

# Explaining the Request for Tender for PTOM Bus Services



8 March 2016



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# Purpose today

- Update Council on progress of the Request For Tender (RFT) for PTOM Bus services to be released in April
- Inform Council of the following elements to help understand the upcoming request for approval:
  - Timetable
  - Contract development process
  - Key commercial terms
  - Evaluation approach
    - Staff arrangements
    - Fleet emissions
  - Next steps



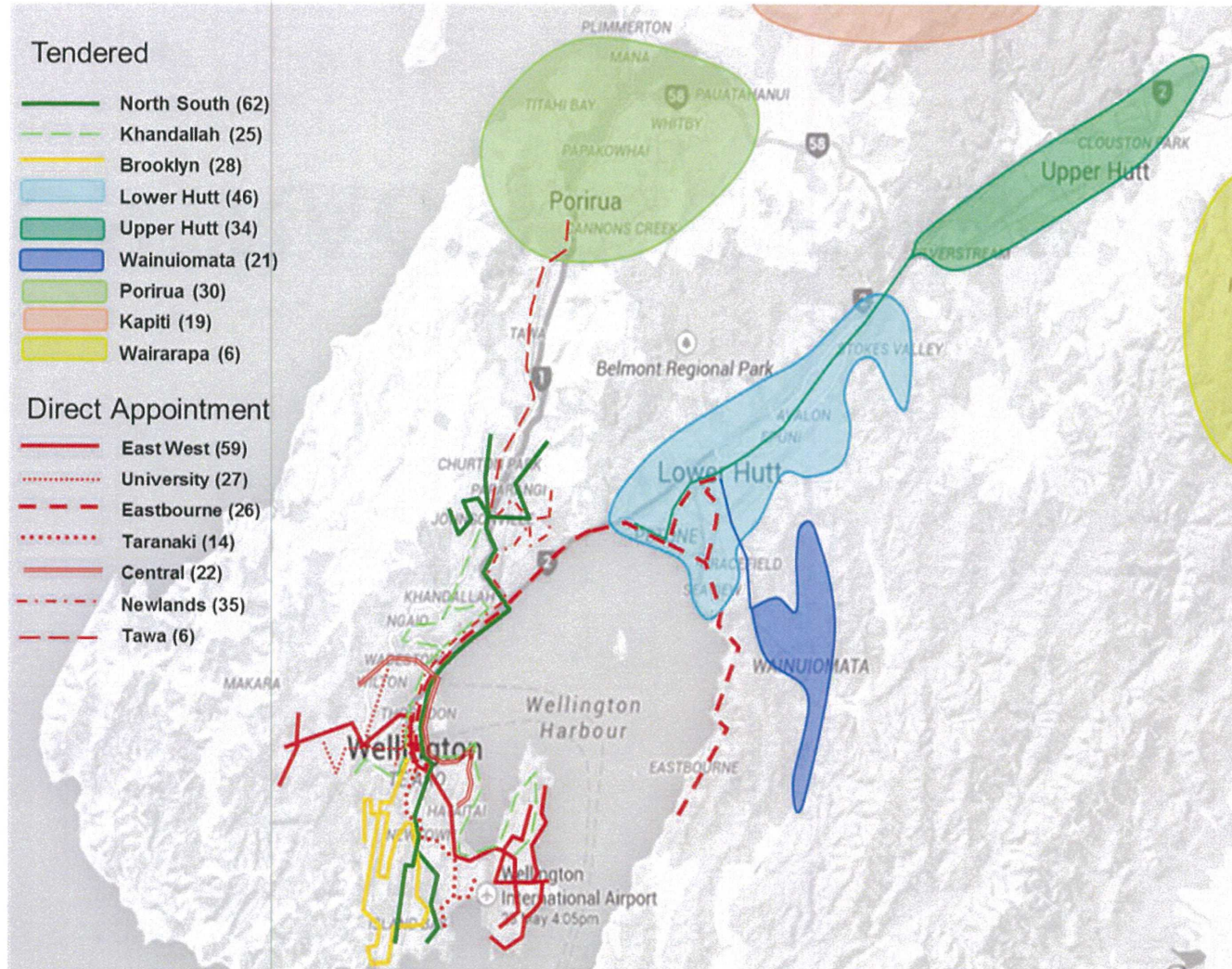
## Achievements since we last met...

