

RESTRICTED PUBLIC EXCLUDED

Report RPE 15.622
Date 7 December 2015
Document ID PTOMBUS-13-13

Committee Council
Author Andrew Cooper, Project Manager, PTOM

Procurement Strategy for Bus Services under PTOM

1. Purpose

This report:

1. Presents a summary of the key components of GWRC's Procurement Strategy for bus services under the Public Transport Operating Model (PTOM);
2. Requests that Council:
 - Endorses the key components of GWRC's Procurement Strategy for bus services, and
 - Authorises the Chief Executive to approve GWRC's Procurement Strategy for bus services, following the endorsement of the strategy by the New Zealand Transport Agency (Transport Agency).

2. Restricted Public Excluded

Grounds for exclusion of the public under section 48(1) of the Local Government Official Information and Meetings Act 1987 and the restricted circulation of this report are:

Certain information contained in this report relates to future bus service procurement and contracting in the Wellington Region. Release of this information would be likely to prejudice or disadvantage the ability of Greater Wellington Regional Council (GWRC) to carry on negotiations, and affect the probity of the bus services procurement process. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override the need to withhold the information.

3. Consideration by committee

A report on this matter was considered at the Sustainable Transport Committee meeting on 1 December 2015. The recommendations of this report were endorsed by the Committee for the Council's consideration and decision.

4. Background

Transport Agency funding for land transport activities is conditional on the approved organisation (in this case GWRC) operating under a procurement procedure that has been approved by the Transport Agency. Section 25 of the Land Transport Management Act 2003 (LTMA) requires that procurement procedures used by approved organisations be designed to obtain best value for money spent.

A customised procurement procedure is required where the procurement activity cannot be accommodated by the procurement procedures in the Transport Agency's Procurement Manual for activities funded through the NLTP (Procurement Manual). As the procurement of bus services for the Wellington Region is complex and requires advanced, or additional, components to the Procurement Manual it is a requirement of the Transport Agency that GWRC prepare a Procurement Strategy (Strategy) for endorsement by the Agency.

The Strategy provides the policy context and outlines GWRC's approach to the implementation of PTOM contracts for bus services in the Wellington region. It has been prepared by GWRC (as an approved organisation) for the approval of the Transport Agency under section 25 of the LTMA.

The Strategy forms part of PTOM – the Government's policy and operating framework for the procurement and management of urban bus, rail and ferry services. The goal of PTOM is to grow patronage with less reliance on public subsidies:

- a) providing opportunities for competitors to access the public transport market;
- b) building commercially based partnering relationships between procuring authorities and public transport operators;
- c) including contractual incentives to reduce reliance on subsidies; and
- d) adopting a more transparent approach to service planning and procurement.

The proposed PTOM Partnering Agreement for bus services (Partnering Agreement) that forms the purpose of the Strategy will set out the terms and conditions upon which a bus operator will provide services on the Wellington Regional bus network from late 2017.

The Strategy describes:

- a) the strategic context for the procurement of the Wellington Region bus services to assist the understanding of GWRC's proposed delivery model, supplier selection method and contract form;
- b) the procurement approach;

COMMERCIAL IN CONFIDENCE

- c) the form of contract and key commercial terms; and
- d) Strategy execution.

The objectives of the Strategy are to:

- a) set out the procurement processes that will be utilised by GWRC for the procurement of the Partnering Agreement required to deliver the Wellington Region bus services;
- b) provide confidence that public transport services procured under the Partnering Agreement will be priced efficiently, by ensuring competitors have access to the regional market and can compete fairly for the right to supply the outputs required;
- c) ensure transparency in the procurement of the Partnering Agreement by communicating appropriate information in a timely manner to stakeholders; and
- d) specify the outputs and key parameters to be supplied under the Partnering Agreement.

The outcome of the Strategy will be a Partnering Agreement that:

- a) supports GWRC's strategic objectives and outcomes for public transport services and in particular the region-wide bus services, as set out in the RPTP;
- b) establishes a partnering approach between GW and bus operators for the provision of bus services; and
- c) supports the PTOM objectives for the delivery of public transport services.

