

Transport Activity Procurement Strategy



Bay of Plenty Regional Council
Transport Publication 2013/01

5 Quay Street
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NEW ZEALAND

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Executive summary

The Procurement Strategy shares the Council's procurement vision:

"To support the strategic objectives of the Bay of Plenty Regional Council by providing best value for Council's ratepayers through intelligent, best practice, sustainable procurement".

To achieve the Strategy objectives that Council has set for this Transport Activities Procurement Strategy, it applies the following features:

Implementation of the Public Transport Operating Model - Council is committed to implementing the new Public Transport Operating Model (PTOM). This Procurement Strategy forms part of the implementation plan for PTOM and includes partnering features such as annual business planning and financial incentive mechanisms. All procurement will comply with the New Zealand Transport Agency's (NZTA's) Procurement Manual.

Supplier selection method/contract delivery model - The price quality supplier selection method and the partnering delivery model will predominantly be used for the public transport services with the exception of one staged small rural contract. The transition phase of the school buses recommends a direct appointment process. Council will predominantly use the direct appoint and quality methods for the appointment of professional services.

Public transport Vehicle Quality Standards (VQS) - Council will implement the NZTAs Requirements for Urban Buses in Tauranga, the Tauranga school bus services will utilise the current Ministry of Education (MoE) approach to vehicle safety as described in the Tauranga School Bus business case.

Tender evaluation - Council staff will continue to manage the procurement processes for professional services and public transport services. Council currently has two qualified tender evaluators on staff.

Financial Incentive Mechanism (FIM) - Council will implement a patronage share financial incentive mechanism. The transition for the Tauranga School Buses will not have a FIM due to the uncertainty regarding these services.

Summary of NZTA decisions sought by BOPRC:

Decision sought	Procurement Strategy reference	Summary	NZTA decision
Endorsement of the Bay of Plenty Regional Council's Procurement Strategy.	Whole document		
Variation approvals			
Contract extensions for Tauranga Urban, Eastern 1 and 2 and Northern Units until December 2017.	Section 6	10.24 Contract term.	
Three year term for the Tauranga school bus transition.	Section 6	Case is set out in the Tauranga School Bus business case.	
Exemption from the Requirements for Urban Buses for the Tauranga school bus transition.	Section 7.3	10.31 Vehicle quality requirements case is set out in the Tauranga School Bus business case.	
Exemption for the Tauranga school bus transition for the requirement to have a financial incentive mechanism.	Section 5.9	10.12 RFT contents and conformity, description of the financial incentive mechanism. Due to the uncertainty around patronage and consequently revenue an exemption is sought.	
Approval to direct appoint for the Tauranga school bus transition.	Section 7.2	10.27 Direct appointment of a supplier for a public transport unit.	
Extension to the current Rotorua contract and Murupara contracts.	Section 6.2	Five months to 30 November 2014 in time to enable the Procurement Strategy to be endorsed and an adequate lead in time for new services.	
NZTA endorsement of the attached contract documentation.			

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Part 1: Procurement strategic objectives

The Procurement Strategy shares the Council's procurement vision:

"To support the strategic objectives of the Bay of Plenty Regional Council by providing best value for Council's ratepayers through intelligent, best practice, sustainable procurement".

The objective of the Procurement Strategy is to procure goods and services in a way that:

- obtains best value for money,
- encourages competitive and efficient markets, and
- sustains competitive markets.

Procurement will contribute to the Regional Public Transport Plan's contracting procedure objective - **a procurement system that enables efficient and effective delivery of the desired network of public transport services.**

The objective is consistent with the Land Transport Management Act (LTMA) purpose *"to contribute to an effective, efficient and safe land transport system in the public interest"*.

1.1 Outcome for the Procurement Strategy

The definition of success of a value-for-money public transport services procurement model for Council is its effectiveness or ability to deliver the stated outcomes in the RPTP, in the most efficient manner (considering the balance of time, risk and cost).

Procurement effectiveness - is the delivery of outcomes, and is primarily achieved through specifications of requirements, accountability and enforcement, and appropriate balance of financial incentive mechanisms to incentivise delivery. In Council's case it can be demonstrated by:

- delivery of the Ten Year Plan sustainable transport activities and RPTP,
- delivery of coordinated public transport services with the aim of achieving levels of reliability, necessary to reduce passenger subsidy,
- improved integration, frequency and coverage,
- convenience through improved customer information and fare payment systems.

Procurement efficiency - is primarily achieved through contestability and transparency of funding and the appropriate balance of financial incentive mechanisms to incentivise delivery. In Council's case it can be demonstrated by:

- the bus service partnering approach between Council and operators focusing on strengths of each party,
- the ongoing sustainability of industry and public funding,
- an appropriate and balanced risk allocation and responsibility between public and private sector,

- value for money in terms of cost through transparency and contestability of public transport services and variation costs, and
- minimisation of transition risk from the current contracts to the new PTOM operating environment and service quality.

Part 2: Role of Council

Bay of Plenty Regional Council (BOPRC) is a local authority defined under the Local Government Act 2002. As a local authority, Council has a responsibility to enable democratic decision-making to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality is defined as efficient, effective and appropriate to present and anticipated future circumstances. Public transport services are defined as core business for local authorities.

Council contributes to a shared vision for the Bay of Plenty as outlined in the Ten Year Plan. Council's vision is "*regional leadership through action, coordination, support and facilitation*". We contribute to the following:

- Caring for our region's environment.
- Furthering the region's prosperity.
- Working well with others.

Council operates on the basis of 13 outcomes. The outcomes include water quality, transport network, environmental protection and regional planning. One of the most significant areas of Council procurement is within the sustainable transport programme under the transport network outcome.

Council now has an organisation wide Procurement Policy which sets out the approach and principles for procurement. Section 6.3 of the Procurement Policy relates specifically to transport. Section 6.3 states that in cases where no guidelines in the NZTA Procurement Manual are applicable then the procedures in the Procurement Policy and Contract Manual must be adhered to. Transport procurement procedures must be approved by NZTA, wherever possible this Strategy aligns with Council corporate policy.

Part 3: Statutory context

At the highest level the statutory objectives of the LTMA and Local Government Act (LGA) apply to the BOPRC. The LGA empowers BOPRC 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 contributing to an effective, efficient, and safe land transport system in the public interest.

The LTMA introduces a new approach for the funding, procurement and contracting of public transport services called the Public Transport Operating Model (PTOM). The aim of PTOM is to grow public transport services with less reliance on subsidies.

Section 155 of the LTMA includes the following set of public transport principles:

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

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

This updated Procurement Strategy will be used to implement BOPRC's approach to PTOM.

Part 4: Procurement programme

The NZTA's Procurement Manual requires all Approved Organisations to have an NZTA endorsed Procurement Strategy which is updated every three years.

The Procurement Strategy demonstrates how BOPRC meets the provisions of the LTMA. It covers all BOPRC's transport related procurement activity as classified in the NZTA's Knowledge Base¹ as:

Activity class	Work category	Work category
Transport planning	001	Regional land transport planning management.
	002	Studies and strategies.
	003	Activity management plans.
Road safety promotion	432	Promotion, education and advertising.
Maintenance and operations of local roads	151	Network and asset management.
Public transport services	511	Bus services.
	512	Passenger ferry services.
	514	Passenger transport facilities operations and maintenance.
	517	Total mobility operations.
	519	Wheelchair hoists.
	521	Total mobility wheelchair hoist use payments.
	524	Public transport information supply, operations and maintenance.

