PROCUREMENT STRATEGY
TRANSPORT ACTIVITIES

BAY OF PLENTY REGIONAL COUNCIL
SEPTEMBER 2010

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Procurement Strategy
Bay of Plenty Regional Council
Transport Activities

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Bay of Plenty Regional Council
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NEW ZEALAND

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Executive Summary

This Transport Activities Procurement Strategy demonstrates how the Bay of Plenty Regional Council will meet provisions of the Land Transport Management Act 2003. It covers all the Bay of Plenty Regional Council’s transport related procurement activity until October 2013. It was endorsed by the Bay of Plenty Regional Council Executive Leadership Team on 4 October 2010.

The Transport Activities Procurement Strategy shares the Council’s procurement Vision of: 

“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 this Transport Procurement Strategy is to procure transport goods and services in a way that:

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

It will be successful if it contributes to that Objective and the number of tenderers the BOPRC receives for rural public transport services, is maintained or increased (measured by the proxy of bids received per tender) during the term of the Strategy.

The upcoming public transport procurement programme over the term of this Strategy is:

<table>
<thead>
<tr>
<th>Contract description</th>
<th>New contract start date</th>
<th>Proposed RFT release date (^1)</th>
<th>Proposed delivery model and supplier selection method</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Cape (trial service)</td>
<td>TBC (^2)</td>
<td>01/11/2010</td>
<td>Staged and LPC or Direct</td>
</tr>
<tr>
<td>Murupara to Rotorua</td>
<td>01/07/2011</td>
<td>30/11/2010</td>
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</tr>
<tr>
<td>Rotorua/Te Puke to Tauranga</td>
<td>30/06/2012</td>
<td>29/11/2011</td>
<td>Staged and LPC</td>
</tr>
<tr>
<td>Te Puke to Tauranga</td>
<td>30/06/2012</td>
<td>29/11/2011</td>
<td>Staged and LPC</td>
</tr>
<tr>
<td>Katikati/Omokoroa to Tauranga</td>
<td>01/07/2012</td>
<td>29/11/2011</td>
<td>Staged and LPC</td>
</tr>
<tr>
<td>Bayhopper Eastern Bay</td>
<td>30/06/2013</td>
<td>29/11/2012</td>
<td>Staged and LPC</td>
</tr>
<tr>
<td>Beach Runner</td>
<td>30/06/2013</td>
<td>29/11/2012</td>
<td>Staged and LPC</td>
</tr>
</tbody>
</table>

Table 1: Public Transport Procurement Programme until October 2013

The non-public transport procurement programme is:

<table>
<thead>
<tr>
<th>Contract description</th>
<th>Proposed selection method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply and maintenance of electronic ticket machines</td>
<td>LPC</td>
</tr>
<tr>
<td>Call Centre services</td>
<td>Direct</td>
</tr>
<tr>
<td>Transport Planning Professional Services</td>
<td>Mixed</td>
</tr>
<tr>
<td>Social marketing, including graphic design, advertising and printing, etc (^3)</td>
<td>Mixed</td>
</tr>
</tbody>
</table>

---

\(^1\) Governance decisions will be required before actual RFT release dates are set.

\(^2\) To be confirmed.

\(^3\) Includes road safety billboard application and removal.
<table>
<thead>
<tr>
<th>Contract description</th>
<th>Proposed selection method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Mobility installation of two wheelchair hoists per annum</td>
<td>LPC</td>
</tr>
</tbody>
</table>

*Table 2: Transport Operations and Transport Planning Procurement Programme until October 2013*

The transport activities procured by the Bay of Plenty Regional Council present a comparatively low level of risk and complexity. For this reason, the Bay of Plenty Regional Council will continue to undertake most transport procurement activity through the traditional staged contract delivery method and through the lowest price conforming selection method. The exceptions to this practice will mostly relate to the procurement of professional services.
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<td>6.3 Performance measurement and monitoring</td>
<td>15</td>
</tr>
<tr>
<td>6.4 Communication and Implementation Plan</td>
<td>16</td>
</tr>
<tr>
<td>6.5 Corporate ownership and internal endorsement</td>
<td>16</td>
</tr>
</tbody>
</table>
Part 1: Introduction

Section 25 of the Land Transport Management Act 2003 (LTMA) requires Approved Organisations (AO’s), to adopt procurement procedures that are designed to obtain best value for money for transport activities funded from the National Land Transport Programme (NLTP).

