

Waikato Regional Council Transport Activity Procurement Strategy 2023-2025

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Executive summary

This Procurement Strategy (the Strategy) outlines Waikato Regional Council's (Council or WRC) integrated approach to the procurement of transport sector activities funded in partnership with the Waka Kotahi New Zealand Transport Agency (Waka Kotahi) under s20 of the Land Transport Management Act 2003.

The primary audience of this strategy is intended to be Council staff, potential suppliers and bus operators, Waka Kotahi and local authorities within the Waikato Region.

The overarching objective of this Strategy is to ensure that Council procures land transport activities in a way that obtains best value for money, enables fair competition and encourages competitive and efficient markets, while meeting relevant procurement policies and procedures set out in the Waka Kotahi Procurement Manual.

Currently Council spends about approximately \$40¹ million per year on transport activities across two main areas: Transport Planning, and Public Transport Planning and Operations.

Transport Planning broadly covers activities required by legislation such as the development of Regional Land Transport Plan and Regional Public Transport Plan. It also covers activities that support the management and implementation of these plans such as the application of the business case approach and the development and implementation of the Regional Road Safety Strategy (Road to Zero for the Waikato) and Regional Speed Management Plan.

Public Transport Operations accounts for about 85 per cent of total transport expenditure and contracted public transport services are the single largest transport procurement activity the Council undertakes. Accordingly, the approach to procurement of public transport services (both bus and rail) forms a major component of this strategy.

This strategy incorporates a number of key milestones such as the implementation of the Tu Huia passenger rail service between Hamilton and Auckland, delivering the planned bus services under the Public Transport Operating Model (PTOM), continuing expansion of the Total Mobility scheme, and upgrading and renewal of a number of Public Transport Information technology components.

It is intended that this Transport Procurement Strategy will cover for the 2023-25 period (not a 3-year period) on that basis that this strategy will be updated within the next 2 years to anchor the Sustainable Public Transport Framework (SPTF), Government Policy Statement 2024-27 (GPS) and to reflect the Regional Land Transport Programme 2024-54 (RLTP) in relation to key regional priorities and procurement programme for WRC.

Recommendations

It is recommended that the Waka Kotahi:

- Endorses this "Waikato Regional Council Transport Procurement Strategy 2023-2025",
- Note the planned procurement of public transport services will continue to implement under the PTOM within this Procurement Strategy,
- Note that it is anticipated that a major review of the transport activity procurement strategy will be undertaken within the next 2 years to anchor the proposed SPTF, GPS 2024-27 and significant activities arising from the RLTP 2024-54 (under review), and a new network delivery strategy to guide the procurement of bus services beyond 2024/25.

¹ WRC total expenditure for transport activities in 2021/22

Corporate ownership and external endorsement

Corporate ownership of this document is shared between Council’s Directorates of Regional Transport Connections, and Finance and Business Services. The overall strategy will be endorsed by Council and Waka Kotahi, and will remain as a living document.

Part A: Policy Context

1 Statutory and planning context

1.1 Land Transport Management Act 2003

The Land Transport Management Act 2003 (LTMA) is the primary transport legislation that governs the planning and provision of land transport activities in New Zealand. The purpose of the LTMA is “to contribute to an effective, efficient, and safe land transport system in the public interest”.

The LTMA takes a broad view of procurement. It requires consideration of whole-of-life best value for money, keeping in mind fair competition and encouraging competitive and efficient markets. Section 25 of the LTMA requires that procurement procedures used by approved organisations be designed to obtain best value for money spent and having regard for the purpose of the Act.

Part 5 of the LTMA sets out the planning framework for provision of public transport services to enable implementation of the PTOM. It includes a set of principles to guide the actions of organisations such as the Waikato Regional Council in undertaking their public transport functions. These principles are:

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

1.2 Strategic objectives and outcomes

Waikato Regional Council’s strategic direction 2023-25 is to work with others and build a Waikato region that has a healthy environment, a strong economy and vibrant communities, whilst actively responding to climate change and working towards a low emissions economy.

Transport has a key role to play in achieving this. Waikato Regional Council through the Regional Transport Committee (RTC), has developed a number of strategic documents to guide the planning, investment and delivery of transport activities in the region, and these are:

- Waikato Regional Land Transport Plan 2021-51
- Waikato Regional Public Transport Plan 2022-2032
- Road to Zero for the Waikato 2020-2040

1.2.1 Waikato Regional Land Transport Plan 2021-2051

Waikato Regional Land Transport Plan (RLTP) sets out the strategic direction for land transport in the Waikato region over the next 30 years. It describes what the region is seeking to achieve for the land transport system and how it will contribute to an effective, efficient and safe land

transport system in the public interest as required under the Land Transport Management Act (LTMA).

The RLTP 2021-51 has identifies three key transport problems and a set of regional priorities to drive progress towards addressing these problems over the next 30 years. The key significant transport problems and priorities are set out below:

Significant regional transport problems

1. Problem 1: Growth in the upper North Island is impacting on strategic corridors and hindering economic development.
2. Problem 2: System failures and user behaviours expose road safety users to risk, resulting in a unacceptable occurrence of deaths and serious injuries.
3. Problem 3: People need better more equitable transport options to access social, health and economic and cultural opportunities.

Regional transport priorities

To address the problems, the RLTP has identified a set of regional priorities over the next 10-year:

Strategic corridor improvements

- Protecting and improving priority strategic corridors (road and rail)
- Improving network resilience, route reliability and safety on key strategic corridors
- Resolving rail constraints in the upper North Island
- Supporting the region's Covid-19 recovery

Managing growth in high growth areas

- Providing transport options and infrastructure in high growth areas – Hamilton and northern Waikato.
- future-proofing priority transport corridors to achieve urban growth outcomes.

Road safety

- Implementing priorities in Road to Zero for the Waikato 2020 road safety strategy
- Planning and implementing safe and appropriate speeds and safe network improvements, particularly around schools

Maintaining what we have

- Maintenance of existing assets
- Optimising network efficiency to achieve value for money.

Access and Mobility

- Shaping urban form that supports better multi-modal transport options.
- Growing public transport and active transport mode share in urban areas
- Transition towards a public transport system with rapid and high frequency PT corridors in Hamilton-Waikato Metro Spatial Plan area
- Improving access and mobility for rural areas and transport disadvantaged - developing innovative solutions to provide better transport options for rural communities.
- Growing interconnected cycle and pedestrian networks
- Enhancing passenger rail and planning for expansion in the H2A Corridor.

Climate change

- Transforming to an environmentally sustainable, low carbon transport system
- Transitioning to zero-emission public transport fleet

These regional priorities underpin the transport activities that Council delivers and the way it works with other organisations and the community. More specific objectives, policies and implementation measures are covered in detail within the RLTP and RPTP. These documents provide the strategic context for the transport activities identified in this procurement strategy.

Waikato Regional Public Transport Plan (RPTP) 2022-32

The RPTP supports the operational delivery of the RLTP in respect to public transport. More specifically the plan provides:

- a means for encouraging regional councils and public transport operators to work together in developing public transport services and infrastructure
- an instrument for engaging with the public in the region on the design and operation of the public transport network
- a statement of the public transport services that are integral to the public transport network, the policies and procedures that apply to those services, and the information and infrastructure to support those services.

The RPTP 2022-32 has identified the following priorities and key initiatives for public transport over the next 15 years:

Table 2-1: Waikato Regional Public Transport Plan – Key priority measures

	PT network improvements		
	Inter-regional focus	Regional focus	Metro urban focus
RPTP key priorities	<ul style="list-style-type: none"> • Improving interregional connections between major urban centres to support mode shift and emission reductions, • Working in partnership with commercial and other service providers to extend the reach of public transport services regionally and inter-regionally. 	<ul style="list-style-type: none"> • Connecting every urban area to its nearest regional centre with a baseline network of bus services (at least daily return trips), • Ensuring the communities within regional towns have access to essential services via a range of transport solutions 	<p>Implementing the MSP Programme Business Case developed under Future Proof and, in so doing, create a network of frequent and rapid bus routes that:</p> <ul style="list-style-type: none"> • enable convenient car free mobility anywhere to anywhere, • enable significant mode shift and emissions reduction, • support compact urban form and land use intensification in close proximity to frequent or rapid corridors
Key initiatives 1-3 years	<ul style="list-style-type: none"> • Complete Te Huia short term improvement programme. • Investigate viability of additional stations for Te Huia in Te Kauwhata and Pōkeno. • Identify and agree a permanent funding and delivery model for interregional rail in partnership with Government. • Identify and prioritise further improvement and optimisation opportunities to enable 	<ul style="list-style-type: none"> • Simplify the funding and delivery models for public transport services and infrastructure. • Commence rollout of regional accessibility programme, prioritised based on communities with the greatest need. 	<ul style="list-style-type: none"> • Improved connections between Hamilton and larger metro urban centres (minimum 60 minutes all day). • Increase the frequency of Comet bus route to 10 minutes. • Investigate the alignment of Orbiter. • Establish and extend Meteor route to Ruakura. • Investigate and secure funding for

	<p>improved access into central Auckland.</p> <ul style="list-style-type: none"> • Confirm a plan for the replacement of Te Huia rolling stock. 		<p>new frequent bus routes: Rotorua Rocket, CBD to Peacocke, Glenview to the University of Waikato.</p> <ul style="list-style-type: none"> • Commence detailed planning for BRT corridors.
<p>Key initiatives 3-15 years</p>	<ul style="list-style-type: none"> • Investigate and plan for a rail connection to Tauranga. • Investigate and confirm a preferred option for faster passenger rail services, connecting Auckland and Hamilton 	<ul style="list-style-type: none"> • Connect every urban area with a baseline level public transport access to its nearest regional centre. • Improve public transport connections within regional towns. 	<ul style="list-style-type: none"> • Commence implementation of BRT corridors. • Complete the Hamilton frequent network. • Improve public transport links between Hamilton and surrounding metro urban centres (minimum 30 minutes all day).

Road to Zero for the Waikato

The Road to Zero for the Waikato – Strategic Plan 2020-2040 (Road to Zero for the Waikato) sets a vision of accessible journeys free of deaths and serious injuries and a goal to reduce deaths and serious injuries in the Waikato region by 40% from 2018 levels. This strategic plan takes a whole-of-system (Safe System) approach with focus areas on ensuring an effective regional response, safer roads, helping people to have safety skills and make safe choices, safe work-related travel and improving vehicle safety. The current priorities for Road to Zero for the Waikato are:

Road to Zero for the Waikato – key priorities	
<p>Effective regional response</p> <p><i>Regional partners show leadership and collaboration/ partnering to deliver a safe system for the public and community.</i></p>	<ul style="list-style-type: none"> • Support and strengthen safety leadership, collaboration, accountability and advocacy. • Safe mobility and accessibility for all and inclusion of disabled peoples’ perspective. • Increase partnerships with iwi Māori and grow opportunities to develop targeted programmes. • Evidence informed priorities and integrated infrastructure, enforcement and education planning. • Build sector capability and partnerships. • Good safety policy and advocacy at a national, regional and local level, with strong relationships
<p>Safer roads</p> <p><i>Implement infrastructure improvements and consistent speed management which targets highest risk.</i></p>	<ul style="list-style-type: none"> • Drive a safe system approach to transport planning, investment and implementation. • Safe, appropriate and accessible infrastructure for all land transport modes, including footpaths, shared paths, cycleways and public transport. • Focus on vulnerable people and infrastructure improvements of highest benefit. • Safe and appropriate speeds across the regional network through speed management plans. • Help the public and responsible agencies understand road risk and gain support for speed management measures through education and advocacy.

	<ul style="list-style-type: none"> Plan for changing demographics, ageing population, and changing technology impacts.
<p>Road user choices</p> <p><i>Collaboratively plan and deliver education and behaviour change programmes to communities across the region.</i></p>	<ul style="list-style-type: none"> Risk targeted integrated road user education and behaviour change programmes Improve people’s understanding of road risk, Road to Zero, and safe system to build public support for safety interventions and activities Targeted compliance and enforcement activities Advocate for a more accessible driver licensing programme to support community delivery Increase education delivery to schools and vulnerable people
<p>Safe work-related travel</p> <p><i>Work collaboratively with regional partners and businesses on safe workplace travel.</i></p>	<ul style="list-style-type: none"> Work with the business and freight sector to improve fleet safety outcomes. Promote safe workplace travel policies and vehicle purchasing.
<p>Vehicle safety</p> <p><i>Work with regional partners, businesses and the wider community to promote safe vehicle purchase and vehicle maintenance.</i></p>	<ul style="list-style-type: none"> Promote buying of newer, safer, low emission vehicles with an ANCAP star rating of 4 or more to reduce the age of the vehicle fleet and improve safety and environmental outcomes. Advocate for mandatory safety standards for imported vehicles and a cap on the import of older, less safe vehicles into the wider fleet. Continue to focus on heavy vehicle safety and maintenance.

Road to Zero for the Waikato provides the basis for the road safety promotion programme delivered by Council as discussed in section 3.

1.3 Objectives of Transport Activity Procurement Strategy

Procurement has an important impact on the delivery of strategic objectives set out in Council’s key transport planning documents as described above. The objectives of this Strategy are to:

- Provide the basis for procuring activities that contribute to achieving Council’s core values, corporate aims and strategic objectives.
- Improve the efficiency and effectiveness of the procurement process and achieve best value for money outcomes.
- Ensure that risk is appropriate managed and that procurement practises are conducted in a fair, consistent and transparent manner.

This Strategy is also intended to assist suppliers by:

- Providing visibility and transparency of our procurement function, programme of work, and how we will undertake our procurement activities.
- Encouraging good procurement practices that support innovation and collaboration.
- Providing guidance on existing unit contracts and the partnering contract framework for public transport services.

1.4 Waka Kotahi procurement requirements and what they mean for Council

The LTMA requires that the Waka Kotahi approve activities for funding (s20 LTMA) from the National Land Transport Fund (NLTF).

Council must account for funds received from the NLTF for approved activities through a land transport disbursement account (s24 LTMA). All expenditure from Council's disbursement account must be made in accordance with a procurement procedure approved by the Waka Kotahi (s25 LTMA), unless they are exempted under s26 of the LTMA.