GWRC is in the process of seeking endorsement of the Strategy from the Transport Agency. Following endorsement of the Strategy, expected in early December 2015, it is recommended that:

- a) the Strategy be approved by the Chief Executive of GWRC under authorisation of the Council, noting that this will be subject to Council's approval of GWRC's bus fleet strategy; and
- b) Council mandates Officers to proceed into the preparatory phase of tender and contract documentation.

A summary of the key components of GWRC's Procurement Strategy for bus services is provided in **Attachment 1** to this report.

5. Previous decisions

At its meeting on 12 December 2013 (Report PE 13.1030) Council agreed that Officers undertake the preparatory phase for GWRC's tendering of new public transport contracts which included the following resolutions that are relevant to bus contracts:

COMMERCIAL IN CONFIDENCE

- Obtaining New Zealand Transport Agency (Transport Agency) approvals, and
- Undertaking a market soundings exercise.

Following these resolutions, the following activities have been undertaken in relation to the procurement of PTOM bus contracts:

- Officers have prepared the Procurement Strategy for bus services and have submitted this to the Transport Agency for endorsement, and
- An initial market soundings exercise was undertaken for rail and bus contracts in March 2014. A bus specific industry briefing was held in August 2015, followed by a consultative engagement process with bus industry participants.

Approvals of key procurement documents for the Greater Wellington Rail Service Contract were delegated by the Council to the Chief Executive. In accordance with this approach, Officers recommend that the Council delegate similar authorities to the Chief Executive for the PTOM bus service procurement.

6. The decision-making process and significance

Officers recognise that the matters referenced in this report have a high degree of importance to affected or interested parties.

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

6.1 Significance of the decision

Part 6 requires GWRG to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

The subject matter of this report is part of a decision-making process that may lead to the Council making a decision of high significance within the meaning of the Act. At this stage of the process, in requesting approval of the Procurement Strategy, the Council is being asked to provide officers with a mandate to undertake further preparatory work for the tendering of bus services.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

7. Engagement

Engagement on this matter is unnecessary.

8. Recommendations

That Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Endorses the key components of GWRC's Procurement Strategy for bus services under the Public Transport Operating Model (PTOM), and*
4. *Authorises the Chief Executive to approve GWRC's Procurement Strategy for bus services, following the endorsement of the strategy by the New Zealand Transport Agency.*
5. *Approves officers proceeding into a preparatory phase of tender and contract documentation that will enable GWRC to release a Request for Tender to the bus operating market for bus services across the Wellington Region in April 2016.*

Report prepared by:

Andrew Cooper
Project Manager

Report approved by:

Wayne Hastie
General Manager, Public
Transport

Report approved by:

Greg Campbell
Chief Executive

Attachment 1: Summary of GWRC's Procurement Strategy for PTOM Bus Services

1. Context

1.1 Introduction

The move to a new Public Transport Operating Model (PTOM) as required by recent amendments to the LTMA, coupled with the need to replace Wellington's ageing bus fleet, provides an opportunity to take a fresh look at how bus services are delivered across the region.

Encouraging more people out of cars onto public transport means making Metlink bus services more attractive to both users and bus operators.

The Wellington Regional Public Transport Plan 2014 (RPTP) provides for a suite of improvements to operate bus services more efficiently and increase patronage. These include:

- GWRC building commercially based partnering relationships with bus operators. In accordance with the LTMA, operators bid to operate groups of routes or "units" instead of individual routes. Efficiency in price and performance is driven by competition. The new operating model incentivises operators to meet agreed performance targets. It recognises that the attractiveness and competitiveness of the market is crucial to delivering better value for money.
- Redesigning the Wellington city bus network to simplify the routes and make more frequent services available to more people, with less service duplication and fewer buses on the Golden Mile.
- Bus Rapid Transit (BRT) through Wellington CBD to Newtown and Kilbirnie and, ultimately, Wellington airport. The Public Transport Spine Study recommended BRT as the best solution for central Wellington.
- Introducing a new bus fleet to replace the retiring trolley buses and oldest diesels from mid-2017. Over 50% of the region's bus fleet needs to be replaced soon. GWRC will specify in tender documents for the new PTOM contracts higher capacity, environmentally sustainable fleet options including double-decker and hybrid vehicles.
- Introducing Integrated Fares and Ticketing (IFT) so one smart card takes you anywhere on the Metlink network and fares are streamlined, with concession fares for targeted groups.