In order to meet the requirements of Section 25 of the LTMA, the Bay of Plenty Regional Council (BOPRC) must undertake its transport activity procurement in accordance with procurement procedures approved by the New Zealand Transport Agency (NZTA). The procurement procedures are “designed to obtain best value for money” and also have regard to “encouraging competitive and efficient markets” and “sustaining competitive markets”.

The NZTA’s Procurement Manual requires all AO’s to have an NZTA endorsed Procurement Strategy by 1 October 2010. Those strategies (including this one) remain in force for a term of three years.

This Transport Activities Procurement Strategy will demonstrate how the BOPRC will meet the provisions of the Act. It will cover all the BOPRC’s transport related procurement activity classified in the NZTA Planning, Programming and Funding Manual as:

<table>
<thead>
<tr>
<th>Activity class</th>
<th>Work category</th>
<th>Work category name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Transport planning</td>
<td>001</td>
<td>Regional land transport planning management</td>
</tr>
<tr>
<td>002 Studies and strategies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Demand management and community programmes</td>
<td>421</td>
<td>Demand Management</td>
</tr>
<tr>
<td>432 Community Programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Public transport services</td>
<td>511</td>
<td>Bus services</td>
</tr>
<tr>
<td>512 Passenger ferry services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>513 Bus and passenger ferry concession fares</td>
<td>514</td>
<td>Passenger transport facilities operations and maintenance</td>
</tr>
<tr>
<td>517 Total Mobility operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>519 Wheelchair hoists</td>
<td></td>
<td></td>
</tr>
<tr>
<td>521 Total Mobility flat rate payments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


This translates to:

- public transport services – Council provides over six million in-service bus kilometres per year to the residents of Tauranga, Rotorua, Whakatane, Katikati, Omokoroa, Te Puke, Matata, Ohope, Kawerau, Opotiki, Edgecumbe, Murupara and points in between;
• concessionary fare schemes, including 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 ticket machines, call centre services, advertising and timetable design and print; and

• regional transport planning (mainly professional services).
Part 2: Strategic Context

The 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 promote the social, economic, environmental and cultural well-being of the Bay of Plenty community. This broad responsibility is defined by a number of legislative requirements to undertake certain activities and by a community mandate, obtained through consultation, to undertake others.

As part of this broad responsibility, the BOPRC is more specifically responsible for the sustainable management of resources within the Bay of Plenty region. In doing this, the Council works to manage peoples’ effects on freshwater, land, air and coastal water under the Resource Management Act (1991).

Council also contributes to a shared vision for the Bay of Plenty in the form of Community Outcomes. These Outcomes express the community’s aspirations. They are a collective vision and influenced by a range of government and non-government organisations. The Community Outcomes for the Bay of Plenty are:

- A Clean and Protected Environment
- Healthy and Safe Communities
- Value on Learning and Excellence
- Quality and Affordable Infrastructure
- A Vibrant and Fulfilling Lifestyle
- A Prosperous and Sustainable Economy
- Open and Inclusive Leadership
- Respected Culture and Heritage

Council operates on the basis of 12 activity areas which in turn contain 32 programmes. These programmes include the provision of governance services, biosecurity, water and geothermal management, pollution prevention, regional monitoring, strategic policy and planning, and transport planning. These activities and programmes are funded though Council’s Long Term Council Community Plan (LTCCP).

The current LTCCP sets out the funding requirements for the levels of service and outputs that are to be delivered for each activity and programme over a ten year period. A new LTCCP is adopted every three years with annual plans being produced in the intervening years. These documents provide the basis for what goods and services are required to be procured by Council.