- Regional Public Transport Plan (RPTP) amendment consultation completed
- Almost completed
  - Contract development
  - Evaluation plan development
  - RFT development
  - Participation and Transition agreement with incumbents
- Progress on fleet transition

# Planned timetable

Activity	Timeframes
Request for Tender (RFT) released	11 April 2016
RFT due	18 June 2016
<b>Preferred tenderers recommended to Council</b>	<b>28 Sept 2016</b>
Tendered contracts awarded	Oct 2016
Direct Appointed Units (DAU) process	Oct 2016 - Feb 2017
<b>Contracts commence</b>	<b>January 2018</b>

# Recap on Units to market



# CONTRACT OVERVIEW



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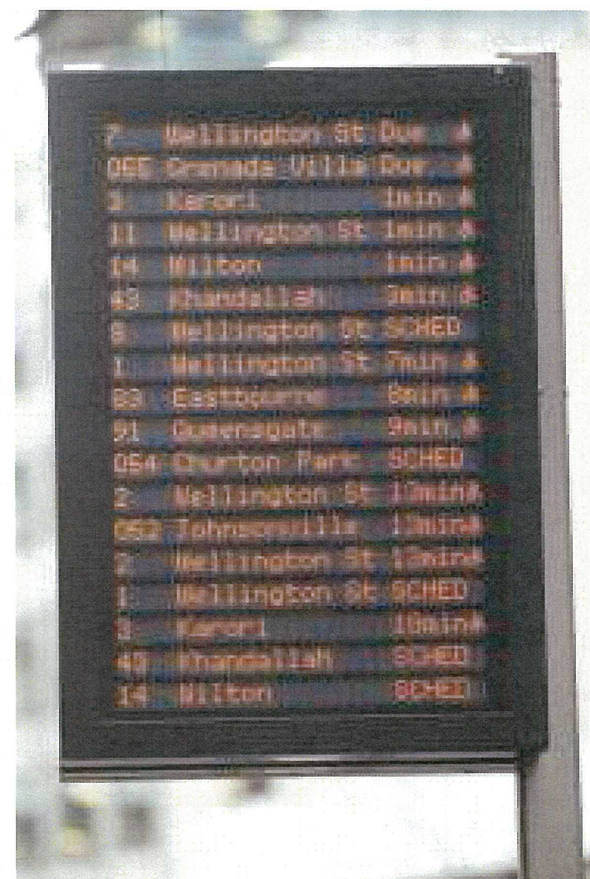


# Reminder of expected outcomes

Feature	Reason and outcome
Partnering relationship	Joint ownership of service outcomes
Network approach	Consistent bus services contracts mean easier management and better performance
Performance	Incentives for delivering improved service outcomes
Risk	Allocated to best party able to manage
Return	Opportunities for attractive long term commercial returns for operators

## Key commercial terms

- Contract term
- Securities (GW protections)
- Performance regime
- Payment model
- Planning and reporting
- Asset ownership and end of term arrangements
- Fleet requirements
- Staff provisions





# Fleet requirements

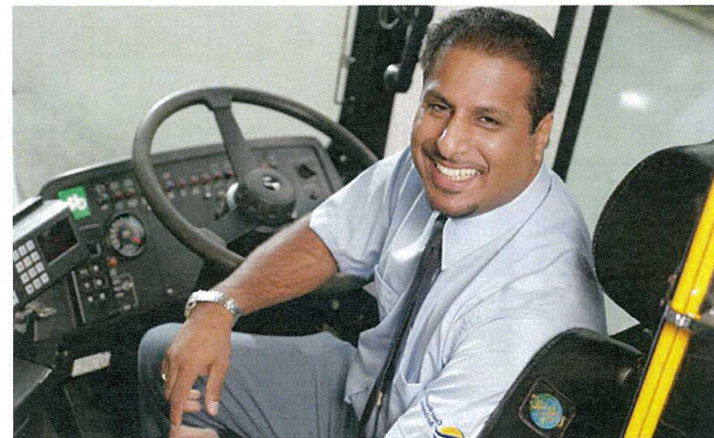
- Mix of fleet required
- Size and minimum customer features specified by GWRC
- Low emission fleet outcomes incentivised by GWRC via tender
- Emission standards tendered will be written into the contract