To ensure alignment with LTMA requirements Council must have a procurement strategy that has been endorsed by the Waka Kotahi. The strategy must be regularly reviewed – at a minimum, once every three years or when there is a significant change to the procurement approach/environment.

Accordingly, this procurement strategy:

- Documents Council's long-term integrated approach to the procurement of transport sector activities funded under s20 of the LTMA.
- Ensures all approved activities will be procured in accordance with procedures approved by the Waka Kotahi.
- Ensures procurement is undertaken in a way that gives effect to s25 of the LTMA.
- Documents any activities that are exempt by or under s26 of the LTMA.

Section 25 of the LMTA requires that procurement procedures are designed to obtain 'best value for money' spent and must have regard to the desirability of:

- Enabling persons to compete fairly for the right to supply outputs required for approved activities, if 2 or more persons are willing and able to provide those outputs; and
- Encouraging competitive and efficient markets for the supply of outputs required for approved activities.

1.5 Best value for money

In the context of transport procurement, obtaining 'best for value for money spent' is a key requirement under s20 of the LTMA. When deciding how to approach a procurement, Council will consider whether the proposed activity can deliver the output (for both financial and non-financial attributes) in a most efficient and economic manner in achieving best value.

To help meet this goal, Council has adopted the following guidelines to ensure goods and services are procured in an efficient, ethical, and transparent manner that would result in achieving best public value:

WRC procurement guidelines for achieving best public value:

- **Roles and Responsibilities.** All WRC staff and managers should be aware of their tasks and obligations across all procurement and purchasing activity when spending money or committing the Council to financial or other obligations.
- **Spend Management.** WRC's Financial Delegations Manual sets out robust spend management in delivering fit for purpose outcomes for the Council while supporting transparency and accountability.
- **Risk Management.** Through effective process management and contract outputs, risk should be appropriately managed and assessed by the business ensuring results are not compromised nor is spend or Council reputation.

- **Accountability.** All WRC staff must carry out their roles and responsibilities in line with this and other policies ensuring they can account for decisions, documents, results, behaviour and can justify reasons for procurement related activity.
- **Operational Efficiency.** The application of this policy with supporting procurement systems and tools are best designed to enable the efficient procurement operations of the Council promoting best practice procurement.
- **Social Procurement.** Staff must look at opportunities to engage Maori, Pasifika, regional businesses and social enterprises in their procurement and make it easy for them to do business with the Council.
- **Sustainability and emissions reduction.** Staff and managers must consider sustainability and emission reduction opportunities across all procurement and purchasing activity.

Council's objective is to seek an optimal balance between quality and price to achieving best value for money spent. In determining the best value for money, Council will also consider the following non-financial attributes:

- Impact on communities and the environment (e.g. positive or negative impacts on connectivity, disruption or pollution);
- Whole-of-life consideration (e.g. longevity of value/benefit against ongoing costs);
- Innovation (e.g. meeting LTMA/GPS outcomes via an agreed output variation from that originally specified);
- Environmental sustainability (e.g. by valuing suppliers that demonstrate commitment to improving environmental/climate change outcomes through their business practices or service provision);
- Training and development opportunities (e.g. by valuing suppliers that invest in local workforce capability and wellbeing); and
- Health and Safety practices (e.g. by valuing suppliers that meet certain specified standards).

1.6 Health and Safety consideration in Procurement

Council has a particular focus on Health and Safety and takes its obligations under the Health and Safety at Work Act very seriously.

WRC will consider health and safety needs at every phase of the Procurement Lifecycle, from planning the procurement (including the design of specifications and requirements), engaging with markets, selecting goods and/or suppliers, awarding contracts and managing the preferred suppliers.

The extent to which procurement processes incorporate ways to eliminate or minimise health and safety risk will vary, depending on an assessment on what is reasonably practicable to do. This assessment will include:

- the likelihood of the risk occurring.
- the degree of harm that might occur.
- the availability and suitability of ways to eliminate or minimise the risk or hazard.

Council will ensure that all contractors/suppliers are responsible for meeting their respective health and safety obligations at law and must as far as reasonably practicably consult, cooperate and coordinate activities with each other and any subcontractors or other parties.

It is mandatory for all WRC contractors carrying out high risk services for Council to be prequalified for health and safety by SHE Software (NZ) Ltd. Awarding a contract is dependent on successful prequalification outcomes.

For low-risk work (as defined through WRC Health and Safety Manual but mainly includes office based work and some low risk field work), a Job Safety Analysis (JSA) must be completed, A low risk contractor will have a residual risk score of low or medium, after completion of a JSA. The JSA must be documented and signed off by the relevant contract manager within WRC.

For more information, please refer to WRC Health and Safety Management System Manual.

1.7 Sustainability consideration in Procurement

Sustainable procurement is ensuring resources utilised today do not have a negative impact for tomorrow. This includes ensuring environmental, economic, and social impacts are considered when purchasing or engaging goods and services.

In carrying out any purchasing or procurement activity, Council will consider:

- how the procurement can be used to achieve wider social, economic, cultural and environmental outcomes,
- the sustainability of the goods, services and works over their whole life,
- the protection and preservation of the environment,
- circular solutions that can help design out waste and pollution, keep products and materials in use and regenerate nature,
- how the procurement can reduce carbon emissions, waste, and pollution and contribute to low emissions and circular economies and promote greater environmental responsibility,
- how to increase access to Council contracts opportunities for Māori, Pasifika, regional businesses and social enterprises (social procurement),
- Including Sustainability and Social Procurement (where applicable) criteria in all procurement evaluations including Tender requests, with a non-price attribute weighting of a minimum of 10% and up to 15% for procurement above \$50,000.

1.8 Boarder Outcomes

The 2019 version of the Government procurement rules (Waka Kotahi Procurement Manual, Amendment 5) introduces the concept of 'public value', requiring all approved organisation procurement activities to contribute to Government's broader outcomes.

These outcomes can be social, environmental, cultural and economic benefits which will deliver long term public value for New Zealand. Broader outcomes require consideration not only of the whole-of-life cost of the procurement, but also the costs and benefits to society, environment and economy.

WRC will ensure that its procurement activities, where appropriate, contribute to the Government's boarder outcomes, including the following priority areas:

- Increase New Zealand **businesses' access to government procurement**: increasing the number of New Zealand businesses contracting directly to government, and within the supply chain. This includes Māori businesses, Pasifika businesses and social enterprise.
- Increase the size and **skill level of the domestic construction sector** workforce: the government is leveraging procurement through construction to encourage businesses to increase the size and skills of their workforces.
- **Improve conditions for workers** and future-proof the ability of New Zealand businesses to trade: this priority protects workers from unfair and unsafe behaviour, and incentivises well-performing firms while ensuring they are not undercut by firms who have reduced costs through poor labour practices.

- Support the transition to a **net zero emissions economy** and reduce waste from industry by supporting innovation.

Following the declaration of a climate emergency by the New Zealand government in December 2020, local councils have been informed that no new diesel buses may be purchased as part of local service contracts from 2025 onwards.

WRC's RPTP also includes objectives that seek to deliver net zero public transport services after 2025. In all new contracts WRC are seeking to have a fleet made up of zero emission vehicles.

Under the new contract, all drivers will be paid at least the living wage, as this is seen as a mechanism for improving conditions for workers and assists in recruitment and retention consistent with WRC Procurement Policy.

1.9 Other relevant factors

Organisational policies

This Procurement Strategy is designed to be read in conjunction with other WRC guiding documents relevant to procurement process, which include:

- **WRC Procurement Policy** – (Doc#1437366 (v2)) – covers activities associated with the procurement of all goods and services by Council.
- **WRC Procurement Guidelines** – (Doc#155922) – a resource for Council staff to help ensure that procurement activity reflects the principles in the Procurement Policy (above).
- **WRC Process for Formal Methods of Evaluating Suppliers** – (Doc#1378274) outlines process and requirements for tender development and evaluation
- **WRC Contracts Process** – (Doc#1420037) for WRC staff to be aware of the contract process and requirements, know how to engage a contractor, and can complete a contract precedent (template).
- **WRC Financial Delegations Manual** – (Doc#1708917) documents the delegation of financial authority from the Chief Executive to Council staff.
- **WRC Sustainable Procurement Guide** – (Doc#3273388) outlines sustainability requirements for Council procurement.

These documents provide a clear procurement framework and are intended to deliver on the following:

- **Accountability** – to ensure that Council staff are accountable for their performance and are able to give complete and accurate accounts of the use funds.
- **Openness** – to ensure transparency in the administration of funds, to support accountability and provides understanding of respective roles and obligations of the Council and its stakeholders.
- **Value for Money** – having regard to the total costs and benefits of procurement.
- **Lawfulness** – to ensure that all Council transactions meet all legal obligations.
- **Fairness** – to ensure that procurement is carried out in a fair manner and that Council staff make and can be seen to have made all procurement decisions impartially and without bias.
- **Integrity** – ensuring that ethical and behavioural standards are of the highest level.

- **Sustainability** – ensuring that procurement decisions reward suppliers who are attempting to integrate environmentally and socially sustainable practices into their operations.
- **Consistency** – ensure that the procurement practises are conducted in a consistent manner.
- **Strategic Direction** – Contribute to the Council’s vision and strategic objectives.

2 Procurement programme

2.1 Overall programme for the 2022-25 period

Table 2-1 outlines the land transport activities that are expected to be undertaken during the three-year period from 2022-2025. Part of the work programme is required by legislation such as the development of regional land transport and regional public transport plans. Other work is undertaken in order to support the development and implementation of these documents.

Table 2-1 also identifies the nature of the activities. Work Type defines the work, 'Required' indicates a legislative mandate to complete the work, 'Specific' indicates a discrete improvement activity that is stand-alone or informs other activities; 'Ongoing' refers to continuous programmes ongoing commitments with no specific end date.

Table 2-1: Overview of WRC procurement Programme 2022-25

Transport Planning					
Topic Area / activity class	Activity	2022/23	2023/24	2024/25	Work Type
Regional Land Transport Planning management (WC #1)	Planning				Required
Regional Public Transport Plan review (WC #3)	Planning				Required
Regional Speed Management Plan (WC#4)	Planning				Specific
Hamilton-Waikato Metro Spatial Plan PBC implementation (WC#4)	Planning				Specific
Road Safety Promotion (WC #432)	Implementation				Ongoing
WRTM management and upgrade (WC #2)	Implementation				Ongoing
Public Transport					
Topic Area – Passenger rail	Activity	2022/23	2023/24	2024/25	Work Type
Hamilton to Auckland Te Huia rail service – operation (WC#515)	Operation				Ongoing
Hamilton to Auckland Te Huia rail service – maintenance (WC #514)	Maintenance				Ongoing
Hamilton to Auckland Te Huia rail service – push and pull safety case (WC #515)	Implementation				Specific
Addendum to Te Huia SSBC – interregional rail access post CRL (WC # 563)	Planning				Specific
Topic Area – Bus service	Activity	2022/23	2023/24	2024/25	Work Type
Public Transport programme (WC #511)	Operation				Ongoing
Regional integrated ticketing system (WC #525)	Operation				Ongoing
Low cost / low risk – public transport services	Improvements				Specific
Low cost / low risk – public transport infrastructure	Improvement				Specific
Total Mobility operation (WC #517)	Operation				Ongoing
Total Mobility – wheelchair hoists and ramps (WC #521)	Implementation				Specific

3 Transport Planning Programme

3.1 Overview

The primary activities undertaken under transport planning includes the preparation, implementation, monitoring and review of the RLTP and Waikato Regional Public Transport Plan (RPTP).

Much of the remaining work programme focuses on the addressing key issues or problems through the application of the business case approach required by the Waka Kotahi and delivering on key road safety priorities from the Road to Zero for the Waikato – strategic plan 2020 -2040.

The Road Safety team at Council coordinates the Regional Road Safety Forum (RRSF) and Regional Education Group (REG) in collaboration with Waka Kotahi and regional road safety partners. This group is responsible for the planning and implementation of the region’s road safety campaigns delivered under the established brand ‘Reduce the Risk’.

The Regional Safe Network Programme Working Group has been established to oversee the development of the Waikato Regional Speed Management Plan (WRSMP). The plan aims to outline how local councils and regional stakeholders will work together to improve the consistency of speed management between districts, and advance speed management across the region. It is planned that the WRSMP will be completed by the end of 2023.

Council also has sole charge over the operation of a children’s’ road safety education programme. This is officially known as the ‘Young Road User Programme’ and has a popular mascot, Ruben the Road Safety Bear who visits children at schools, pre-schools and events around the region. The programme is well established with website, teaching and activity resources, an administrator and a team of presenting staff, kids club and a vehicle.

3.2 Need for specialised skills

Skills required to deliver activities within the Transport Planning programme varies significantly depending on the activity. Given the large diversity of activities there is also a large range of specialised skills required. The delivery of the work programme is heavily dependent on the quality of professional services, and the skills are commonly procured include:

- Expert consultants (technical specialists and project managers)
- Data and information system management (e.g. integrated ticketing)
- Transport Modelling
- Marketing and promotion
- Business Case development (including ILM facilitation)

3.3 Identification of pending high-risk or unusual procurement activities

There are no activities within the indicative Transport Planning programme that pose a high risk to Council or are considered unusual.

3.4 Procurement environment

3.4.1 Supplier market

The requirements for transport policy services are very specific in nature and are typically required for short-term contracts drawing primarily on consultancy service providers. There are a large number of consultancy providers within the Waikato, Bay of Plenty and Auckland areas

that have provided quality services to Council in the past and are capable of providing services in the future.

3.4.2 Current and projected expenditure for transport planning programme

The total expenditure for the Transport Planning programme over the 2022/23-2024/25 period can be broadly divided into 3 work areas – transport policy development, road safety promotion and transport choices implementation, as set out in the table below.

Table 4-1: Expenditure - Transport Policy, Road Safety Promotion & Transport Choices

Work areas	Total cost		
	2022/23 (actual)	2023/24 (actual)	2024/25 (estimated)
Transport Policy development	\$1,115,000	\$1,200,000	\$1,400,000
Road Safety Promotion	\$1,200,000	\$1,200,000	\$1,320,000
Transport Choices	\$250,000	\$250,000	\$300,000

3.4.3 Impact of procurement programmes of other organisations

Due to the discrete nature of transport planning activities, there is unlikely to be any significant conflict between or duplication of activities with other organisations. Wherever possible and beneficial WRC will seek to co-ordinate and co-fund transport activities with other approved organisations.

