

PTOM Bus – Procurement Approach Update to Council



17 November 2015



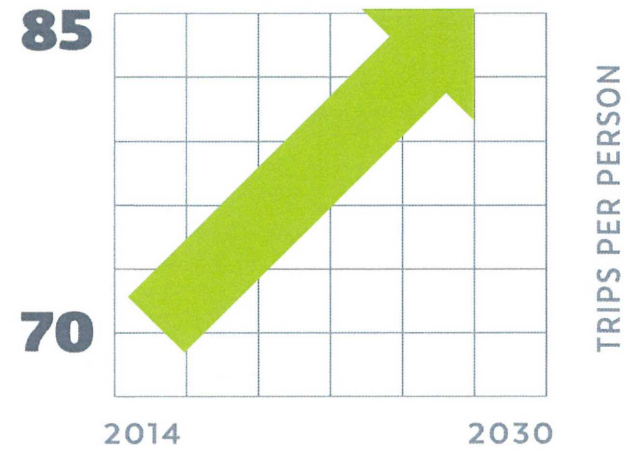
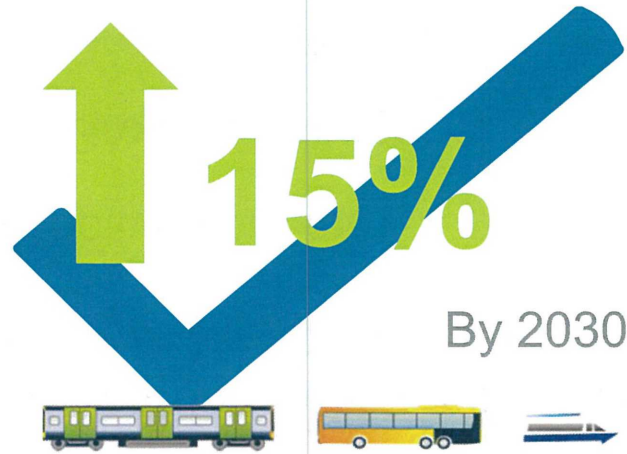
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Context



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Background and objectives

- Legislated through amendments to the Land Transport Management Act 2003 (LTMA)
- Objectives are to:
 - Grow patronage
 - Grow commerciality
 - Grow confidence of efficient pricing
 - Grow confidence of competitive market

Procurement Approach



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Partnering contract objectives


- Quality of operations
 - Value for money and customer satisfaction
- Smooth transition
 - To new contracts, new operators, new service patterns and new fleet
- Partnership and transparency
- Increasing patronage
 - Particularly at peak travel times
- Improving commerciality

Principles

- Maximise competition – short and long term
- “Light touch”
- Value for money – short and long term
- Price / quality balance
- Risk / reward balance
- Informed by industry

Informed by industry

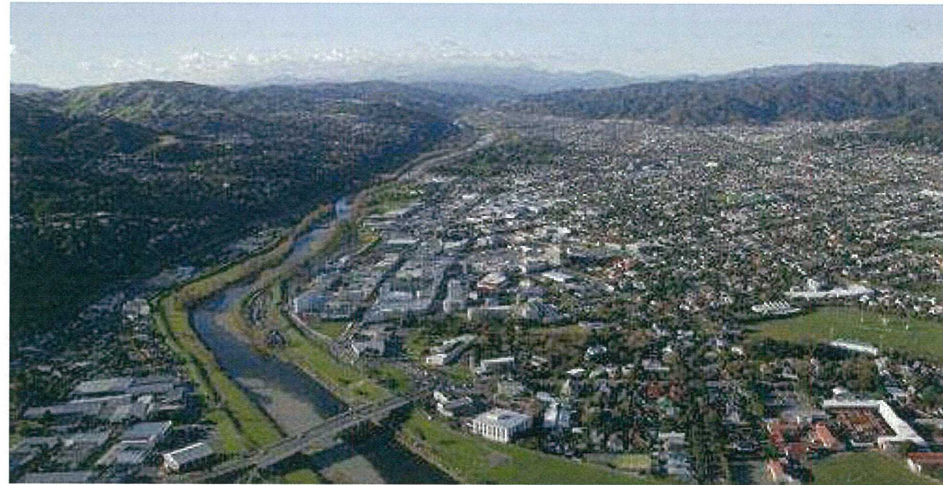
To date

- Industry briefing and one on one meetings
- Written feedback on framework document
 - Resulted in a number of changes to approach
 - Changes denoted in this presentation by 