This translates to:

- Public transport services - Council provides over five million in-service bus kilometres per year to the residents of Tauranga, Rotorua, Whakatāne, Katikati, Ōmokoroa, Te Puke, Matatā, Ōhope, Kawerau, Ōpōtiki, Edgecumbe, Murupara and points in between,
- Total mobility (a subsidised taxi service for people with impairments that limit their access to public transport),
- Transport operations including the supply and maintenance of electronic ticketing machines, call centre services, advertising, timetable design and print,
- Road safety promotions,
- Regional transport planning,
- Maintenance of stock effluent facilities, and
- Public transport services

¹ Formerly the NZTA's Planning, Programming and Funding Manual (PPFM).

4.1 Public transport market analysis

Patronage on services in Rotorua and Tauranga grew at an annual rate of 16% per annum between 2004/2005 and 2010/2011. Population growth has been a substantial influence in the Western Bay sub-region, over the last 26 the population has doubled. These factors combined with the relative infancy of the bus services in Tauranga, which commenced operating in 2001 mean that services are still developing.

The following companies are actively tendering in the Bay of Plenty:

Go Bus Transport Limited operates our urban bus services in Tauranga (Bay Hopper), Whakatāne to Tauranga bus service, Napier (Go Bay), Christchurch and Hamilton (Go Bus). It operates approximately 205 dedicated urban service vehicles with a low average age utilising primarily New Zealand built, low emission CNG and EURO rated engines to maximise efficiency and minimise environmental impact.

Transbay Coaches Limited established in Whakatāne in 1995 and are part of the wider UZABUS group of companies; including Ranui Buses, Ōpōtiki since 2008. They provide mostly school bus transport and community, corporate and private charter services throughout the eastern Bay of Plenty, but also contract to Regional Council's in the Manawatu, Horowhenua, Kapiti Coast, Palmerston North and the South Island.

Reesby Buses Limited operate our urban Rotorua service (Cityride) and four rural Bay of Plenty services; North and South Island coach tours, Naked Bus services and a range of charters and transfers. With its head office in Rotorua and depots in Auckland and Christchurch, Reesby operates a modern fleet and has an ongoing commitment to environmentally sustainable transport.

Ritchies Transport Holdings Limited with over 70 years' experience in the bus and coach industry and a fleet of over 900 vehicles, they operate urban services in Auckland, Blenheim and Timaru as well as charters, tours and services to over 200 schools. Head office is located in Christchurch with depots located from Northland to Southland.

Bethlehem Coachlines provide a mix of bus transfers, charters, tours and sports trips throughout the North Island. They have a modern fleet of 45 vehicles ranging from budget to luxury vehicles.

Bayline Group Limited are Tauranga based and the preferred transport provider for cruise ships from the Port of Tauranga. They offer a full range of passenger transport services – school buses, coach charters and rentals, having previously provided Tauranga urban bus services to the Bay of Plenty Regional Council 2003-2009 as well as rural services.

Eastern Buses 1999 Limited are an East Coast based bus company that has been operating for the past 80 years. Their modern fleet of 12 to 45 seat vans, buses and coaches provide transport for school sports trips and charter services, MoE school transport contracts and a rural bus service between Ōpōtiki and Pōtaka.

The positive level of competition in the bus industry locally means that BOPRC is obtaining acceptably efficient market prices for its contracts; there are no current barriers to market entry. At this point in time, the market has displayed the capacity and capability to deliver the required level of service. Recent workshops with operators have demonstrated a high level of competence across incumbent and potential suppliers within the region.

Recent tender rounds demonstrate the competitive tendering environment in the Bay of Plenty, with an average of five operators tendering for each of last three rural tender rounds. There are three operators with current Bay of Plenty Regional Council contracts and a further two operators who operate school bus services in Tauranga. In addition to operators located in the region there has been interest for contracted services from operators not currently operating in the region.

The current level of competition is healthy and those that adapt to the new PTOM environment will be better equipped to successfully compete for public transport contracts. It is in the long-term interest of BOPRC to help maintain a competitive market and one that does not settle into a monopoly, duopoly or similar state where there is a risk that price gouging may occur.

4.2 Current public transport contracts

Contract No.	Contract name	Operator	Gross annual cost (1st year)	Current contract expiry	Farebox	Contract type
2008 0280	Tauranga urban	Go Bus Transport Ltd	\$7,527,391	01/02/2015	31.7%	Gross
2008 0029	Rotorua urban	Reesby Buses Ltd	\$2,515,612	29/06/2014	36.5%	Net
2010 0001	Whakatāne to Tauranga	Go Bus Transport Ltd	\$227,525	29/06/2013*	40.0%	Gross
2010 0002	Ōhope to Whakatāne	Go Bus Transport Ltd		29/06/2013*		Gross
2011 0063	Murupara	Reesby Buses Ltd	\$0	30/06/2013*	100%	Zero cost
2011 0228	Potaka to Ōpōtiki	Eastern Buses	\$53,444	29/09/2013*	14.4%	Gross
2011 0302	Te Puke to Tauranga	Reesby Buses Ltd	\$64,321	27/06/2014	33.3%	Gross
2011 0303	Katikati and Omokoroa to Tauranga	Reesby Buses Ltd	\$160,670	31/01/2015	34.6%	Gross

*Contract extended 1 year, NZTA approval outstanding.

4.3 **Future state**

Market forces will always play a role in determining the size and shape of any market including the bus operator market in the Bay of Plenty. The implementation of this Procurement Strategy will also play a role in shaping the future market space. By competitively tendering units, competition and price competitiveness will be encouraged which is consistent with the principles of s.25 of the LTMA. This Procurement Strategy intends to maintain the level of competition in the region through a range of unit sizes and regular tendering, providing ongoing access to the market.

The proposed unit establishment will promote and encourage competition and invite those parties interested in market entry, expansion or growth to consider tendering. This will allow for the best combination of geographic routes, timetable optimisation, and resource optimisation and will contribute to economic scale for the operators. It will also reduce the administrative effort required by Council in tendering and contract administration. The size of the Tauranga urban unit is approaching a scale that is likely to attract competition from outside of the region.

In considering the size and competitiveness of the future operator market, BOPRC's preference is for at least two main players supported by smaller operators in the rural areas. This will maintain a competitive aspect to the marketplace and encourage quality of service and performance. The tendering strategy outlined in this document will support the desired future state.

Outside of the aim of having at least two main players, there will likely remain a number of rural services where smaller operators may have contracts. These smaller units will enable new entrants to establish a foothold in the market and grow.

4.4 **Public transport operating model**

The Regional Public Transport Plan provides the statutory framework for implementing the PTOM. A high level overview of the procurement approach to implement PTOM is included in the RPTP. The RPTP includes the principles for working together between Council and operators:

- A joint commitment to improve efficiency, effectiveness and safety of the public transport network,
- A collaborative approach to decision-making and working together,
- Joint partnering based on mutual trust and respect, with openness and transparency in all activities,
- A recognition of the value and contribution of each sector in the design and delivery of public transport services,
- A joint commitment to improve value for money in the services delivered, and
- A joint commitment to promote a flexible, innovative and responsive approach to the delivery of public transport services.

PTOM is actively being implemented in the Bay of Plenty, with the RPTP which was completed in October 2013, implementation of PTOM contracts will commence with the Rotorua unit early in 2014.

4.5 Engagement with stakeholders

The following engagement has been undertaken during the development of the RPTP and this Procurement Strategy.

