, Waitara and Oakura (with extended school services covering Urenui, Tikorangi and Lepperton) is the only service viewed as being attractive to Service Providers outside of the region to bid for. This is due to the service being identified as one unit and the contract duration being nine years.

However, it is likely there are still entry barriers for new operators but this is only applicable to the urban unit. Potential barriers are:

- The availability of centrally located land and facilities for securing and maintaining vehicles. It is a mandatory contract requirement that the operator has a depot and office within the unit's operating area.
- The availability of drivers. With only one operator providing a daily urban service there is likely to be limited additional driver resources available to a new entrant at the time of tendering and also potentially if they were successful in winning the contract, at the commencement of the contract. They would likely need to have additional resources available, if required.

The Council views that there is little it can do to minimise or improve the above barriers to entry but they are not insurmountable. The barriers present are largely standard commercial realities all passenger transport operators are faced with when looking to establish themselves in new operating territories.

### 12.2 Total Mobility

The Total Mobility supplier market is amply serviced by small passenger services, including wheelchair hoist/ramp providers and services providing personalised assistance.

The delivery of the Total Mobility (TM) service in the region is small passenger service based and is therefore constrained by the location of these services. However, specialist providers also provide TM services. See the list of suppliers in 11.2 for details.

The Council requires any new operator wanting to become an approved TM transport provider to complete an application form. The operator must provide sufficient information for the Council to be assured that the operator is able to meet the standards and expectations required. The Council is under no obligation to accept an application. An application may be declined where:

- sufficient operators are already contracted;
  - an existing operator's sustainability may be compromised;
  - no additional service benefit to the TM clients is proposed such as wheelchair hoist capability;
- or

- the operator does not deliver value for money services.

Annually, the Council makes available funding assistance for the replacement or installation of new hoist equipment or for the ramp component of vehicles to approved TM transport providers.

There is ongoing review in the TM space as demand for services has increased in a post Covid environment. As services continue to grow

## Part D Delivering the work programme

### 13 Procurement approach

The Transport Waka Kotahi NZ Transport Agency's *Procurement Manual* specifies rules for the delivery of transport activities. The Council has selected the following approaches to procure its transport activities.

Information on each of the proposed delivery and supplier selection methods can be found in Appendix I or the Transport Waka Kotahi NZ Transport Agency's *Procurement Manual* s 8.4 ([http://www.Waka Kotahi Waka Kotahi NZ Transport Waka Kotahi NZ Transport Agency.govt.nz/resources/procurement-manual/](http://www.WakaKotahi.govt.nz/resources/procurement-manual/)).

#### Bus services

Approximate annual operating expenditure	\$6,000,000
Proposed delivery method	Urban - partnering Rural – staged Connector –staged
Proposed supplier selection method	Urban - price quality (without disclosure of the estimate) Rural - lowest price conforming or direct appointment Connector - price quality (without disclosure of the estimate)

#### Total Mobility

Approximate annual operating expenditure	\$550,000 - \$650,000
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The Council will procure Total Mobility services using the Transport Waka Kotahi NZ Transport Agency's *Procurement Procedure 4 – Public transport fare subsidy schemes*. Selection of an operator will be based on the Council's application criteria and evidence that they will provide additional benefit for the TM clients and value for money for the Council.

Unlike most other councils, Council does not use agencies as disability assessors apart from Access Ability. This assessor role is in the main required to be undertaken by a perspective client's General Practitioner or medical specialist.

The Council contracts Access Ability being a low cost alternative as stated in the Transport Waka Kotahi NZ Transport Agency publication *Total Mobility Scheme: a guide for local authorities* for contract principles, minimum standards and general guidance for Total Mobility scheme contracts with service operators and assessment agencies.

#### Professional services - external

Approximate annual operating expenditure	\$80,000 - \$110,000
Proposed delivery method	Staged
Proposed supplier selection method*	Direct appointment Lowest price conforming Price quality

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

## 14 Pricing model and change control

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

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

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

Refer to the Council's *Tendering and Contracting Manual* for full terms and conditions.