Further engagement with Industry

- Vehicle Quality Standards – Nov
- Draft contract – Dec-Jan

Unit design

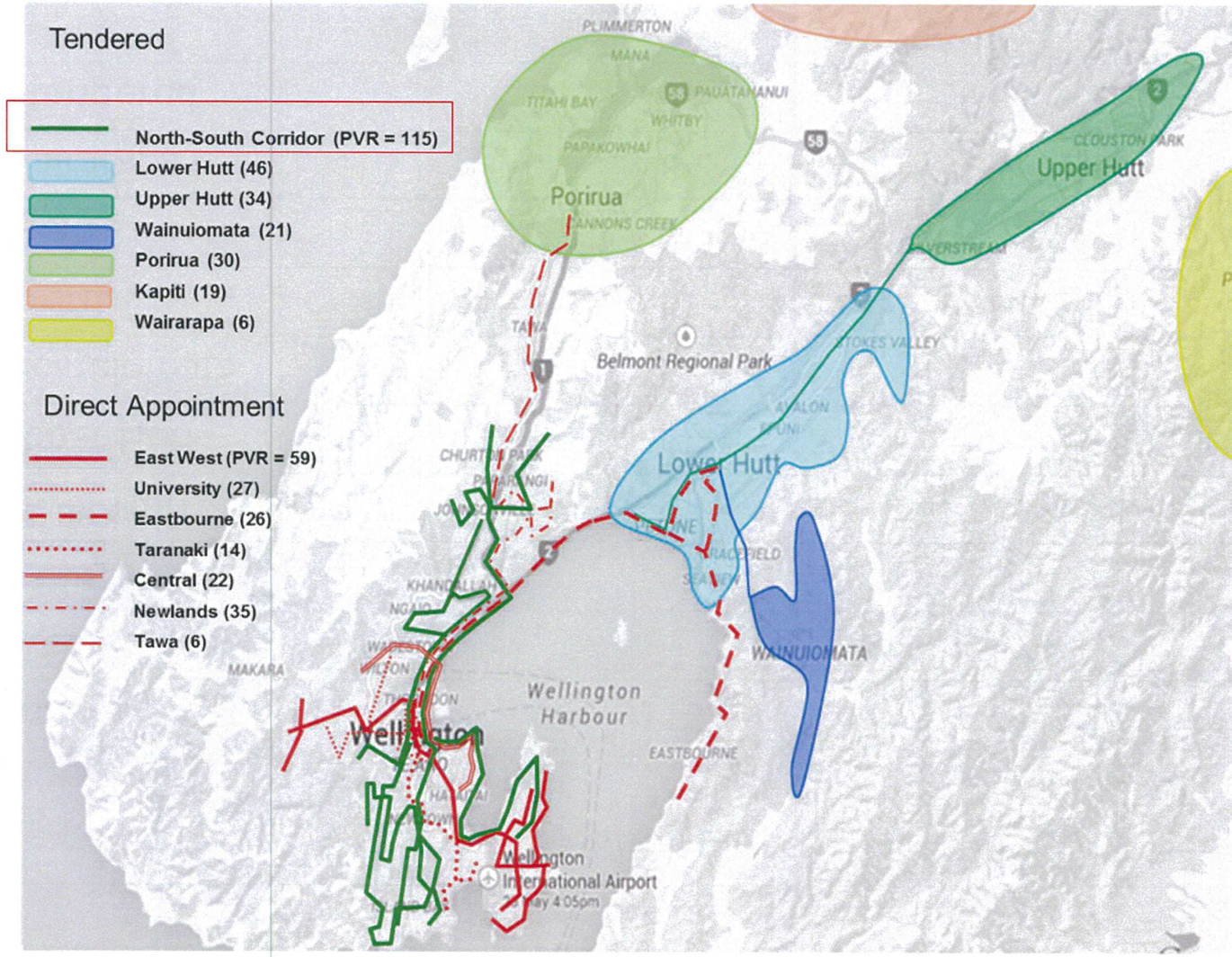


- Services allocated to operational units
- Route based or geographic
- Each unit is a separate operating contract
- Regional Public Transport Plan amendments
 - Creation of Tawa unit
 - Consolidation of North-South Spine, Khandallah, Brooklyn units into a single unit – North-South Corridor
 - Total bus units now 14 (was 16)

Unit tenders

- Direct appointed units – 7 of 14 units with NZ Bus and Mana
- Available for tender
 - 7 of 14 units
 - 66% of region-wide in-service km
 - 69% of peak vehicle requirement (PVR)
- 100+ bus contracts attractive for large new entrants
- Bundling of units encouraged to provide economies of scale
 - No limitations, multiple combinations encouraged
 - No requirement to submit bids for individual, stand-alone units with bundled offers

Units



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Units available for tender

Unit	Estimated PVR	Estimated in-service km ('000)
1. North-South Corridor	115	3,113
4. Khandallah	25	876
7. Brooklyn/Owhiro	28	766
9. Lower Hutt	46	1,814
10. Upper Hutt	34	1,185
11. Wainuiomata	21	886
13. Porirua	30	1,129
14. Kapiti	19	820
15. Wairarapa	6	310
Total tendered	271	9,257

Timetable

Activity	Timeframes
Draft contract to Industry for feedback	Dec 2015 – Jan 2016
RFT released	April 2016
