



# Transport Procurement Strategy

## Part B – Public Transport

**For activities funded through the National Land Transport Programme**

Effective: 19 February 2022

Review Date: by 1 December 2024

Contact: Public Transport Advisor

## Executive Summary

Nelson City Council (NCC) and Tasman District Council (TDC) are adjoining Unitary Authorities who work together to deliver Regional Council public transport services.

The NCC and TDC Combined Public Transport Services Procurement Strategy (Strategy) covers the existing public transport arrangements and process for retendering the Nelson Tasman public transport services contract (contract) to be ready for service commencement 1 July 2023.

The Strategy also covers the procurement of Total Mobility Services and public transport technology. Both NCC and TDC have Waka Kotahi endorsed transport activity procurement strategy's that cover their infrastructure procurement activities separately.

In July 2023 a new public transport service contract will commence servicing both Nelson and Tasman regions. The service will comprise four scheduled bus routes, a demand responsive transport service for the Stoke area and two rural bus routes<sup>1</sup>. The approach proposed in this procurement strategy implements the Public Transport Operating Model (PTOM) and is compliant with the rules in the Waka Kotahi Procurement Manual.

The bus service will be procured using a partnering (staged) delivery model with price quality used as the supplier selection method. The nine-year contract will contain all the necessary PTOM components, including the deferral of the introduction of the Financial Incentive Mechanism (FIM).

Nelson City Council Adoption Recommendations:

- The Senior Leadership Team adopts the Nelson City Council and Tasman District Council's Joint Public Transport Procurement Strategy effective from 19 February 2022.

Tasman District Council Adoption Recommendations:

- The Group Manager - Community Infrastructure adopts the Nelson City Council and Tasman District Council's Joint Public Transport Procurement Strategy dated October 2021.

Waka Kotahi Endorsement Recommendations:

- Waka Kotahi endorses the Nelson City Council and Tasman District Council's Joint Public Transport Procurement Strategy dated October 2021.


This Strategy is approved for adoption by the Group Manager Infrastructure, NCC and Group Manager Community Infrastructure (TDC)



2 February 2022

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Group Manager Infrastructure

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Date

  
*Signed under delegation*

3 February 2022

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Group Manager - Community Infrastructure

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Date

<sup>1</sup> More detailed information on the services is contained in the Nelson Tasman Regional Public Transport Plan.

## Revision History

| Rev | Date      | Details  | Name/position                       |
|-----|-----------|--|-------------------------------------|
| 0   | 23/9/21   | Initial Draft Procurement Strategy   | Rachel Pinn, Consultant             |
| 1   | 1/11/21   | Procurement Strategy v1  | Rachel Pinn, Consultant             |
| 1.1 | 19/1/22   | Review and update with feedback after initial Waka Kotahi meeting                    | Rachel Pinn, Consultant             |
| 1.2 | 20/1/22   | Review and update with feedback from Health and Safety team                          | Rachel Pinn, Consultant             |
| 1.3 | 24/1/22   | Updated unit information   | Rachel Pinn, Consultant             |
| 1.4 | 26/1/2022 | NCC internal review and TDC review   | Kayleen Goldthorpe                  |
| 1.5 | 26/1/2022 | Group Manager Infrastructure<br>NCC<br>Group Manager Community<br>Infrastructure TDC | Alec Louverdis<br><br>Richard Kirby |

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## 1. Introduction

This Procurement Strategy (Strategy) is focused on the procurement for public transport services between NCC and TDC (the Councils) and is complementary to the Procurement Strategy - Infrastructure for each Council.

Both Councils are statutory bodies with obligations to their ratepayers defined under the Local Government Act 2002. The statutory objectives of the Land Transport Management Act (LTMA) and Local Government Act (LGA) apply. The LGA empowers Councils to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach while Councils' responsibilities under the LTMA include contributing to an effective, efficient and safe land transport system in the public interest.

The National Land Transport Fund (NLTP) investment in Nelson public transport services is in the order of \$3 million each year. This Strategy is focused on implementing Public Transport Operating Model (PTOM) in a new public transport contract commencing in June 2023. The planned procurement approach is in accordance with the Regional Public Transport Plan (RPTP) and the NCC and TDC Long Term Plans and Activity Management Plans and the Waka Kotahi guidelines and procurement procedures. This procurement Strategy also covers the administration of the Total Mobility Scheme in Nelson.

The current bus service contract expires on 30 June 2023 and Council will be working with the Operator to ensure this service continuity until that time. The contract cannot be extended because of its current duration, proposed service upgrades and extension is not wanted by either party.