3.5 Delivering the programme

3.5.1 The procurement approach

Council can only deliver on the RLTP strategic objectives and priorities in partnership with other organisations. Council’s primary role relates to the coordination and development of regional scale transport planning, policies and programmes, which provides a framework for other organisations, such as local authorities, to refine and implement transport activities that deliver on the RLTP objectives but in a way that is tailored to respective local communities.

The highest priority activities within the programme are those that must be completed in order for Council to meet its statutory requirements (refer “required” activities outlined within Table 3-1) within relevant timeframes. The delivery of other activities that are beneficial, but are not necessarily required to meet statutory requirements, will be programmed in a way that complements the overall programme and with relevant related work programmes of other strategic partners (e.g. Waka Kotahi and local territorial authorities).

A key factor in delivering best value for money spent relates to delivering the transport programme in a way that maximises potential synergies between activities. There is significant potential to achieve a high level of coordination across transport planning activities through application of the Waka Kotahi’s business case approach.

3.5.2 Professional Services – Externally Sourced

Council recognises the need to have a fair, open and competitive procurement process to encourage competition and achieve value for money. Where possible, Council’s preference is to procure profession services via a pre-approved supplier panel – Co-Lab Professional Services Panel. The objective is to procure a supplier that can provide the highest quality output for the best price.

Co-Lab Professional Services Panel

The Co-Lab (previously known as Waikato LASS) Professional Services Panel (PSP) was formed following a joint market approach led by Co-Lab to establish a panel of professional services providers for multiple Councils within the region. The panel was established following a competitive open RFP process in accordance with the Government Procurement Rules. Evaluation of panel members was undertaken by council appointed subject matter experts.

The panel contract delivery model has become the recognised way of delivering professional services in the public sector, particularly when looking at a shared services contract option. It enables the Council to appoint a range of suppliers that, as a panel, offers the best combination of price, skills and experience required to deliver the outputs.

The Co-Lab PSP will cover off consultancy inputs for professional services (not physical works) for a range of Council activities under the following disciplines:

- Discipline 1: Building Services
- Discipline 2: Three Waters & waste
- Discipline 3: Urban Design
- Discipline 4: Hazard Management
- Discipline 5: Planning
- Discipline 6: Support Services
- Discipline 7: Roading and Transportation
- Discipline 8: Public Transport Planning and Parking

Using the PSP will achieve these benefits:

- Reduced risk: Robust contract documentation already in place with panel members.
- Time savings for staff: Quicker and more efficient engagement of professional services providers than through public tender.
- Cost savings: Pre-agreed discounted hourly rates from professional service providers that reflect the collective value of council business.
- Quality suppliers: A high-quality group of professional service providers for participating councils to work with.
- Cost reductions for consultants: Co-Lab and participating Councils have consistent engagement, compliance and documentation processes.
- Valuable relationships: Panel members build up significant knowledge of councils to better understand the requirements for delivery, therefore providing more efficient service. Close collaborative relationships are developed between the parties, prompting panel members to go above and beyond for councils.
- Economic benefit to the region: Panel members have a measure of work certainty, encouraging investment and expansion in Waikato.

It is Council's default position to use the panel members for all work that falls within the nominated disciplines and skillset covered by the Co-Lab PSP, however a provider outside the panel may be used if one or more of the following applies:

- A Project is very large and its scale may suit design and build, or joint ventures between consultancies.
- Projects require specialist skills that are not available within the panel.
- An existing contract is in place for the services.
- A conflict of interest or lack of capacity exists in the panel.
- The exception has been signed off by the WRC Director of Finance and Business Services

3.5.2.1 Professional services – procurement process

Professional services sourced externally will be procured in accordance with the:

- Relevant pre-approved procedures outlined in Chapter 7 - Procurement procedure 2 – Planning and advice of the Waka Kotahi Procurement Manual.

- Relevant procurement rules outlined within Chapter 10 of the Procurement Manual, which govern the use of the procurement procedures.

Specifically, rule 10.8 of the Procurement Manual requires that every supplier selection process must commence as an open competitive process in which all potential suppliers are invited to engage unless the procurement activity that meets the requirements for closed contest supplier selection or direct appointment.

Rule 10.9 states that direct appointment of a single willing and able supplier is permitted where the contract cost estimate is less than or equal to the limits set out in the table:

Table 4-2: Procurement Thresholds

Contract for	Physical Works	Professional services	Public Transport Services (gross contract price per year)
Direct appointment	\$100,000	\$100,000	\$100,000
Closed contest	\$200,000	\$200,000	\$200,000

Procurement of Transport Planning and Road Safety Promotion work is specific to the individual activities making up the total programme. The contract value of each activity is typically well below the professional services threshold for direct appointment outlined within the Waka Kōwhiri Procurement Manual.

For contracts up to \$100,000 in value, Council will either directly appoint a suitable supplier from the PSP (if the specialist skills are available within the panel) or seek quotes from the PSP and/or other suppliers in a closed tender process - unless there are exceptional circumstances justifying an alternative approach.

Where there are exceptional circumstances that require an alternative approach, the rationale and decision must be documented by way of a file note or memo signed by the relevant Council staff member and respective Programme Manager.

For contracts with an estimated value between \$100,000 and \$200,000, a minimum of three suppliers would need to be picked from the relevant panel list and a competition run amongst that sub-group.

For contracts with an estimated value of over \$200,000 then there would need to be an open competition to find the supplier, amongst the PSP members who have won a place on the panel for the relevant discipline.

Council will run a staged delivery model and most appropriate supplier selection method as set out in table 4-3 below, depending on what approach is likely to achieve the best value for money relative to the specific activity and context.

Where there are exceptional circumstances that require an alternative approach, Council staff must seek approval from Council's Tenders Committee and seek an approval from the Waka Kōwhiri for a variation to relevant procurement procedures under s25 of the LTMA.

Table 4-3: Supplier Selection Methods

Supplier Selection Methods	
Method	Rationale
Lowest price conforming	Utilised where Council determines that best value for money can be obtained by selecting the supplier(s) that offers the lowest price and meet the contract requirements. This method will only be used where the output required is very well specified.
Purchaser Nominated Price	Purchaser nominated price should be used where the Council has predetermined the price that it is prepared to pay for the desired outputs. Best value for money is obtained by selecting the supplier(s) that provide the best proposal for the price as set out in the RFT.
Price Quality	Price quality should be used where the specified outputs can be priced by the supplier and where Council determines that best value for money will be obtained by selecting the supplier that offers the best combination of price and quality requirements as set out in the RFP.
Quality Based	Quality based should be used where the purchaser determines that best value for money can be obtained by selecting the best quality supplier(s) and then negotiating the price with that supplier(s).

It is also acknowledged that all tendering and contract processes must be undertaken within the guidelines of the Council's Process for tendering (Doc #1378274) and Process for Contracting (Doc #1420037) documents.

These guidelines help to ensure a consistent approach to tendering and contract development across the organisation. These documents also have thresholds for procurement of services. Council will defer to the most conservative threshold when undertaking procurement activities.

3.5.3 In-House Professional Services

Waikato Regional Council utilises a combination of external and in-house professional services to deliver much of its work programme. In-house professional services carried out against the NLTP approved activities are subject to funding from Waka Kotahi, and these typically include:

- Statutory required transport activities relating to the development and monitoring of the RLTP and RPTP;
- Development of business cases to inform regional policy development;
- Development and implementation of the regional road safety strategy;
- Development and maintenance of the regional transport model and data management;
- Coordination and delivery of road safety campaign and education work; and
- Coordination and delivery regional cycle trail work

Waka Kotahi requires activities (approved under s20 of the Land Transport Management Act) to be fully costed. Where the full cost of an activity includes the cost of professional services obtained in-house or administration, then the cost of those services or administration must be determined in accordance with generally accepted accounting practice.

Council accounts for in-house professional services and administration costs through a two-step process.

- Step 1 - Corporate costs are allocated to Management cost centres. Those cost centres that support the organisation are deemed “Corporate” (Chief Executive officer, Finance, Facilities, Information Services, Human Resources, Communications) and are allocated to cost centres (deemed “Management”) which support staff in their regional activities. Allocation is done on the most appropriate basis: e.g. Facilities is allocated on floor space, Information Services is allocated on computers used, Human Resources is allocated on staff numbers, Finance on a determined basis of benefit.
- Step 2 - Management cost centres are then allocated to publicly reported activities by a multiplier on staff hours. This multiplier ensures that all publicly reported activities with a staff input reflect full organisational costs.

Salaries are costed by staff hours as recorded in weekly timesheets by all staff. Labour costs can thus fall in any of Corporate cost centres, Management cost centres, and Activity cost centres.

With the above method all salaries and organisational overheads are reflected in fully costed Activities.

4 Public Transport Programme

4.1 Purpose

This section of the strategy documents Council's approach to the procurement of public transport services and related activities that are necessary to give effect to the RPTP and all relevant requirements and objectives under the LTMA and PTOM.

The strategy is intended to promote transparency of public transport procurement processes. The primary audience for this section of the strategy is intended to be WRC staff, any interested public transport suppliers, Waka Kotahi and local authorities within the Waikato Region.

4.2 Planning and policy context

4.2.1 Public Transport Operating Model

Following consultation on the Public Transport Operating Model (PTOM) review in 2022, Cabinet agreed to replace the PTOM with the Sustainable Public Transport Framework (SPTF). The Land Transport Management Act (LTMA) is currently being amended to incorporate the SPTF and new objectives for the planning, procurement and delivery of public transport services. Once the legislation is passed, the Transport Procurement Strategy will be updated to ensure consistency and compliance with the LTMA. In the meantime, the current PTOM framework will still be applied for the procurement and contracting of the public transport units in the Waikato region.

The PTOM is the framework that governs how public transport bus and ferry services are planned, procured and delivered with two overarching objectives:

- to grow the commerciality of public transport services and create incentives for services to become fully commercial.
- to grow confidence that services are priced efficiently and there is access to public transport markets for competitors.

Central to PTOM is an emphasis on regional councils and operators building a stronger partnering approach to the planning and delivery of public transport services. This approach recognises that both parties have a stake in, and are reliant on each other for delivering affordable and effective public transport services that people want to use. Key features of PTOM include:

- a requirement for public transport services to be provided under contract with the relevant regional council unless exempt;
- a requirement for public transport services to be arranged into 'units' that are described in a Regional Public Transport Plan;
- the insertion of a definition of a 'unit' as a public transport service (or a group of public transport services) that encompasses all the timetabled services operating on a route (or routes) identified in a Regional Public Transport Plan;
- a requirement for all units to be under exclusive contract to the council, including commercial 'units' that do not receive any public subsidy;
- allowing services that are not considered integral to the urban public transport network to be exempt from operating under contracts; and
- a requirement for councils to have an 'exempt services' register.

4.2.2 Regional Land Transport Plan

The RLTP provides the framework for the long term development of the transport system in the Waikato region over the next 30 years. The RLTP identifies public transport as critical component

of the regional transport system. The RLTP’s land transport priorities, objectives and policies are reflected in the RPTP goals for the region. In particular, the RLTP’s direction towards providing a transport system that provides an inclusive range of integrated, quality transport choices for all users to meet their social, economic and cultural needs.

4.2.3 Regional Public Transport Plan

The RPTP supports the operational delivery of the RLTP in respect to public transport. The RPTP is required by the LTMA to be consistent with the RLTP and gives effect to the PTOM.

The RPTP 2022-32 has identified 7 key objectives that will guide our planning and delivery of public transport system in the region:

- Objective 1: Deliver public transport services in a way that results in at least net neutral carbon emissions for the period 2025 to 2050.
- Objective 2: Deliver an integrated network of public transport services that enhances accessibility and wellbeing.
- Objective 3: Provide a fares and ticketing system that is simple, affordable and attracts and retains customers.
- Objective 4: Provide high quality and intuitive public information.
- Objective 5: Provide the infrastructure and services necessary for an accessible, effective, efficient and enjoyable public transport experience.
- Objective 6: Provide public transport services that are affordable for passengers and funders.
- Objective 7: Develop and maintain partnerships that obtain best value for money in the delivery of transport solutions.

4.2.3.1 Regional priorities for public transport improvement

The table below outlines the key priority initiatives included within the RPTP 2022-32, which will form the basis for the development and procurement of public transport activities in the region.

Table 5-1: Key priority for public transport 2022-2032

	Inter-regional network	Regional network	Metro urban network
Key initiatives 1-3 years	<ul style="list-style-type: none"> • Complete Te Huia short term improvement programme. • Investigate viability of additional stations for Te Huia in Te Kauwhata and Pōkeno. • Identify and agree a permanent funding and delivery model for interregional rail in partnership with Government. • Identify and prioritise further improvement and optimisation opportunities to enable improved access into central Auckland. • Confirm a plan for the replacement of Te Huia rolling stock. 	<ul style="list-style-type: none"> • Simplify the funding and delivery models for public transport services and infrastructure. • Commence rollout of regional accessibility programme, prioritised based on communities with the greatest need. 	<ul style="list-style-type: none"> • Improved connections between Hamilton and larger metro urban centres (minimum 60 minutes all day). • Increase the frequency of Comet bus route to 10 minutes. • Investigate the alignment of Orbiter. • Establish and extend Meteor route to Ruakura. • Investigate and secure funding for new frequent bus routes: Rototuna Rocket, CBD to Peacocke, Glenview to the University of Waikato. • Commence detailed planning for BRT corridors.