Collectively, these changes and a number of rail-specific initiatives make up GWRC's Public Transport Transformation Programme which is anchored to its broader Regional Land Transport Plan 2015 and Regional Public Transport Plan 2014.

Many of the improvements to the network design and fleet requirements are the outcome of the Wellington city Bus Review conducted in 2012/13. Others

came from recommendations by the wider Wellington community through consultation on the draft RPTP.

These changes will enable buses to travel more rapidly and more reliably, especially on core routes. However, the benefits will be wide-reaching.

1.2 Redesign of Wellington city bus network

The new Wellington city bus network will be introduced in conjunction with the new performance based, bus operating contracts (under PTOM) in January 2018. To manage the implementation risks of the new network, timing must occur at a low demand period on the network. Early January 2018 has been identified as the optimal time for the new network implementation, requiring the new unit agreements for the tendered North-South Corridor unit and the associated DAUs with NZ Bus and Mana to commence at the same time.

1.3 Fleet strategy

Fleet improvements are a key element to reducing journey times and increasing service reliability and passenger amenity, contributing to increasing patronage and operating efficiency. Fleet improvements are also important in GWRC's strategies for improving environmental outcomes across the region, particularly in relation to air quality.

1.3.1 Fleet upgrade

PTOM provides a step change opportunity for upgrading the Wellington Region fleet. 40% of the current regional fleet is of Euro 2 emissions standard or below, and a further 12% represents the trolley buses. The national standards for bus emissions requires all new buses introduced under PTOM contracts to be Euro 5 emissions standard or better and any existing bus to be Euro 3 or better. Given the necessity to upgrade 50% of the fleet, GWRC will specify that 50% of any diesel fleet introduced under PTOM will be Euro 5 or better. By 2018, this will see the regional fleet profile shift from two-thirds at Euro 3 standard or worse to two-thirds of the regional fleet being Euro 5 or better.

1.3.2 Right sizing fleet

GWRC is reviewing fleet composition against service needs of each route to ensure the appropriate capacity is deployed to meet demand – small buses for areas of low demand, large buses for areas of high demand. Consideration is also being given to matching bus dimensions (mass, length and height) to the operating environment, giving consideration to, for example, topography, street width, curvatures, road pavement strength and infrastructure. Vehicle type in relation to passenger capacity will be specified to tenderers at a unit by unit level.

1.3.3 Higher capacity vehicles

Decongesting the Golden Mile is a critical element in providing the level of frequency, speed and reliability in Wellington city needed to achieve the step change in service levels that will attract new customers to public transport.

COMMERCIAL IN CONFIDENCE

Increasing the average utilisation of each city-bound bus provides a means of reducing the number of buses required while still carrying the same number of passengers. Higher capacity buses can materially contribute to reduced bus congestion on the Golden Mile, while also increasing the efficiency of bus service operations, as fewer buses are required overall, with a commensurate reduction in the number of drivers and other operating expenses.

Tunnels at Karori and Seatoun will constrain the operation of double decker buses on the East-West spine and investigations are continuing with WCC to determine the feasibility of allowing double decker buses to travel through these tunnels in future. However, in the near term higher capacity single deck buses will be used for the operation of east-west services.

Fully laden higher capacity vehicles currently exceed allowable weight limits on Wellington roads – both State Highways and local roads. GWRC is working with both the Transport Agency and WCC to determine the magnitude of the problem. The Transport Agency has issued a Vehicle Dimension and Mass (VDAM) rule change allowing a small increase in rear axle weights for buses that will enable specifically configured double decker buses to carry nearly 100 passengers.

1.3.4 Motive power developments

GWRC has a long term goal of transitioning Wellington's bus fleet to an all-electric mode of power. It is our understanding that fully electric vehicle technology in buses is not yet mature enough to introduce fully electric buses to Wellington under current operational conditions and at the required passenger capacity configurations, and that this technology is at least five years away from meeting the operational requirements of urban services at an affordable cost. Hybrids are therefore seen as a potential transition option between diesel and fully electric technology. GWRC is also in discussion with NZ Bus regarding potential technology developments that may assist in meeting our goals of reduced emissions through this transition phase. Depending on the outcomes of these discussion, officers will seek Council approval to recommendations on motive power specification.