## 2. Policy context

The following documents inform this procurement strategy:

- Connecting Te Taihuhu (Top of the South) Regional Land Transport Plan 2021-31 (RLTP)
- Accessible Nelson-Tasman Regional Public Transport Plan 2021-31 (RPTP)

The RLTP the key transport issues in Te Taihuhu in the next 10 years are:

- Vehicle usage growth and its effects on access
- Safety on our roads
- The design of our transport system is constraining for those wanting to use more sustainable modes
- Our communities are susceptible to losing access in more frequent weather events
- Vehicle usage is affecting our natural environment

Nelson City Council and Tasman District Council's Community Outcome

This procurement strategy aims to align with both Councils community outcomes as tabled below:

| <b>Community Outcome</b>  | <b>Procurement Contribution</b>   |
|---|---|
| <b>Our unique natural environment is healthy and protected</b>                                    | Requirements for low energy and low carbon emission vehicle fleet and responsible serving and cleaning. |
| <b>Our urban and rural environments are people-friendly, well planned and sustainably managed</b> | Routes are efficient and well planned, living wage is paid and delivery is customer focused.            |
| <b>Our infrastructure is efficient, cost effective and meets current and future needs</b>         | Appropriate and adaptable bus fleet and network.  |

|   |   |
|---|---|
| <b>Our communities are healthy, safe, inclusive and resilient</b>   | Health and safety and customer focused serviced delivery  |
| <b>Our communities have access to a range of social, educational and recreational facilities and activities.</b>  | Customer involvement through consultation processes. Services are well planned and Customer Focused |
| <b>Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement</b> | Customer services and consultation guide public transport services outcomes.                        |
| <b>Our region is supported by an innovative and sustainable economy</b>   | Selection of effective and efficient procurement processes.   |

### **2.1.Strategic objectives and outcomes from the RPTP**

This regional public transport development programme is based on a stepped customer focused approach to meet the objectives agreed during its development. That is to provide a regional integrated network which:

1. Provides attractive, economic and viable transport choices for all sectors of the community,
2. Reduces the reliance on private cars,
3. Is sustainable and reduces carbon emissions.

### **2.2.Strategic Objectives and Outcomes for the Procurement Strategy**

The key outcomes for our Procurement Strategy have been developed to consider the pending procurement of public transport services and signal to the marketplace what is required ensuring best value for money. This includes:

- Improving customer experience. A stepped approach is proposed through the RPTP. Continuous improvement for scheduling, facilities and customer experience through effective monitoring and stakeholder and customer consultation is required.
- Procurement solution is effective and endorsed by stakeholders and customers. Geographic constraints, traffic flows, infrastructure limitations, and population growth and technological developments are all well managed.
- Contractor will pay the living wage to staff
- People with impaired mobility challenges are considered in all procurement decisions
- Euro 5 or 6 low emission fleet is required as a minimum, and no-emission fleet is preferred, or to be transitioned to
- Procurement is transparent, legal, ethical and follows the rules

### **2.3.The Land Transport Management Act and Local Government Act**

When preparing this procurement plan the Councils have drawn on the following to form the strategic planning context.

Land Transport Management Act including section 25 which requires Waka Kotahi to approve one or more procurement procedures designed to obtain best value for money. Section 24(4) requires approved organisations to use a procurement procedure for any expenditure from their land transport disbursement account (unless exempt under s26).

The statutory objectives of the Land Transport Management Act (LTMA) and the Local Government Act (LGA) apply to the procurement activities contained within this strategy. The LGA empowers both NCC and TDC to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, while the LTMA sets responsibilities for contributing to an effective, efficient, and safe land transport system in the public interest.

Section 115 of the LTMA includes the following set of public transport principles:

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

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

#### **2.3.1.1. Public Transport Operating Model**

Section 115 of the LTMA includes the following set of public transport principles:

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

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

The Government is currently reviewing the impact of PTOM particularly on driver wages.

#### **2.4. The Health and Safety at Work Act 2015 (HSWA)**

The key risks from a health and safety perspective are identified in the operators Health and Safety Plan and associated job safety analysis templates. The relationship with the contracting Councils is recognised as a Person Conducting a Business or Undertaking (PCBU). This means as much as is reasonably practicable providing and maintaining a work environment that free from health and safety risks.

The health and safety risks associated with the provision of public transport services, total mobility and the supporting professional services include risks around interaction with the public, safe driving, fatigue and ensuring the wellbeing of the service providers. These risks are identified and categorised through the Health and Safety Plan and managed through regular meetings and requirements to notify the key contract contact within certain timeframes where incidents occur.

## **2.5. Government Procurement Rules**

Council's procurement approach will be consistent with the Government procurement rules including the Principles of Government Procurement. The five principles of government procurement are:

- a. Plan and manage for great results
- b. Be fair to all suppliers
- c. Get the right supplier
- d. Get the best deal for everyone
- e. Play by the rules

## **2.6. Waka Kotahi Procurement Manual**

The Procurement Manual is used for activities funded through the National Land Transport Programme and contains procurement procedures approved by Waka Kotahi for use by approved organisations when purchasing infrastructure, planning and advice and public transport services.