One of the most significant areas of Council procurement is within the Sustainable Transport Activity. This activity aims to enable and make available, a range of safe and reliable transportation modes. It provides public transport systems in rural and urban areas, and mobility opportunities for those with limited transport options.

After a review in 2008, BOPRC is currently developing an organisation-wide procurement strategy and procurement toolkit including policy, guidelines and procedures. To date, the organisation has developed the following 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.

This Transport Activities Procurement Strategy shares that Vision.

The BOPRC’s Procurement Strategy will not be completed until 2011. As such, Council has prepared this Transport Activities Procurement Strategy separate to the organisation-wide strategy to meet the requirements of the LTMA.

To ensure that the Transport Activities Procurement Strategy is not inconsistent with the organisation's procurement strategy, Council will review the Transport Activities Procurement Strategy on the completion of the organisation’s procurement strategy.

2.1 **Objective for the Transport Procurement Strategy**

The Objective of this Transport Activities Procurement Strategy is to procure transport goods and services in a way that:

- achieves value for money,
- encourages competitive and efficient markets; and,
- sustains those markets.

That Objective will be given effect through Council’s approach to delivering its transport procurement programme (Part 5:)

2.2 **Outcome for the Transport Procurement Strategy**

This Transport Activities Procurement Strategy will be successful if it:

- contributes to the Objective above; and
- the number of tenderers BOPRC receives for rural public transport services is maintained or increased (measured by the proxy of bids received per tender).
Part 3: Procurement environment

3.1 Analysis of the supplier market

3.1.1 Public Transport services

Between July 2009 and June 2010, there were four suppliers of public transport services to the BOPRC:

- Go Bus Transport Limited - 70% of the gross cost of services
- Reesby Buses Ltd - 25.6%
- Bayline Group Ltd - 3.3%
- Katikati Bus Company - 1.4%

From July 2010, the market has consolidated to three suppliers:

- Go Bus Transport Limited - 73% of gross cost of services
- Reesby Buses Limited - 25.6%
- Katikati Bus Company - 1.4%

This shows a heavy skewing towards a smaller number of suppliers with a significant spend. However, as can be seen in Table 4, it is comforting to note that recent Request for Tenders (RFTs) have attracted good numbers of bidders.

<table>
<thead>
<tr>
<th>Description</th>
<th>Contract Start</th>
<th>Duration (months)</th>
<th>Current Contract Value</th>
<th>Number of Bids&lt;sup&gt;5&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Bay Hopper</td>
<td>2/07/2007</td>
<td>36</td>
<td>$593,175</td>
<td>2</td>
</tr>
<tr>
<td>Beach Runner</td>
<td>2/07/2007</td>
<td>36</td>
<td>$482,214</td>
<td>2</td>
</tr>
<tr>
<td>Murupara</td>
<td>1/07/2008</td>
<td>36</td>
<td>$70,386</td>
<td>1</td>
</tr>
<tr>
<td>Rotorua urban</td>
<td>1/07/2008</td>
<td>72</td>
<td>$15,093,672</td>
<td>2</td>
</tr>
<tr>
<td>Tauranga urban</td>
<td>29/06/2009</td>
<td>67</td>
<td>$42,027,933</td>
<td>3</td>
</tr>
<tr>
<td>Rotorua/Te Puke to Tauranga</td>
<td>30/11/2009</td>
<td>31</td>
<td>$345,516</td>
<td>7</td>
</tr>
<tr>
<td>Te Puke to Tauranga</td>
<td>5/01/2010</td>
<td>31</td>
<td>$233,143</td>
<td>7</td>
</tr>
<tr>
<td>Katikati/Omokoroa to Tauranga</td>
<td>5/01/2010</td>
<td>30</td>
<td>$369,215</td>
<td>7</td>
</tr>
<tr>
<td>Eastern Bay Hopper</td>
<td>26/06/2010</td>
<td>36</td>
<td>$351,792</td>
<td>3</td>
</tr>
<tr>
<td>Beach Runner</td>
<td>26/06/2010</td>
<td>36</td>
<td>$330,783</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 4: Public Transport Service Bids

<sup>5</sup> Number of bids received that passed the minimum criteria set out in the RFT
The market in the Bay of Plenty has traditionally been segmented amongst a small group of operators. This situation has been mirrored across New Zealand. In recent years however, there appears to have been a shift in the operating model with a seemingly more aggressive stance being taken by a small number of the larger bus operators.