Key initiatives 3-15 years	<ul style="list-style-type: none"> Investigate and plan for a rail connection to Tauranga. Investigate and confirm a preferred option for faster passenger rail services, connecting Auckland and Hamilton 	<ul style="list-style-type: none"> Connect every urban area with a baseline level public transport access to its nearest regional centre. Improve public transport connections within regional towns. 	<ul style="list-style-type: none"> Commence implementation of BRT corridors. Complete the Hamilton frequent network. Improve public transport links between Hamilton and surrounding metro urban centres (minimum 30 minutes all day).
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In addition to the network improvements, WRC is committed to deliver public transport services in a way that results in at least net neutral carbon emissions from 2025. To achieve this the RPTP has identified the following key initiatives over the next 3 years:

- Investigate and secure infrastructure and depot land that is necessary to enable the transition to a zero-emission bus fleet.
- From 2023 onwards, all newly built buses introduced to the region’s public transport fleet will be zero emission.
- Develop a monitoring framework to properly account for and report public transport emissions.
- Investigate options to offset unavoidable emissions with the scope being limited to initiatives within the region, such as native planting that generate co-benefits like enhancing biodiversity.

4.3 Current procurement profile and spend

4.3.1 Operational expenditure

As illustrated by the table 5-2 below, majority of the expenditure on public transport operations relates to the provision of bus and rail services. Contracted bus services are the single largest transport procurement activity the Council undertakes. Accordingly, the approach to procurement of bus services forms a major component of this strategy.

Table 5-2: Public Transport Programme - Expenditure Profile

Forecast Expenditure 2022/23 to 2024/25						
Years			2022/23 (actual)	2023/24 (forecast)	2024/25 (budgeted)	Totals (3 years)
NLTP Work Categories	514	Railway Stations Ongoing Maintenance and Lease	\$321,144	\$952,689	\$1,143,226	\$2,417,059
	515	Hamilton to Auckland Start Up Rail Service	\$6,560,000	\$9,827,659	\$10,810,425	\$27,198,084
	563	Addendum to Te Huia SSBC- Interregional rail access post CRL- PT Infrastructure	\$300,000			\$300,000
	563	Te Huia Service Improvement (Stage 1B)- Push/Pull Safety Case	\$98,385			\$98,385
	517	Total Mobility operations	\$1,144,733	\$1,144,733	\$1,373,680	\$3,663,146
	519	Total Mobility Wheelchair hoists	\$20,000	\$20,000	20,000	\$60,000
	521	Total Mobility Wheelchair hoist use payment	\$130,526	\$90,083	100,000	\$320,609

	524	Regional Consortium Interim Ticketing Solution – direct supplier cost	\$579,038	\$484,561	\$484,561	\$1,548,160
	524	Regional Consortium Interim Ticketing Solution – shared operational cost	\$171,278	\$137,694	\$140,806	\$449,778
	514	Public transport facilities & infrastructure - operations and maintenance	\$1,099,000	\$952,689	\$1,099,797	\$3,151,486
	534	Public transport facilities & infrastructure - renewals	0	\$4,000,000	\$4,000,000	\$8,000,000
	532	Low cost / low risk improvements 2021-24-PT infrastructure	\$1,200,000	\$100,000		\$1,300,000
	532	Low cost / low risk improvements 2021-24-PT services-Non-SPR	\$3,834,679	\$1,343,750	\$2,000,000	\$7,178,429
	524	Public transport operations and management	\$1,033,884	\$802,523	\$1,240,661	\$3,077,068
	525	Operations & maintenance of real-time and ticketing systems	\$1,897,069	\$1,206,518	\$1,206,518	\$4,310,105
	511	Bus Services	\$22,114,662	\$23,834,875	\$26,218,363	\$63,076,952
	Total	\$	\$40,497,471	\$44,897,774	\$49,838,037	\$135,233,282

4.3.2 Delivering the programme – category approach

WRC has adopted a ‘category based’ approach to the procurement of public transport activities, recognising the diverse nature of activities being undertaken by Council and one-size-fits-all approach to procurement may not be most suitable. For this reason, WRC has grouped its public transport activities into several procurement categories, based on the characteristics of activities, contract requirements and supplier markets. This will enable a more streamlined and consistent approach for procurement of public transport activities. The procurement categories include:

- Bus services (Section 5)
- Passenger rail services (Section 6)
- Total Mobility (Section 7)
- Public transport infrastructure and information technology (Section 8)

Details in relation to each procurement category are provided in the following sections.

4.4 Assessment of other procurement programmes

Most significant procurement exercises have already been completed in other regions, and the small scale of what is required to be tendered by WRC over the course of the strategy is unlikely to be affected by procurement exercises elsewhere.

5 Bus services

5.1 Current network

The current public transport (bus) network consists entirely of subsidised bus services, contracted by WRC. The network can be broadly categorised into two groups being Hamilton urban services and regional services.

WRC operates 23 bus services within Hamilton as well as 18 regional bus routes, servicing key regional centres, including Cambridge, Huntly, Mangakino, Matamata, Morrinsville, Ngāruawāhia, Paeroa, Raglan, Taupō, Thames, Te Aroha, Te Awamutu, Te Kauwhata, Te Kūiti, Tīrau, Putāruru and Tokoroa.

In addition to bus services, WRC is also trialling an on-demand rideshare service (Flex) in Hamilton. Flex operates between Hamilton CBD and Hamilton Airport seven days a week between 9am-4pm, and within Hamilton City boundary on Fridays and Saturdays.

5.2 Analysis of the supplier market

5.2.1 Existing supplier market

Currently the Council has three bus operators providing subsidised services as part of the public transport network. Table 6-1 below outlines the approximate scale of their Council specific operations. All existing suppliers have proven capable of meeting the terms of their respective contracts.

Table 6-1: Current Suppliers

Bus Operator	Approximate Market Share 2022/23
Go Bus Transport	97%
Thames Taxis	0.5%
Tranzit	2.5%

Go Bus Transport is the largest operator in the Waikato with a diverse business catering for: School Bus and Special Education Transport services throughout New Zealand on behalf of the Ministry of Education.

- Urban bus services in Hamilton, Napier/Hastings, Tauranga, Gisborne, Christchurch, Dunedin and Invercargill.
- Private charter services throughout New Zealand.

In the Waikato, Go Bus has existing transport depots in Huntly, Hamilton, Matamata, Te Awamutu and Tokoroa.

Tranzit Group operates urban services in Auckland, New Plymouth, Whanganui, Palmerston North, Wairarapa, Wellington and Hutt Valley and have depots located throughout the central North Island.

Thames Taxis was successfully awarded a contract in 2022 to operate a bus service within Thames township.

5.2.2 Supplier market

There are a large number of entities nationally that hold a passenger services licence, which are theoretically capable of supplying bus services. However only a relatively small proportion compete for and operate public services contracted to local and regional government.

In larger urban areas there appears to be a trend towards fewer but larger operators who typically have a presence in multiple regions. Smaller urban and rural areas tend to accommodate smaller operators who typically operate within specific geographical areas.

Contracts coming up over procurement strategy period are small, with limited PVR in the contracts being tendered, meaning there is less likely barriers to entry as more small operators will be able to tender.

Council will engage with a range of suitable transport providers who would be acceptable candidates for operating those services.

5.2.3 Commercial and exempted services

Within the Waikato region there are currently no commercial or exempted services operating that Council considers integral to the public transport network it provides. However, it is recognised that all aspects of the public transport market are linked regardless of whether they are subsidised, commercial, exempt or excluded. For example, a Regional Council can decide the size of the bus subsidies market, which in turn can influence the size of commercial bus services market. Accordingly, all aspects of the public transport market need to be considered holistically. It is also common for service providers to operate in multiple regions and interchange resources between regions. The potential supplier market for public transport services warrants consideration from national and regional perspectives.

5.3 Potential barriers to market entry

Potential bidders can be discouraged or prevented from participating in tender processes where there are significant barriers to entry. The following potential barriers have been considered as part of developing this strategy:

- Access to compliant vehicles
- Access to labour
- Access to land for bus depots and infrastructure
- Tender design

WRC's consideration of these issues have has been informed by industry feedback through market engagement and recent tendering processes. The key findings are summarised below and the more detailed analysis is included within Appendix 1.

5.3.1 Access to vehicles

In accordance with Waka Kotahi Procurement Manual Rule 10.31, all urban bus public transport unit contracts must incorporate the vehicle standards contained in the Requirements for urban buses in New Zealand: New Zealand's common standard for urban bus quality (RUB).

Council intends to implement relatively generous contract lead in times for units tendered within the procurement strategy period. Longer lead in times should provide potential operators with additional flexibility in terms securing vehicles of an appropriate standard. Due to the relatively small and modest size of the units that will be tendered in Waikato, it is unlikely that access to vehicles will be a significant barrier to entry for operators wishing to submit a tender application.

5.3.2 Access to labour

Access to skilled labour, in particular qualified and experienced bus drivers, has potential to limit the ability for an operator to establish in a new area. To reduce the potential for industrial action, Council intends to include quantitative and qualitative evaluation criteria to assess tendered driver conditions and remuneration, to achieve a minimum baseline for drivers, while maintaining a competitive tender environment.

5.3.3 Access to land for bus depots

To reduce the potential for land availability to limit potential competition, Council proposes to implement generous contract lead in times which will provide opportunity to bid for one or more units depending on what best suits an individual operator and maximises time available to secure fixed and moving infrastructure.

5.3.4 Tender design

All PTOM units within the Waikato will be procured via a competitive tendering process. Therefore tender design is an important consideration in terms maximising competition.

In New Zealand certain elements relevant to tender design are essentially fixed. For example tendered partnering contracts must have a term of 9 years and include specific partnering elements. Tenderer evaluation must utilise the price quality method and vehicle specifications must comply with the RUB requirements. Many of these elements have been developed for the purpose of increasing competition and value for money.

The basis for tender design is to an extent predetermined. However there remains significant scope to unnecessarily complicate process or impose unwarranted or irrelevant requirements on operators. Such factors are likely to discourage or prevent potential suppliers from participating.

To minimise this risk, Council has developed principles, outlined in Section 1.6, to help guide appropriate behaviours and process development. In addition, the industry has been engaged during the development of the RPTP, regional partnering approach and contractual documents. Specific feedback has been received regarding tender design elements and has been valuable in designing and finalising the tender process.

5.4 Bus Units

A core component of PTOM is the segmentation of the public transport network and services into coherent units. All public transport services within the region (with the exception “exempt” or “excluded” services) must form part of a public transport unit and be provided under contract to the Regional Council.

The current bus units as set out in the operative RPTP 2022 (Appendix A) were identified in accordance with the principles and requirements set out below:

1. **Attractive** - A unit or group of units should be attractive to multiple tenderers.

This principle is central to the PTOM and the overarching objective to grow confidence that services are priced efficiently and there is access to public transport markets for competitors. The potential for credible competition for a market is regarded as a fundamental driver of efficient pricing. Consideration of the attractiveness of a unit from the perspective of multiple operators requires consideration of the conditions that are likely to make it viable for an operator to enter an otherwise established market.

2. **Marketable Whole** - Units should align with identifiable customer markets and provide exclusivity to those markets.

This principle aligns with the requirement for Regional Council to contract for the provision of every unit on an exclusive basis (LTMA s116). Unit alignment with identifiable customer markets is desirable as it focuses attention on growing patronage overall in preference to attracting existing patronage from other services or units. Maximising exclusivity of a unit should also enhance the relevance of any financial incentive mechanism applicable to the unit. This is due an operator having exclusive exposure to the growth potential of the unit.

- 3. Efficient** - Units should be configured and potentially grouped to maximise operational and administrative efficiencies.

Maximising operational and administrative efficiencies can serve to reduce costs and increase returns on investment for operators and Councils. Ultimately maximising efficiencies should be of most benefit to public transport users by minimising the need for fare increases and ensuring maximum resource can be applied to providing quality and desirable services. Operational efficiencies also require consideration of efficient groupings of routes and services and effect unit configuration may have on the ease of incrementally changing an integrated network of routes and services overtime.

5.4.1 Current public transport units

Table 6-2 below provides an outline of the regional unit structure and unit start dates.

Table 6-2: Unit structure and contract start dates

Locality	Contract Short Code	Description	Year Contract Let	Contract type	Review Year	Contract Expiry Date	Current Contract Holder	Approx Annual Service KM	Approx PVR
Hamilton Urban Services	HW2017	Unit 1 - Hamilton West	2017	9 years	N/A	29-Sep-26	Go Bus	1,324,347	43
	HE2018	Unit 2 - Hamilton East	2018	9 years	N/A	26-Jan-27	Go Bus	2,345,671	36
Satellite and Rural Services	NW2017	Unit 3 - North Waikato	2017	9 years	N/A	18-Apr-26	Go Bus	539,147	7
	NW20203A	Unit 3A - Pokeno - Pukekohe	2021	3 years	2023	1-Jul-24	Go Bus	206,860	2
	EW2017	Unit 4 - East Waikato	2017	9 years	N/A	17-Apr-26	Go Bus	242,532	3
	WW2017	Unit 5 - West Waikato	2017	9 years	N/A	17-Apr-26	Go Bus	167,796	3
	SW2022	Unit 7 - South Waikato	2022	9 years		30-Oct-31	Tranzit	148,118	3
	TP2022	Unit 9 - Taupo	2022	9 years		30-Oct-31	Tranzit	159,768	3
	CAM20	Cambridge	2011	Gross 4 + 4	2019	31-Dec-23	Go Bus	142,510	2
	TA 24	Te Awamutu					Go Bus	171,130	2
	TS2022	Thames	2022	2 years		30-Jun-24	Thames Taxis	31,747	1

5.5 Contractual and Partnering Framework

5.5.1 Delivery model

The partnering model is not a formal partnership, but recognises the importance of collaboration between Council and operators to the provision of quality public transport services and leverages investment from both parties.

Under a partnering delivery model, Council and operators are incentivised to work collaboratively to achieve high performance standards and grow the commerciality of units. Successful collaboration requires that all parties share a common commitment to achieving the mutual goal of growing patronage with less reliance on subsidy. Risk is shared, to ensure that risks are placed with the party best able to manage them. This is achieved through the inclusion in contracts of key partnering tools, such as principals for partnering, financial incentive mechanisms, key performance indicators and annual business planning.

Under the partnering delivery model, contracts will be partnering contracts with a term of nine years and must include key partnering tools.

5.5.2 Principles for partnering

One of the core components of PTOM is the collaborative partnering approach, enhancing the relationship between the Council and operators (and also less directly with Waka Kotahi and territorial authorities). Ultimately, this is achieved via the contractual and commercial framework, but more specifically through the proactive business planning initiatives, key performance indicators and the financial incentives mechanism.