### **i. Best value for money**

The following definition of 'Best Value for Money' accessed from the Waka Kotahi Procurement Manual Section 3.2 has been adopted for this strategy:

There are a number of concepts common to best value for money including:

- Benefits derived from procurement related activities can be maintained or enhanced through the procurement process
- Cost alone is not a reliable indicator of value for money
- Economic, social and environmental costs and benefits inform the procurement whole-of-life assessment

In the context of land transport procurement in New Zealand, obtaining best value for money spent means purchasing a good or service that delivers the output approved for funding under s20 in an efficient and economic manner. Efficiency and economy have both financial and non-financial attributes.

Non-financial attributes may include:

- quality (e.g., of the supplier or product)
- impact on communities and the environment (e.g., positive, or negative impacts on connectivity, disruption, and pollution)
- design integrity (e.g., arising from capable and skilled suppliers)
- innovation (e.g., meeting LTMA outcomes via an agreed output variation from that originally specified)
- whole-of-life considerations (e.g., when considering the longevity of value against maintenance costs of different materials over the life of the asset)
- training and development opportunities (e.g., by valuing suppliers that invest in workforce capability)
- health and safety practices (e.g., by valuing suppliers that meet certain specified standards).



A strategic approach to procurement assists in the achieving best value across the whole-of-life of the contract.

## **ii. Competitive and efficient markets**

The purpose of this Strategy is to acknowledge the above and ensure that a competitive market is still maintained, where possible. The Strategy also needs to be flexible to adapt to rapidly changing political and economic factors, whilst still allowing for innovation. The Strategy therefore is a living document.

## **iii. Fair competition amongst suppliers**

Council uses the Waka Kotahi Procurement Manual to ensure fair competition in the market is maintained. This resource was designed to ensure that the transport activities procured achieve best value for money spent and promotes a whole of business strategic approach to public transport services. That approach is endorsed by this Strategy.

The principal means of achieving this objective is by giving confidence to the market that everyone who is willing and able to provide the outputs necessary to undertake an activity has a fair chance of obtaining work, in an environment, where they know all the rules. For example, Council will disclose patronage and fare revenue information for services, therefore allowing full market disclosure.

## **2.7. Nelson City Council Procurement Policy**

NCC's Procurement Policy effective from the 1 of February 2021 sets the minimum mandatory requirements for purchasing and contracting for goods and services, and supports Council to achieve reductions in greenhouse gas emissions in line with Council policy. The policy seeks to strengthen Council's role as a change leader, to work with the challenges of market constraints, and to achieve great procurement outcomes.

Council resolved in June 2020 that its Procurement Policy should incorporate broader outcomes as outlined in the All of Government procurement rules. This is that Council should use procurement to support wider social, economic, cultural and environmental outcomes that go beyond the immediate purchase of goods and services.

In supporting these outcomes through procurement, Council's initial priority focus areas are increasing opportunities for local businesses to work with Council; increasing skills and training in our region particularly in construction; improving conditions for local workers, and reducing emissions, waste and environmental pollution.

In specifying the goods and/or services needed, requirements must include consideration of the following:

- The positive contribution to or the negative impact on Council's climate change goals, and targets for reducing or limiting greenhouse gas emissions
- The whole of life costs, including end of life disposal
- The health, safety, environmental, economic, social and cultural outcomes to be achieved

Council's role in encouraging Suppliers to:

- Support, or to work towards, paying a Living Wage to their employees
- Support their employees to gain further skills and certification
- Support their employees to increase their knowledge of, and participation in, our region's culture and history.

## **2.8. Tasman District Council Procurement Policy**

TDC's Procurement Policy sets a commitment to delivering value for money for the community through its procurement practices, and that they will continue to challenge the way they do things to realise other broader benefits for the community (be that social, environmental or cultural).

The TDC procurement principles are:

1. Creating value for money, but not necessarily always going for the 'lowest cost'
2. Iwi participation and engagement in procurement
3. Sustainability
4. Creating broader outcomes and benefits for the community through procurement
5. Fairness and lawfulness and being
6. Effective market competition and encouraging innovative practices
7. Using procurement to improve health and safety outcomes
8. Minimising environmental impacts

## **2.9. Delegations**

Both NCC and TDC Council have delegation's registers. These set out how the Councils give effect to their respective statutory duties, functions, responsibilities, and powers. Nelson and Tasman have several existing joint committees covering a range of areas.

### **i. Nelson City Council Delegations Register<sup>2</sup>**

The awarding of any tenders with a value more than \$2.5M remain within in the role of the elected Council, through a Tenders Subcommittee.