1.4 Amendments to the RPTP

The RPTP sets out the approach taken to unit design and provides summary details of the service composition of each unit and the indicative timing for the tendering of each unit.

In considering the approach to PTOM procurement in the Wellington Region, there has been a requirement for a small number of amendments to be made to the RPTP. The changes (outlined below) will require consultation with affected stakeholders, namely bus operators interested in participating in the PTOM bus tender process.

The required amendments are:

- (a) Creation of the Tawa unit resulting in the removal of one route service from the Porirua unit,

COMMERCIAL IN CONFIDENCE

- (b) Consolidation of the North-South Spine, Khandallah and Brooklyn units into a single unit, and
- (c) Implementing the tender process in a single tranche, rather than multiple tranches, and on a different timeframe.

The creation of the Tawa unit was required to reach agreement on DAUs with Mana. The new unit comprises a single bus route taken out of the Porirua unit, linking Porirua and Johnsonville railway stations. This bus route is not deemed material to the operational efficiency of the Porirua unit or its future attractiveness to the market (the estimated initial commerciality ratio of the Porirua unit falls from 40% to 38%). There is also no change in overall network kilometres or cost through the creation of this unit.

Consolidation of the North-South Spine, Khandallah and Brooklyn units into a single large unit resulted from the outcome of the like for like and direct allocation process. As a result of the direct allocation of the East-West, Central, Taranaki and University units to NZ Bus, the contestability of the remaining units in Wellington city has been substantially diminished, to the extent that it is highly improbable that the Khandallah and Brooklyn units would be bid for on a standalone basis by tenderers, other than by NZ Bus who would be able to leverage their DAUs. Consequently these units can no longer be considered to meet the unit design principle of 'marketable wholes'.

Subject to consultation on this change in the RPTP, GWRC will consolidate the North-South Spine (62 PVR), Khandallah (25 PVR) and Brooklyn (28 PVR) units into one tendered unit (115 PVR). When consolidated, the three units with their interconnections and route sharing provide for operational and scale efficiencies as a unit and can be considered a suite of services and a 'marketable whole'.

In proposing this change GWRC has considered all unit design principles as well as the implications on market concentration, benchmarking, market competition, value for money outcomes and bid preparation and evaluation.

The consolidated unit will be more attractive to bidders, especially new entrants, which is likely to increase the level of competition in the market and the potential for an improved value for money outcome. Other advantages of the consolidation include reducing the risk to GWRC of stranded units and removing the requirement for standalone unit prices which were not supported in the industry feedback.

These changes in unit composition require an amendment to GWRC's RPTP in accordance with statutory processes.

A further minor required amendment to the RPTP is the use of a single tranche procurement approach. The RPTP states that there would be "two or more phases of procurement for units". GWRC considers that there are timeframe and competitive tension advantages to using the proposed approach. The indicative timings for tendering the units have also changed from the original RPTP.

Text covers information which is not related to the tender process.

2. Procurement approach

2.1 Directly Appointed Units

[Redacted text block containing multiple paragraphs of blacked-out content under section 2.1]