Date	Who	What
27 February 2013	NZTA, multi-serve and territorial authority representatives.	Overview of legislative changes, progress to date on school buses.
7 March 2013	Bus operators, multi-serve, NZTA and territorial authority representatives.	PTOM workshop, partnering principles unit establishment, contracting discussion and monitoring.
3 April 2013	NZTA.	Draft RPTP for comment without units.
26 April 2013	Bus operators, multi-serve, NZTA, statutory organisations and territorial authority representatives.	Letters advising of the review of the RPTP and seeking feedback on proposed changes.
29 May 2013	Bus operators, multi-serve, NZTA and territorial authority representatives.	PTOM workshop, unit establishment specific options, RPTP amendments, contracting discussion and monitoring, discussion on feedback received.
7 June 2013	Bus operators, multi-serve, NZTA and territorial authority representatives.	Draft RPTP for comment.
Late June 2013	Bus operators.	One-on-one meetings with incumbent operators and school bus operators to discuss PTOM.
25 June 2013	Strategy, Policy and Planning Committee.	Delegation of the approval to release the draft RPTP for consultation.
2 August 2013	Public Transport Sub-Committee (special meeting).	Approve release of draft RPTP under delegation.
August 2013	Community consultation.	Consultation on technical review of RPTP.
5 September 2013	Hearings panel.	Hearing and deliberations on RPTP.
17 September 2013	Bus operators.	Financial Incentives Mechanism and Key Performance Indicators workshop.
17 September 2013	Strategy, Policy and Planning Committee.	Considers RPTP and recommends Council adoption.
9 October 2013	Council.	Adopts RPTP.
1 November 2013	Revised RPTP comes into effect.	
March 2014	Tender release for Rotorua urban services.	

4.6 **The three cornerstones of partnering contracts**

NZTA's Procurement Manual sets out the three cornerstones of partnering contracts:

- 1 Annual Business Planning,
- 2 Financial Incentive Mechanisms, and
- 3 The establishment of Key Performance Indicators.

4.7 **Annual business planning**

The annual business planning process will commence mid-year with an agreement formed by 31 August each year. Annual business planning will focus on seven key processes:

- 1 Leadership.
- 2 Management.
- 3 Marketing.
- 4 Revenue.
- 5 Operations/customer fulfilment.
- 6 Customer service.
- 7 Administration/back office.

The first stage is a review of current performance of the unit, with the outcome being an agreed collaborative business plan aimed at growing patronage. These processes will be subject to a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats). The operator and Council will identify a set of either two or three goals for each area or five-seven overall goals to focus on for the year. These will be divided into two streams - strategic initiatives and business as usual. Achieving a strategic outcome will often be the cumulative result of a number of key change activities undertaken over a period of time. Business as usual goals will be regularly reviewed to ensure they continue to meet the desired outcomes. Annual business planning will provide an opportunity for operators and Council to work collaboratively on important matters such as safety, infrastructure and service design.

4.8 **Financial Incentive Mechanism**

The Financial Incentive Mechanism will be based on passenger growth in comparison with the previous year; this payment will be reset annually. Feedback from operators indicates predominant support for a patronage based approach. However the two incumbent operators have differing views, one supports patronage and one supports a revenue based approach.

In Rotorua and Tauranga the five year trend of 16% growth has changed recently to 2% growth last year. Services are meeting our farebox target as set out in our Ten Year Plan but not our patronage growth key performance indicators. Within this changing environment it is difficult to predict longer term trends in either revenue or patronage and even more difficult to speculate on the likely motivations of operators. A conservative approach is therefore proposed.

The patronage incentive payment approach assumes an annual fare increase matched to the consumer price index (CPI). Indexation will be treated separately. This approach provides considerable certainty to operators as they receive a specific incentive as a direct payment and can track this growth easily. The Council is equally incentivised as it retains the revenue associated with the patronage increases.

Setting the payment at 40c per passenger means the greater rewards are achieved through higher patronage growth and the typical background 1-2% patronage growth is recognised but not highly incentivised.

Unit		Annual Cap	Patronage growth	
			2%	6%
Rotorua	\$0.40/pax	\$20,000	\$8,000	\$20,000
Tauranga	\$0.40/pax	\$75,000	\$25,000	\$73,000
Northern Corridor	\$0.40/pax	\$2,500	\$140	\$450
Eastern Corridor 1	\$0.40/pax	\$2,500	\$361	\$1,000
Maximum Cost		\$100,000	\$33,501	\$94,450

There will be no downside penalty for a decline in patronage.

The Request for Tender will set a base FIM including the level of patronage payments; however flexibility should be retained to enable negotiation with operators and reset with both parties agreement through the annual business planning process.

4.9 Key Performance Indicators

Key Performance Indicators (KPIs) are required as a minimum and will be used in discussion with operators. These will be maintained and updated through the business plan process, where measureable goals are clearly defined, measured and reported upon.

The base key performance indicators are:

Attribute	Measure	How measured
Service performance (service reliability and punctuality).	Service trip reliability (bus, ferry and train).	Disaggregated by peak and off-peak. Percentage of scheduled service trips completed in full (note that a service trip leaving the origin stop >59 seconds early or >9 minutes and 59 seconds late is deemed not to have operated).
	Cancelled service trips (bus, ferry, train).	Disaggregated by peak and off-peak. Percentage of timetabled service trips that were cancelled.
	Service trip punctuality: (a) trip start, (b) at destination (or en route if required).	Disaggregated by peak and off-peak. (a) Percentage of scheduled service trips leaving origin stop between 59 seconds before and four minutes and 59 seconds after the scheduled departure time. (b) Percentage of scheduled service trips between 59 seconds before and four minutes and 59 seconds after the scheduled departure time at the selected points.
Safety and security.	Number of incidents.	The maintenance of an up-to-date incident register, disaggregated by: <ul style="list-style-type: none"> Nature (e.g. criminal, anti-social). Severity (e.g. resulting in serious injury, nuisance). (Note: Including the requirements of the health and safety sections of the Health and Safety in Employment Act 1992 and the Operator Rating System).
Complaints.	Number of complaints received.	Disaggregated by service attributes (e.g. punctuality, vehicle cleanliness, comfort).
	Percentage of complaints responded to within 10 working days.	
Customer satisfaction.	Customer satisfaction with the quality of passenger transport services.	Customer satisfaction survey. Mystery shopper. Complaints.
Vehicle quality standards.	Requirements for urban buses and the VQS in this strategy.	Percentage of the fleet complying. Trips using non-compliant buses.
Quality assurance.	Preparation and implementation of a Quality Plan.	Compliance with requirements.
General operational.	Fare collection, ticket collection, smart card and real time passenger information compliance.	Compliance with requirements.

During the development of this Strategy, operators expressed concerns regarding the external influences beyond their control, for example reliability issues caused by congestion and have expressed a desire for a straightforward approach.

For partnering contracts the financial incentive mechanism will be complemented by a performance regime. Quality factors are an important determinant for value for money outcomes and a quality system is a key policy outcome in the RPTP. These will be focused on quality aspects and will be negotiated through the Annual Business Plan.

As set out in the business case for the Tauranga school bus units, in the transition phase, key performance indicators will incentivise service optimisation, fleet utilisation and responsiveness. These factors will ensure an optimised public transport network post-transition. Due to the uncertainty associated with the transition a Financial Incentive Mechanism will not be implemented for the transition phase.

4.10 **Public transport unit establishment**

Unit establishment is a core component of the transition to the PTOM. Units are a public transport service or a group of public transport services that a region identifies as integral to the region's public transport network. Units will operate on the entire length of one or more routes specified in the region's RPTP. A unit will include all public transport services, operating to a timetable, along an entire route or routes specified for the unit.

The new drafting for the RPTP includes the following criteria for establishing units:

- Exclusivity of operation.
- A marketable whole servicing key destinations and targeting certain demographics including the transport disadvantaged.
- Establishing units in a manner that maintains a competitive and attractive market with range of unit sizes.
- Emphasis on financial returns generated by services.
- Economic efficiency and operational efficiency.