### **ii. Tasman District Council Delegations Register<sup>3</sup>**

The TDC delegations register makes provision for the establishment of a tenders panel which may meet to award tenders for contracts which exceed \$1M in value and or where the type of procurement deviates from the Council's procurement policy.

The contract must be within budget and included in the Long-Term Plan with decisions reporting back to the appropriate standing committee at its next scheduled meeting. There is further guidance in the delegations manual including decisions are by consensus and membership comprises of three elected members and the Chief Executive.

## **2.10. Coordination between Nelson City Council and Tasman District Council**

A tri-party contract between NCC and TDC and the successful contractor will establish roles, responsibilities and decision processes for delivery of public transport services.

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<sup>2</sup> <http://www.nelson.govt.nz/assets/Our-council/Downloads/Mayor-and-Councillors/delegations/Delegations-Register-Delegations-and-Committee-Structure.pdf>

<sup>3</sup> <https://www.tasman.govt.nz/my-council/key-documents/more/governance-policies/>

## 2.11. Broader Outcomes

The 2019 version of the Government Procurement Rules introduces the concept of 'public value' and this rule has been incorporated into the Waka Kotahi Procurement Manual so that all Approved Organisations are required to contribute to Government's Broader Outcomes.

Broader outcomes are the secondary benefits that are generated by the way a good, service or works is procured or delivered. These outcomes can be social, environmental, cultural or economic benefits, and will deliver long term public value for New Zealand. This strategy seeks to consider not only the whole-of-life costs of procurement, but also the costs and benefits to society, the environment, and the economy.

As appropriate the procurement activities will contribute to the Government's broader outcomes, including the following priority areas:

- Increase New Zealand businesses access to the government procurement;
- Increase the size and skill level of the local workforce;
- Improve conditions for workers; and
- Support the transition to a net zero emissions economy.

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 purchase as part of local service contracts from 2025 onwards.

The RPTP also includes objectives including reducing reliance on private cars and along with being sustainable and reducing carbon emissions. The RPTP has been developed in conjunction with the Regional Land Transport Plan (RLTP). These two investment programmes area aligned in their long-term outcomes, objectives and investment focus. Woking alongside other on-going strategies such as both Councils' Active Transport Strategies, Parking Strategies and Speed Management reviews, which together will deliver an overall viable travel alternative to the use of private vehicles reducing both carbon emissions and the number of vehicle kilometres travelled.

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 NCC Procurement Policy.

### 3. Procurement Context

The Waka Kotahi Procurement Manual requires all approved organisations to have an endorsed procurement strategy which is updated every three years. The scope of this strategy is contained to the procurement of public transport services and the Total Mobility Scheme, as these activities will be jointly procured and managed by NCC and TDC.

Any procurement related to public transport infrastructure (work category 514 and 534) will be captured in the respective Transport Infrastructure Procurement Strategy of NCC and TDC.

Table 1 Showing the scope of this procurement strategy

| Activity class   | Work category | Work category  |
|------------------|---------------|--|
| Public Transport | 511           | Passenger services- bus  |
|                  | 517           | Total mobility operations  |
|                  | 519           | Total mobility wheelchair hoists and ramps                               |
|                  | 521           | Payments for Total Mobility wheelchair hoists and ramps                  |
|                  | 524           | Public transport operations and management                               |
|                  | 525           | Operations and management of real-time information and ticketing systems |

The current public transport service consists of nine distinct routes plus the Late Late bus. The level of service varies considerably within and between routes. Patronage has largely been static since 2015, despite some minor service changes and additional population growth of around eight percent. Consistent with the rest of New Zealand the Covid-19 pandemic has had a considerable impact on patronage since March 2020. Annual patronage for the 2019 calendar year was 427,068. The trajectory for patronage recovery to pre-Covid levels is uncertain at this time.

Approximately 40,000 trips are made annually through the Total Mobility Scheme in Nelson and Tasman. Total Mobility operates in Nelson, Richmond and Motueka with about 1,400 people registered as users. NCC administers the scheme, including contracting assessment agencies. In 2018 Nelson/Tasman migrated from paper based vouchers to the an electronic ID card system (known as Ridewise). A national upgrade to Ridewise2 is programmed for 2021-24.

#### 3.1. Background

Public transport services have operated in the Nelson-Richmond urban area since 1927. The contracted bus network dates from 1998, when four local routes (to Atawhai, The Brook, Toi Toi/Hospital, and Washington Valley) were introduced along with the Late Late Bus in Nelson. The network expanded to include the two major and previously commercially operated Nelson-Richmond routes when a new contract was introduced in 2012. It has gradually evolved since then to include a Stoke loop service, which was introduced in 2015 but withdrawn and replaced with three off-peak only local routes in 2017; as well as a pair of local Richmond routes, which were introduced on 3 August 2020; and other minor changes to services.