RFT due	12 weeks from RFT release
Evaluation and appointment	12 weeks
Preferred tenderers selected	September 2016
DAU price submission (and negotiation as required)	October 2016
Contracts awarded	Oct-Nov 2016
Transition	12-15 months
Contract commencement	October 2017 – January 2018

Evaluation

- Price Quality Method (without disclosure of an estimate)
 - Price weighting will be between 40% and 60%
 - Preferred tender outcomes based on best combination of unit offers (quality adjusted prices) on region wide basis
 - E.g.

Combo Number	North South	Porirua	Lower Hutt	Upper Hutt	Wainuiomata	Kapiti	Wairarapa	Total
1	198			39	80	57	71	\$445
2	33	58	206			57	71	\$425
3	33	138	206			138	71	\$448
4	97		206			131		\$434

Shading denotes bundles

Preferred

Market concentration

- The potential for excessive market concentration by any one supplier will be considered against long term VfM factors.
- Market concentration guideline of 60% of the total region in-service kilometres (including DAUs)
- VfM assessment triggered if the preferred tender outcome results in a single operator exceeding the market concentration guideline
- Value the trade-off between lower cost of the preferred tender outcome and a high level of market concentration, measured by
 - Increased risk of fewer tender bids in future, and therefore higher prices
 - Cost of any market interventions to increase competition in future