While some bus operators will not survive, it is considered that this level of competition is healthy for an industry and those that re-organise will be better equipped to survive. It is in the long term interest of this approved organisation 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.

Of note is the level of interest in previous tenders advertised in the Bay of Plenty, and the volume of potential tenderers (i.e. bus operators) in the Bay of Plenty region alone. The Bus and Coach Association website shows 35 bus operators belong to the Association’s Hamilton branch (which includes the Bay of Plenty).

In addition to operators located in the Bay of Plenty region, the Council has received expressions of interest for contracted public transport services from operators outside the region.

There are however, areas of concern. In recent tenders there has been an interest in market entry by operators not currently operating in the region, but the interest has not materialised into submitted tenders.

Given the state of competition in the bus industry locally, the BOPRC believe that it is obtaining acceptably efficient market prices for its contracts. At this point in time, the market has displayed the capacity and capability to deliver the required outputs.

3.1.2 Total Mobility

In general, the delivery of the Total Mobility service in the region is taxi-based and therefore constrained by the location of those services.

Between July 2009 and June 2010 there were eight suppliers of Total Mobility transport services to the BOPRC as follows:

- Tauranga Taxi Society Limited - 47%
- Rotorua Taxi Society - 23%
- Dial a Cab Whakatane 2006 - 13%
- Dial a Cab Tauranga Ltd - 7%
- New Zealand Cabs 2005 Ltd - 6%
- Taxi Cabs Mt Maunganui Papamoa Tauranga Ltd - 4%
- Eastlink Tours - < 1%
- Kawerau Coaches - < 1%

The number of operators in the taxi industry in the Bay of Plenty region has remained reasonably static in recent years, after several small companies were bought out by other local taxi companies between 2002 and 2007.

The level of competition amongst taxi operators is fierce in Tauranga. Tauranga Taxi Society is clearly the dominant provider with several other smaller operators providing a more ‘local’ service.
Rotorua and Whakatane each have only one locally based taxi company operating within their urban areas.

A bus company is used in Kawerau to provide a limited Total Mobility service, simply because there were no other viable options.

Single companies providing hoist-equipped taxi services also exist for people using a wheelchair. Tauranga Taxi Society Limited is the only company to offer this service in Tauranga; Rotorua Taxi Society in Rotorua; and Dial a Cab Whakatane 2006 in Whakatane.

3.1.3 Professional services

There are a number of situations in which the BOPRC needs to contract professional transport planning services. Table 5 identifies transport planning professional services that the BOPRC has required over the past six months.