#### 3.2. Analysis of supplier market- public transport

The current contractor has been the sole, previously commercial, operator of public transport services in Nelson since 1927 and provides most of the school bus services. Nelson/Tasman has at least four bus operators providing either school bus services, charters, or tourist operations. High level discussions with this operator indicate an intention to bid as the incumbents this is an important part of their business. Discussions covered the tender process, timings and the affordability of electric vehicles. Operators have requested that the contract term be 9+3 years.

For some local or regional operators, the potential to grow their operations will be attractive. There is likely to be some interest from larger bus companies with the resources and experience to establish operations in the area.

The Bus and Coach Association are supportive of the move towards decarbonisation but see issues with procurement costs. The move away from Euro 6 fleet may see vehicles scrapped less than halfway through their useful life. BCA sees the introduction of bus lanes and other priority measures as critical to improve reliability and subsequently patronage.

### 3.3. Analysis of supplier market- total mobility

The following table sets out the participating transport service operators

Table 2 Annual Total Mobility Contract Value (xx-xx)

| Location                        | Value     | Suppliers  |
|---------------------------------|-----------|--|
| <b>Nelson City and Richmond</b> | \$270,000 | Freedom Companion Driving Services<br>Nelson City Taxis<br>Sun City Taxis<br>Destination Tasman (pending)<br>Driving Miss Daisy- Nelson West<br>Driving Miss Daisy- Nelson East<br>Safe Cabs |
| <b>Motueka</b>                  |           | Motueka Regional Ambulance   |
| <b>Golden Bay</b>               | –         | There are currently no participating transport operators in Golden Bay   |

The current Total Mobility contracts have been extended until 2023 in anticipation of alignment with the Ridewise 2<sup>4</sup> upgrade.

### 3.4. Analysis of supplier market- community transport

The Nelson Tasman Community Transport Trust (NTCTT) administers and manages the Wakefield Community Bus, there are two other community services in Motueka and Takaka. In addition to this Nelson will operate the Nelson North community service. These services do not currently receive National Land Transport Funds support. These services may be incorporated into the public transport contract commencing on 1 July 2023.

### 3.5. Contracting risks and mitigation

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 when developing this strategy:

| Contracting Risk  | Mitigation  |
|---|---|
| <ul style="list-style-type: none"> <li>A lack of awareness of the tender process and timing</li> </ul>                                      | Pre-engagement with BCA and known local operators                                   |
| <ul style="list-style-type: none"> <li>Inability to source suitable vehicles in the time between contract award and commencement</li> </ul> | Tender process is aiming for 9 month, or better lead in time.                       |
| <ul style="list-style-type: none"> <li>Cost of purchasing electric vehicles</li> </ul>  | Accept Euro 5 or 6 bus fleet, and plan for a staged upgrade to no-emission vehicles |

<sup>4</sup> Ridewise 2 is the upgrade to the electronic card system called Ridewise.

|  |  |
|--|--|
|  | Investigations into infrastructure and servicing requirements to support electric vehicles - ongoing   |
| <ul style="list-style-type: none"> <li>• Inability to recruit and retain suitable staff prior to contract commencement</li> </ul>                  | Ensure staff are paid the living wage, provide an adequate lead-in time for the contractor to recruit  |
| <ul style="list-style-type: none"> <li>• Suitable land available for a depot site and infrastructure, for example electric bus charging</li> </ul> | Council will identify at least 1 possible location for a bus depot, including landowner engagement about the Contractor potential securing this as a depot |
| <ul style="list-style-type: none"> <li>• An untested market in the region</li> </ul>   | Liaison with the incumbent to ensure they are aware of the tendering and PTOM process. Pre-engagement with BCA and other known national operators          |

The Nelson/Tasman bus contract was competitively tendered in 2008, the Ministry of Education awarded a number of school bus contracts in 2020. A new supplier has entered the regional market through this process.

Early discussions have been held with the Bus and Coach Association, who represent most bus operators in New Zealand. Separate conversations have been held with non-BCA members to ensure that the supplier market is aware that the request for tender process will occur, and an indicative timeframe has been provided.

NCC is proactively working towards identification of a potential depot site if this can be secured the contract will make an optional provision for the lease of the location.

### **3.6. Public transport operating model**

The LTMA provides the statutory framework for implementing the PTOM. The RPTP provides a high-level approach to implementing PTOM and a very useful overview of the current services, case for change and the envisaged future state of public transport for the region.