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# Staff arrangements

- Tenderers' approach to staff will be assessed through RFT evaluation criteria
- Operator plans relating to staff reviewed by GW and form part of the contract
- No provisions for transfer of staff or minimum rates and conditions
- Incoming and outgoing operators have commercial incentives to cooperate on staff



# EVALUATION



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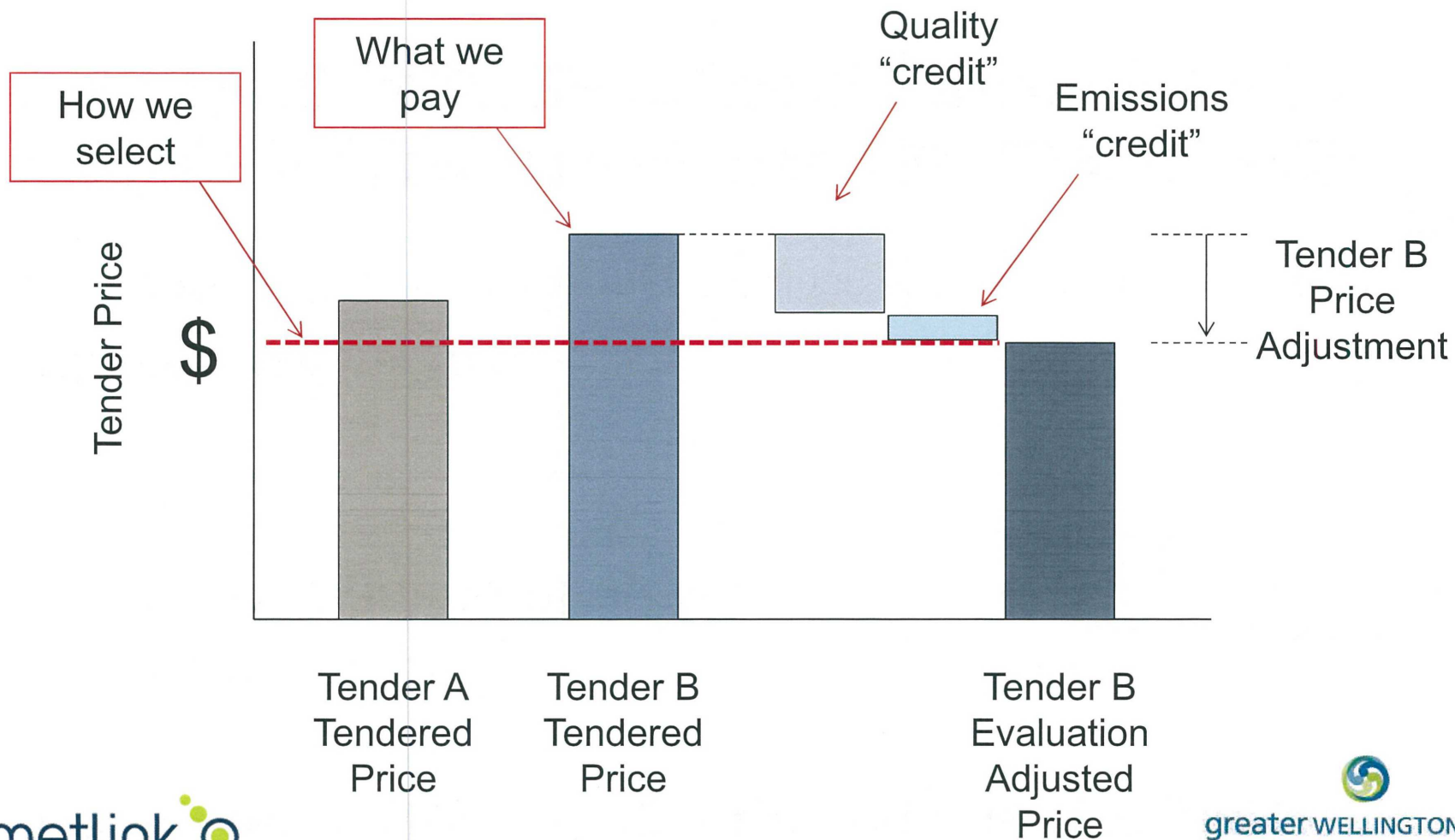