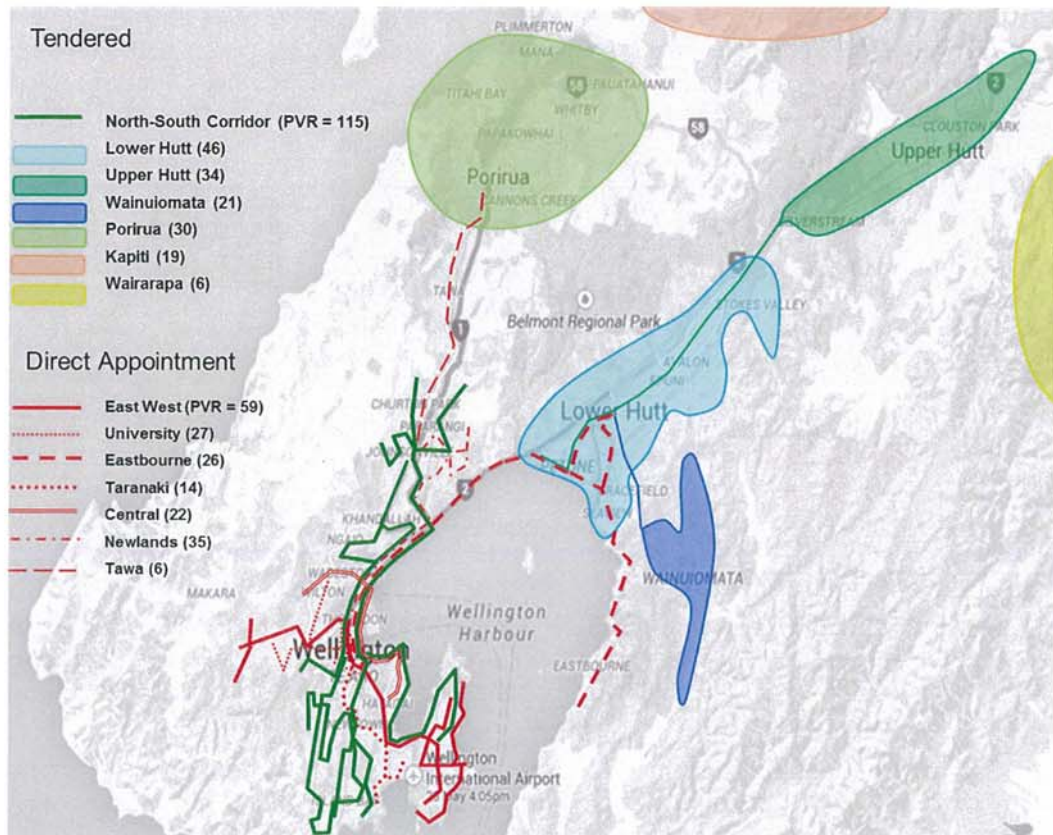
2.2 What we are offering the market

There are 14 bus units, with 7 units directly appointed and 7 units which are to be tendered (see Figure 2 below for a map of the units).

For all tendered units the contract term will be 9 years from commencement date.

Restricted Public

Figure 1 - Location of units



PVR = Peak Vehicle Requirement – the number of buses required to run the services within the relevant unit during peak periods.

2.3 Engaging with the market

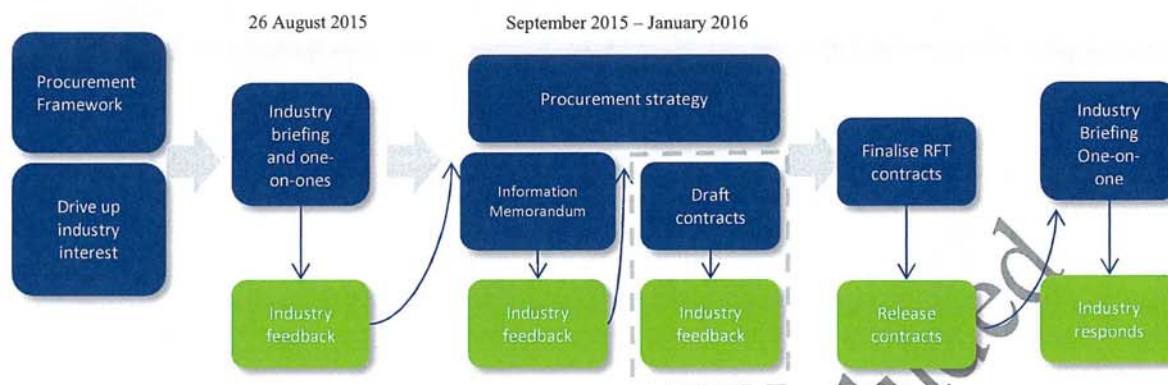
The Wellington Region is currently served by two dominant operators and a set of smaller operators. The desired future state is:

- To generate enough interest in the market to attract multiple competitive bids
- A more balanced market concentration of operators in the region to enhance competition and value for money for future tender rounds
- Provide opportunities for smaller operators to compete for units on a standalone basis.