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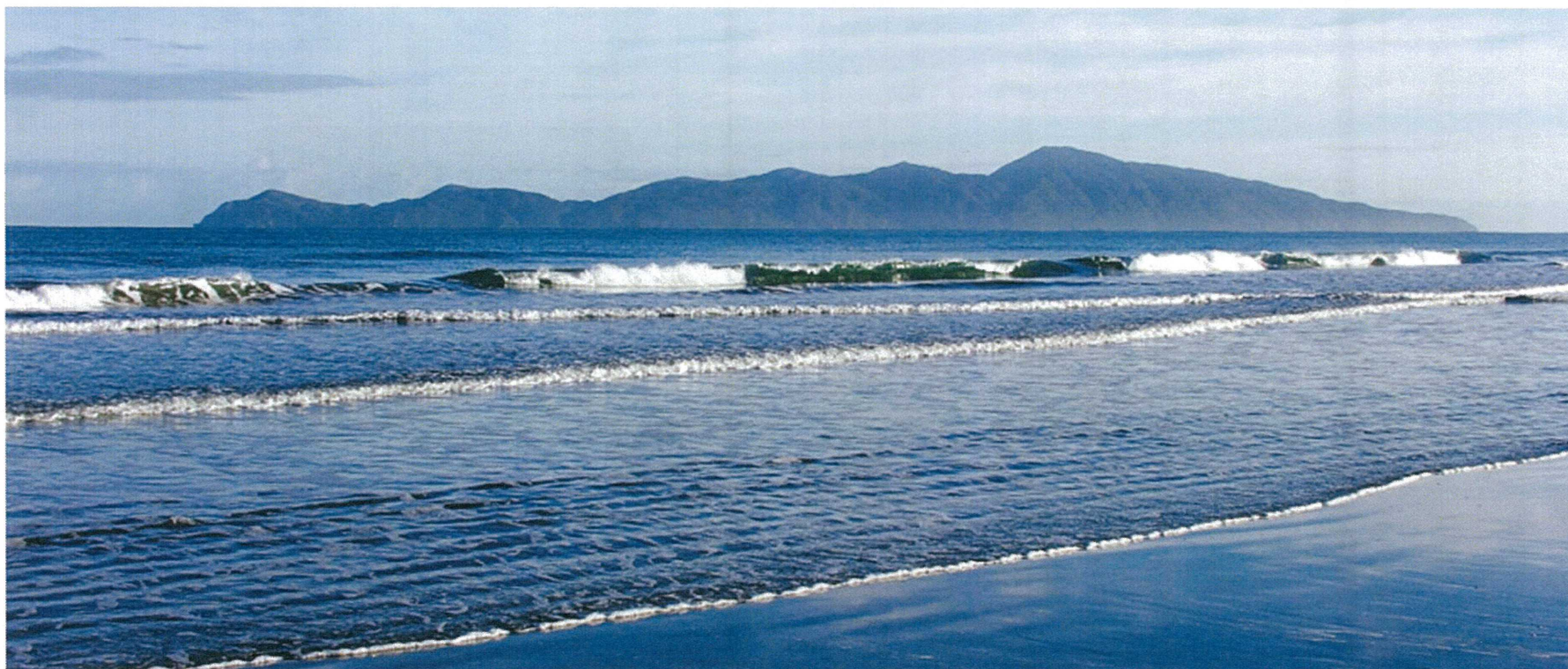
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Assets



Fleet

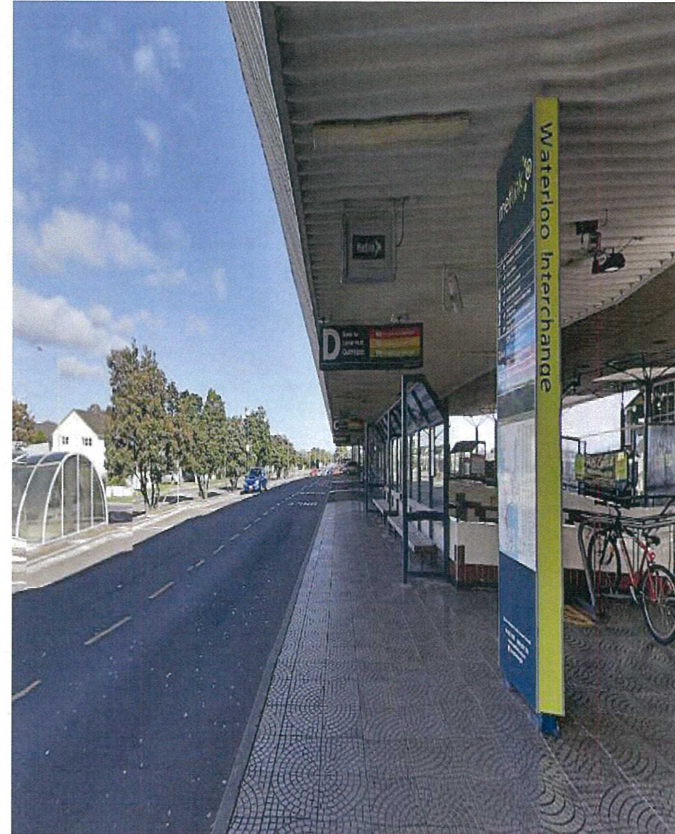
- Operators to acquire, own & operate fleet
- Up to 15 month transition period
- Minimum of 50% new fleet required for each unit
- **Transfer obligation** over specialist fleet at end of term
 - Specialist fleet is high capex fleet such as double deckers, hybrids, electrics
 - To future proof for future competition
 - To reduce residual risk for tenderers
 - Tenderers can propose a transfer obligation for non-specialist fleet; otherwise no rights sought by GWRC to these
- Electrics to be trialled and progressively introduced during contract term – contract variation with selected operator/s