## 15 Benchmarking for gross price resets

The Council is expected to reset the contract gross price of its urban unit at year six of the nine year term in accordance with section 10.28 of the Procurement Manual.

As the Council only has one urban unit, suitable benchmarking information is unlikely to be available. Therefore the Council will apply the following policy:

If there is no suitable benchmark information available, the contract price will be reconfirmed at the current contract price. The current contract price is defined as the original winning tender contract price (i.e. the initial contract price) plus the price of any contract variations (for service level adjustments) made during the first six years of the contract, each adjusted for input price variation using an index approved by the Transport Waka Kotahi NZ Transport Agency in accordance with section 10.25 of the Procurement Manual.

The Contract Price may be adjusted from this level if either party can provide evidence<sup>1</sup> that the current Contract Price is unsustainable, and both parties agree to a revised price that is consistent with this evidence.

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<sup>1</sup> Evidence will typically relate to factors outside those envisaged when the contract was established e.g. changes to the roading network that were not planned prior to contract commencement, which affect running time and consequently operating costs.

## 16 Performance management

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

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

- Chief Executive
- Director – Corporate Services

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

- Transport Engagement Manager
- Transport Operations Coordinator
- Transport Engagement Liaison

Further information on the roles for each staff member is provided in Section 22 Capability and Capacity.

## 17 Annual business planning

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

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

- Service improvement initiatives;
- Plans for the development and/or introduction of new services;
- Infrastructure projects;
- Plans for the development and/or introduction of new technology;
- Co-branding or promotion of services;
- Performance review against Plan targets; and
- Any other joint business and/or marketing activities.

The BDP will be created within thirty (30) working days of the Commencement Date of a Contract and reviewed annually.

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

The performance of the parties against the BDP and action milestones specified in the BDP will be reviewed quarterly or upon such other dates as the parties agree to.

Refer the Council's *Tendering and Contracting Manual* for the full terms and conditions regarding Business Development Planning.



## 18 Relationship management

The Council seeks to work with all Service Providers using the partnering philosophy, including those providing the rural services. This will deliver the best results for all the stakeholders involved in the Council's public transport services. The elements of successful partnering include high levels of collaboration, integration of shared business processes, mutual transparency and trust.

The Council has adopted partnering principles including:

- Devising strategies that will grow and expand the public transport network as a whole.
- Collectively market the network.
- Plan for the initiation of new, improved or expanded services.
- Define service standards and innovations to benefit passengers.
- Identify the need for desirable business processes, infrastructure and supporting requirements for the network, such as passenger terminals, bus exchanges, ticketing systems and the like.
- Share information that will benefit the network as a whole.
- Identify and implement incentives for commercial behavior that will attract and grow patronage.

Guiding principles of partnering are as follows:

- A one-team approach.
- Focus on total benefit for all partners.
- Commitment of people and organisations to agreed outcomes and decisions.
- Open, honest, transparent and non-adversarial communication.
- Keep each other informed – “no surprises”.
- Respect confidentiality.
- Reduce duplication and waste.
- Seek early corporate alignment with agreed partnership directions to eliminate sign-off blockage.
- Timely action upon request.

Where a dispute may arise between the Council and Service Provider the applicable dispute resolution process outlined in the Council's *Tendering and Contracting Manual* will apply.

## 19 Financial Incentive Mechanism

A Financial Incentive Mechanism (FIM) ensures that the Council and Service Provider, of partnering contracts, have a mutual interest in the positive performance of a public transport service unit, to incentivise them to collaborate to improve performance by growing patronage with less reliance on public subsidy.

A FIM is required for partnering contracts, with the exception of partnering contracts for commercial units, which can include a FIM by mutual agreement (Appendix J of the Transport Waka Kotahi NZ Transport Agency's *Procurement Manual*). The Council will apply a FIM to the urban unit which will be a partnering contract.