### **3.7. Public transport unit establishment**

Unit establishment is a core component of the PTOM. Units are a public transport route or group of routes that a region identifies as integral to the region's public transport network. Units will operate the entire length of one or more routes specified in the region's RPTP. A unit will include all public transport services, operating to a timetable, along an entire route or routes specified for the unit. The RPTP includes a section on specific Council policies relating to bus services. In this section the contract format states that the services will be operated as a single unit (RPTP pg44).

### **3.8. Nelson Tasman Unit**

The Nelson Tasman unit will be tendered in early 2022 with new services starting 1 July 2023. Estimated value of the unit is given in Appendix 1. The route and schedule information are currently being finalised. The table below shows the intended approach for sharing the costs of the services. This unit contains the four standard routes:

Table 3 Nelson Tasman Routes

| Route | Route name                        | length total (km) | Peak number of buses required | Bus Service KM TDC (km) | %TDC fare/cost share | Bus Service KM NCC | %NCC fare/cost share |
|-------|-----------------------------------|-------------------|-------------------------------|-------------------------|----------------------|--------------------|----------------------|
| 1     | Nelson - Richmond via Waimea Road | 17.3              | 2                             | 6.1                     | 35                   | 11.2               | 65                   |
| 2     | Nelson - Richmond via Rocks Road  | 19.0              | 1                             | 4.2                     | 22                   | 13.8               | 78                   |
| 3     | Atawhai - Hospital                | 15.3              | 1                             | 0                       | 0                    | 15.3               | 100                  |
| 4     | The Brook - Airport               | 13.7              | 1                             | 0                       | 0                    | 13.7               | 100                  |
| 5     | Motueka - Nelson                  | 53.1              | 1                             | 331.3                   | 78                   | 93.5               | 22                   |
| 6     | Wakefield - Nelson                | 30.1              | 1                             | 202.3                   | 56                   | 158.9              | 44                   |
|       | Late Late Bus                     | 17.3              | 1                             | 6.1                     | 35                   | 11.2               | 65                   |

### 3.9. Community transport

The RPTP also proposes to formalise and extend support for community transport, in the same way as several other regions with a similar urban-rural mix to Nelson-Tasman and to use it to complement peak commuter services by providing basic access to healthcare, public services, and other similar services and activities that often require off-peak journeys.

Formalised community transport links will be supported between Golden Bay and Nelson, and Hira and Nelson during Stage 1, with each council providing support to the transport trusts that run the services.

There is potential to incorporate the demand responsive Stoke route and the rural community transport services into the Nelson/Tasman unit. However these service offerings are quite different to an urban scheduled bus service and contracting them separately may provide a higher level of flexibility in the delivery. This will be reviewed during the 2024 Public Transport Strategy review, and prior to changing community services into contracted units.

### 3.10. Public Transport Operating Model- Contracting Elements

The government is reviewing its Public Transport Operating Model (PTOM) and the timing of the review will coincide with the Nelson Tasman public transport services tender document development and release. The government review acknowledges the improvements achieved under PTOM include increases in services and more integrated networks, however the government also wants to ensure drivers' wages and conditions are protected when a council contracts services. The government has also set targets to decarbonise the public transport fleet and it wants to make sure the PTOM framework supports these goals.

The PTOM framework includes the following features which enable partnering to occur:

- Information for new tenderers
- Annual business planning
- Key performance indicators
- Vehicle type
- Service level variations
- Financial incentive mechanism
- Gross price reset

### **3.10.1. Information for new tenderers**

Up to date patronage and revenue information will be released on the current Nelson Tasman services prior to the request for tender (RFT) being released. The approach will be consistent with the Waka Kotahi requirements for providing information to tenderers.

### **3.10.2. Annual business planning**

Annual business planning provides a process in which the operator and the Councils will actively monitor the performance of, and consider improvements to the services.

The public transport manager will meet with the operator at least annually to develop a business plan (to be in place by 31 August each year), including the first year of the contract. A regular meeting schedule will be established with the operator once the contract has been awarded. It is likely this will be monthly operational meetings and quarterly meetings with the public transport project management team.

### **3.10.3. Key performance indicators**

A set of KPIs are being developed, aligned with the Waka Kotahi KPIs that will be monitored regularly and reviewed through the annual business planning process.

### **3.10.4. Vehicle type**

The retendering of the public transport service contract presents a unique opportunity to make a step change and replace the current fleet with one that meets higher customer and environmental standards.

There are two key options set out in the Nelson/Tasman Regional Public Transport Plan (RPTP):

- Move to a low emission Euro 5 or Euro 6 bus fleet (or higher if applicable); or
- Move to a zero-emission bus fleet, powered by electricity (battery), hydrogen or other zero carbon source.

Feedback from the Bus and Coach Association supports the use of low emission Euro 5 or 6 buses. Low emission buses have a longer range and the ability to support air conditioning and use established technology. In comparison a zero-emission fleet will require new infrastructure for charging which may require upgrades to additional infrastructure for example sub-stations. There is also industry feedback that suggest zero-emission buses may take closer to two years to source due to world wide supply and demand constraints.