GWRC therefore recognises the importance of generating a high level of industry interest in the market and the value of industry input to process design. Therefore we are undertaking a comprehensive engagement with industry to discuss proposed approaches and gain feedback prior to the release of the Request for Tender (RFT).

Figure 2 below sets out GWRC’s market engagement approach.

Figure 2 - Market engagement approach



2.4 Tender approach

The tender approach has been designed to allow tenderers adequate time to submit well thought out and competitive bids and to reduce administrative burden where possible, while maintaining high levels of fairness and probity throughout.

2.4.1 Request for Tender

A single-stage RFT (i.e. no Expression of Interest or Pre-qualification) will be released to the market in April 2016.

All units available for tender will be tendered at the same time, in a single tranche, and bidders will have 12 weeks from RFT date to submit their response.

A single-stage approach is the most straightforward approach to allow GWRC to provide RFT information for all tendered units to operators at one time, thereby reducing administration requirements and procurement timeframes. This approach is also likely to maintain the greatest level of competitive tension, as there will be no short-listing step to reduce the number of bidders.

GWRC expects and will encourage operators to bundle units together in bids where appropriate, due to network synergies, proximity and ability to share underlying resources across multiple units. The single tranche approach enables operators to bundle units more freely.

The 7 tendered units, comprising approximately 270 (PVR), is considered a manageable offering for the market to respond to as a single tranche.

The timeframe of 12 weeks for responses will provide bidders sufficient time to collate and review bid material, given the single stage and single tranche approach that is proposed.

2.4.2 Contract award and commencement

Tendered contracts will be awarded October 2016 with contract commencement October 2017 – January 2018.

The new Wellington city network design results in significant changes to existing routes and services that cannot be implemented under the current incumbency contracts with NZ Bus and Mana. Therefore implementation of the new network in Wellington city is explicitly tied to the new PTOM agreements. To manage the implementation risks of the new network, timing must occur at a low demand period on the network. Early January 2018 has been identified as the optimal time for the new network implementation, requiring the new unit agreements for the tendered North-South Corridor unit and the associated DAUs with NZ Bus and Mana to commence at the same time.

Other units that do not impact Wellington city may commence earlier by agreement with the selected operator. For administrative purposes it is desired that there is a staggered start to contract commencement across the region over the period October 2017 to January 2018.

2.5 Approach to group bids/bundling

GWRC considers that it is likely to receive the best results in terms of price and service from scale and efficiencies that can be achieved by the bundling of units together. GWRC recognises that operators are best placed to understand where synergies and economies of scale may exist, and does not wish to stifle innovation by prescribing which units should be bundled together. Therefore, the RFT approach will not prescribe bundles – i.e. operators will be able to create their own. The approach to bundling received positive feedback from operators.

To account for the impact of bundled bids and the potential for a range of bundle and individual unit bid permutations, the aggregate quality adjusted price at a region wide level will determine the preferred combination of operators by units and bundled units across the whole of the market.

2.6 Evaluation

Once tender submission closes, evaluation will take place between July and September 2016.

GWRC wants suppliers to compete on both price and quality and has therefore selected to use the 'Price Quality Method (PQM) without disclosure of an estimate' for evaluating tenders.

To account for the impact of bundled bids and the potential for a range of bundle and individual unit bid permutations, the aggregate quality adjusted price at a region wide level will determine the preferred combination of operators by units and bundled units across the whole of the market.



2.7 Market concentration

A key PTOM principle is to provide access to public transport markets for competitors, and achieve value for money by ensuring that tenders and prices are efficient through a sustainable and robust level of competition.

Experience from other public transport markets (and indeed all markets) shows that greater competition (real and perceived) provides downward pressure on prices in competitive tender situations. There is a risk that the award of a majority of tendered units to a single operator in the forthcoming PTOM tender round could result in a market position for that operator that is so dominant that it results in reduced competition in future tender rounds. The risk of a single supplier dominating the tender outcome (perceived or real) is exacerbated by the incumbency advantage held by NZ Bus, and to a lesser extent Mana, and is further exacerbated by the advantage provided by the award of DAUs.