4.11 **Exclusivity of operation**

There will be a single contract for each unit conferring exclusive rights for that operator. However, effective network planning will in many cases necessitate that services overlap on common portions of key feeder routes. This is not only inevitable but may well be desirable to provide the sort of service frequencies on key routes that regions require in order to operate "best practice" integrated networks. The overlapping portions could contain bus stops used by all services operating on the common section of the route.

Rural services in the Bay of Plenty are generally operated on an exclusive basis, with the exception of the Te Puke to Tauranga and Whakatāne to Tauranga services which share parts of the route with the Twin City unit. However they are serving different long distance markets.

The Tauranga urban unit is currently one contract with a core services being typically long through-routes. The length of these routes enables excellent vehicle utilisation. The geography of Tauranga with its large harbours and distances to Pāpāmoa and Welcome Bay from the CBD and lack of connectivity between suburbs means a geographic split of services would lead to operational inefficiencies combined with the difficulties of ensuring exclusive operation.

4.12 **Marketable whole**

Each unit will need to be a “marketable whole” - big enough to attract competition, while servicing an identified market that allows an operator to apply commercial behaviours to grow that market. A region should not opt for a single unit covering the whole region for these reasons.

The services across the Bay of Plenty have been considered and separate markets established. The rural services are generally servicing an accessible or coverage market allowing passenger to access key destinations. The market in Tauranga and Rotorua is a patronage based market. In Rotorua there are generally more people reliant on the bus transport network with higher car ownership in Tauranga. Feedback from bus users suggest that trips in Tauranga cover an average trip length of 18.7 km. The Central Business District, Bayfair Mall and the Bay of Plenty Polytechnic’s Windermere Campus being key destinations with passengers travelling from across the city to access.

4.13 **A range of unit sizes**

Recent Council tenders have been competitive with an average of over five tenderers per contract. Council would like to maintain this level of competition for future tender rounds. The size of contracts and length has an impact on the desirability for operators. The NZTA’s view is that longer contracts are in general more attractive to operators. BOPRC is proposing longer contract terms than is current practice. However it is BOPRC’s view that regular access to the market can alternatively be used as a mechanism for maintaining competition and that this assists smaller niche operators, particularly in rural areas. BOPRC intends to investigate the value for money arguments for contract terms for the Northern Corridor and Eastern Bay Corridor Units.

The units across the Bay range from small one to two bus rural contracts; to 14 bus contracts in Rotorua and for the Tauranga school buses through to a 36 bus contract in Tauranga.

Council generally has a preference for larger contracts rather than smaller this reduces the administrative burden and leads to more efficient services. The proposed different unit sizes will attract new entrants through to national interest for the Tauranga urban unit and the maintenance of the current levels of competition. The introduction of the PTOM features combined with regular tenders to market will maintain the current competitive market. The size of units also provides an opportunity for operators to grow their business over time.

4.14 **Emphasis on financial returns generated by services**

A core consideration of PTOM is reducing the reliance on subsidies; therefore the focus of unit establishment is on financial returns generated by services. The Regional Council has included a range of unit sizes to allow operators to enter the market and develop skills; however the preference is for larger units. Larger units mean the ability to be responsive to growth and reallocate resources is more viable. Tauranga has experienced considerable growth in both population and patronage in recent years; the ability to adjust services to meet growing demand and generate financial returns is a key consideration in the establishment of units.

4.15 **Economic efficiency and operational efficiency**

Increasing the efficiency of the region's public transport network is an important consideration for the Bay of Plenty Regional Council. Farebox recovery is an important measure of efficiency; Council has a key performance indicator to increase the farebox recovery by 1% per annum to a target of 40% by 2021/2022. Units should be established with efficiency in mind. This also considers the administrative costs of tendering and contracting for both operators and Council.

These unit establishment principles were developed with stakeholder feedback. Feedback received from stakeholders led to the removal of one principle which focused on passengers and the amendment of another.

4.16 **Unit establishment options considered**

Option One - status quo, utilise the current contracting approach.

Option Two - units established based on geography.

Option Three - units established based on routes.

Option One is the status quo and list the current contracts, if this approach was supported these contracts would be converted into units. **Option Two** creates units by using a combination of the principles based on geographic spread, this option was proposed by operators. For Rotorua there are proposed to be two units east and west. For Tauranga there are three urban units, Pāpāmoa/Mount; Tauranga West; Tauranga South and three units for Tauranga Schools. **Option Three** would be the most basic unit establishment with individual routes being used as the basis for establishing units. This would potentially result in over 30 individual contracts.

The following table evaluates the contribution each option makes to the unit principles and other operational criteria.

	Option One	Option Two	Option Three
Criteria	Modified current	Geography	By route
Exclusive operation	High	Low	Low
Marketable whole	High	Medium	Low
Efficiency of service	High	Medium	Low
Flexibility	High	Medium	Low
Farebox recovery	On target	Possible	Possible
Network Integration	Good	Fair	Poor
Competition	Good	Fair	Poor
Number of contracts	8	10	31

4.17 Discussion

Contracts in the Bay of Plenty have largely been established in a manner that is consistent with both the concept of marketable whole as well as with exclusivity of operation. The options for unit establishment are limited by the region's size and geography. Rural services are geographically segmented. However this sort of geographic split works less effectively in Tauranga and Rotorua. This is because of the requirements for unit exclusivity and the concept of a marketable whole.

Public transport serves two main functions in Rotorua. Services in and around the main urban centre of Rotorua are becoming increasingly important as a transport option for commuting and other daily travel needs. Public transport services on the identified regional strategic corridors play a key role in improving urban accessibility and enabling more efficient use of existing road capacity. Less frequent services connecting smaller settlements to Rotorua's urban centre provide people with access to essential community goods and services.

The Te Puke and Murupara services were included in larger units as a result of feedback from operators about the size of these services. Operators generally agreed that more than one unit was preferable in Tauranga, and this has been accommodated with the inclusion of three school bus units in Tauranga, plus the urban unit. The RPTP retains the option of a further two school bus units, if a geographic split option is used for school services. Smaller operators preferred smaller sized units whilst larger operators had a preference for larger units over smaller ones. There was very limited feedback on rural units.

The following table describes the region's units:

Unit	Service level	Description	Service KMs	PVR
Northern corridor	Rural connector routes	Katikati - Ōmokoroa	82,674	1
Eastern corridor 1	Rural connector routes	Whakatāne - Tauranga Ōpōtiki - Whakatāne	175,446	1
Eastern corridor 2	Rural connector routes	Pōtaka - Ōpōtiki	20,908	1
Tauranga urban	Regional strategic corridors and urban connector routes	All Tauranga Urban Routes includes Te Puke service (excludes school bus services)	3,046,100	38
Rotorua urban	Urban and rural connector routes	Rotorua including Murupara	1,294,964	15
Matakana ferry	Rural connector routes		NA	NA
Tauranga schools Unit 1	School connector routes	TBA	TBA	~30
Tauranga schools Unit 2	School connector routes	TBA	TBA	~30
Tauranga schools Unit 3	School connector routes	TBA	TBA	~30
<i>Tauranga schools Unit 4</i>	School connector routes	<i>Unallocated Unit</i>	<i>NA</i>	<i>NA</i>
<i>Tauranga schools Unit 5</i>	School connector routes	<i>Unallocated Unit</i>	<i>NA</i>	<i>NA</i>

Part 5: Procurement Strategy by unit for transition phase

5.1 Tauranga urban

The Tauranga Urban Unit currently includes 11 routes operating in Tauranga; these services provide patronage focused services on regional strategic corridors. The current contract with Go Bus Transport Ltd was let for five and half years. The proposed contract terms have been developed with value for money in mind and a largely driven off the introduction of school buses in Tauranga. Tauranga has experienced considerable population growth over the last ten years and this growth has continued despite the global financial crisis. In the last six years patronage in Tauranga has increased by 128%. The level of growth makes revenue difficult to predict and also means variation rates have a considerable influence over costs. The tender process will evaluate variation costs; this is discussed in section 6.9.