The FIM approach to be applied to the urban unit will be:

- Revenue-based sharing, which allocates a share of passenger fare revenue growth on a proportional basis: Council 60%, Service Provider 40%.
- This will be done on an annual basis, commencing in year two of the contract, comparing the fare revenue growth with the fare revenue from the previous year.
- It will share up-side fare revenue growth only. There will be no down-side penalty for a decrease in revenue.
- There will be no financial cap placed on the proportional amount payable to the Service Provider.

### 19.1 Rationale

The Council views that fare revenue is an objective measure in that the up-side fare revenue growth is easily compared from one year to the next.

The FIM will not be capped to incentivise the Service Provider to seek continual improvement in the performance of the Unit. The greater the up-side in fare revenue growth the more financial reward the Service Provider is able to receive.

The level of FIM has been set at 40% for the following reasons:

- to recognise the Service Provider's areas of expertise and input into the overall success of the Unit.
- to recognise other external factors impact on patronage revenue and not all of these are controllable by the Service Provider.
- to recognise the Council as the contracting partner carries the greater level of exposure to the risk and reward factors.
- the Council has in its Regional Public Transport Plan set targets to increase its Fare Box Recovery ratio, reducing the overall level of public subsidy required, so increases in fare revenue is a key input to achieving the targets. This will ensure that the efficiency and effectiveness of the Unit improves and the Unit continues to receive funding.

The rationale for sharing the up-side fare revenue only is that many externalities can affect patronage. The unit's passenger base is predominantly school students so changes in the educational sector which could affect student numbers could have a significantly detrimental effect on total passenger numbers and therefore total annual fare revenue.

The reason the fare revenue will be compared with the previous annual fare revenue is to set a consistent timeframe when the assessment of the financial reward will be carried out, providing

certainty to the Service Provider. It also allows benchmarking on fare revenue growth (or decline) throughout the following year.

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

We have discussed the FIM with our two local operators and each are comfortable with our proposal. In terms of advising operators outside the region we have used central region bus operator /regional council/ BCA/Transport Waka Kotahi NZ Transport Agency meeting to advise our position on the FIM.

## 19.2 Areas of influence for the Service Provider

Historically, the Service Provider's ability to influence fares, service routes and frequency of routes is limited as these are controlled by the contracting party, which is the Council. However, in the spirit of a partnering contract the Service Provider will be expected to offer their expertise and professional advice on all aspects of the Service both on a day to day basis and as part of the annual business development planning process. The Council will consider all information and advice in good faith and carry out open and frank discussion with the Service Provider on ways to enhance the service to ensure a win/win for both parties. However, the Council will retain the right to make any final decisions.

## 19.3 Changes

Flexibility should be retained to enable negotiation with the Service Provider and reset with both parties agreement through the annual business planning process to reflect changing transport patterns, revenue growth and changing input from either of the parties in the success of the Unit. To determine such variation, a clear value for money rational will be required.

Further details of the FIM applicable to the urban unit will be detailed in the Council's *Tendering and Contracting Manual* and the *Unit Request for Tender*. A worked example of the FIM is provided in Appendix II.

## 20 Performance measuring and monitoring

The Council will comply with the performance measurement and monitoring requirements as stated in the Transport Waka Kotahi NZ Transport Agency's *Procurement Manual* section 11.1. Included in the Council's *Regional Public Transport Plan 2014/2024* is the policy framework for managing, monitoring and evaluating unit performance.

Key performance indicators (KPI's) set a minimum standard to be achieved by all contracted public transport Service Providers and will be used to assess overall contract compliance, enforcing breaches of contract, and for the urban unit, financial incentive payments. Contractor performance will be reviewed regularly against the KPI's.

At a minimum this will be monthly as part of the monthly service reporting requirements. This will help ensure that compliance is achieved and allows the contractor to advise of circumstances outside of their control that have impacted on their ability to meet the minimum KPI's.

The following are the key performance attributes, indicators, measures that will be the minimum used to monitor any public transport service.