It is desirable therefore that market depth in the Wellington region is developed to encourage competitive tension, and therefore that no operator has a regional market presence that dominates the others. However this condition will not necessarily be accepted at any cost. GWRC will consider the long term implications for market competition in its value for money assessment. A set market cap restriction will therefore not be applied. Rather, GWRC will include a market concentration guideline in its evaluation process and consider the value for money implications of any preferred tenderer outcomes that exceed this guideline in its evaluation of tenders.

This consideration will comprise an additional value for money assessment of market concentration following the completion of the initial price/quality assessment for all tendered units. This additional assessment will be triggered if market concentration (expressed as a % of region-wide market share, incorporating all units – both tendered and directly appointed) of any one operator exceeds a threshold of 60%.

2.8 Addressing barriers to market entry

GWRC recognises that there are features of the market that could create, or be perceived to create barriers to entry, potentially constraining competition. These features include:

- Staff
- Fleet
- Depots
- Ticketing
- Interchanges / access to other facilities
- Incumbents approach to pricing.

Each of these potential barriers has been considered and addressed, as appropriate, to encourage an open, competitive process that is attractive for all

COMMERCIAL IN CONFIDENCE

interested participants. GWRC's consideration of these issues has been informed by industry feedback through the market engagement process.

GWRC's initial approach to asset investment has been based on the principle that it is more efficient, in general, to let the market solve the optimal mix of assets and locations. While the overarching principle by GWRC is to maintain a "light touch" in relation to asset investment and ownership, with an appropriate allocation of risk between GWRC and the operator, access to assets, in particular depots and specialist fleet, creates risks, such as residual value for operators and barriers to entry in future tender rounds, that are best managed by GWRC. GWRC is therefore seeking greater control over these assets via provisions in the PTOM Partnering Agreement.

GWRC's approach to removing barriers to entry is set out below:

Restricted Public Excluded

Element	Potential Barriers	Mitigation
Staff	Insufficient time to recruit and train staff.	<p>Access to skilled and experienced drivers, maintenance staff and supervisors is constrained in the Wellington market and could be a potential barrier.</p> <p>To mitigate this potential barrier, GWRC will provide successful bidders a transition period of up to 15 months, which is considered adequate for a new operator to recruit and train a pool of drivers and other key personnel.</p>
Fleet	Incumbent operators access to existing, older fleet providing cost advantages to those operators.	<p>For this first round of contract tenders, the incumbents' potential cost advantages from access to existing, depreciated fleet, will be mitigated through:</p> <ul style="list-style-type: none"> • Specifying that minimum 50% of fleet for any unit shall be new. The allocation of 50% new fleet to each unit is for tendering and contracting purposes. Future operators with multiple units will have the flexibility to manage their fleet across units as necessary to maximise utilisation and efficiencies. • Gaining transparency of cost differentials by requiring pricing for capital and finance cost per unit, by vehicle type (double decker, hybrid, standard) and old / new vehicles. This will assist in achieving consistency in pricing by incumbents between tendered units and DAUs. <p>Over 50% of the Wellington bus fleet requires replacement in the short term to comply with the RUB age and Euro standards and with the replacement of the trolley network. Hence, the requirement for 50% new fleet is consistent with GWRC's fleet upgrade programme and does not represent an over-investment in new fleet.</p> <p>To address the potential barrier to entry of specialist fleet in future tender rounds GWRC will require an end of term transfer obligation over specialist fleet.</p>
Depots	Lack of economic options for new operators to source depots in optimal locations.	For the this first round of contract tenders, a transition period of up to 15 months from contract award will be provided to provide operators with adequate time to source depots.