The size of this unit (currently 38 buses) will make it attractive to larger operators, including ones operating outside of the region. The new unit establishment will incorporate the Te Puke tendered service. Urban services were reintroduced in 2001; the services are still establishing and growing, average patronage per annum has been around 10%. This, along with the considerable population growth, population in Tauranga has doubled over the last twenty years and has continued to grow. The relatively new market in Tauranga combined with growth in both population and patronage along with the significant changes as a result of the school bus project means there are challenges associated with predicting service demand over time but we accept that nine years is the requirement for this service.

The Tauranga School Bus business case includes the objective of a seamless transition. A component of ensuring this occurs is the proposal for a three year extension to the Tauranga urban contract. The contract extension will provide stability for urban services in the short term while we establish the school bus services.

The recommended Procurement Strategy is:

- Contract extension until November 2017.
- New partnering contract commences November 2017.
- Develop new RFT November 2016.
- Award RFT for new partnering contract February 2017.
- Nine year contract term with a six year gross price reset.

5.2 Rotorua Urban

The Rotorua urban service is approximately one third of the size of Tauranga, and operates ten patronage based bus routes on regional strategic corridors. The current contract with Reesby Buses Limited was let for a term of six years. This contract is a net contract and the services are performing well. The Waiariki Institute of Technology subsidises student travel. The unit is proposed to incorporate the Murupara to Rotorua bus service. This is currently a coverage service which means that it was designed to focus on social objectives such as providing the communities it serves with basic levels of access to essential goods and services (health, education and social support).

The Murupara service departs Murupara at 9:00 am and Rotorua at 1:30 pm on Tuesdays, Thursdays and Saturdays. Additionally, there is an on-demand deviation to Kāingaroa for those that require it. The Murupara service is currently a zero cost contract and Reesby Buses Limited has advised that they do not wish to operate the service as a commercial service.

Due to the changes in legislation and the introduction of the public transport operating model a short contract extension is required to ensure adequate time between tendering and contract commencement.

The recommended Procurement Strategy is:

- New partnering contract commences 30 November 2014² (note a five month contract extension).
- Develop new RFT November 2013.
- Award RFT for new partnering contract 1 March 2014.
- Nine year contract term with a six year gross price reset.

5.3 Northern corridor - Katikati and Ōmokoroa to Tauranga

The Northern Corridor - Katikati and Ōmokoroa to Tauranga unit provides a commuter service Monday-Friday from Ōmokoroa and Katikati and a day time inter-peak shopper service from Katikati. The service is classed as a rural connector route, and is currently operated by Reesby Buses Ltd on contract with the contract due to expire 30 January 2015. This service, by its nature and geographic location could potentially be grouped with the Tauranga Urban Unit. Patronage growth is exhibiting an increasing trend and it's believed that this service should be competitively tendered to provide the best value solution. Longer term there is potential to extend this service further north. The size of the unit makes it ideal for a smaller operator to enter the market. The recommended Procurement Strategy is:

- Proposed contract extension to November 2017 to permit grouping.
- Develop new RFT November 2016.
- Release RFT for new partnering contract 1 February 2017.
- Nine year contract term with a six year gross price reset.

5.4 Eastern Corridor 1 Whakatāne - Tauranga and Whakatāne to Ōpōtiki

The Eastern Corridor 1 Whakatāne - Tauranga and Whakatāne to Ōpōtiki unit is a combination of two existing bus contracts. These services are comprised of a six day per week Whakatāne to Tauranga service. On Monday and Wednesday the service runs from Whakatāne to Ōpōtiki via Ōhope, in the morning and returns in the afternoon. On Tuesday and Friday the bus travels between Whakatāne and Kawerau.

The other vehicle operates regular services between Whakatāne and Ōhope six days a week. It also provides two trips to Matatā via Edgecumbe on a Thursday.

² This is dependent on NZTA procurement approval.

The current contract was let for a three year term to Go Bus Transport Ltd and extended for a two year period as a result of the enactment of the LTMA. This service, by its nature and geographic location could potentially be grouped with the Tauranga Urban Unit or with the Potaka to Opotiki Unit. The size of the service makes it ideal for a smaller operator to enter the market.

The recommended Procurement Strategy is:

- The current contract has been extending by two years to 30 June 2015, it is proposed that this is further extended to November 2017 to permit grouping.
- Develop new RFT November 2016.
- Release RFT for new partnering contract 1 February 2017.
- Nine year contract term with a six year gross price reset.

5.5 **Eastern Corridor 2 – Pōtaka - Ōpōtiki**

The Eastern Corridor 2 - Pōtaka - Ōpōtiki is a rural connector service, operating two days a week on Tuesday and Thursday. The service operates an inbound service in the morning and returns in the afternoon. The service provides an important community link for a very geographically isolated community with high levels of social deprivation. This service was first introduced as a trial in 2011. Due to small contract size, utilisation of a mini-van, and newness of the service a short-term contract is proposed.

The recommended Procurement Strategy is:

- The current contract is extended to November 2017 to permit grouping with other services.
- Develop new RFT November 2016.
- Release RFT for new staged contract 1 February 2017.
- Tender for a three year term.

5.6 **Vehicle type**

In contracting bus services, BOPRC aims to raise the overall quality of the public transport bus fleet. BOPRC intends to continue to comply fully with the NZTA's Requirements for Urban Buses (RUB) for Tauranga urban services. BOPRC intends to introduce the use of the Operator Rating System for all services.

The business case for school buses is based on an assumption that BOPRC will be able to obtain a procurement variation allowing for the current school bus fleet to be utilised for a three year period. Operators raised concerns about the potential cost implications of RUB compliant vehicles for the school bus services and the challenges with sourcing a substantial number of suitable vehicles. As set out in the business case for the Tauranga Transition for School Buses, the school bus contracts operators prefer the use of the current MoE safety regime developed in collaboration with NZTA which requires vehicles to pass three out of five Certificate of Fitness (CoF) tests with no faults in suspension, brake and steering or tyre faults.

BOPRC does not want to incentivise or encourage the use of low standard vehicles and is supportive of the RUB, however at least 50% of the fleet will be peak only during school terms and the scale of the change is significant. It is important to balance the lower quality with the financial cost of introducing higher quality vehicles. This matter is compounded by the initial uncertainty around levels of patronage.

5.7 **Group tenders**

In some instances group tenders will represent good value for money. This is most likely to occur where units are established in the same general geographic area or where the grouping of tenders is likely to result in reduced administrative costs. Council will actively seek group tenders where this is considered to provide best value for money, using criteria appropriate to the RFP and consistent with NZTA policy.

Contract extensions have been proposed for the Eastern 1 and 2 and Northern Units to permit the grouping of these with each other, or the Tauranga Urban Unit. The NZTA requires all units (with the exception of infrequent “shopper” services and emergency services, which use a staged delivery model) to utilise the new partnering arrangement, this requires financial incentive mechanisms and regular business planning. From an administrative point of view these provisions are cumbersome on small one bus contracts, and better value for money is likely to be achieved by permitting these to be grouped. These small units may be unattractive to national bidders and permitting grouping may encourage more competition.

5.8 **Information for new tenderers**

BOPRC currently makes public patronage and revenue information for contracted services. Council may require unit information on patronage and revenue from an operator, this information may be published or provided to registered tenderers. Registrations of interest will be sought prior to tender rounds to identify potential tenderers. This approach will be consistent with NZTA’s rules on providing information to tenderers.