Depots

- No assistance in securing depots in upcoming tender
- Land access was a consideration in the unit and tender design
- Up to 15 month transition period
- **Transfer obligation** over new depots at end of term
 - To future proof for future competition
 - To reduce residual risk for tenderers
 - Incumbents can propose a transfer obligation for existing depots; otherwise no rights sought by GWRC to these

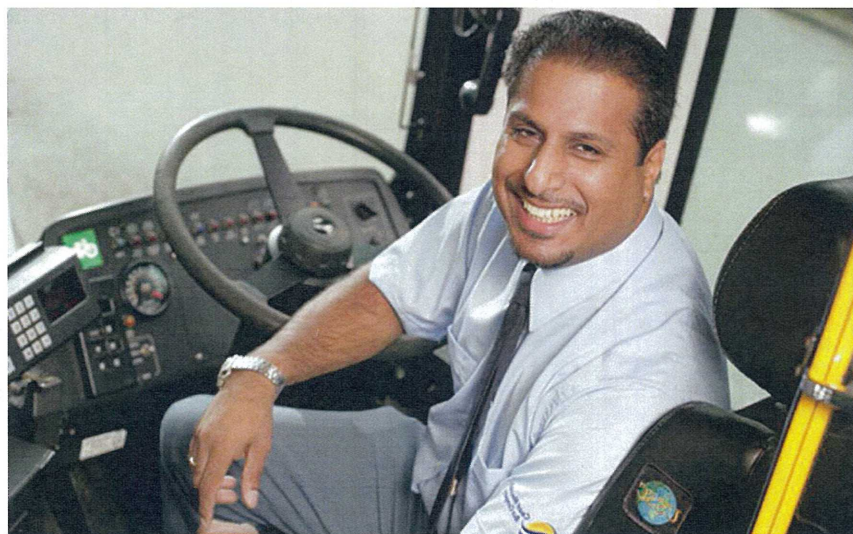
Interchanges and layovers

- Most are owned by third parties
- Open access to all
- Assistance in securing on-street layover space
- To be governed by Standard Operating Procedures & Protocols



Staff

- No assistance in upcoming tender
- Up to 15 month transition period
- No end of term provisions for staff transfers
- Contract management will encourage operators to focus on training, particularly in customer service and driving behaviours



Customer Interfaces

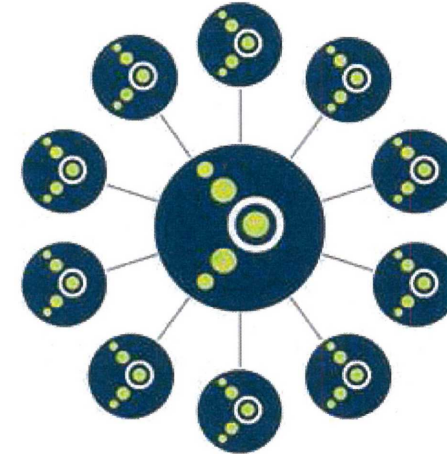


Interim electronic ticketing

- Interim ticketing solution to be provided by GWRC prior to full IFT solution roll-out
- Discussions underway with ticketing providers
- Objectives of interim solution:
 - To enable one system to be installed on all buses – NZ Bus, Mana, new entrants
 - Provide continuity of experience for current card holders
 - Enable bus to bus transfers between operators without penalty for customers