The Council has identified and developed the following key principles in consultation with bus operators to help guide behaviours and successful partnering:

1. The parties will seek to build relationships based on transparency, accountability and trust.
2. The parties will seek to understand and acknowledge respective objectives and needs regardless of how well they align with their own.
3. The parties will seek to agree common objectives and deliver mutual benefits.
4. The parties will have clearly identified roles and responsibilities.
5. Ensure risks are apportioned to the party best able to manage them.
6. The parties must have a commitment to continuous improvement of service delivery, customer experience and value for money.
7. The Parties are committed to resolving any differences simply, effectively and in a manner that supports a long term partnering relationship.
8. The parties will develop an equitable approach to the pricing of variable elements, recognizing that not all future requirements can reasonably be anticipated at tender time

5.5.3 Joint business planning

One of the key tools for achieving this partnering relationship between Council and operators will be joint business planning focused on the enhancement of unit performance and customer experience. Council proposes to establish a governance and operational management framework consisting of the following entities:

Service Delivery Forum – a yearly forum, with representatives from each operator, Waka Kotahi, affected territorial local authorities and chaired by the Council providing an opportunity for

discussion of public transport issues that have implications for the region. This forum will contribute to collaborative network enhancements and the efficient delivery of services.

Unit Operations Management Team – meeting 1-4 times each year (depending on the size of each Unit) to assess and review operational issues, including performance. The team would consist of operational senior management from the Council and the Operator.

Unit Partnering Team – meeting regularly and responsible for the day-to-day service provision. The team will consist of the Council’s account manager and the Operator’s local operations manager.

The annual business plan is a cornerstone for partnering and is envisaged to be a working document, which will align and integrate into contract management processes.

Council anticipates that the Unit Operations Management Team will be responsible of overseeing the development and currency of annual business plans. It is anticipated that the Unit Partnering Team will have the primary responsibility of giving effect to the plan in collaboration with other stakeholders as and when required.

It is anticipated that Council and operators will collaboratively develop a plan for each unit that delivers on key objectives for both parties. The Business Plan is pivotal to ensuring that a “no surprises” approach is adopted to ensure that the desired outcomes are reached.

Where an operator provides the services for more than one Unit, the Council and the operator may agree to combine the business planning process for that operator’s Units, to make the best use of available resources.

5.5.4 Key performance indicators

Council will utilise all relevant key KPI’s outlined in the Waka Kotahi Procurement Manual. Additional KPI’s specific to particular units may be identified in partnership with operators as part of developing business plans or as otherwise required.

The KPI’s remain subject to discussions with operators and may be subject to change. Final KPI’s will be confirmed in subsequent procurement and contractual documents.

5.5.5 Priced key performance indicators

A set of priced KPI’s (see Appendix 2) has been developed in consultation with operators and the Waka Kotahi. Where appropriate, Council will seek to utilise priced KPIs to incentivise high performance in relation key service delivery factors critical to providing great customer service.

5.5.6 Financial incentive mechanism

The Financial Incentive Mechanism (FIM) is designed to provide a financial incentive for Council and service providers to develop and maintain a partnering approach to achieve patronage growth and financial performance.

WRC has adopted a patronage-based FIM to share the financial benefit from increased patronage as a result of partnering between Council and service providers. The full details of the FIM are set out as follows:

- if the number of fare paying boardings for a Year has increased by more than 1% (“Threshold Rate”) compared to the previous Year then the Service Provider will be entitled to a financial bonus under the FIM.
- The basis for calculating the FIM payment is the number of fare paying boardings which exceed the Threshold Rate compared to the previous Year (“Patronage Growth”).
- The FIM payment will be the Patronage Growth multiplied by the “Per Passenger Rate”. The Per Passenger Rate will be equal to 50% of the Average Fare by Unit for the

preceding 12 month period, or as determined by the Council prior to the procurement of the unit.

- Only patronage and revenue from fare paying boardings will be included in the calculations. This means that any patronage and revenue from non-fare paying boardings including but not limited to Super Gold card boardings and transfer boardings will be excluded from the basis of the calculations.
- If the number of fare paying boardings does not exceed the Threshold then no payment under the FIM will be made by Council for that Unit in that Year.
- The first FIM payment will be initially calculated and paid 24 months after the Commencement Date for that Unit.
- Any FIM payment will be capped at 10% of the Patronage Growth of the prior 12 month period multiplied by the Per Passenger Rate.
- A worked example is set out to table below:

Table 6-3: FIM – Worked Example

		example 1	example 2
(a)	threshold rate	1%	1%
(b)	boardings for last 12 month period	35000	35000
(c)	boardings for prior 12 month period	30000	32500
(d) = (1+(a)) * (c)	1% threshold	30300	32825
(e) = (b) - (d)	boardings in excess of threshold	4700	2175
(f)	Average fare	\$ 2.10	\$ 2.10
(g) = (f)/2	Per passenger rate (50%)	\$ 1.05	\$ 1.05
(h) = (g)*(b)/10	cap	\$ 3,150.00	\$ 3,412.50
(i) = (g) * (e)	incentive payment	\$ 4,935.00	\$ 2,283.75
	capped incentive payment	\$ 3,150.00	\$ 2,283.75

5.5.7 Unit procurement methodology

5.5.7.1 Supplier Selection Method

All partnering contracts will be procured using the price quality supplier selection methodology - without disclosure of the estimate as outlined in the Waka Kotahi Procurement Manual.

The price quality method balances price and quality by use of a formula. It is a good method to use when the quality of the supplier is important and a trading of price and quality is practically possible through the supplier selection process.

The partnering focus of the contractual relationship and the transparent and accountable focus of this relationship requires a focus on the quality of the operator. In most cases, Council's default position is to apply an overall split of 40 percent weighting on quality attributes and a 60 percent weighting on price. The final weightings will be confirmed in relevant procurement documents, in consultation with Waka Kotahi.

The supplier selection method for units that utilise a staged delivery model will be determined on a case by case basis, in consultation with the Waka Kotahi and key stakeholders. In most cases Council is likely to have a preference for the price quality method.

5.5.7.2 Tender evaluation

Supplier Selection Methodology

The Tender Response evaluation for each Unit will be in accordance with a modified Price Quality Methodology as detailed in the RFT and the Waka Kotahi Procurement Manual. Price quality methodology is a Waka Kotahi endorsed advanced supplier selection method where the quality attributes of service providers whose Tender Responses meet the RFT's requirements are graded, and the preferred service provider is selected by balancing price and quality by means of a structured and formulaic approach.

This methodology is used where it is considered that best value for money will be obtained by having service providers compete on both quality and price and selecting the service provider that offers the best combination of the two.

Tender Response Information Required

Tenderers must supply sufficient relevant information on each of the non-price attributes, to enable the Tender Evaluation Team (TET) to evaluate and mark each attribute. The information provided by Tenderers will be specified in the RFT. Interpretation of the scoring and the criteria set out in the Evaluation Scoring Sheets shall be as determined by WRC and its TET(s) at their sole discretion.

The scoring system methodology adopted recognises and addresses the following evaluation principles:

- capable of audit against the information provided by Tenderers;
- traceability of each individual score awarded;
- capable of expressing the degree of compliance to the requirements;
- simple with clear assessment criteria corresponding to the score awarded.

As set out above, Tender Responses will be required to address the Service Delivery Attributes and WRC will evaluate in accordance with Evaluation Criteria primarily set by Waka Kotahi.

Service Delivery Attributes

The following is a high-level description of the Service Delivery Attributes Council is seeking to purchase in relation to each unit:

- **Customer Service:** A quality journey experience for passengers; personable, presentable, and knowledgeable customer facing staff; and timely and effective customer engagement.
- **Fleet Management:** A fleet that: meets or exceeds minimum vehicle quality standards set out by WRC; and is safe, reliable, presentable and cost effective enabling reliable and efficient service delivery.
- **Service delivery:** Services monitored in real time with appropriate responses made to meet service reliability and punctuality KPIs; robust accountable revenue collection systems that are transparent and auditable; suitable and timely responses to mechanical breakdowns.
- **Health and Safety:** A commitment to a zero harm philosophy; proactive management of risks and timely response to incidents through application of comprehensive policies, processes and systems.
- **People capability and wellbeing:** A commitment to the continuous training and upskilling opportunities, and improvement to remuneration, benefits, and working conditions that contribute to staff wellbeing and the retention of high-quality staff.
- **Environmental sustainability:** A demonstrable commitment to improving environmental outcomes within the Waikato Region, particularly with respect to climate change; a commitment to deliver ambitious and innovative business practices that minimise/offset carbon emissions.

Council also intends to include quantitative and qualitative evaluation criteria to assess tendered driver conditions and remuneration, to achieve satisfactory working conditions for drivers, while maintaining a competitive tender environment.

Evaluation Criteria

Each Service Delivery Attributes will be evaluated relative to particular Evaluation Criteria outlined below. The following tables define the Evaluation Criteria and grading scale that that is to be applied consistently across all tender responses.

Table 6-4: Tender evaluation Criteria

Evaluation Criteria	Criteria Description	Grade or pass/fail	Grading scale
Relevant Experience	Previous experience in technical areas relevant to the service delivery attribute.	Grade	0-100
Relevant Skills	The competence of the service provider’s personnel with particular regard to their skills and experience in areas relevant to the service delivery attribute.	Grade	0-100
Methodology	The procedures the service provider proposes to use to achieve the service delivery attribute.	Grade	0-100
Track Record	The service provider’s record of delivering services to quality standards, time and budget.	Grade	0-100
Resources	All resources (including IP) that the service provider will use to deliver the service delivery attributes.	Grade	0-100
Partnering & Value Add	Quality of the value proposition that the service provider is offering and/or the quality of the service provider’s understanding of value add opportunities from partnering.	Grade	0-100

Evaluation Grading Scale

A scale of 0 to 100 will be used when grading non-price attributes. Grades will be awarded in increments of five and the following grading criteria will be used.

Table 6-5: Tender Evaluation Grading

Score	Description
90, 95 or 100	Demonstrates exceptional compliance or ability to convey exceptional provision of the requirement
75, 80 or 85	Requirements are fully covered in all material aspects
60, 65 or 70	Requirements are adequately covered
50 or 55	Adequate, with some deficiencies that are not likely to have any adverse effect
40 or 45	Barely adequate and would need considerable improvement in this attribute, if selected
35 or less	Total non-compliance or inability to convey provision Where the evaluation method requires that a non-price attribute be graded, a score of 35 or less will be regarded as a ‘fail’ score for that attribute. A ‘fail’ on a non-price attribute will be a sufficient reason to reject a tender.

Additional Non-price Pass/Fail Attributes that will be considered include:

- Financial Viability
- Service delivery and track record
- Support systems

Price components

The total price weighting will be split between the overall unit price and operator nominated contract variation rates.

For the purposes of assessing which Tender Response provides the best Total Cost of Ownership as part of the Tender Evaluation process, the Council will assess the impact that the following Variation Cost Components will have on the Annual Gross Price (AGP),

1. Price per Vehicle per day, and
2. Price per vehicle per kilometre; and
3. Price per non Sunday/Public Holiday vehicle per hour
4. Price per Sunday/Public Holiday vehicle per hour

For the purposes of evaluating each Tender Response, the AGP of each response will be adjusted by varying the service levels set out in request for tender by 30%. Tenderers will be required to implement contract service amendments in accordance with the agreed variation rates. Citing non-commerciality of a variation will not be accepted as reason for refusal of a variation. The variation rates will be subject to assessment under the sustainable pricing policy as outlined in section 5.5.7.5.

The Variation Cost Components submitted by the Tenderer will be used to calculate an adjusted AGP. This adjusted AGP will be used in the tender evaluation, but will not affect the submitted AGP.

The adjusted AGP for each tender response will be ranked from the highest price to the lowest price. The lowest adjusted AGP will attract a higher tender evaluation weighting compared to next lowest adjusted AGP. The precise weightings and methodology will be included in tender documentation.

5.5.7.3 Group Tendering Policy

As per the Waka Kotahi's policy, the Council has considered the various group tender elements to ensure any potential short-term financial gain does not outweigh the longer-term aim of sustaining competitive and efficient markets. The Council's group tender policy is as follows:

1. Only similarly categorised units can be grouped together. For example, two urban units can be grouped together, or any combination of the four satellite units can also be grouped together, but not a combination of urban and satellite units together.
2. A group tender for satellite units must not be conditional on also being awarded one or more urban units and vice versa.
3. Respondents submitting a group tender will also be required to submit conforming individual tenders for each of the units that comprise the group tender.
4. The total number of group bids able to be submitted by an individual respondent will be limited to a maximum of two.
5. If one or more respondents jointly submit a group tender bid then the maximum number of bids will apply as if the joint bid was from an individual respondent and will be in addition to any group bids a respondent may submit on an individual basis.

More specifically the policy is designed to:

- Enable the supplier market to determine whether greater value for money can be achieved by operating one or more urban units and one or more satellite units.

- Encourage more competition by providing opportunity to bid for larger portions of the market, which may make establishment of supporting infrastructure more viable for potential new entrants to the region.
- Encourage competitive and efficient markets by increasing the likelihood of more than one operator being awarded units by precluding grouping of both satellite and urban units together
- Be attractive to multiple tenders of various sizes and commercial models by providing sufficient scale to encourage larger operators to respond, while protecting the opportunity for smaller operators to compete. This is achieved by precluding grouping of both satellite and urban units and by limiting the number of group bids an individual respondent can submit.
- Promote sustainable pricing by encouraging respondents to focus on the portion of the market they are best suited to operating. For example respondents will only be able to submit a total of two separate group bids and will have to bid for either satellite units or urban units on the basis they could be awarded either but not necessarily both. This will reduce the risk of a single operator bidding aggressively (potentially unsustainably) on the basis of winning the entire market end reducing long-term competition.

The group tender policy will enable the market to determine whether greater value for money can be achieved by operating one or more urban units and one or more satellite units.

5.5.7.4 Alternative Tenders

Provided that a respondent to an RFT has submitted a conforming tender, and the Council accepts that conforming tender, then Council may also consider any alternative tender the respondent may have submitted for the same RFT.