Performance attribute	Performance indicator	Method
Service reliability	Percentage of scheduled trips operated in full. (note that a trip leaving the origin stop >59 seconds early or >9 minutes and 59 seconds late is deemed not to have operated)	Monitoring <sup>2</sup> and/or ETM reports
	Number of unauthorised route deviations	Reported or observed
	Number of times bus did not stop for passenger	Reported or observed
Cancelled service trips	Percentage of timetabled service trips that were cancelled.	Cancelled service trips
Service punctuality		
a. trip start	a. Percentage of scheduled trips leaving origin stop between 59 seconds before and 4 minutes and 59 seconds after the scheduled departure time.	Dynamis reporting and Transit App management

<sup>2</sup> Monitoring includes use of any Real Time Passenger Information (RTPI) system, reporting or query facility

Performance attribute	Performance indicator	Method
b. en route and at destination	b. Percentage of scheduled trips between 59 seconds before and 4 minutes and 59 seconds after the scheduled departure time at the selected points	Monitoring and/or ticketing system reports
Patronage	Recording passenger boardings per trip operated	ticketing system reports and on-board monitoring
	Recording passenger boardings by passenger category (eg child, adult, SuperGold).	ticketing system reports and on-board monitoring
	Number of over-riding of passengers	Reported
Reporting timeliness	Number of specified data reports delivered within timeframes.	6 working days following the end of the preceding month
	Number of failures to provide material information required under the Contract e.g. invoice or passenger data	6 working days following the end of the preceding month
Customer satisfaction	Percentage satisfaction of public transport users with defined public transport attributes	Transport Waka Kotahi NZ Transport Agency or TRC passenger surveys
Passenger facilities (on-bus)	Score (on a scale of 1 to 5) for specific passenger facility attributes (e.g. cleanliness, temperature, ride comfort, driver courtesy).	On-board monitoring

Performance attribute	Performance indicator	Method
Safety and security	The maintenance of an up-to-date incident register, disaggregated by: <ul style="list-style-type: none"> <li>• nature</li> <li>• severity</li> <li>• external factors.</li> </ul>	Incident register
Contract conformance with fleet composition	Comparison of fleet composition in use with tendered fleet composition and vehicle replacement policy conducted at random intervals (at a minimum, annually).	Monitoring
Destination signs	Incorrectly displayed route sign or not working	Monitoring
Security camera operation and data provision	All cameras must be in operation during in-service hours.	Monitoring
	Requests for data images must be supplied within 24 hours	Monitoring
Complaints	Number of complaints received, disaggregated by service attributes (e.g. punctuality, vehicle cleanliness, comfort).	Complaints register
Complaints	Percentage of complaints cleared up within 10 working days.	Complaints register
Driver standards	Drivers must be tidily dressed whenever driving a bus, must be courteous at all times to the passengers, drive in a safe and legal manner, and be capable of communicating with passengers in the English language.	Monitoring / surveys

Performance attribute	Performance indicator	Method
Back-up vehicle/s	In the event that a scheduled service is full <sup>3</sup> , or a scheduled service is not able to operate, a back-up vehicle is required to be called to take over the operation of the Service.	Reported
Electronic Ticketing Machines	Number of services operated without an ETM	Reported
Contract compliance  Default under any other material requirement requested by the Council	The Council has requested compliance and the Service Provider fails to remedy within 5 working days	Assessed by the Council
Revenue protection	Managing the security of any cash carried by drivers. Recording and reconciling monies received against the financial information generated by the electronic ticketing system	Assessed by the Council / driver audits

The KPI's (excluding patronage) will all have a monetary value applied to them for non-compliance (that is failure to meet the performance indicator). The value of the non-compliance deduction will be specified in the Council's *Tendering and Contracting Manual* or *Request for Tender* document.

In the event that the contractor is in breach of any of the performance standards, the Council may withhold any payment otherwise due to the company for that service which is in breach. In addition, the Council may also deduct from any payment otherwise due to the company, any costs which the Council has reasonably incurred in rectifying the breach.