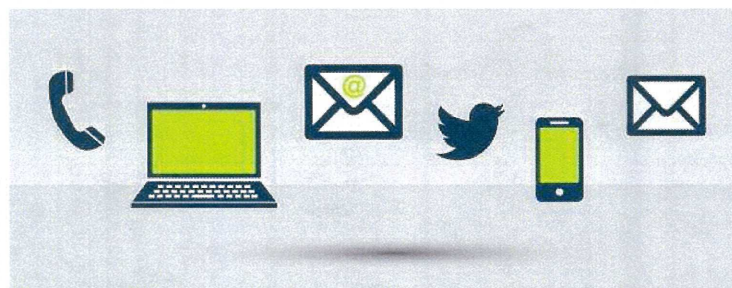
Branding

- A single consistent Metlink brand
- Bringing the Metlink brand to the forefront of all assets, including:
 - Livery
 - Interior
 - Tickets
 - Uniforms
- Some operator co-branding to be allowed on uniform and bus exterior



Marketing and information

- GWRC responsible for all customer service communications channels
 - Metlink service centre
 - Metlink website
 - social media (ie twitter), apps and widgets
- GWRC responsible for customer complaints management, supported by operators



Payment Model and Performance Management



Payment model

- Base service fee
- Timetable variation rates
- PVR variation for changes in fleet
- Indexation using NZTA bundled index
 - Applied to all components (including fleet)
- No price reset at Year 6, but we will undertake a price roll-up of all indexation and variations into a new base service fee at Year 6

Financial Incentive Mechanism (FIM)

- Patronage based
- Projection formula used to establish patronage projection for forthcoming year
- Payment/deduction based on patronage projection verses actual patronage
- Cap and collar applied
- Applies from year 2 onwards
- Excludes Supergold patronage

Reliability KPI

s7(2)(i) - negotiation

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Punctuality KPI

s7(2)(i) - negotiation

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Performance payment

- Pool of [REDACTED] available annually across all bus units
- Indicators for forthcoming year set by annual business planning
 - Up to three per unit
 - Indicators may vary by unit
 - Performance metrics may be measured at the operator level where practical to do so
- Performance Indicators (PIs) to cover customer, operations and fleet

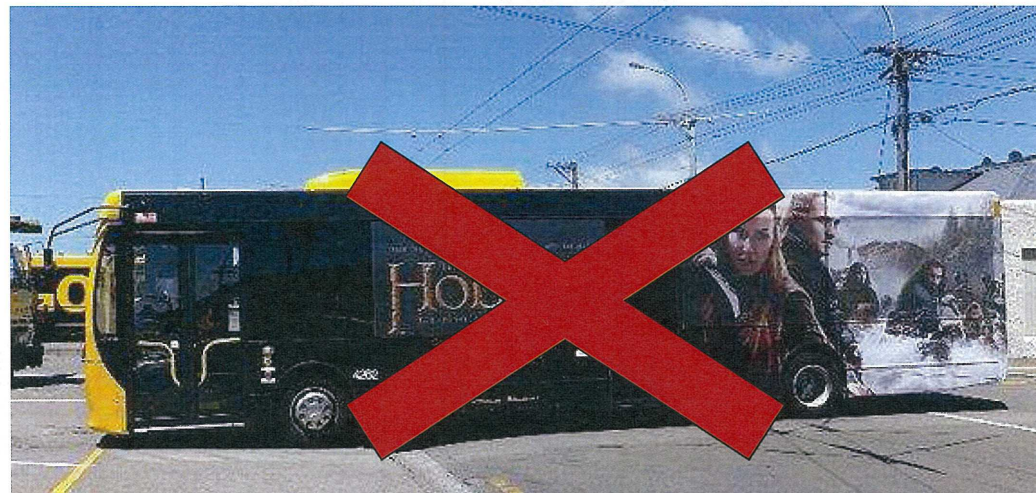
League table

- A tool to incentivise bus operators
- Commerciality ratio
- To be published annually under PTOM
- Use for determining contract negotiation or tender at end of term
 - Other factors will be considered, in addition to blended commerciality ratio of each operator