		<p>GWRC's unit bundling policy enables operators to justify investment in setting up new depot facilities and extracting efficiencies across units through economies of scale.</p> <p>GWRC will leave it to the market to determine the best solution for depots during the first generation of PTOM tendering in 2016/17. To address the potential barrier to entry of access to depots in future tender rounds GWRC will require an end of term transfer obligation over any new depot developed for the PTOM contracts.</p> <p>GWRC plans to implement a network-wide, integrated ticketing system within the term of the unit contracts. Should this not be available at the time that new bus contracts commence, an interim ticketing solution will be required across all units. GWRC will be responsible for providing any such systems.</p>
Interim ticketing	<p>New operators may be disadvantaged if there is a requirement for operators to have interim ticketing systems before the introduction of GWRC's electronic ticketing solution.</p>	
Interchanges and other facilities	<p>No economic option for new operators where access isn't available to a facility in a strategic location.</p>	<p>GWRC will be responsible for the provision of open access to interchanges and communal driver facilities.</p> <p>Interchanges and other communal facilities will be governed by Standard Operating Procedures.</p> <p>GWRC will assist operators to secure layover space that is outside interchanges from local roading authorities.</p>
Incumbents approach to pricing	<p>Incumbents leverage their DAUs to under-price tendered units</p>	<p>DAU operators will be required to consistently allocate overheads and other fixed costs between DAU and tendered units to ensure that tender prices are not set artificially low due to loading of overhead costs into DAUs.</p>

2.9 Price transparency

[Redacted]

s7(2)(i) - negotiation

[Redacted]

- [Redacted]
- [Redacted]

[Redacted]

3. Contract Approach

3.1 Tender Participation and Transition Agreement (TPTA)

[Redacted]

Text covers information which is not related to the tender process.

[Redacted]

- [Redacted]
- [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Text covers information which is not related to the tender process.

[Redacted text block]

3.2 Payment model

s7(2)(i) - negotiation

[Redacted text block]

[Redacted text block]

[Redacted text block]

• [Redacted text block]

• [Redacted text block]

s7(2)(i) - negotiation

[Redacted text block]

[Redacted text block]

[Redacted text block]

• [Redacted text block]

• [Redacted text block]

[Redacted text block]

3.4

s7(2)(i) - negotiation

[REDACTED]

Restricted Public Excluded

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Restricted

[REDACTED]

[REDACTED]

- [REDACTED]

[REDACTED]

- [REDACTED]

[REDACTED]

- [REDACTED]

[REDACTED]

[REDACTED]

3.8

[Redacted text block]

s7(2)(i) - negotiation

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

4.

[Redacted text block]

Text covers information which is not related to the tender process.

[Redacted text block]

[Redacted text block]

[Redacted text block]

Text covers information which is not related to the tender process

[Redacted text]

4.2 Approvals process

The approval process for the key documents is outlined below:

Items	Date to Council for endorsement and delegation to CE
Procurement Strategy	9 Dec 2015
Tender Participation and Transition Agreement	24 Feb 2016
Tender Evaluation Plan	6 April 2016
PTOM Partnering Agreement	6 April 2016
Request For Tender	6 April 2016
Approval of recommendation of preferred tenderers	28 Sept 2016

4.3 Summary of key risks

GWRC has given considerable thought to the risks associated with implementation of the Procurement Strategy.

Key risks and mitigations are outlined below.

Text covers information which is not related to the tender process.

Key risk	Mitigations
Lack of bids / low competition	<ul style="list-style-type: none"> • Attractive unit design and scale • Direct appointment of units with low contestability • Consolidation of North-South Spine, Khandallah and Brooklyn units • Comprehensive engagement with the bus industry • Appropriate allocation of risk in PTOM Partnering Agreement
<p>[Redacted]</p>	<ul style="list-style-type: none"> • [Redacted] • [Redacted] • [Redacted] • [Redacted] • [Redacted] • [Redacted] • [Redacted]
Not receiving comparative bundles	<ul style="list-style-type: none"> • Encouragement of multiple bundle combinations and individual unit offers • No bundle limitations • Consolidation of North-South Spine, Khandallah and Brooklyn units
Project delays	<ul style="list-style-type: none"> • Appropriate engagement with key stakeholders and decision makers • Comprehensive engagement with the bus industry
Litigation / judicial review	<ul style="list-style-type: none"> • Clearly documented and approved processes • Ensuring processes are followed and decisions documented.
<p>[Redacted]</p>	<ul style="list-style-type: none"> • [Redacted] • [Redacted] • [Redacted]

s7(2)(i) - negotiation