Council acknowledges the important role that alternative tenders provide in encouraging innovation and operator led service enhancements. However, Council will only consider alternative tenders that can successfully deliver on the key requirements and objectives set out in the RFT.

In order to ensure a tender evaluation process is not overly complex Council is likely to limit the maximum number of alternative tenders it will accept from an individual bidder.

This alternative tender policy does not prevent the joint development of service initiatives, including route and timetable, as part of the annual business planning process following contract commencement.

5.5.7.5 Sustainable Price Policy

Council has developed the following tender evaluation policy to encourage sustainable pricing over the life of unit contracts.

In the event a bid or variation price for a unit is outside of a non-disclosed estimate price range (determined by the Council) Council would retain the right to implement the following:

- a) Request that the bidder agrees to allow a suitably qualified and mutually agreed independent third party to confidentially review:
 1. how the unit has been priced, and;
 2. the likelihood of the bidder being able to sustain the priced components of the tender over the life of the contract and meet the requirements of the contract and obligations outlined in the bidders tender.
- b) Council would reserve the right to put aside any tender under the following circumstances:
 1. If the priced components are considered likely to be unsustainable over the life of the contract.

2. If the bidder does not agree to the aforementioned review.
3. If the review cannot be completed within a specified timeframe for any reason.

The role of independent third party is to provide an opinion to Council regarding the sustainability of the bid and variation prices relative to the requirements of the contract and obligations outlined in the bidders tender only. Any information considered confidential by the bidder would not be disclosed to Council.

The purpose of the policy is to ensure units are priced sustainably. However the policy is not intended to prevent or limit the ability of suppliers to bid strategically. For example a supplier may choose to operate a unit with minimal profit margins for legitimate reasons. This is not necessarily a problem for Council, provided the supplier can reliably meet the requirements of the contract and any obligations outlined in the bidders tender.

5.5.8 Unit Pricing

5.5.8.1 Price adjustment for input cost fluctuation

Waka Kotahi requires that all public transport unit contracts procured under the partnering delivery model (excluding commercial units), must provide for price adjustment on the annual gross price to compensate for input cost fluctuation (inflation and deflation) using an appropriate index approved by the Waka Kotahi.

- Price adjustments must be paid on a quarterly basis in arrears from the commencement of the service operation.
- Price adjustments must reflect movements in the index, from the quarter in which tenders closed or negotiations were concluded.
- The most recent version of the indices will always apply, including any changes to the composition or weighting of index components.

Contract price adjustment is intended to cover all inflation (or deflation) that occurs from the quarter that tenders close, including the interval between the close of tenders and the commencement of the service (i.e. the adjustment reflects the fluctuation in input prices between the quarter in which services are priced and each quarter in which services are delivered). In effect indexation on the gross cost transfers input risk from suppliers to the purchaser, reducing the risk premium suppliers would otherwise incorporate into tender prices.

5.5.8.2 Gross price reset

Bus unit contracts longer than six years will have the annual gross price reviewed at year six of the contract to ensure confidence in costs. This the review relates to the gross price only. It is not a review of the contract terms, or an opportunity to end the contract early.

The review may result in the annual gross price increasing, decreasing or remaining unchanged. If the price is reset it will apply for the start of year seven of the contract, and if necessary will be paid in arrears.

The price reset review is intended to recognise that agreements need to ensure value for money is being achieved in the longer term. Over time, indexation payments, changes in farebox recovery and financial incentive mechanisms may shift the balance between value for money for Council and sustainable pricing for operators.

The reset review process is designed to ensure a reasonable balance is being maintained. The approach the reviewing gross contract price at year six is as follows:

- Council and the bus unit operator will enter into discussions in good faith to determine whether any demonstrable factors can be identified that would justify a gross price reset. Factors for consideration may include (but not necessarily limited to):

- Whether suitable intra or inter-regional benchmark price information is available, from competitive tender processes, to establish a benchmark price range (a proxy for recent market prices) for comparative purposes.
 - Any review by the Waka Kotahi of the relevant index formula(s) used to calculate contract indexation payments.
- If agreement cannot be reached on the process for reviewing the gross price and/or the quantum of change to the gross price within a specified timeframe then the existing gross price will be automatically reconfirmed.

5.5.8.3 Contract payments

Contract payments will be based on the annual gross price adjusted by indexation. The application of the financial incentive mechanism and any performance incentives will be separate.

5.5.8.4 Contract payment variations

From time to time the contract may need to be varied in response to such thing as (but not limited to) changes in service demand, network design and/or available funding.

Changes to the level of payments arising from a service level variation at the Councils request will be based upon default variable rates nominated by an operator at the time of tendering. The variable rates will be finalised in respective contract documents, but are likely to be based on:

1. The price per peak Vehicle per day;
2. Price per vehicle per kilometre; and
3. Price per vehicle per hour (on a weekday and weekend).

The variable rates would take account of indexation outlined in section 5.5.8.1. It would be at Councils discretion as to which figures are applied to determine the default price for variations. However in determining which rate to use Council would consider such factors as:

1. The existing gross unit price per in-service kilometre
2. The existing average gross unit price per vehicle per in-service kilometre
3. the default variation rate that aligns most closely with Council's estimate of a variation cost (if an estimate exists)
4. The default variation prices are intended to serve as the basis for agreeing a final variation price in collaboration with unit operators.

Council is aware that it can be difficult for operators to confidently nominate variations rates as part of tender process in anticipation of unknown changes over the life a nine year contract. In some circumstances the default variation rate may not represent an efficient or viable marginal cost for variations.

Variation rates will be agreed and defined at the outset of a contract. Operators will be expected to ensure that variation rates are commercially sustainable at tender time. It is expected that any services changes will be affected by the operator at the agreed variation rates. If the operator has a justifiable reason why variation rates would not cover the operational costs of any service changes then the Council may at its discretion, and by exception, agree a one off change to the contract value.

In the event that the unit operator and Council are unable to mutually agree the final variation rate, then the default variation rate would apply at Councils discretion. It is important operators price unit variation rates as efficiently as possible. Contract variation rates will be factored into the tender evaluation process. The approach is outlined in section 5.5.72 of this strategy.

This approach to contract payment variations is not intended to preclude any potential alternative approach to service and price variations that Council and a unit operator may mutually agree on a case by case basis as part of joint planning processes and in consideration of partnering tools.

5.5.9 Unit lead in times

To ensure sufficient time is given to successful tenderer to acquire the resources necessary to deliver the services, Council will aim for a minimum lead-in time of three to six months for small units (less than 3 buses) and 12 months for larger urban units.

5.5.10 Unit performance monitoring

Council proposes to develop the basis of a monitoring regime that will apply to all units and agree specific details relevant to each unit with operators, post award of contracts. As a minimum the monitoring regime will incorporate all relevant key performance indicators outlined in the Waka Kotahi Procurement Manual (refer to Appendix 3). Any further elements of the regime will be developed in consultation with operators taking account of the following:

- relevance of performance measurement to providing a quality public transport service
- availability and reliability of data required to measure performance
- ease and cost of collecting data required to measure performance
- how external factors that can impact on performance, but cannot be controlled
- reciprocal performance measures

5.5.11 Commerciality ratio

The commerciality ratio is a financial calculation that measures performance by assessing the proportion of revenue generated by public transport users against the cost of providing the services.

- Council will calculate a commerciality ratio for:
- the region as a whole, and each unit of public transport services identified in the RPTP.

Unit commerciality ratios are low in the Waikato region across all units. No Units are commercially viable at the present stage.

The unit commerciality ratios will be published as part of a league table annually and included within annual reporting on the Regional Land Transport Plan.

6 Passenger Rail Service

6.1 Current network

The current public transport (rail) network consists of weekday and Saturday subsidised rail services between Hamilton Frankton and Auckland Strand, contracted by WRC. This is known as Te Huia.

In addition to contracted rail services, WRC has supported occasional chartered services for specific events, for example the 2023 Balloons Over Waikato Night-Glow.

6.2 Analysis of the supplier market

Existing supplier

Currently the Council has one rail operator (KiwiRail) providing subsidised services as part of the public transport network.

Supplier market

There are very few entities nationally or globally that are theoretically capable of supplying passenger rail services.

While Auckland and Wellington have metropolitan passenger rail services operated via contracts with commercial organisations, all other passenger services across New Zealand (including all inter-regional passenger rail services) are operated by KiwiRail.

Commercial and exempted services

Consistent with Bus, within the Waikato region there are currently no commercial or exempted services operating that Council considers integral to the public transport network it provides.

6.3 Potential barriers to market entry

As stated above, there are very few entities nationally or globally that are theoretically capable of supplying passenger rail services.

Potential bidders can be discouraged or prevented from participating in tender processes where there are significant barriers to entry. The following potential barriers have been considered as part of developing this strategy:

- Access to compliant vehicles
- Access to labour
- Access to land for rail maintenance depots and infrastructure
- Regulatory/legislative environment

6.3.1 Access to vehicles

Te Huia carriages were purchased from Auckland Transport and are owned by Waikato Regional Council. The carriages chosen are 1970's British and were effectively the last available within New Zealand.

Any party wishing to deliver passenger rail services would be required to purchase stock overseas that is consistent and compliant to New Zealand operating gauges and standards. To purchase new rolling stock a lead in time of over 5 years is likely.

To support this, Council would implement relatively generous contract lead in times for units tendered within the procurement strategy period. Longer lead in times should provide potential operators with additional flexibility in terms securing vehicles of an appropriate standard. Due to the relatively small and modest size of the units that will be tendered in Waikato, it is unlikely that access to vehicles will be a significant barrier to entry for operators wishing to submit a tender application.

6.3.2 Access to labour

Access to skilled labour, in particular qualified and experienced locomotive engineers, has potential to limit the ability for an operator to establish in a new area. Anecdotal advice suggests training and accreditation would take at least two years. It is considered that access to labour is a significant barrier to entry into the Waikato market.

6.3.3 Access to land for rail maintenance depots and infrastructure

Land for the storage, cleaning and maintenance of rolling stock is a significant barrier to entry into the Waikato market. Available land is likely to all be owned by KiwiRail and third party agreements would be required.

6.3.4 Regulatory/legislative requirements

Any operators who wish to operate a rail service and/or provide access to a railway, must obtain a rail licence, in accordance with the Railways Act 2005. This legislation puts the onus on operators/license holders to ensure that all rail related activities are in full compliance with the health and safety requirements under the Act.

6.4 Passenger Rail Unit

All public transport services within the region (with the exception “exempt” or “excluded” services) must form part of a public transport unit and be provided under contract to the Regional Council. More specifically in accordance with the LTMA, Regional Council, in its Regional Public Transport Plan must:

- identify the public transport services that are integral to the public transport network,
- provide an outline of the routes, frequency and hours of operation of the services integral to the network
- arrange all integral services into units
- indicate the date by which a unit is expected to start operating

Appendix A of the 2022 – 2032 RPTP identifies scheduled public transport services procured by the council. Inter-regional Rail is identified as Unit 10.

Unit requirements

1. Whole Route Operation - Each unit must comprise a service or group of services that operates all timetabled services on the entire length of one or more routes in the RPTP (legal requirement). This precludes the defining of a unit that only covers part of a route in the network, and helps define the ‘marketable whole’ and reinforce the customer base.
2. Mode Specific - Units must be single mode-specific - that is, a unit cannot include both a bus and ferry or train route.

6.5 Contractual and Partnering Framework

6.5.1 Delivery model

The partnering model is not a formal partnership but recognises the importance of collaboration between Council and operators to the provision of quality public transport services and leverages investment from both parties.

Under a partnering delivery model, Council and operators are incentivised to work collaboratively to achieve high performance standards and grow the commerciality of units. Successful collaboration requires that all parties share a common commitment to achieving the mutual goal of growing patronage with less reliance on subsidy. Risk is shared, to ensure that risks are placed with the party best able to manage them. This is achieved through the inclusion in contracts of key partnering tools, such as principals for partnering, financial incentive mechanisms, key performance indicators and annual business planning. Under the partnering delivery model, contracts will be partnering contracts with a term of nine years and must include key partnering tools.

6.5.2 Principles for partnering

One of the core components of PTOM is the collaborative partnering approach, enhancing the relationship between the Council and operators (and also less directly with the Waka Kotahi and territorial authorities). Ultimately, this is achieved via the contractual and commercial framework, but more specifically through the proactive business planning initiatives, key performance indicators and the financial incentives mechanism.

The Council has identified and developed the following key principles in consultation with bus operators to help guide behaviours and successful partnering:

1. The parties will seek to build relationships based on transparency, accountability and trust.
2. The parties will seek to understand and acknowledge respective objectives and needs regardless of how well they align with their own.
3. The parties will seek to agree common objectives and deliver mutual benefits.
4. The parties will have clearly identified roles and responsibilities.
5. Ensure risks are apportioned to the party best able to manage them.
6. The parties must have a commitment to continuous improvement of service delivery, customer experience and value for money.
7. The Parties are committed to resolving any differences simply, effectively and in a manner that supports a long term partnering relationship.
8. The parties will develop an equitable approach to the pricing of variable elements, recognizing that not all future requirements can reasonably be anticipated at tender time.

6.5.3 Joint business planning

One of the key tools for achieving this partnering relationship between Council and the operator will be joint business planning focused on the enhancement of unit performance and customer experience. Council has activated a governance and operational management framework consisting of the following entities:

Rail Service Steering Group – meets 1-4 times each year to assess and review operational issues, including performance. The team consist of operational senior management from the Council, the Operator and Auckland Transport.

Rail Service Partnering Team – meeting regularly and responsible for the day-to-day service provision. The team will consist of the Council's account manager and the Operator's operations manager.

Rail Stakeholder and Funder Group – comprises representatives from Council, the Operator, Auckland Transport, Hamilton City Council, Waikato District Council, Waka Kotahi and Ministry of Transport. This group discusses all facets of inter-regional rail including the Te Huia service.

The annual business plan is a cornerstone for partnering and is envisaged to be a working document, which will align and integrate into contract management processes.