## 20.1 Surveys

The Council may conduct passenger satisfaction surveys in accordance with the Transport Waka Kotahi NZ Transport Agency's requirements. Along with the regular service performance monitoring the Council will monitor the success of this strategy by measuring:

- Public transport operating model.
- Contract negotiations.

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<sup>3</sup> The Council will cover the cost on any back-up vehicle used for this purpose but not where a service fails to operate

- Average number of qualifying bids.
- % of tenders with only one bid.
- Service Provider turnover of contracts.

The Council may also undertake its own surveys to monitor other activities such as Total Mobility or as part of investigating service changes or introducing new services.

## 20.2 Commerciality ratio

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

The Council will make available the regional commerciality ratio in its annual report to the Taranaki Regional Council.

The Council will also monitor and report the farebox recovery ratio on an annual basis.

## 20.3 Contractor performance report

The Council will, at the conclusion of a contract, compile a Contractor Performance Report. This report will evaluate the overall satisfaction level of the Council with the Contractor's performance. The Council will allow the Contractor to comment on the performance report before it is included in the Contract file.



## 21 Public transport technology

The Council's current public transport information technology feature set is:

- electronic ticketing/automatic fare collection – currently the TRC is a part of the Init RITS ticketing consortium - utilising contactless smartcards on the urban and connector services. The expectation is that with the alignment of contract tendering in 2025 the TRC will move to the NTS (in development for roll out across 2024/25
- Connector DHB Booking App for patient and whanau passenger booking system for the Connector unit;
- customer services – toll free telephone numbers (allocated to the Citylink and Connector operators);
- transport website – providing TM and bus service information e.g. timetables, fares, and route details;
- social media site Face Book – providing public transport information and service updates
- Transit App for real time bus locations and journey planning for passengers
- Dynamis access to this via the Transport website on [wwwTRC.govt.nz](http://wwwTRC.govt.nz)
- Ridewise for Total Mobility – client, TM operator and trip collection management tool.

## 22 Strategy objectives

This Procurement Strategy seeks to promote transport activity services to meet the strategic objectives outlined in the Long Term Plan (as outlined in section 3.1 of this Strategy).

## Part E Management and implementation

### 23 Capability and capacity

#### 23.1 Organisational chart

The Council's current structure, role and responsibilities relating to transport activities are as follows:

Role	Responsibility
Elected members	Set the community outcomes and approve the LTP i.e. the community plan
Chief Executive	Approves the Procurement Strategy. Overall responsibility to the Taranaki Regional Council for all passenger transport operational activities and transport policy (including regional land transport plan and regional public transport plan).
Director – Corporate Services	Oversees the management of passenger transport operational activities and transport policy (including regional land transport plan and regional public transport plan).
Policy and Strategy Manager	Oversees all transport policy related activities undertaken by the transport policy analyst.
Policy Analyst	Prepares and oversees the development of regional land transport policy documents (for example the Regional Land Transport Plan), convenes the Regional Transport Committee and the supporting Advisory Group and convenes other transport working parties.
Transport Engagement Manager	Manages the implementation of the Council's public transport activities such as the Total Mobility Scheme, public transport contracts, community transport services, assists with public transport infrastructure development and other related activities.
Transport Engagement Liaison	Assists in the implementation of public transport activities such as the Total Mobility Scheme, public transport contracts, community transport services, and other related activities.
Transport support staff	Assists the public service and transport policy staff with the day-to-day management of transport activities in a support capacity.