# Reminder of the Principles guiding our tender process

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

# Credit for high quality and low emissions

Price : Quality approach



# Recommended Price Quality weighting

- Quality weighting 40%
- Price weighting of 60%

Does not include emissions – assessed separately

## What does it mean?

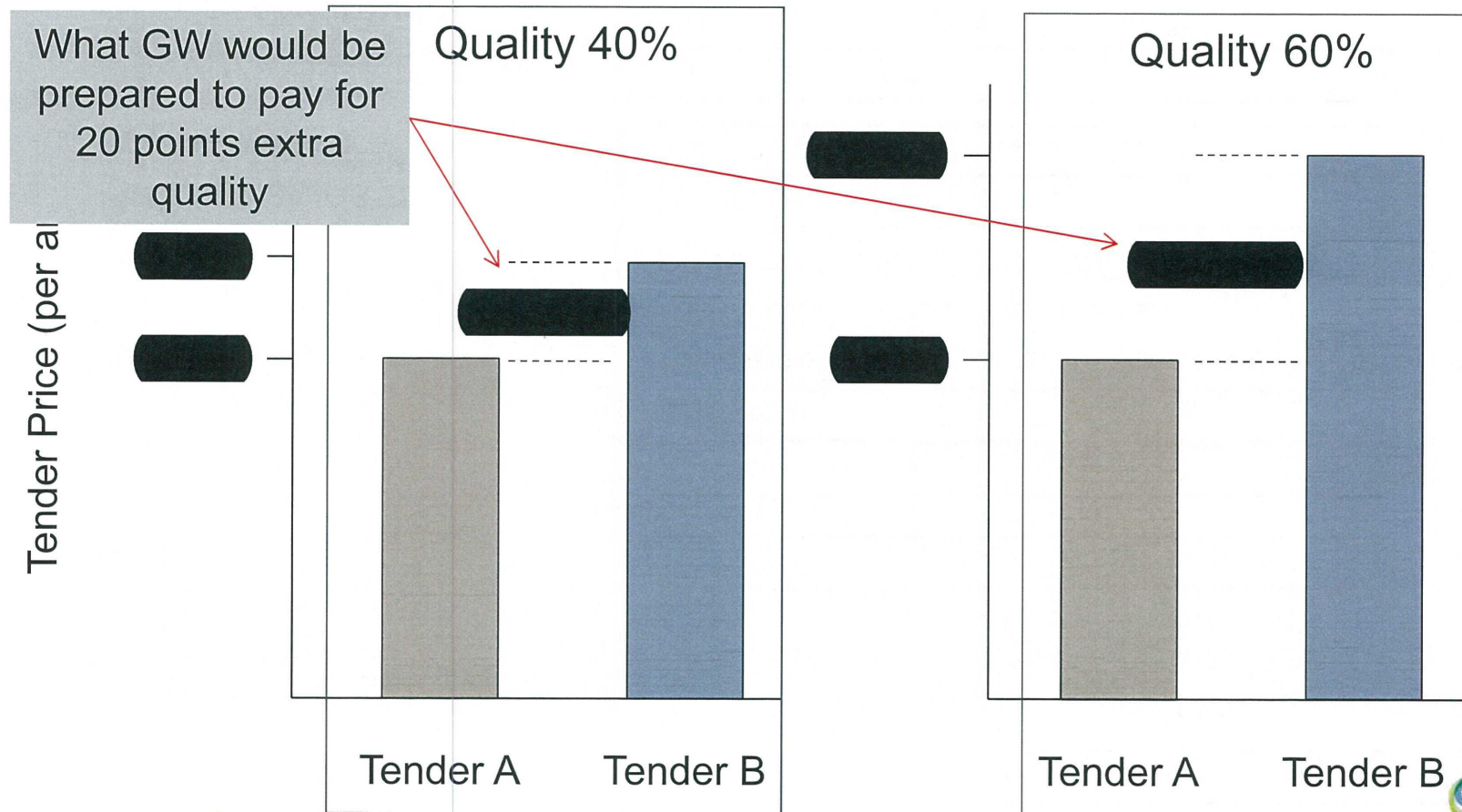
If a supplier is 20 points better in quality than another across the region, then:

- [REDACTED]
- [REDACTED]

s7(2)(i) - negotiation

# The effect of the Quality weighting

If Tender B is 20 quality points better than Tender A, Tender B would win with the following Tender prices



# Quality assessment

Impact on staff assessed

Attribute	Required to demonstrate in tender
Confidence in service delivery	<ul style="list-style-type: none"> <li>• Relevant experience</li> <li>• Prior performance and track record</li> <li>• Innovation</li> <li>• Recruitment and training</li> <li>• Transition</li> <li>• Approach to service delivery and planning</li> <li>• Approach to fleet management (emissions evaluated separately)</li> </ul>
Relationships and partnering	<ul style="list-style-type: none"> <li>• Approach to partnering</li> <li>• Corporate culture, including staff</li> </ul>
Customer service and patronage growth	<ul style="list-style-type: none"> <li>• Customer service</li> <li>• Patronage growth – approach and experience</li> <li>• Managing service disruptions – including communications approach</li> </ul>



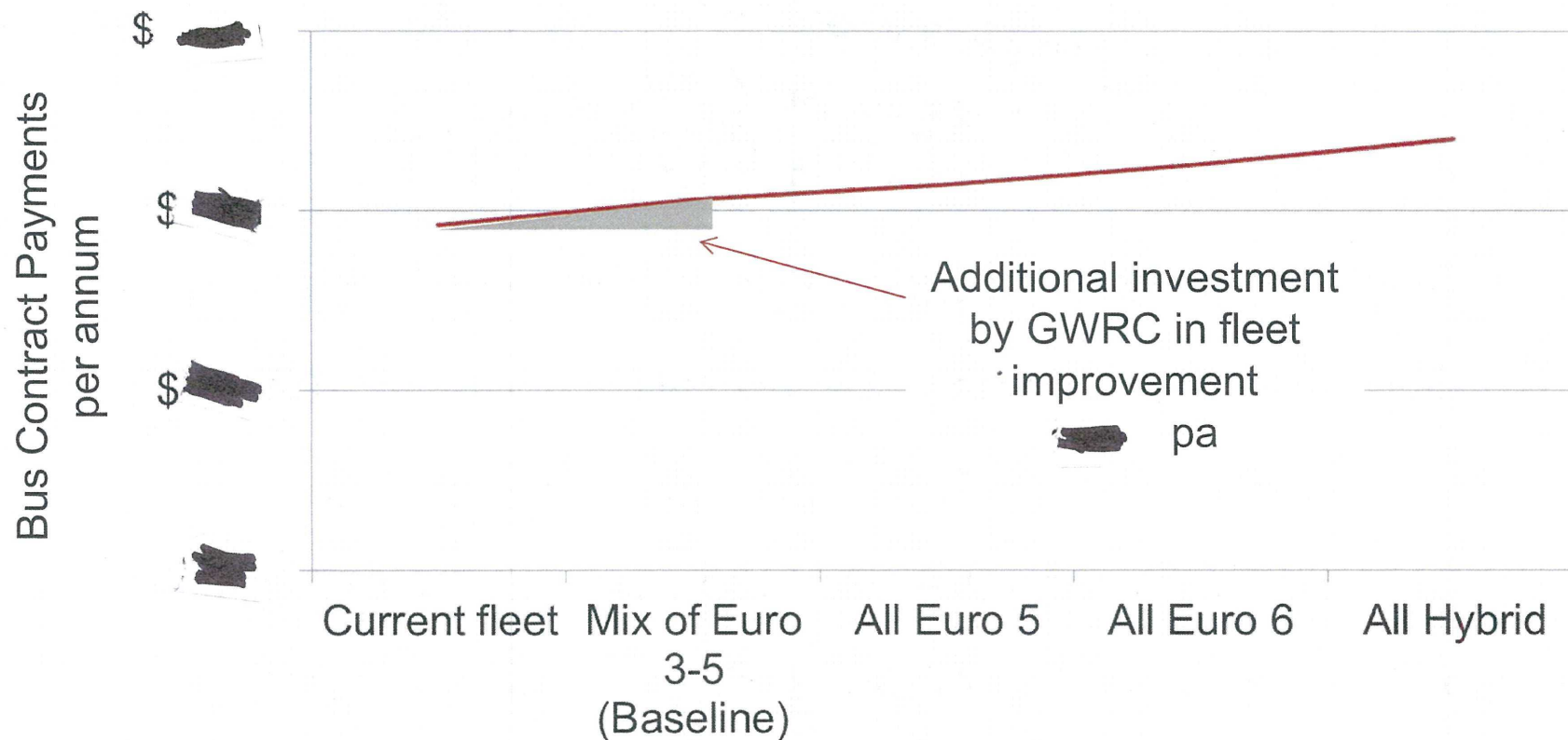
## Lowering fleet emissions

- Minimum standards set by national standards
- GWRC going better than this by requiring 50% new fleet
- Delivers significant improvement over current fleet
  - 67% Euro 3 or below *moving* to 75% Euro 4 or better
  - 33% improvement in tailpipe emissions in Wellington city
- Low emissions signalled in tender as a high priority



# Investing to achieve lower emissions

s7(2)(i) - negotiation



# Incentivising lower emissions

- Tender will incentivise lower emission outcomes
- “Credits” for lower emission fleets will reward tenderers that offer lower emission outcomes
- Credits applied to measureable differences in:
  - PM10, NOx, CO, HC and CO2
- Uses an economic “cost to society” approach