Council anticipates that the Rail Service Steering Group will be responsible of overseeing the development and currency of annual business plans. It is anticipated that the Rail Service Partnering Team will have the primary responsibility of giving effect to the plan in collaboration with other stakeholders as and when required.

It is anticipated that Council and operators will collaboratively develop a plan for each unit that delivers on key objectives for both parties. The Business Plan is pivotal to ensuring that a “no surprises” approach is adopted to ensure that the desired outcomes are reached.

6.5.4 Key performance indicators

Council will utilise all relevant key KPI’s outlined in the Waka Kotahi Procurement Manual. Additional KPI’s specific to passenger rail were identified within the Single Stage Business Case and Waka Kotahi decisions.

6.5.5 Unit procurement methodology

Supplier Selection Method

KiwiRail is the only potential supplier for inter-regional passenger rail services, and **as such an exemption from Waka Kotahi Procurement Manual is required.**

In addition, due to KiwiRail being a State Owned Enterprise, aspects of the supplier relationship (including the application of margin in order to demonstrate profit) are set within the State Owned Enterprises Act 1986.

Service Delivery Attributes

The following is a high- level description of the Service Delivery Attributes Council is seeking to purchase in relation to each unit:

- Customer Service: A quality journey experience for passengers; personable, presentable, and knowledgeable customer facing staff; and timely and effective customer engagement.
- Fleet Management: A fleet that: meets or exceeds minimum vehicle quality standards set out by WRC; and is safe, reliable, presentable and cost effective enabling reliable and efficient service delivery.
- Service delivery: Services monitored in real time with appropriate responses made to meet service reliability and punctuality KPIs; robust accountable revenue collection systems that are transparent and auditable; suitable and timely responses to mechanical breakdowns.
- Health and Safety: A commitment to a zero harm philosophy; proactive management of risks and timely response to incidents through application of comprehensive policies, processes and systems.
- People capability and wellbeing: A commitment to the continuous training and upskilling opportunities, and improvement to remuneration, benefits, and working conditions that contribute to staff wellbeing and the retention of high-quality staff.
- Environmental sustainability: A demonstrable commitment to improving environmental outcomes within the Waikato Region, particularly with respect to climate change; a

commitment to deliver ambitious and innovative business practices that minimise/offset carbon emissions.

6.6 Service Operations

Procurement of services and resources for the operational running and management of the service are also subject to the exceptional circumstances clause. As noted, there are no suitable licensed operators capable of providing the service during the start-up period currently operating within NZ.

This therefore requires WRC to contract directly with KiwiRail as owner/operator to deliver the required level of service within the agreed funding envelope. To achieve this WRC are jointly developing the following legal documents:

- Service Operations Agreement
- Support Agency Agreement

6.6.1 Service Operations Contract

Management and operation of the service will generally fall under the framework of the current Public transport Operating Model (PTOM). Exact details are being developed collaboratively between WRC and KiwiRail to assign roles and responsibilities, service level agreements and to define the overarching contractual terms and conditions

A Rail Services Agreement and an Operational Plan (approved by Waka Kotahi CEO as a Board condition) between the parties provide high level agreement that all parties will cooperate to resolve issues and determine optimum processes and procedures.

6.6.2 Support Agency Agreement

This agreement sets out the roles and responsibilities of WRC, KiwiRail, AT and Auckland One Rail as public transport operations in the regional rail environment and sets out the relationship and dependencies for each party that allows the service to access AT platforms and tie into their communications and sales networks.

WRC reimburses AT/AOR reasonable costs for facilitation and access to services and facilities. This will be an exception to the procurement rules as it is a direct commission of another organisation to provide PT services without tendering. There are no feasible alternatives.

6.6.3 Open book pricing review

To provide assurance of value for money in lieu of market testing through competitive tendering WRC, in collaboration with Waka Kotahi and KiwiRail, carried out an open book pricing review of the confirmed operational (OPEX) costs prior to finalising contract negotiations.

7 Total Mobility

7.1 Background

Total Mobility is a national transport scheme involving disability support agencies, approved transport providers and local government. The Total Mobility scheme provides subsidised taxi services to people who have an impairment that prevents them from undertaking any of the following components of a public transport journey unaccompanied, and in a safe and dignified manner:

- getting to the place from where transport departs
- getting onto the transport service
- riding securely
- getting off the transport service
- getting to the destination.

Council manages the Total Mobility scheme within the Waikato region. It is currently operating in Hamilton city, Waikato, Matamata-Piako, Thames Coromandel, Taupō, Tokoroa and Waipa districts. The electronic Total Mobility ticketing system (Ridewise) was rolled out to the region in December 2018.

WRC funds the scheme in Hamilton. Outside of Hamilton, respective local authorities are responsible for funding the local share. Availability of funding from local authorities has limited the extent to which the scheme has been rolled out in the Waikato. Council will continue to work with local authorities to further expand the scheme. Current suppliers are outlined within table 8.1 below.

Table 8-1: Current suppliers of the Total Mobility scheme within the Waikato Region

Participating operators may be subject to change over time.

Total Mobility Area	Total Mobility Supplier
Hamilton City	Hamilton Taxis Red Cabs TriKiso Buses Ltd Driving Miss Daisy – Hamilton East Driving Miss Daisy – Hamilton West Yellow Cabs
Waikato district	Freedom Drivers Driving Miss Daisy
Thames Coromandel	Thames Taxis
Matamata-Piako	Driving Missy Daisy
Taupo	Great Lake Taxis Taupo Taxis Sharon's Companion Driving Service Driving Miss Daisy
Tokoroa	Tokoroa Taxi Society
Waipa	MFT Taxis (Cambridge and Te Awamutu)

	Freedom Drivers Driving Miss Daisy Rest Haven To and Fro
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7.2 Region-wide total mobility scheme

Formal approval to further invest in the development of the Total Mobility Scheme was accepted by WRC in early 2023. This approval will support a region-wide approach to funding and delivery of the Total Mobility scheme. This development will see a region wide eligibility for the scheme with a consistent max cap subsidy of \$50. Total Mobility will become regionally funded, instead of by the respective district council.

Eligibility for the scheme will not rule out disabled people who do not live within the bounds of already approved areas. Disabled people will benefit from having a reliable door to door transport option. A regionally consistent cap of \$50 will mean current and new taxi operators will be able to pick up people from all districts.

A detailed proposal is being developed and will be considered as part of WRC's 2024-2034 Long Term Plan.

7.3 Total mobility provision

WRC will facilitate delivery of the Total Mobility scheme in accordance with criteria set by central government, and in locations within the region where there are appropriate transport providers and sufficient funding. In the provision of Total Mobility services, the Council will:

- ensure potential service providers meet defined eligibility criteria, include regional criteria additional to those specified in legislation, to ensure continued safety and accessibility for users.
- require any potential service providers to enter into a service agreement with Council

The Council will subsidise eligible Total Mobility trips by 50% of the total fare, up to a set maximum fare subsidy. Currently, the maximum fare subsidy may vary by location and may (please refer to www.Busit.co.nz for maximum total mobility subsidised fares, and this will be replaced by a regional fare cap once the region-wide total mobility scheme is in place.

7.4 Regional criteria for service provider

As per Chapter 9 of the Waka Kotahi Procurement Manual, all suppliers that meet the Regions criteria for joining the scheme must be allowed to join the scheme.

Currently a supplier is required to meet all relevant legal and regulatory requirements and be able to deliver on the following levels of service in order to be able to join the scheme outlined in table 8.2.

Table 8-2: Levels of service required to join Total Mobility Scheme

Area	Service Level
Hamilton	<p>The approved Total Mobility providers must be available 24 hours, seven days a week.</p> <p>Approved providers must have CCTV capabilities within participating vehicles and be able to provide the footage to Council if requested.</p> <p>The wheelchair service must be available 24 hours, seven days a week unless exempt from the Waka Kotahi.</p> <p>It is expected the service will normally be provided within 30 minutes of a request being received, except at school times.</p>
All Other Areas	<p>The preference is for approved Total Mobility providers to be available 24 hours, seven days a week, but this is not a requirement.</p> <p>The wheelchair service must be available between 6am and 5.30pm Monday to Friday, and at weekends by prior request.</p> <p>It is expected that within the core period of operation (6am-5.30pm) service will normally be provided within 30 minutes of a request being received, except at school times.</p>

Council completes periodic reviews of the supplier eligibility criteria and delivery of the total mobility scheme within the region, to ensure that it reflects the broader review of the total mobility scheme.

8 Public transport infrastructure and information technology

8.1 Regional Integrated Ticketing System (RITS)

WRC is one of 10 Councils (Regional Consortium) currently involved in the Regional Integrated Ticketing System (RITS) Project. The RITS was launched in Waikato in 2020 (Bee card) across all bus and rail services. It is intended that Council will continue its involvement in the Regional Consortium as they are part of a longer term technology solution procurement, currently operating under the national ticketing solution.

8.2 Total Mobility Ticketing

The current Total Mobility Ticketing approach is an electronic swipe-card system. A National Total Mobility Administration System, Ridewise, was jointly procured by the Waka Kotahi, Auckland Transport and WRC. Ridewise was introduced nationally in 2015, and now covers 95% of the total mobility scheme nationwide.

An upgrade path for the Ridewise solution has been agreed to with Councils using the system. Development of agreed enhancements is currently underway for Ridewise.

8.3 Real-time information (RTI) system

The current system was implemented in 2004 and has seen some components upgraded and replaced. This has been implemented through a single RTI System supplier (Radiola). Council has recently issued a RFT for the upgrade of real-time displays and CMS of the RTI System. All components will use standard communication protocols (e.g. GTFS) so as to remain supplier agnostic. This project is currently funded through the Climate Change Emergency Response Fund (CERF).

8.3.1 On vehicle ticketing and GPS equipment

GPS location updates communicated in real time provide the basis for the RTI system. The ticketing equipment rolled out to the region as part of the RTIS project has the capability to provide real time GPS locations and trip information without a separate GPS unit. WRC does not intend to procure any separate GPS unit for the RTI system.

8.3.2 Travel Time Prediction engine

The Travel Time Prediction (TTP) engine receives data from on-vehicle devices in a specific format, matches that data to schedule information, and calculates travel time predictions based on historical data for all bus stops applicable to the trip. This data is then made available to passenger information channels such as on street signage and websites. The TTP engine is currently managed by the RTI system provider.

8.3.3 Reporting Data Warehouse/Contract Management System

Current supplier was engaged in early 2018 with a 3-year contract until 2021. The current contract was extended and Council intends to issue a tender round for suppliers with a longer contract term in late 2023.

8.3.4 General Transit Feed Specification (GTFS) Data maintenance

Involves identifying GTFS changes and maintaining data, provided to the Vehicle/Route Matching Engine. The GTFS data is currently managed by INIT as part of the RITS.

8.3.5 Demand Responsive Transit (DRT) Scheduling Application

Council intends to engage a web based DRT Scheduling Application that can effectively and efficiently manage the complexity of a flexible on demand service.

DRT Information Systems are typically supplied via web platforms, on a “Software as a Service” (SaaS) basis.

Currently, the Waka Kotahi Procurement Manual does not recognise SaaS as a pre-approved procurement methodology, meaning **WRC would like to request approval for a customised procurement procedure.**

Software as a Service” (SaaS) is a method of software delivery and licensing in which software is accessed online via a subscription, rather than bought and installed on individual computers. Typically there is no defined contractual end date for the service. Testing Against s25 of LTMA, as required by Waka Kotahi when seeking approval for a customised procurement procedure is outlined below.

Testing Against s25 of LTMA

Section 25(1) of the LTMA requires that the Waka Kotahi must approve procurement procedures that are.....*‘designed to obtain the best value for money spent by the Agency and approved organisations, having regard to the purpose of this Act’.* In approving a procurement procedure, the Agency must *‘also have regard to the desirability of a) enabling persons to compete fairly for the right to supply outputs required for approved activities, if 2 or more persons are willing and able to provide those outputs, and b) encouraging competitive and efficient markets, for the supply of outputs required for approved activities.’*

Best value for money:

- Investigation of the current DRT Scheduling Application market has shown a wide range of international suppliers. Council will conduct regular reviews of the DRT Scheduling Application market, to ensure the engaged supplier still represents the best value for money and takes advantage of any innovations available.

Enabling competition that is fair:

- Through its market investigation, Council will ensure a number of potential suppliers are assessed for their suitability to supply.

Encouraging competitive and efficient markets for supply:

- The market for DRT Scheduling Applications is web based and many international suppliers are available. The open nature of the market will dictate that innovation and price competition are high.

Council aims to complete the procurement activity within next 12-18 months, with baseline KPI’s and subsequent exit clauses for non-performance, and with no defined end date to the subscription. In the event of a supplier withdrawal of service, Council will seek a sufficient notice period for procuring a replacement supplier.

Council will agree with the supplier that all underlying passenger related data inputs and outputs from the DRT system are confidential and owned by Council.

As part of supplier engagement, Council will include provision to ensure appropriate contract termination notice times are given by the supplier, in the event they are to discontinue the service. Council will also seek data escrow conditions from the supplier, to insure all data that resides within SaaS applications is protected against loss.

8.3.6 Customer Call Centre (0800 BusIT)

The Council Public Transport Call Centre has been on a monthly payment basis for an extended period of time, due to various contracted suppliers going into liquidation. The current supplier has been operating successfully for over 12 months.

Council intends to tender for ongoing Call Centre requirements as part of the WRC Corporate Customer Transformation project which will look at opportunity to integrate customer call centre requirements for both general Public Transport queries and wider corporate functions and customer call centre needs.

Part D: Management and Implementation

9 Corporate management

9.1 Organisational chart

The organisational structure for WRC is shown in Figure 1 below.