#### 23.2 Organisational risk

The key organisational risks and management of risks relating to transport activities implemented by the Council are shown in the following table:

Organisational Risk	Managing the Risk
Retention of trained staff	Building staff capacity and providing additional support as required
Infrequent tendering, multitasking roles and limited specialist contracting/tendering experience	Engaging consultants to provide advice and carry out projects as required
Lack of standard contracting/tendering templates – necessary to gather information for other councils	Consultation with New Zealand Transport Waka Kotahi NZ Transport Agency in developing standard terms and conditions as evidenced by the Transport Waka Kotahi NZ Transport Agency's cost escalation contract clause
Effective training in transport contracting/tendering procedures	Providing ongoing training for staff such as Contract Management courses
Changes to the Ministry of Education policies relating to the provision of school transport services	Discussions between Ministry of Transport and Ministry of Education are ongoing
Project outcome risk (or involving technical or safety issues)	Ensuring that appropriate skills and expertise are utilised as and when required

## 24 Internal procurement processes

The Council has a *Delegations Manual* that defines Council officer and committee spending authority. This is available from the Council on request. The *Working for the Taranaki Regional Council* policy document also specifies how services are to be procured, when there are no other 'activity based' procurement strategies available.

All contracts are based on New Zealand Standards e.g. NZS 3910 that is widely understood in the market and which creates a level of certainty and comfort due to its familiarity. The Council's intention is to encourage a collaborative approach, with more direct council/contractor interaction to promote empowerment of individuals in order to create greater efficiencies and innovation in an environment of genuine risk share.

## 25 Performance measurement and reporting system

The Council has a range of monitoring systems for internal performance and external reporting. However, the Council intends to align its performance measures in the near future, and monitor the following indicators to determine the success of this Strategy in the interim:

### **Achievement of value for money**

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

### **Regard for markets**

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

### **Efficiency of procurement procedures**

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

### **Compliance with procedures**

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

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

### **Data collection**

Data will be collected in accordance with the Transport Waka Kotahi NZ Transport Agency’s requirements, for example monthly for SuperGold Card patronage, monthly for public transport services patronage, and yearly for other KPI’s such as service kilometres and customer satisfaction levels and expenditure.

## 26 Communication

### 26.1 Internal reporting

The *Procurement Strategy* will be available to transport staff and situated in the office library. The size of the Council is such that informal communication occurs, via email, between staff and departments.

The Council's Audit and Risk Committee receives formal reports and approves operational changes on public transport operational matters.

Formal reports and operational updates are also provided to the Regional Transport Committee of the Council as and when appropriate. The Regional Transport Committee approves other regional planning matters such as the *Regional Land Transport Plan*.

### 26.2 Professional Service Providers / supplier market / other approved organisations

The *Procurement Strategy* will be distributed to our providers where they have a major input into delivery of the Council's transport programme. With regards to transport procurement methods, this communication will be by letter and meetings (if required).

The Council seeks open communication with all Service Providers. Meetings will be held with current and future contracted Service Providers where required. Additional meetings may occur if significant changes are occurring. A tender meeting with prospective Service Providers may occur if requested. All Service Providers that submit a tender are advised of the outcome in accordance with the Transport Waka Kotahi NZ Transport Agency's requirements.

When a RFT for a public transport unit is released the Council will advertise the RFT in both print and electronic media. This may include the local regional paper, national dailies and Government Electronic Tenders Service (GETS).

For other activities of the Council, consultation will generally be via the Long Term Plan and Annual Plan processes. Notwithstanding that, the Council operates an open door policy which encourages suppliers to discuss future procurement options with Council staff.

### 26.3 New Zealand Transport Waka Kotahi NZ Transport Agency

The Transport Waka Kotahi NZ Transport Agency is a multi-disciplinary organisation with separate functions. The Council will ensure that necessary procurement information is provided to the Transport Waka Kotahi NZ Transport Agency in a timely and accurate manner.

### 26.4 Updating and review

The *Transport Activity Procurement Strategy* will be reviewed in conjunction with each *LTP* and *Regional Land Transport Plan*, unless updated prior.

## 27 Corporate ownership and internal endorsement

The *Transport Activity Procurement Strategy* is owned and approved by the Council's Chief Executive, therefore any significant procurement issues will be discussed with the Council's executive team.

## Appendix

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The following table shows the transport service registered as exempt as per section 130 of the LTMA.