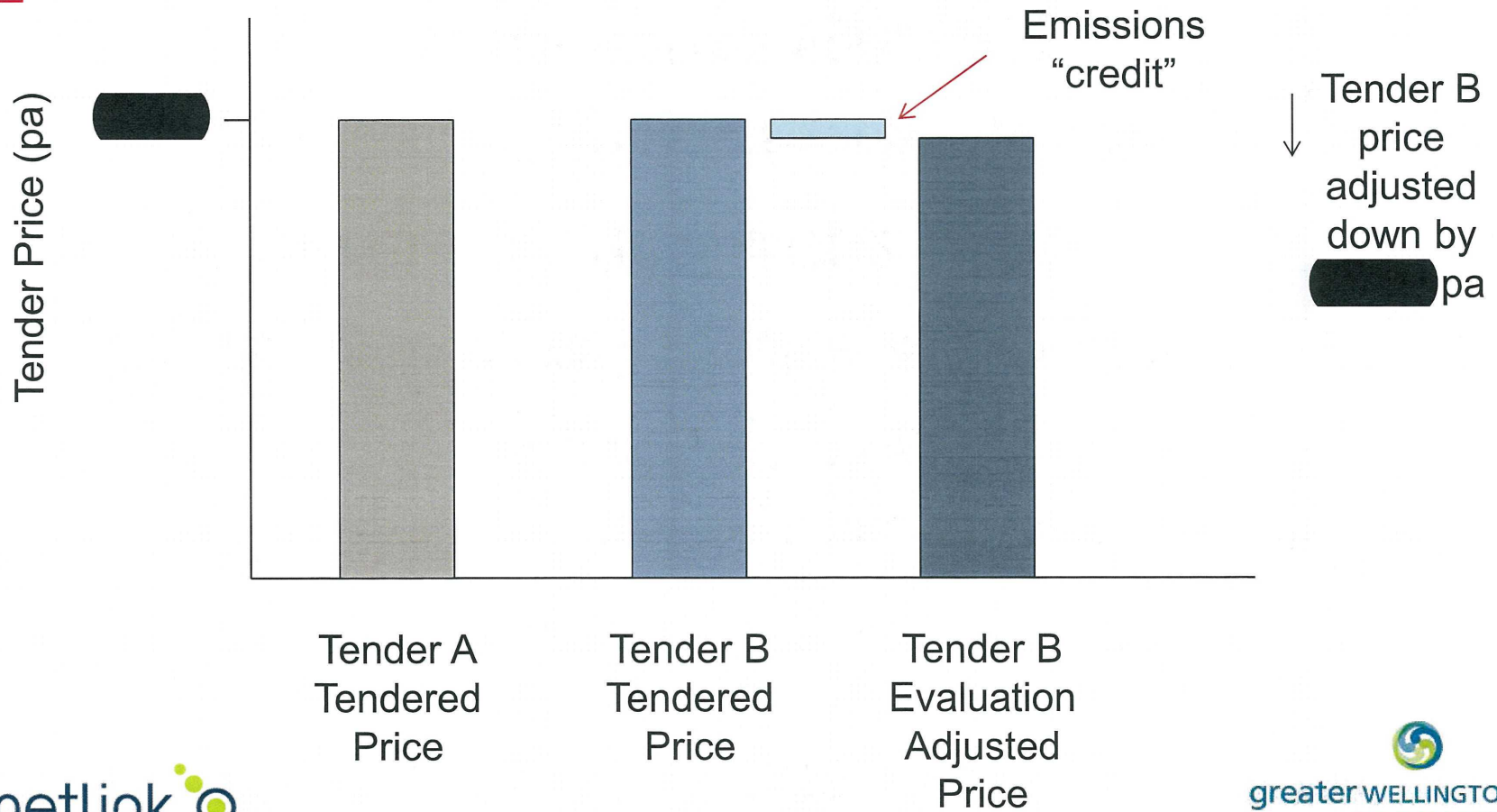


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# The effect of emissions “credits”

If Tender B is the same quality and price as Tender A, but Tender B offers an all Euro 6 fleet vs Tender A’s mix of Euro 3 and Euro 5, then Tender B would win

s7(2)(i)-  
negotiation



# Ranking tenders on region scale

Preferred tenders based on best combination of adjusted prices on region wide basis

$$\text{Evaluation Adjusted Price} = \text{Tendered Price} - \text{Quality Credits} - \text{Emissions Credits}$$

NOTE: figures are for illustrative purposes only.

Combo Ranking	North South	Porirua	Lower Hutt	Upper Hutt	Wainui	Kapiti	Wairarapa	Evaluation Adjusted Price
1	58	33	71	46	89	57	70	424
2	58	33	71	46	89	58	73	428
3	68	42	88	39	80	58	71	446
4	57	33	71	46	89	81	71	448

For illustrative purpose, not all units shown



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## Encouraging tenderers to bid without risk of over-committing

- Tenderers can nominate a maximum size of contracts
- Tender outcomes that exceed a Tenderer's capacity are excluded
  - Reduces risk for Tenderers
  - Encourages higher levels of tender activity
  - Discretion remains with GWRC

Combo Ranking	North South	Porirua	Lower Hutt	Upper Hutt	Wainui	Kapiti	Wairarapa	Total Adjusted Price
1	33	58	71	46	89	57	70	424
2	33	58	71	46	89	58	73	428
3	42	68	88	39	80	58	71	446
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# Protection from market capture

- If one tenderer wins a large share of the market, this could put off bidders next time, and reduce competition
- GW will consider the long term benefits over short term cost

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} Value difference

Single tenderer >60% of market?

For illustrative purpose, not all units shown



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# NEXT STEPS



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# Next steps to RFT release

- Review timetable
- Execute Participation and Transition Deeds with Incumbents
- Complete contract, RFT, Evaluation Plan
- External assurances and approvals
- Recommendation to STC to endorse release of RFT
- Recommendation to Council to approve release of RFT (by delegation to CE)
- Release RFT

# Thank you



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