<table>
<thead>
<tr>
<th>Name of professional services project</th>
<th>Approx value of work</th>
<th>Did we have the capacity or capability to have done it in-house?</th>
<th>Supplier selection method</th>
<th>Location of where the supplier was based</th>
<th>How many proposals were received?</th>
<th>Did the work get NZTA funding?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bay of Plenty Regional Freight Study</td>
<td>$12,500</td>
<td>Specialist expertise required.</td>
<td>Direct appointment</td>
<td>Auckland</td>
<td>1</td>
<td>Y</td>
</tr>
<tr>
<td>Regional Land Transport Strategy (RLTS) Review Focus Groups</td>
<td>$10,000</td>
<td>Specialist expertise required.</td>
<td>LPC</td>
<td>Hamilton</td>
<td>3</td>
<td>N</td>
</tr>
<tr>
<td>Regional Land Transport Strategy Audit</td>
<td>$10,000</td>
<td>Yes but statute requires the project be undertaken by an independent party.</td>
<td>Direct appointment</td>
<td>Auckland</td>
<td>1</td>
<td>Y</td>
</tr>
<tr>
<td>Regional Road Safety Report</td>
<td>$10,000</td>
<td>Yes but limited by staff time.</td>
<td>Direct appointment</td>
<td>Tauranga</td>
<td>1</td>
<td>Y</td>
</tr>
<tr>
<td>Bay of Plenty Transport Futures Study</td>
<td>$75,000</td>
<td>Specialist expertise required.</td>
<td>Target Price</td>
<td>Auckland</td>
<td>4</td>
<td>Y</td>
</tr>
<tr>
<td>Economic Development Strategy</td>
<td>$90,000</td>
<td>Specialist expertise required.</td>
<td>Target Price</td>
<td>Auckland and Wellington</td>
<td>1</td>
<td>Y</td>
</tr>
<tr>
<td>Demand Management Study</td>
<td>$30,000</td>
<td>Specialist expertise required.</td>
<td>Target Price</td>
<td>To be determined</td>
<td>3</td>
<td>Y</td>
</tr>
<tr>
<td>PT - International Best Practice Study</td>
<td>$35,000</td>
<td>Specialist expertise required.</td>
<td>Target Price</td>
<td>Wellington</td>
<td>1</td>
<td>Y</td>
</tr>
</tbody>
</table>

Table 5: Recent Professional Services Procured
The procurement of transport planning professional services tends not to be bound by location (as seen in Table 5). There is currently a wide range of transport planning firms, at both a regional and national level, who provide professional services to the BOPRC. The level of competition therefore, is less likely to reduce substantially.

3.2 **Analysis of the impact of the procurement programmes of other approved organisations and other entities**

The activities of other approved organisations will not significantly impact the BOPRC’s transport procurement programme. Due to the small size of the contracts programmed, the capacity of the bus operator market is unlikely to be tested.

However, due to the larger size of the Rotorua Urban Bus Service (mid 2014) and the Tauranga Urban Bus Service (mid 2015), these tenders may be impacted by activities in Hamilton or Auckland, should they run large tenders at the same time.

Bay of Plenty Regional Council staff will regularly make themselves aware of the procurement programmes in adjacent regions, and staff will avoid running large tenders at the same time.

There may be a small advantage in coordinating the timing of the largest tenders with neighbouring AO’s, in particular Environment Waikato; however, the additional complexity would need to be measured against any benefit. This decision currently sits outside the immediate timeframe of this document.

There are no physical environmental barriers that affect the local supplier market.
Part 4: Procurement Programme

4.1 Procurement Programme

The upcoming public transport procurement programme is outlined below. Bay of Plenty Regional Council currently stage the delivery of public transport services and use the lowest price conforming (LPC) supplier selection method\(^6\) for all public transport contracts. However, a trial East Cape service may use the direct appointment method due to the isolated and sparsely populated nature of this part of the region.

In addition to the East Cape service, there are six comparatively small contracts due to expire in the next three years (within the scope of this document):