Service type	Frequency	Route	Number of Service Providers providing this service	Service Provider
Inter-regional	Mon – Sun	New Plymouth to Auckland return (via Hamilton)  New Plymouth to Wellington return (via Palmerston North)	One	InterCity Coachlines 602 Great South Road Ellerslie Auckland 1051 (Head Office) 06 835 4326 <a href="mailto:info@intercity.co.nz">info@intercity.co.nz</a> <a href="http://www.intercity.co.nz">www.intercity.co.nz</a>
Intra-regional	Sun evenings	Opunake to New Plymouth (runs in conjunction with school terms - returns boarding students to hostels)	One	Pickering Motors 11 Tennyson Street Opunake 4616 06 761 8363   0800 22 11 20 <a href="mailto:pickering.motorsltd@gmail.com">pickering.motorsltd@gmail.com</a> <a href="http://pickeringmotors.vpweb.co.nz">pickeringmotors.vpweb.co.nz</a>

## Appendix

### Financial incentive mechanism



#### Assessment period

The assessment period that will be used to set each year's fare revenue benchmark throughout the term of a partnering Contract will be every twelve month period from the Contract commencement date.

#### Methodology

The Council proposes the following method be used to assess the FIM.

Year one will set the first year patronage revenue benchmark. Therefore no financial incentive payment will apply in the first year of operation.

Fare revenue from year two will be compared to the year one benchmark. If fare revenue has increased then the Service Provider will be entitled to an incentive payment. This will be 40% of the increased fare revenue growth (GST exclusive).

Fare revenue from year three will be compared to the year two benchmark. If fare revenue has increased in year three then the Service Provider will be entitled to a financial incentive payment. This will be 40% of the increased fare revenue growth (GST exclusive).

The figures from year three then becomes the next benchmark and is repeated over the term of the Contract.

#### Example

FIM assessment	Year 1
Fare revenue	\$850,000
Financial incentive payable	No

FIM assessment	Year 2
Fare revenue Year 2	\$905,000
Revenue benchmark (Year 1)	\$850,000
Up-side growth	\$55,000
Financial incentive payable	Yes
Payable by Council (40%) to Service Provider	\$22,000

FIM assessment	Year 3
Fare revenue Year 3	\$930,000
Revenue benchmark (Year 2)	\$905,000
Up-side growth	\$25,000
Financial incentive payable Service Provider	Yes
Payable by Council (40%) to Service Provider	\$10,000

FIM assessment	Year 4
Fare revenue Year 4	\$900,000
Revenue benchmark (Year 3)	\$905,000
Down-side loss	(\$5,000)
Financial incentive payable to Service Provider	No

The example shows year one of the Contract sets the benchmark fare revenue.

Year two shows fare revenue of \$905,000, an increase in fare revenue of \$55,000. The Service Providers share or incentive payment is \$22,000 ( $\$55,000 \times 40\%$ ).

Year three shows fare revenue of \$930,000, an increase in fare revenue of \$25,000. The Service Providers share or incentive payment is \$10,000 ( $\$25,000 \times 40\%$ ).

Year four shows fare revenue of \$900,000, a decrease in fare revenue of \$5,000. The Service Providers does not receive an incentive payment

### **Service changes**

During the course of the annual business development planning process variations in service levels are likely to be identified and/or planned for in the coming year. Service variations include changes to routes, frequencies, timing, and improvement initiatives.

Where a variation is only a minor change, for example, enhancements or improvements to existing services (which could include a reduction in route kilometres) no reassessment of the fare revenue will be carried out. That is, the previous year's benchmark figure will remain unchanged.

Where a variation includes a more significant service level change, for example a new route or restructure of an existing route a reassessment of the benchmark may be warranted. Where changes of this type are planned and no previous passenger information or fare revenue figure is available the change will operate for a minimum of 12 months or until the end of the next assessment period. This will allow a full 12 months (minimum) passenger and fare revenue to be recorded and for the changes to bed in. Following this period the annual fare revenue benchmark figure will be adjusted to include the revenue from the service level variation.