Advertising

- GWRC to control on-bus advertising
 - Revenue share with operators
- Exterior will be back of bus only
 - Customer experience considerations



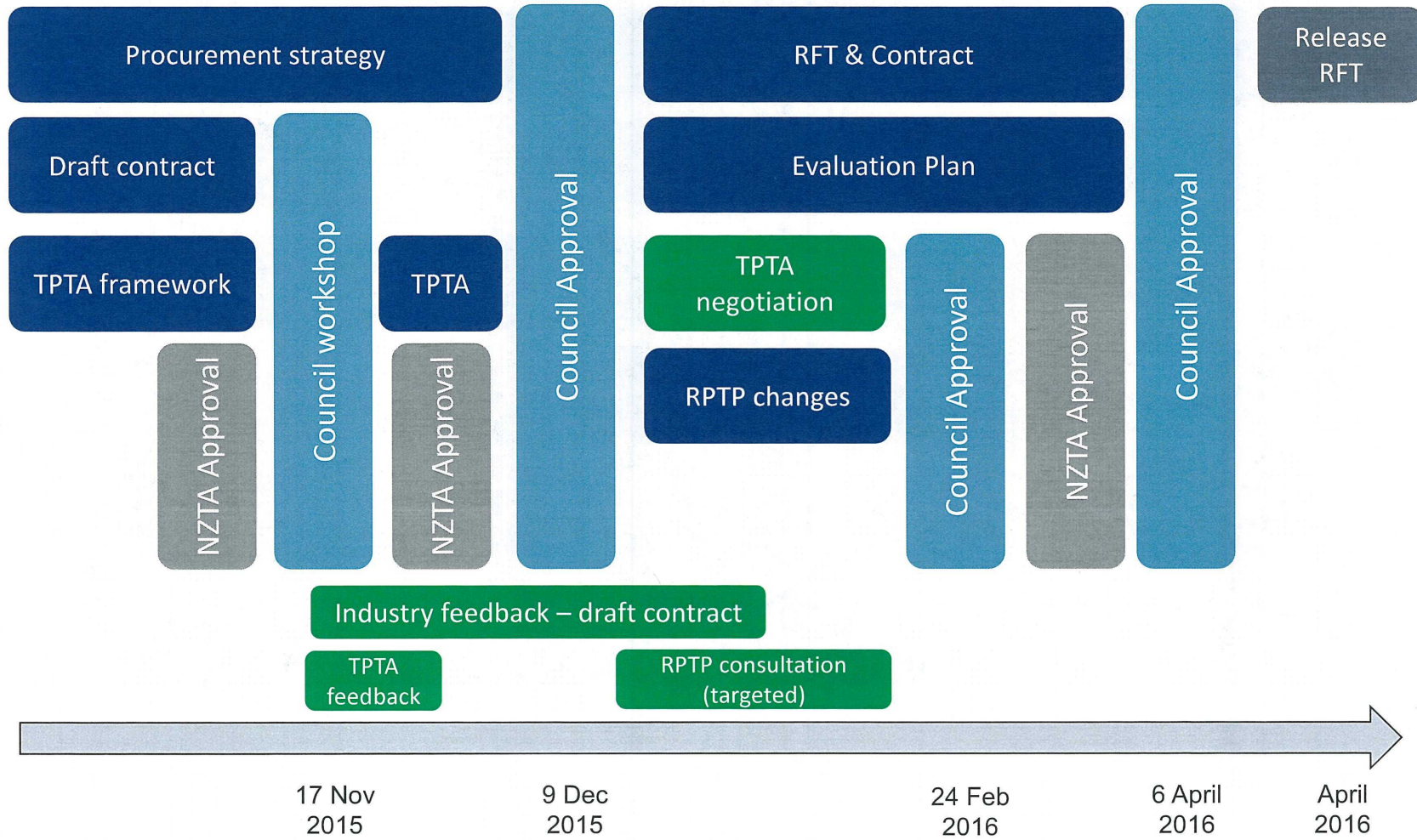
Next Steps



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Next steps



Thank you



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