<table>
<thead>
<tr>
<th>Contract description</th>
<th>New Contract start date</th>
<th>Proposed RFT Release Date(^7)</th>
<th>Proposed delivery model and supplier selection method</th>
<th>Estimated Contract value per year</th>
<th>Proposed Duration (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Cape (trial service)</td>
<td>TBC(^8)</td>
<td>01/11/2010</td>
<td>Staged and LPC or Direct</td>
<td>$20,000</td>
<td>24</td>
</tr>
<tr>
<td>Murupara to Rotorua</td>
<td>01/07/2011</td>
<td>30/11/2010</td>
<td>Staged and LPC</td>
<td>$25,600</td>
<td>36</td>
</tr>
<tr>
<td>Rotorua/Te Puke to Tauranga</td>
<td>30/06/2012</td>
<td>29/11/2011</td>
<td>Staged and LPC</td>
<td>$142,000</td>
<td>36</td>
</tr>
<tr>
<td>Te Puke to Tauranga</td>
<td>30/06/2012</td>
<td>29/11/2011</td>
<td>Staged and LPC</td>
<td>$95,745</td>
<td>36</td>
</tr>
<tr>
<td>Katikati/Omokoroa to Tauranga</td>
<td>01/07/2012</td>
<td>29/11/2011</td>
<td>Staged and LPC</td>
<td>$157,000</td>
<td>36</td>
</tr>
<tr>
<td>Bayhopper Eastern Bay</td>
<td>30/06/2013</td>
<td>29/11/2012</td>
<td>Staged and LPC</td>
<td>$128,000</td>
<td>36</td>
</tr>
<tr>
<td>Beach Runner</td>
<td>30/06/2013</td>
<td>29/11/2012</td>
<td>Staged and LPC</td>
<td>$100,000</td>
<td>36</td>
</tr>
<tr>
<td>Rotorua urban</td>
<td>30/06/2014</td>
<td>29/11/2013</td>
<td>Staged and LPC</td>
<td>$2,831,000</td>
<td>TBC</td>
</tr>
<tr>
<td>Tauranga urban</td>
<td>02/02/2015</td>
<td>01/02/2014</td>
<td>Staged and LPC</td>
<td>$8,726,000</td>
<td>TBC</td>
</tr>
</tbody>
</table>

Table 6: Public Transport Procurement Programme

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\(^6\) For a detailed explanation of the supplier selection methods, please refer to the NZTA Procurement Manual.

\(^7\) Governance decisions will be required before actual RFT release dates are set.

\(^8\) TBC – to be confirmed.
Probable non public transport procurement activities for the next three years are:

<table>
<thead>
<tr>
<th>Contract description</th>
<th>Proposed supplier selection method</th>
<th>Approx value per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply and maintenance of electronic ticket machines</td>
<td>LPC</td>
<td>$50,000</td>
</tr>
<tr>
<td>Call Centre services</td>
<td>Direct(^9)</td>
<td>$100,000</td>
</tr>
<tr>
<td>Transport Planning Professional Services</td>
<td>Mixed(^{10})</td>
<td>$200,000 to $600,000(^{11})</td>
</tr>
<tr>
<td>Social marketing, including graphic design, advertising and printing, etc(^{12})</td>
<td>Mixed</td>
<td>$380,000</td>
</tr>
<tr>
<td>Total Mobility installation of two wheelchair hoists per annum</td>
<td>LPC</td>
<td>$35,000</td>
</tr>
</tbody>
</table>

*Table 7: Transport Operations and Transport Planning Procurement Programme*

### 4.2 High risk or unusual procurement activities

No high risk or unusual procurement activities are anticipated in the upcoming three years. However, the Ministry of Education (MOE) has indicated that it intends to fully implement its School Transport Assistance Policy in Tauranga. This will mean that a number of children residing in Tauranga will no longer qualify for school transport assistance, leading to the subsequent withdrawal of some MOE school bus services. This process is due for completion before February 2015. The Tauranga Urban Bus Services Contract is due to expire at a similar time, to assist the planning and transition of children from school bus services to the urban bus network.

Currently, no advanced delivery models (as set out in the NZTA Procurement Manual) or supplier selection methods are employed. It is unlikely that they will be required for the next Tauranga Urban Bus Services Contract starting in early 2015. Council will however, further consider the need to do so in the next Transport Activities Procurement Strategy (which will cover the period 2013-2016).

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\(^{9}\) Previous contract was LPC, but quality of service delivery was unacceptably low, so a direct appointment was made.

\(^{10}\) Supplier Selection Method may be Direct, LPC, Purchaser Nominated Price or Price/quality.