5.9 **Service level variations**

The management of service level variations is an important component of the long-term contract cost, particularly with growth services. The methodology of the tender evaluation process will include an assessment of the cost of contract variations of the different tenderers over the term of contracts. The Council will then use the variable rate for peak vehicles requirements, hourly and kilometre rates as the basis for negotiation for any service level change. Service level variations will be subject to negotiation with incumbent operators and a suitable price being agreed and will be compliant with NZTA procurement manual rules.

If the Council resolves to implement a Contractor's proposal, any actual direct saving in the cost to the Contractor of the Services resulting from the changes will be shared equally. The calculated savings must include the assessed reduction in the cost of the Services to the Contractor, less any costs incurred by Council in assessing or implementing the changes.

5.10 **Gross price reset**

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

Part 6: Tauranga school bus transition process

The withdrawal of the MoE funding for school transport services in Tauranga will dramatically change public transport in Tauranga. To manage the risks associated with this the following approach is proposed:

- 1 A three year transition phase with a strategic study.
- 2 Direct appointment of existing school bus operators.
- 3 Utilisation of the existing school bus fleet in Tauranga.

6.1 A three year transition phase

The introduction of fares will impact on the number of students travelling and it will take at least two years to reach stable patronage. The NZTA initially requested a one year transition period; this is too short for comprehensive planning; operator's preference is for five to six years, and three years is a compromise between the two stakeholder views.

A three transition timeframe is proposed as follows:

Activity	Timeframe
Transition school bus services commence.	January 2015
Patronage monitoring and service adjustments following introduction of services.	January- Dec 2015
Patronage stabilises and certainty of suitable routes and future travel patterns is established.	Mid 2016
Study to determine future strategic growth projections.	Mid 2016
Future service design and consultation.	Late 2016
Tender rounds for Shadow School Bus Units.	January- March 2017
Contract award for Shadow School Bus Units.	July 2017
Shadow School Bus Units commence operation.	January 2018

The business objectives for the Tauranga school bus transition are:

- 1 To provide value for money by optimising the Tauranga urban public transport network. This will be achieved by BOPRC managing both school bus services and urban services.
- 2 To address the potential negative congestion impacts in Tauranga that will occur in a do minimum scenario as a result of the withdrawal of MoE school bus funding.
- 3 To reduce the financial burden to whole of government by providing a more efficient network.
- 4 Any transition from MoE to public transport should be as seamless as possible for current students, caregivers, schools, operators, current public transport users and the wider community (agreed in MoU).

- 5 Any new public transport service should be of comparable or better standard to that of MoE funded service it replaced (agreed in Memorandum of Understanding (MoU)).
- 6 To support the introduction of the Public Transport Operating Model.

Optimisation will occur between the Tauranga Urban Bus Unit and future school bus units. In the future school bus units may either be based on a geographic split (arranged around schools) in which case it is likely that there will be five units, which would be:

- Pāpāmoa.
- Mt Maunganui.
- Otumoetai/Bethlehem.
- Pyes Pa.
- Tauranga central schools.

Additional capacity on urban services will be utilised where possible. The transition utilises a partnering approach, where incumbent operator's resources (in terms of the fleet) and existing knowledge is used to plan for the future network, the direct appointment process is critical to this. Direct appointment will enable early engagement with operators and ensure they have motivation to be involved in service planning; it also mitigates risks associated with such a large transition. Both direct appointment and the contract extension for the Tauranga urban services will support a seamless transition.

6.2 Direct appointment of existing school bus operators

The direct appointment process will allow Council to tap into the expertise of the incumbent operators and minimise disruption to passengers during the transition phase. Direct appointment, in the short term maintains the presence of three local operators in Tauranga.

Direct appointment requires a clear process for allocation of routes between the three operators. It is proposed that work collaboratively to determine how the share of transition phase school bus services will be divided between the following three service providers - Bethlehem Coachlines, Bayline Coachlines and GoBus Transport; the indicative starting point for negotiations is as follows:

- Bayline Coachlines 45%
- Bethlehem Coachlines 15%
- GoBus 40%

Each operator will receive as near as practical to the proportion of the mileage for the withdrawn school bus routes, once these have been confirmed by the MoE. These figures have been established based on estimate of the current market share by mileage of MoE school bus services in Tauranga.

6.3 Utilisation of the existing school bus fleet in Tauranga

The utilisation of the existing school bus fleet will minimise the risk of over investment in the short term. However if lower quality vehicles are combined with a competitive tender, there is a risk that the local competition will be lost and poorer quality vehicles will be used.

The direct appointment process is intended to remove the need investment in vehicles during the transition phase and maintain the current level of competition in Tauranga.

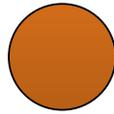
6.4 **Benchmarking process for the Tauranga School Bus Transition**

The direct appointment process for school buses requires the use of benchmark data to determine the contract price. These will a combination of recent Council tender prices and the MoE school bus prices. The purpose of the benchmarking is to establish a price that reflects the price that would be attained if contracts were tendered in a competitive market. The MoE has provided a mileage cost - 2011 mileage prices for Tauranga range between \$2.35 and \$5.17 with most sitting between \$2.62 and \$2.86 (\$2.68 and \$2.93 adjusted for inflation in 2013 prices). These figures plus upcoming tender prices will be used to negotiate a contract price.

Council proposes to competitively tender the Rotorua unit prior to entering into negotiations on the price for the school bus services. This information will be combined with previous available tender round information to identify the market range for these services. The price analysis will also utilise recent MoE mileage and variation rates and tender information, the raw data will not be provided to the operator.

The three operators will each submit an offer to Council. Council will then consider this offer in light of the benchmark range; if the offers are within the identified range the offer will be accepted. If no agreement is reached it is likely that the services in question will be competitively tendered. The NZTA has indicated it will have a representative at such negotiations.

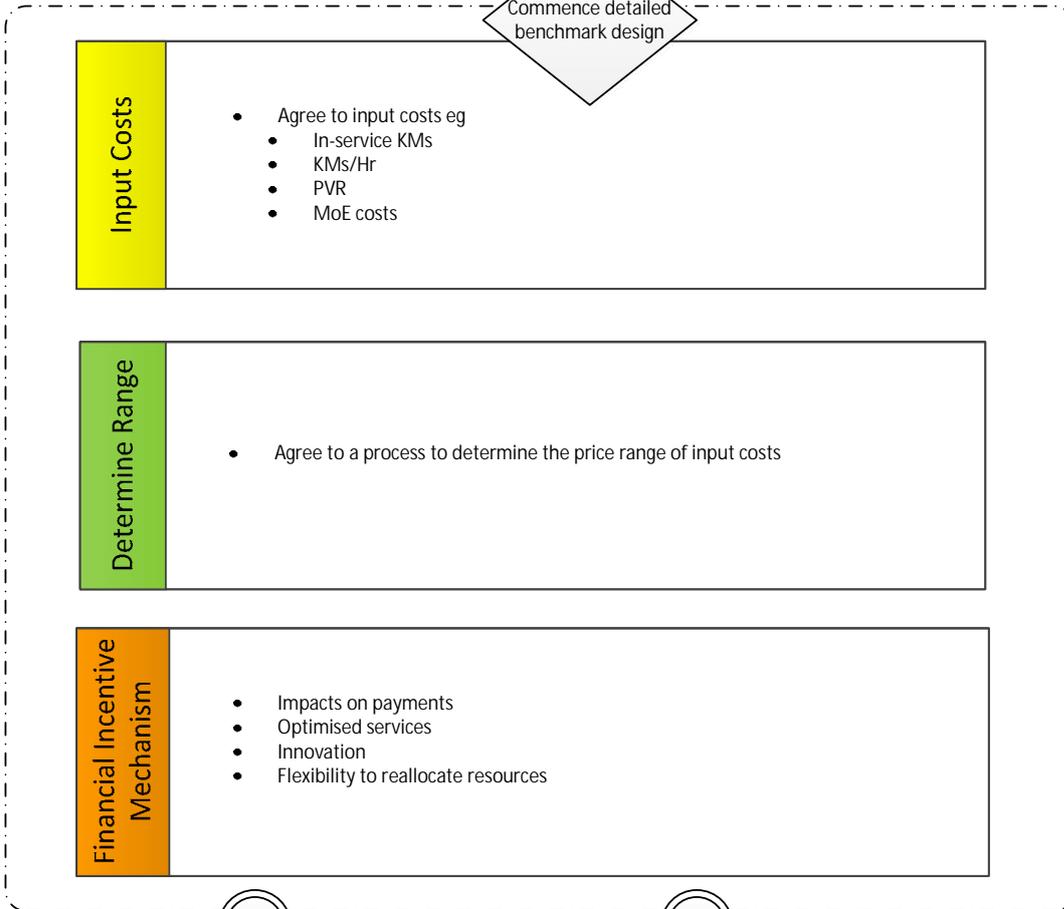
The following diagram establishes the process for negotiation with operators.