Tenderers will be asked to provide options for both. The vehicles will be required to confirm with the Waka Kotahi Requirements for Urban Buses Standard (RUB).

### **3.10.5. Service level variations**

The management of service level variations is an important component of the long-term contract cost, particularly with the staged approach contemplated by the RPTP. The methodology of the tender evaluation process will include an assessment of the cost of service level variations of the different tenderers over the term of the contract.



Service level variations will be subject to negotiation with the incumbent and a suitable price being agreed and will be compliant with the Waka Kotahi Procurement Manual rules.

Where the contractor proposes a variation to improve the operational efficiency of the service and the costs of operation are reduced the calculated savings, less any costs occurred by the Councils will be shared equally.

### **3.10.6. Financial incentive mechanism<sup>5</sup>**

The financial incentive mechanism (FIM) has been put on hold nationally due to Covid-19 restrictions and the impact the pandemic has had on patronage. The public transport services contract was intended to include a FIM aimed at encouraging the contractor to increase patronage, however careful consideration will be needed to determine when to activate this FIM.

Whereas KPIs and annual business planning are widely used contract mechanisms the effectiveness of a FIM in terms of incentivising operator behaviour is unproven. The impact and recovery from the impacts of Covid-19 also create a challenge in terms of determining a baseline for the introduction of the FIM. International research suggests that public transport ridership may decline by 10-20 percent in the long-term as a result of more digital meetings, working from home and some people preferring e-cars and e-bikes.

The long-term uncertainty makes it unfair to include FIM clauses that may be on hold for an uncertain term and it is difficult to predict when these may be enacted, along with uncertainty as to the effectiveness of the FIM in achieving desired patronage outcomes.

For these reasons an exemption to the inclusion of a FIM is sought through this strategy. The Councils reserve the right to negotiate the inclusion of a FIM through the annual business planning process during the contract term.

### **3.10.7. Gross price reset**

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

Any adjustment to the unit price agreed will apply from the start of the seventh year, and if necessary, will be paid in arrears from the commencement of year seven. The gross cost reset is intended to recognise that agreements need to ensure value for money is being achieved in the longer term, and a reasonable balance is being maintained between contractor profit and the expenditure of public funds. This reset may result in the annual gross price increasing or decreasing.

## **3.11. Total Mobility**

### **3.11.1. Total mobility transport providers**

Procurement of total mobility is compliant with the requirements in the Waka Kotahi Procurement Manual, procedure 4. The current contract includes mandatory requirements for Health and Safety compliance, vehicle quality standards, first aid and unit standard training.

There is no obligation for Council to offer a contract to operators who do not meet the expected standard and requirements, and an application may be declined where:

- There is no additional service benefit to Total Mobility clients for example there is no wheelchair hoist capability or

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<sup>5</sup> It is important to note that the payment of FIM has been put on hold as a result of the PTOM review and the impact of Covid-19 on public transport use- which impacts both patronage and revenue.

- The service is not able to demonstrate value for money.

The existing agreements were due to expire on 30 June 2026. New agreements will be for a three-year term.

### **3.11.2. Total Mobility Subsidy**

The subsidy provided on total mobility fares was increased to 50% to a maximum of \$30 (\$15 maximum subsidy) through the 2021 Regional Land Transport Plan (RLTP).

### **3.11.3. Criteria for an Operator to join the Total Mobility Scheme**

New operators are able to enter into total mobility agreements where these meet the requirements of the scheme.

### **3.11.4. Total Mobility Hoists**

Providers are engaged with hoists or lifts in vehicles when appropriate. The age of the equipment is monitored and renewal negotiated with the operator when required. The operator is responsible for renewal, and requesting subsidy through Council for costs. There are currently 6 vehicles with hoists, of 7 (8<sup>th</sup> pending ) total mobility operators.

### **3.11.5. Total mobility technology**

The current version of Ridewise manages member information, trip details and monthly invoicing. The call centre and website provides general information about the scheme. Council will utilise the Ridewise 2 improvements when these are available.

## **3.12. Professional services**

The application of both internal and external professional services will be in accordance with the transport Infrastructure procurement strategy approvals.

### **3.12.1. Public transport technology**

The Beecard is used for patronage monitoring and revenue collection. Where applicable the Councils will collaborate with others to improve the technology available to passengers.

## **4. Implementation**

The procurement of the Nelson/Tasman public transport services contract will use the partnering delivery model with price quality as the supplier selection method in accordance with the Waka Kotahi Procurement Manual. A qualified tender evaluator is drafting the contract documents and will lead the tender evaluation team.