\(^{11}\) Range depends on position in planning cycle

\(^{12}\) Includes road safety billboard application and removal.
Part 5: Approach to delivering the Transport Procurement Programme

5.1 The procurement approach

To achieve the Objective that BOPRC has set for this Transport Activities Procurement Strategy, it will:

- **Supplier selection method/contract delivery model** – BOPRC will continue to use the lowest price conforming method and the traditional, staged method for most procurement processes (see section 5.2).

- **Public transport contract size and scale** – BOPRC staff will investigate the benefits and costs of limiting the size of its public transport contracts (especially the Tauranga Urban Bus Contract) and report this matter to Council for decision in 2013.

- **Market sustainability** – BOPRC will investigate the benefits and costs arising from limiting the number of contracts that any one operator can hold. This investigation will aim to determine if a market intervention would help sustain a competitive market. The investigation will occur within the term of this Transport Activities Procurement Strategy.

- **Public transport contract performance incentives** – BOPRC will investigate within the term of this Transport Procurement Strategy, the benefits and costs arising from using performance incentives for gross public transport contracts. This investigation will aim to determine if performance incentives would help improve value for money received.

- **Public transport contract duration** – BOPRC will limit future public contract terms to a maximum of 60 months (as per Rule 10.21 of the NZTA Procurement Manual). In determining lesser contract terms, for each contract BOPRC staff will consider:
  - impact on the competitive nature of the market;
  - capability and capacity of the supply market; and
  - economies of scale.

  These factors will be considered within the context of the Strategy’s Objective.

- **Public transport vehicle quality standards (VQS)** – BOPRC will engage with the bus and coach industry within the term of this Transport Activities Procurement Strategy, to improve BOPRC’s understanding of the implications of setting VQS’s and the tradeoffs they entail. This will include incorporating best practice emission standards. Better engagement in this area would potentially improve value for money received.

- **Public transport information to markets** – BOPRC will disclose public transport patronage and revenue data to the market. As contracts are for publicly subsidised services, the data cannot reasonably be deemed to be a normal commercial asset, therefore, it is correct to release patronage information. BOPRC will also release its tender program for public transport and professional services for the next 12 months to the market.
• **Support for local businesses** – BOPRC will present work packages to the market that encourage local supplier participation, wherever appropriate, while also aiming to deliver optimal value for money to the ratepayer and funding agencies. While it is not possible to select suppliers on geographical considerations alone, it is acceptable to take into account factors such as responsiveness and flexibility in the tendering process.

• **Tendering processes** – within the term of this Transport Activities Procurement Strategy, BOPRC intends to make greater use of electronic communications in procuring goods and services (for example, e-Tenders). BOPRC will make greater use of technology to reduce transactional costs.

• **Tender evaluations** – BOPRC staff will continue to manage the procurement processes for public transport and professional services. With respect to professional services, a gap potentially exists in Councils’ ability to assess such bids, in that there is not an accredited assessor on staff. This will be addressed further in the Council wide procurement policy.

• **Regular reviews** – BOPRC staff will regularly review procurement processes to ensure Council continues to obtain best value for money, and continue to encourage improvement in the services it procures. This will be further addressed in the Council-wide procurement strategy.

5.2 **Analysis of whether advanced components, customised procurement procedures or variation to procurement rules are required**

5.2.1 **Contract delivery models**

The four categories of contract delivery models set out in the Procurement Manual are:

• **Staged** - activity delivered through a series of separate contracts.

• **Design and build (design and implement for PT)** - single supplier completes design and construction.

• **Shared risk (advanced)** - integrated team working collaboratively to deliver an activity.

• **Supplier panel (advanced)** - extended relationship with a group of suppliers who are the main source of required goods and services.

The vast majority of BOPRC transport procurement activity has been and will continue to be undertaken by the traditional, staged method. There are no plans to use an advanced delivery model for transport procurement at this stage.

In the future, BOPRC will review the need for advanced delivery models depending on negotiations with the MoE around the rationalisation of school bus services in Tauranga. The need for advanced models is currently seen as very unlikely. In addition, the outcome of the work on a Public Transport Operating Model, currently under development by the Ministry of Transport, may provide some future direction.