Operators agree to negotiate



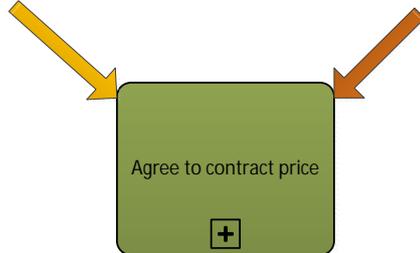
Agreement to negotiate signed



Service design, routes etc



Tender rounds- Rotorua, Tauranga



Completed Contract

Part 7: Implementation

Generally speaking Council does not have the need to utilise advanced delivery models or supplier selection methods for public transport contracts. Council does however currently have on staff two qualified tender evaluators.

7.1 Internal procurement processes

Since 2006, Council has had a Contract manual which sets out the guidelines for Council staff preparing, awarding and managing contracts. The manual requires updating to reflect the move away from weighted attributes. As part of an organisation wide review the Manual will be updated to refer to the NZTA Procurement Manual, and the changes as a result of PTOM. In cases where no guidelines in the Procurement Manual are applicable then the procedures in the Contracts Manual will be followed.

7.2 Performance measurement and monitoring

Council will fully comply with NZTA reporting requirements and key performance indicators. Council will continue to conduct the Bus User Survey in accordance with NZTA's new requirements. Along with the regular service performance monitoring Council will monitor the success of this strategy by measuring:

Public transport operating model

- Contract negotiations.
- Average number of qualifying bids.
- % of tenders with only one bid.
- Operator turnover of contracts.

BOPRC will also monitor the farebox recovery ratio on an annual basis to support the achievement of the farebox recovery target.

Part 8: Other Regional Council transport activities

The following sections deal with procurement for NZTA-funded Regional Council activities other than public transport.

8.1 Total mobility

In general the delivery of the total mobility services in the region is taxi-based and therefore constrained by the location of these services. There are eight suppliers of total mobility transport services as follows:

- Tauranga Taxi Society Limited.
- Rotorua Taxi Society.
- Dial a Cab Whakatāne 2006.
- Dial a Cab Tauranga Ltd.
- New Zealand Cabs 2005 Ltd.
- Taxi Cabs Mount Maunganui, Pāpāmoa, Tauranga Ltd.
- Eastlink Tours.
- Kawerau Coaches.

The number of operators in the taxi industry has remained reasonably static in recent years, after several smaller companies were bought out by other local taxi operators between 2002 and 2007, this situation is not expected to change.

The level of competition amongst taxi operators is fierce in Tauranga. Tauranga Taxi Society is clearly the dominant provider with several smaller operators providing more 'local' services.

Rotorua and Whakatāne each have only one locally based taxi company operating within their urban areas. While a bus company provides a limited total mobility service in Kawerau, the preference is to provide total mobility through approved taxi organisations (ATOs).

Tauranga Taxi Society Limited, Rotorua Taxi Society and Dial a Cab Whakatāne 2006 provide wheelchair hoist services in their respective locations. Where hoist installation or replacement is required a quote is requested from at least two wheelchair hoist installers, the lowest price is generally accepted.

Council understands Total Mobility policy may be reviewed in the near future and will consider such policy as it becomes available.

8.2 Professional services

The majority of Council's professional services are undertaken in-house.

8.2.1 Administration costs - management support charges

Management Support Charges (MSC) is the methodology used to allocate direct and indirect expenses to Groups of Activities necessary for BOPRC to achieve Council Outcomes as defined in the Ten Year Plan. MSC expenditures are paid by the Corporate Services Group of Activities, (Corporate Services) and allocated to the individual groups of Council Activities that benefit from the services. Corporate Services costs are grouped into the following programs, Land and Buildings; Plant and Vehicles; Property and Procurement; Information Services and Technology; Data Services; Geospatial Services; Human Resources and Business Improvements.

Corporate Services expenditure is management support costs common to all Activities related to Council Outcomes. Corporate Services expenditure is not directly assigned to a specific outcome, or it is not allocated to an Outcome because the cost outweighs the benefit of tracking to each Outcome. Corporate Service costs are common to all Council Activities and Outcomes and include: insurance, interest expense on debt, and administrative services (i.e. Human Resources; Information Technology; Legal; Property & Procurement; Building occupation costs; Risk Management; and Finance, etc.).

Currently BOPRC allocates Corporate Service costs based on the head count of employees in each activity. Where specific costs within Corporate Services are identified as associated directly with a specific activity then the cost is allocated directly to that activity.

8.2.2 Professional services - Staff Charges Allocation - internal

Staff Charges Allocation (SCA) is the methodology used to allocate staff time directly to an activity. Staff submit weekly timesheets and time is coded directly to the subtask of the activity. A charge out rate is used. This is to capture the true cost of the employee's time when they work on an activity.

8.2.3 Professional services - Staff Charges Allocation - external

All external consultants and contractors are coded directly to the subtask of the activity they are working on.

8.3 BOPRC transport activities allocation of professional services and administration

The Transport Activity is allocated MSC (Corporate Services costs) as stated above, using head count of employees within the activity. Staff charge time is based on where staffs code their time. Usually only Transport Activity employees code their time to transport subtasks. Occasionally employees from another activity may work on Transport subtasks.

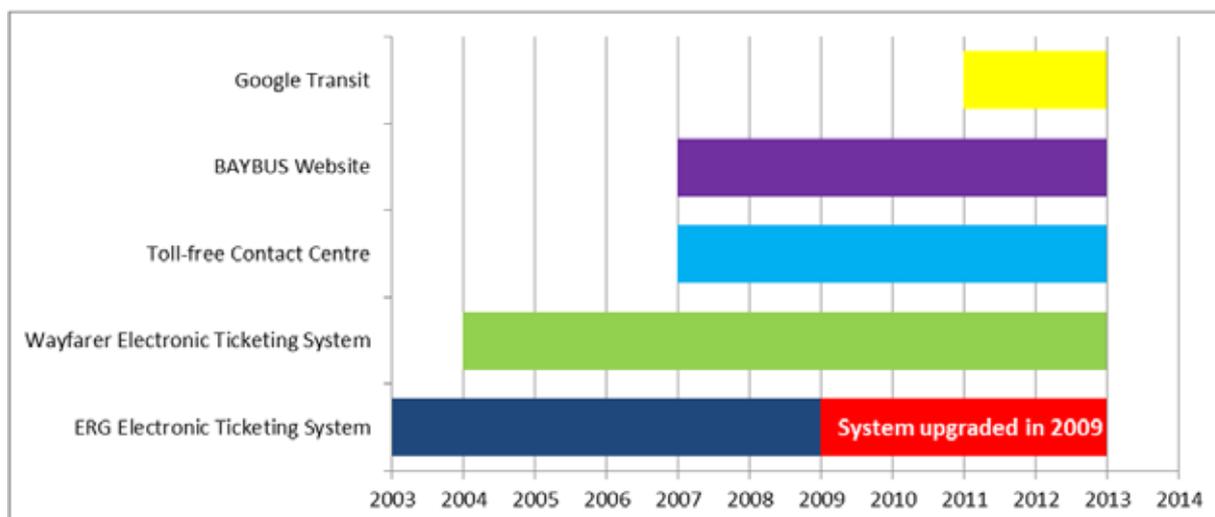
There are a number of situations in which the BOPRC needs to contract professional transport planning services. The Table below identifies transport planning professional services that the BOPRC has required recently.