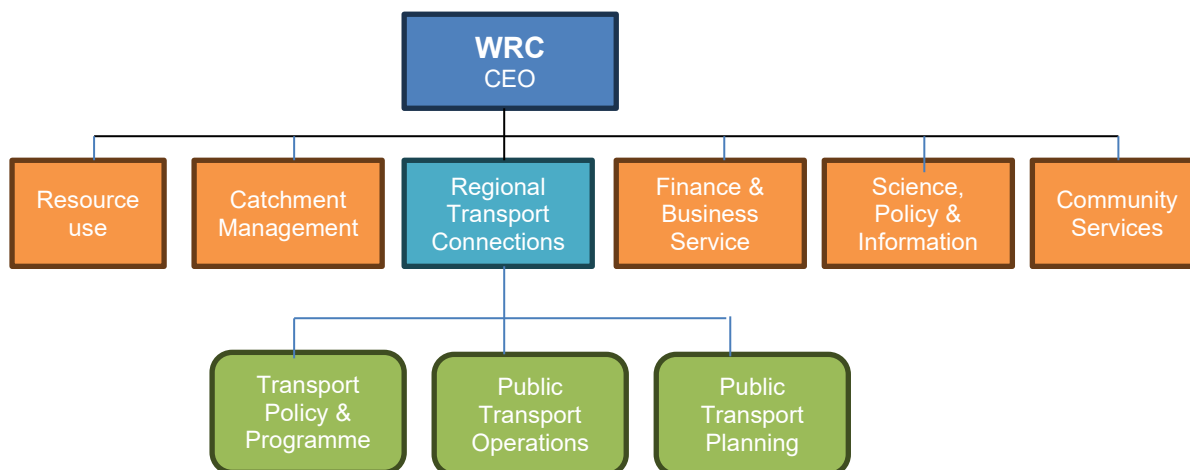


Figure 1: WRC Organisational Structure

Transport Policy and Programme

The transport policy and programmes team lies within the Regional Transport Connections Directorate (RTC) and comprises a small team of transport policy advisors and a team leader. The road safety planning, marketing and education are also undertaken in the RTC directorate.

Public Transport Planning and Operations

Council has a well-established public transport operations team that has been managing bus service contracts for a significant number of years, both in Waikato and in other regions. The team has been involved in contract negotiations for varying existing service agreements and have a comprehensive knowledge of the network and the supplier market. Recent additions to the team have strengthened the operator and relationship management skillset and depth.

For the procurement component of implementation, the public transport operations team will supplement its skillset and experience with input from key territorial local authority officers and external resources as and when required.

9.2 Internal procurement processes

WRC has a set of procurement policies and guidelines which provide a framework for procurement decisions (see section 1.9). The objectives of these documents are to provide clear direction to Council management and staff in relation to the purchasing function. The minimum requirement is that all procurement is based on the following principles:

- **Accountability** – to ensure that Council staff are accountable for their performance and are able to give complete and accurate accounts of the use Council funds have been put to.

- Openness – to ensure transparency in the administration of Council funds, to support accountability and provides understanding of respective roles and obligations of the Council and its stakeholders.
- Value for Money - with regard to the total costs and benefits of procurement arrangements, while consciously managing the balance between risk and the expected benefit.
- Lawfulness – to ensure that all Council transactions are within the law and meet its legal obligations.
- Fairness - to ensure that procurement is carried out in a fair manner and that Council staff make and can be seen to have made all procurement decisions impartially and without bias.
- Integrity – ensuring that ethical and behavioural standards are of the highest level.
- Sustainability - ensuring that procurement decisions reward suppliers who are attempting to integrate environmentally and socially sustainable practices into their operations.

Council aims to ensure the procurement of transport related activities (funded under s20 of the LTMA) is undertaken in accordance with the corporate policies and guidelines, while meeting the requirements set out in the Waka Kotahi Procurement Manual. Where there is a variance to procurement procedures or practices, Council will seek Waka Kotahi approval prior to undertaking the activity.

9.3 Corporate ownership and endorsement

Corporate ownership of the document is shared between Council's Directorates relative to the transport activities undertaken by the respective directorates. This strategy will be distributed internally to the relevant directorates (RTC and Finance) for feedback and approval, prior to it being finalised.

Formal endorsement of the strategy will be sought from the Waka Kotahi before it is adopted by Council. The Waka Kotahi endorsed strategy will be uploaded to the Councils website for public information.

Appendix 1 - Potential barriers to entry analysis

Access to vehicles:

Since 2005 there have been two significant changes that have the potential to influence the ease of access to vehicles. These are the introduction of the Requirements for Urban buses in New Zealand (RUB) and the development and implementation of the PTOM.

The RUB is a common standard for urban buses in New Zealand. The standard is intended to:

- reduce capital and operating costs of building, purchasing and operating buses,
- improve journey experience and safety for users,
- provide more flexibility for operators to use buses in multiple regions, which may not be otherwise possible due to different regional vehicle quality standards.

The RUB was first published in 2008 and was designed to take effect from 2012. It is intended that overtime the specifications contained in the RUB will apply to all contracted services that receive funding from the National Land Transport Fund (NLTF), administered by Waka Kotahi. As a prerequisite of funding, Waka Kotahi requires that all urban bus public transport contracts must incorporate the vehicle standards contained in RUB.

RUB is applicable to all new buses (including newly constructed buses, as well as new or used imports) that enter urban service on and from 2012 onwards.

Access to labour

To assess the approximate size of the existing driver labour pool, information was sourced from the Waka Kotahi Driver Licensing Register. Information obtained related to the highest class of driver licence held with a passenger endorsement. The data was regionalised to the physical address recorded on the Driver Licence Register as at 25 August 2014.

Persons that hold a Class 2 Licence or higher with a passenger endorsement are legally able to drive a bus, depending on the weight and nature of the bus. A Class 2 license with a passenger endorsement would be sufficient to drive the majority of urban buses within Hamilton. A Class 4 licence is required to operate some of the heavier buses utilised on the rural and satellite services. Table 10 below summarises data received from the Waka Kotahi.

Number of Licence Holders by Highest Licence Class/Stage Held

Region	2008 Territorial Local Authority	Number of Licence Holders by Highest Licence Class/Stage Held						Total
		2F	2L	4F	4L	5F	5L	
Waikato	Franklin District	49		59	5	113	7	233
	Hamilton City	78	8	229	25	202	15	557
	Hauraki District	13		41		36		90
	Matamata-Piako District	28		74	4	94		200
	Otorohanga District	9		18		15		42
	South Waikato District	15		38	5	42		100
	Taupo District	42		111	15	77		245
	Thames-Coromandel Dist.	27		91		56		174
Waikato District	32		81	10	78		201	

	Waipa District	31		118	4	121	15	289
	Waitomo District	15		41		17		73
	Total	339	8	901	68	851	37	2204

Class 2 License - relates to a rigid vehicle with a gross laden weight of more than 6000kg but not more than 18,000kg (Medium Rigid Vehicle).

Class 4 License - relates to rigid vehicle with a gross laden weight of more than 18,000kg (Heavy Rigid Vehicle).

Class 5 License - relates to combination vehicle with a gross combined weight of more than 25,000kg (Heavy Combination Vehicle).

The figures in the table above indicate there is a relatively healthy pool of licensed drivers situated within the Region. Licence holders appear to be spread across the region comparatively evenly relative to the size of the general population located within the respective local authority areas.

Information available online suggests that it typically takes anywhere from 9 to 26 week to licence and train a new driver. Shorter time frames appear to relate to meeting licence requirements only. Longer timeframes typically relate to obtaining relevant licences and driving experience. Either way the typical time frames appear to well within the minimum contract lead in times proposed.

In summary, it appears that there is a relatively healthy pool of drivers situated throughout the region; it is likely that majority of existing bus drivers would remain in their respective locations even if the operator running a contract changed. It is also likely that new drivers could be trained and licenced within the proposed contract lead in times. On balance is considered that access to labour is unlikely to be significant barrier to entry into the Waikato market.

Access to land for bus depots

Land requirements for bus depots in the Waikato could vary significantly. For example a depot serving all of Hamilton may need to be capable of accommodating 70+ buses, while urban units awarded to multiple operators may require multiple depots. A depot serving a satellite town may only need to accommodate between 3 and 10 buses depending on the associated service. Given the large number of potential variables, consideration has been given to a range of potential depot scenarios.

The Council commissioned The Property Group Ltd (TPG) to investigate the availability of potentially suitable land for the establishment of bus depots in the Waikato. More specifically TPG were requested to provide:

- An outline of potentially suitable sites currently on the market for sale or lease by unit locality.
- An outline of estimated purchase and/or lease costs for each site identified.
- Typical rates per square-meter (sale and lease) for generally comparable sites that have most recently been on the market by unit locality.
- Typical rates per square-meter (sale and lease) for generally comparable land in Auckland, Wellington, Tauranga and Dunedin.

The key output was the assessment that on balance land affordability within the Waikato (relative to other regions) is unlikely to be a significant barrier to entry, however availability of suitable land and at the right time could be a significant issue along with the time needed to potentially modify a site or sites and establish fixed depot infrastructure if required.

TPG utilised online resources and consulted with property valuation specialists, property consultants and real-estate agents in order to meet the brief outlined above. TGP's findings are summarised below. It is important to note that the findings should be treated as indicative only.

The exercise primarily focused on land availability generally and did consider the specific or relative suitability of sites. A key assumption underpinning the investigation was that new bus depots are most likely to be established in industrial areas.

- The analysis found that within Hamilton there is a reasonably frequent turnover of sites potentially suitable for establishing bus depots. The most common parcel sizes were between 2000m² to 5000m². Examples of sites in excess of 10,000m² were limited.
- While there appears to be a reasonable level of land being offered to the market in Hamilton, the nature and suitability of land for use as a bus depot appears highly variable. For example some sites have poor accessibility to the transport network. Some sites were vacant and completely undeveloped while others include existing buildings and surfacing that may or may not be suitable. All sites identified would require modification to some extent for use as a bus depot.

The Hamilton City Operative District Plan allows for transport depots as a permitted activity in industrial zones (with some exceptions), subject to complying with relevant development standards. The Hamilton City Proposed District Plan will require the establishment of depots in industrial zones to be subject to a resource consenting process.

Additional time could be required to satisfy resource and building consent requirements in addition to the time needed to purchase/lease a site and modify a site for use as a depot, should it not be fit for purpose in the first instance. The amount of time required to comply with consenting processes is variable and could range from 20 working days to many months depending on specific circumstances.

Typical purchase prices in Hamilton were lower than prices in Wellington and Auckland, comparable with prices in Tauranga and higher than prices in Dunedin. Land availability generally appears higher in Hamilton than in Auckland and Wellington and comparable with Tauranga and Dunedin. Information on potential lease options was limited in all centres.

The analysis also found that land availability and market turnover of suitable land in the satellite towns such as Huntly, Te Awamutu, Paeroa and Raglan is very low. However this is not necessarily a cause for concern in terms of being a potential barrier to entry as the contracted fleet sizes associated with satellite towns are typically small. A small fleet size may mean that sub-leasing depot facilities or parking only facilities with support functions subcontracted to other suppliers might be a viable option.

On balance land affordability within the Waikato (relative to other regions) is unlikely to be a significant barrier to entry. However availability of suitable land and at the right time could be a significant issue along with the time needed to potentially modify a site or sites and establish fixed depot infrastructure if required.

Appendix 2 - Key Performance Indicators Applicable to all Bus Units

Service Performance

Attribute	Key Performance Measure	Priced KPI payment		Accurate Reporting Bonus
		Peak (Weekdays 6am – 9am, 3pm – 6pm)	Off Peak (All other time periods)	
Real Time Assignment - Trip Sighting	All buses are automatically or manually allocated to a block before the start of a trip. In the event of vehicle change during a trip, the new vehicle is reassigned.	100% of the value of the trip is not paid for where full trip is unsighted. 50% of the value of the trip is not paid for where part trip is unsighted.		Per trip abatement reduced by 50% when failure is reported accurately within the stated timeframe.
Punctuality at Origin Tier One (late trips)	All trips depart origin no more than 4 minutes, 59 seconds late compared to schedule.	100% of the value of late trips are not paid for.	50% of the value of late trips are not paid for.	
Punctuality at Origin Tier Two (missed trip)	All trips that depart origin more than 9 minutes, 59 seconds late compared to schedule are deemed missed trips.	300% of the value of missed trips are not paid for.	200% of the value of missed trips are not paid for.	
Punctuality at Timing Points/Origin (early trips)	All trips depart origin and timing points no more than 59 seconds early compared to schedule.	50% of the value of early trips will not be paid for.		
Trip Completion	All trips arrive at destination no more than 9 minutes and 59 seconds late compared to schedule.	200% of the value of uncompleted/late trips are not paid for.	100% of the value of uncompleted/late trips are not paid for.	

For the purposes of KPI payment calculation the value of a trip is defined as the gross contract cost divided by the total in service km's contracted for the relevant unit multiplied by the total in service km for each service trip that failed.

For each trip, the maximum KPI payment of each of the KPIs which the trip has failed will be applied, and the KPI payment will not be cumulative across the KPIs.

SCHEDULE OF BREACH PAYMENTS

Breach		Breach Measure	Breach Payments
Incorrect Vehicle		Where an operator is unable to run the correctly specified vehicle for the route, they may run a non-compliant vehicle but will incur a breach payment for each trip.	\$100 / trip if not reported 5 minutes prior to the vehicle entering service otherwise \$50 if reported.
Vehicle Off Route (stops missed)		When a vehicle deviates from its assigned route causing stops to be missed, a breach payment will be incurred for each affected trip.	\$100 / trip if not reported within 30 minutes after failure otherwise \$50 / trip
Equipment Failure - Cameras		The Council may request CCTV footage for audit purposes or to investigate a specific event. The operator must provide footage within 24 hours of the Council making a request to the Service Provider.	\$10,000 / failure
Dirty or damaged vehicle		Failure to comply with direction of the Council in relation to the Partnering Agreement.	\$5,000 / failure
Incorrect destination signs		Failure to comply with direction of the Council in relation to the Partnering Agreement.	\$5,000 / failure
Failure to sufficiently train drivers		Failure to comply with direction of the Council in relation to the Partnering Agreement.	\$5,000 / failure
Complaints Handling	Customer Response –complaint acknowledged	The Service Provider must acknowledge complaints within 2 working days of a complaint being lodged.	\$50 / failure
	Customer Response - complaint closed out	The operator must close out complaint with customer within 5 Working Days of a complaint being lodged.	\$50 / failure
Failure to Report	Safety Event or Passenger Event – Critical	Failure to report or notify Council of an event specified in the Partnering Agreement.	\$500 / event