In selecting the appropriate method of contract delivery, BOPRC will assess each good or service to be procured against the following criteria:

• complexity (including specialist knowledge) and uncertainty;

• scale;
- timing and urgency;
- innovation potential;
- risk management; and
- supplier market.

5.2.2 Supplier selection methods

The supplier selection methods set out in the NZTA Procurement Manual are:

- **Direct appointment** – for low value contracts (<$100,000) where the contract terms, including price, are negotiated with the selected supplier. Should this method be adopted, the value for money rationale is that the costs of tendering are outweighed by the potential loss of competitive benefits.

- **Lowest Price Conforming** – lowest price proposal that meets the RFT requirements.

- **Purchaser nominated price** – purchaser fixes the price and proposals conform to the request for proposal and are evaluated on quality.

- **Price/quality** – suppliers scored on quality first. A price quality formula determines the preferred supplier.

- **Quality based method (advanced)** – scored on quality. Price is negotiated.

The vast majority of the BOPRC’s public transport procurement activity has been and will continue to be undertaken by the lowest price conforming method.

For most regional transport planning activities under work category 1 and 2 (see Table 3) the procurement of the service has and will continue to be staged and if under $10,000 per stage, has usually been by direct appointment. Contracts over $10,000 per stage have and will continue to employ lowest price, price/quality, or target price methods.

The BOPRC has no plans at this time to use advanced supplier selection methods for transport procurement.
Part 6: Implementation

6.1 Capability and capacity

Currently the BOPRC do not have the need, or the specialist skills to utilise advanced delivery models or selection methods for public transport contracts.

There may be some benefit however, to staff undertaking proposal evaluation training and increasing the number of staff who are approved by the NZTA as proposal evaluators. This will be addressed through the BOPRC procurement strategy.

6.2 Internal procurement processes

Since 2006, the BOPRC has had a Contracts Manual which sets out the guidelines for Council staff for preparing, awarding and managing contracts. The manual specifically refers to the provisions of the Competitive Pricing Procedures, which override the Council’s Contracts Manual with respect to NLTP funded transport contracts. As part of the organisation wide review, the Contracts Manual will be updated to refer to the NZTA Procurement Manual. In cases where no guidelines in the Procurement Manual are applicable then the procedures contained in the BOPRC Contracts Manual must be adhered to.

In 2008, the BOPRC undertook a review of general procurement practices throughout the organisation. As a result of the review process, several issues were identified which required improvement to bring the organisation more in line with best practice. A Procurement Policy was developed outlining the actions required to take Council from the current situation to its desired status. On 8 April 2010, Council approved a new procurement officer position to carry out the work contained in this Policy. It is expected that a full procurement toolkit (including the Procurement Strategy, guidelines and procedures) will be available by 1 July 2011.

6.3 Performance measurement and monitoring

For public transport services, the BOPRC will continue to collect and report on the following performance measures:

- service reliability;
- service punctuality;
- patronage;
- reporting timeliness;
- service inputs;
- farebox revenue;
- customer satisfaction;
- passenger facilities (on bus);
- safety and security;
- contract conformance with fleet composition; and
- complaints.
6.4 **Communication and Implementation Plan**

The following BOPRC stakeholders have been involved in the development of this Strategy:

- transport section staff;
- property and procurement section staff; and
- the Executive Leadership Team (ELT).

Bay of Plenty Regional Council staff have also sought comment on two occasions from NZTA staff and have incorporated that feedback into this document.

Once approved by the NZTA, this Transport Activities Procurement Strategy will be distributed by BOPRC staff to the stakeholders that have provided input into its development. It will also be provided to public transport operators.

6.5 **Corporate ownership and internal endorsement**

The BOPRC ELT considered and endorsed this Transport Procurement Strategy on 4 October 2010. The Strategy itself will be owned by the BOPRC transport section whom will maintain and review it.