Name of professional services project	Approximate value of contract	Supplier selection methodology
Peer review of School Bus BCR calculation.	<\$10,000	Direct appoint
BCR School Bus BCR.	\$30,000	Direct appoint
Annual Bus Satisfaction Survey.		PQM
Add others.		

8.4 Public transport technology

Our current public transport information technology feature set is:

- Electronic ticketing/automatic fare collection – Wayfarer and ERG electronic ticketing systems utilising contactless smartcards and reporting software,
- Administration and back offices – complaint’s tracking, membership and records databases,
- Passenger information – Google Transit Journey Planner and SMS txt Bus system for Tauranga,
- Customer services – region-wide toll free telephone contact centre provided on contract by Tauranga City Council, and
- Multimedia and internet access – BAYBUS website.



The timeline that has been followed to introduce the significant aspects of the technology feature set is:

The connections between the technology feature set are:



8.5 Technology key issues and risks

The key issues and risks are:

- Several ticketing systems are currently in use and these are at, or are approaching, the end of their supportable life (these systems are also provided by vendors that may have limited interest/capacity to support these systems). These are paper based for rural services, ETS in Rotorua and Wayfarer in Tauranga.
- The current technology set is lacking a number of the features that are needed to attain the stated vision.
- Many of these features are becoming available in larger metropolitan areas, but there may be availability and affordability issues in implementing these in the near term in the region.

8.6 Technology strategic principles

The principles that will guide the BOPRC in its selection of technologies are:

- Ensuring ticketing systems remain operational is critical.
- Implementing new/replacement features of the technology set should:
 - 1 take place within a priority cost/benefit framework in relation to the stated vision,
 - 2 align with regional/national principles.
- Affordability and potential investment levels should be proportionate to passenger volumes – it is important to acknowledge this when comparing the region with metropolitan areas (this may also impact the priority that potential suppliers give to supplying these).
- The region will seek to align and utilise national/regional standards/approaches/technologies wherever appropriate and learn from other relevant organisations.

8.7 Procurement approach - electronic ticketing

In the Bay of Plenty there are currently a number of different ticketing systems, these range from paper based on some rural contracts to two different systems operating in Tauranga and Rotorua. BOPRC's current electronic ticketing systems (ETS) are at or approaching the end of their supportable life. The current systems are lacking a number of features that are important for enhancing patronage, fare recovery and most importantly the passenger experience.

There is work being undertaken nationally to introduce a national integrated ticketing system, however this is predicted to be three years away. This will require all participating council's to include funding in their Ten Year Plan, agree to service specifications, procure and implement the agreed solution. BOPRC is seeking a partial system upgrade with a view to being part of the national integrated ticketing approach when this ready.

There are a number of options available for the Council's ticketing system;

- 1 Status quo - continue to operate current system and wait for the introduction of the national integrated ticketing system to be implemented.
- 2 Partial interim upgrade of existing system in either:
 - Tauranga
 - Rotorua
- 3 Connect into another regional council's ticketing system.
- 4 Utilise second hand equipment.
- 5 Full replacement to a new system.

Rotorua current uses ERG ticket machines, there are 15 of these. There are a number of drawbacks associated with this ticketing system. ERG have experienced difficulties maintaining the sustainability of their business in New Zealand particularly as the equipment ages. Ticketing in Rotorua is currently managed by the operator and the revenue information is provided via the operator, rather than directly to Council. New cards and replacement cards are currently managed by the operator.

Tauranga uses VICs with TP5000s, which are reasonably modern but are no longer available new. These machines have more useable life left but there are issues with the payment card, it has a low security threshold and instructions for hacking these cards are readily available on the internet. This means the potential for fraud existing. There have also been problems initialising cards with some batches having over a third being unable to be initialised. Patronage information is provided in a PDF format, requiring the manual entry of data which is time consuming and potential for inaccurate recording exists. However despite these issues, this card remains the most common in use internationally.

In 2015 BOPRC will commence operating a transitional school bus network to replace the current MoE funded services; this is anticipated to be between 50-60 vehicles. Ideally these vehicles will be equipped with ticketing equipment.

There are likely to be a large number of TGX150 ticket machines available when Auckland Transport moves to the hop system. There are also a number of TP4000s available from Canterbury. It may also be possible to source second hand machines from off shore.

A core component of the national integrated ticketing system is that the payment card will be required to meet a nationally consistent standard. One of the key considerations for the new BOPRC system is whether the proposed system will require a full reissue of the payment card will be required. Future card systems will need to be NITIS compliant in order to gain NZTA funding.

The objectives of the procurement approach for electronic ticketing are to:

- Procure an interim electronic ticketing solution with a view to joining the national ticketing system when it becomes available.
- Procure an interim solution that minimises the future costs and risks of transferring to the national ticketing solution.

8.8 Option analysis

Market analysis, NZTA has acknowledged that there is limited competition for electronic ticketing equipment in New Zealand. The small size and specialised nature of the equipment limit the likelihood of a successful competitive tender process.

BOPRC is seeking an interim solution with a three to five year life span. This makes bespoke development of a solution highly unattractive to both BOPRC and prospective suppliers. There is considerable effort going into developing the national system and BOPRC will be able to utilise this in the future. Ongoing equipment maintenance and technical support are key service components for an ETS.

The preferred procurement approach will need to be adapted depending on the preferred option for the interim solution. However it is likely that procurement for the interim system will either be through a quote or estimate for a specific number of ticketing machines. One or more quotes will be obtained and then a decision made based on the most cost effective system.

8.8.1 Other options considered

BOPRC has considered linking into another regional council's ticketing system. This approach has some benefits in terms of linked up systems and minimising the cost to local government. It may also enable Council to utilise existing expertise within the partner council for the roll out and perhaps jointly administer the system. However, because the contract will be an existing one between the partner regional council and the system provider, there is a potential risk that BOPRC will receive a lower level of support.

Due to the technical requirements and small scale of operations a competitive tender is unlikely to result in a particularly competitive process. In order to test the appetite for competition expressions of interest (EOI) will be sought, this would assist BOPRC in identifying interested parties.

8.9 Procurement approach - Real Time Passenger Information system

Real Time Passenger Information (RTPI) has an increasingly important role in the provision of passenger information. These systems utilise a number of different components, including Automated Vehicle Location (AVL), Global Positioning Systems (GPS) along with the customer interface. The components could be purchased individually or an end to end solution purchased.

The recent Expression of Interest process in Auckland has demonstrated a good level of potential completion for RTPI systems. It is Council's preference to partner where possible with existing systems or tender processes. This will reduce the risks associated with purchasing a stand-alone solution.

8.10 Conclusion

Procurement options for both electronic ticketing and real time passenger information will depend on the system or solution that is proposed. This work is in progress, Council will continue to work with NZTA as this develops. The Strategy will be updated to reflect this work in due course.