The PT services contract is intended to be released through an open tender process in early 2022 with the contract awarded by 1 July 2022.

### **4.1. Performance measuring and monitoring**

To avoid overlapping with the wider transport activity procurement strategy of both Council's the effectiveness of this procurement process will be reported through existing performance measurement and monitoring.

### **4.2. Communications Plan**

| Key stakeholders                               | Topics  | Method   |
|--|---|--|
| Nelson City Council<br>Tasman District Council | Performance reporting<br>Service level improvements | Quarterly Public Transport Committee meetings<br>Council newsletters |

|                                      |   |   |
|--------------------------------------|---|---|
| Suppliers                            | Procurement Strategy development<br>RFT design  | Email, phone calls and workshops  |
| Community groups and wider public    | Service information                             | Website<br>Timetable information  |
| Other local government organisations | Timing of tendering, coordination of technology | Transport Special Interest Group (TSIG), emails, phone calls and meetings |

### **4.3. Corporate ownership and internal endorsement**

This Strategy is owned by the Public Transport Advisor.

This has been reviewed internally and with Waka Kotahi and Endorsements and Approvals are included at the end of the Introduction.

This strategy is approved by the Group Manager Infrastructure, NCC and the Group Manager Community Infrastructure, TDC.

As part of the establishment of the new public transport service contract it is anticipated that a new governance framework will also be established. The structure and membership of this governance oversight is yet to be determined. Joint governance will be particularly important for ensuring integrated service provision and for considering the timing and content of step changes in service provision.

### **4.4. Future Endorsement and Revision**

In terms of NZTA Procurement Manual Rule 10.4, endorsement of the Procurement Strategy is required at least every three years. A review shall be undertaken in 2024 prior to seeking such endorsement. It should be noted at this time that the public transport services contract will be in place for a nine-year term.

**Appendix 1 Procurement activities covered within this strategy**

| Public Transport                     | Procurement Procedure     | Type                        | Planned Tender Release Date | New Contract start Date | Duration | Supplier Selection Method                              | Likely Contract Format              | Anticipated value                                  | Description (Currently Assumptions AMP) 2021/31   |
|--------------------------------------|---------------------------|-----------------------------|-----------------------------|-------------------------|----------|--|-------------------------------------|--|---|
| Bus services                         | Public Transport Services | Partnering                  | 1 March 22                  | 1-Jul-23                | 9 years  | Request for Proposal via GETS Price Quality Attributes | Tri-party services contract         | \$3,000,000/year                                   | Bus services are jointly managed with TDC   |
| Procurement Strategy and PT Contract | Public Transport Services | Planning and advice         | N/A                         | September 2021          | 1 year   | Direct Appointment                                     | Minor Consultancy Services Contract | <\$100,000   | Direct appointment of PT specialist   |
| Wifi on buses                        | Public transport services |                             | N/A                         | N/A                     | Ongoing  | Direct Appointment                                     | Services contract                   | <\$100,000   | Direct appointment to the Council's telecommunications supplier   |
| Total mobility service providers     | PT Fare recovery Scheme   | supplier panel/partnerships | N/A                         | N/A                     | ongoing  | Direct Appointment                                     | Services Contract                   | \$260,000/year between all operators and assessors | 7 operators have contracts to provide total mobility services. This is all of the known registered taxi providers in Nelson/Tasman. Contracts are being extended approx. 2 years to align with anticipated Ridewise 2 upgrade. Other qualified providers can join at any time on application to Council |
| Total Mobility Assessors             | PT Fare recovery Scheme   | supplier panel/partnerships | N/A                         | N/A                     | ongoing  | Direct Appointment                                     | Services Contract                   |  | There are 5 assessing agencies (and 1 pending) for total mobility. Contracts are being extended approx 2 years to align with anticipated Ridewise 2 upgrade.  |
| Total Mobility Hoist replacement     | PT Fare recovery Scheme   | Partnering2                 | N/A                         | N/A                     | ongoing  | Purchase Order   | N/A                                 | Approx \$20,000 per hoist every 10-12 years        | There are 6 service providers with hoists. They arrange hoist replacement and notify council when required for cost sharing.  |

|                           |                           |                     |     |          |        |                    |                   |               |                    |
|---------------------------|---------------------------|---------------------|-----|----------|--------|--------------------|-------------------|---------------|--------------------|
| Ridewise 2                | PT Fare recovery scheme   | Staged              |     | Est 2023 |        |                    |                   |               | Led by Waka Kotahi |
| Beecard                   | PT Fare recovery scheme   | Staged              |     | Est 2026 |        |                    |                   |               | Led by Waka Kotahi |
| Real time bus information | Public transport services | Planning and advice | N/A | N/A      | Annual | Direct appointment | Services Contract | \$30,000/year |                    |

