

Maximising competition

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Bus service
transformation in
Wellington, New Zealand

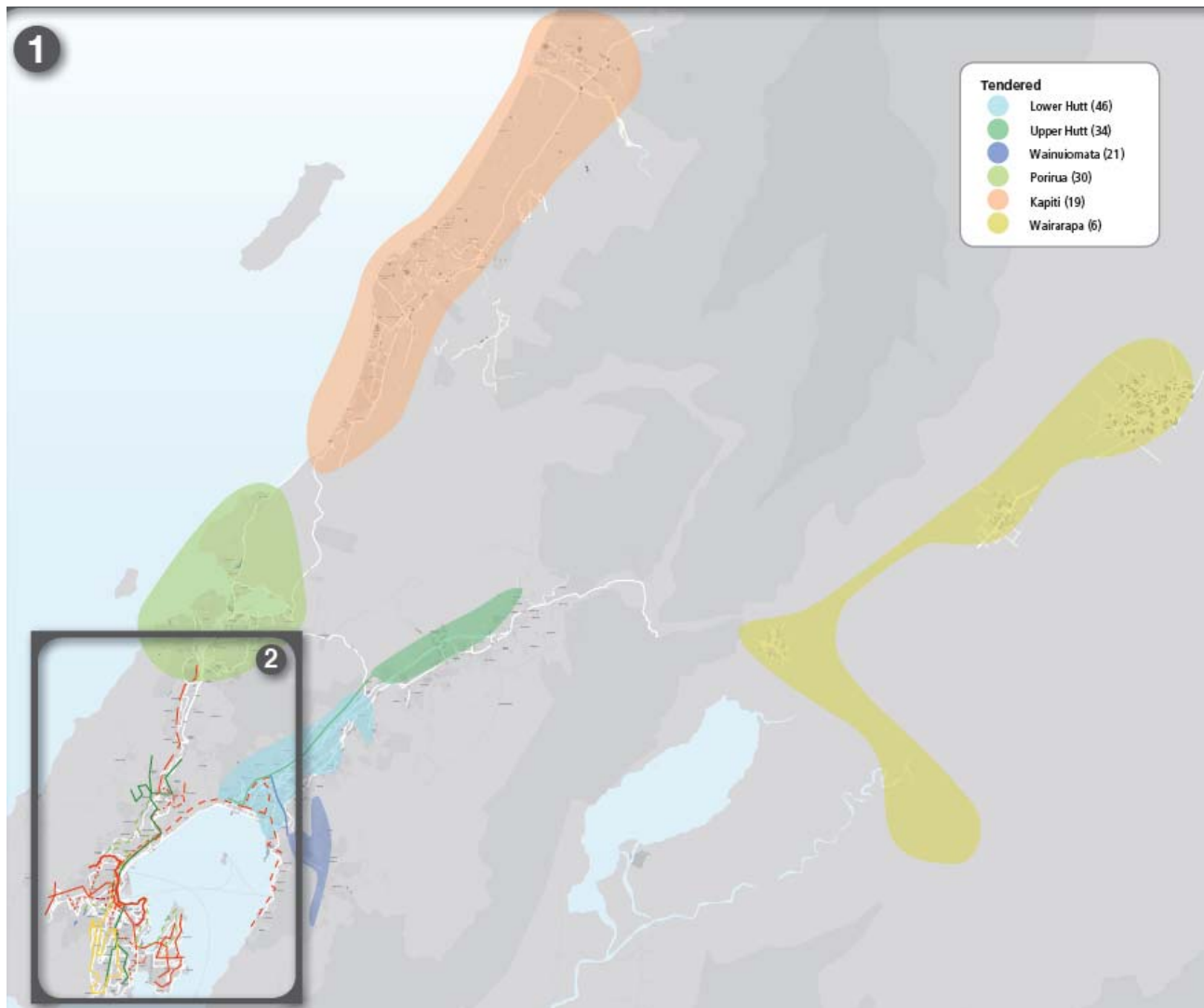
Andrew Cooper
August 2019

Framework for bus service procurement

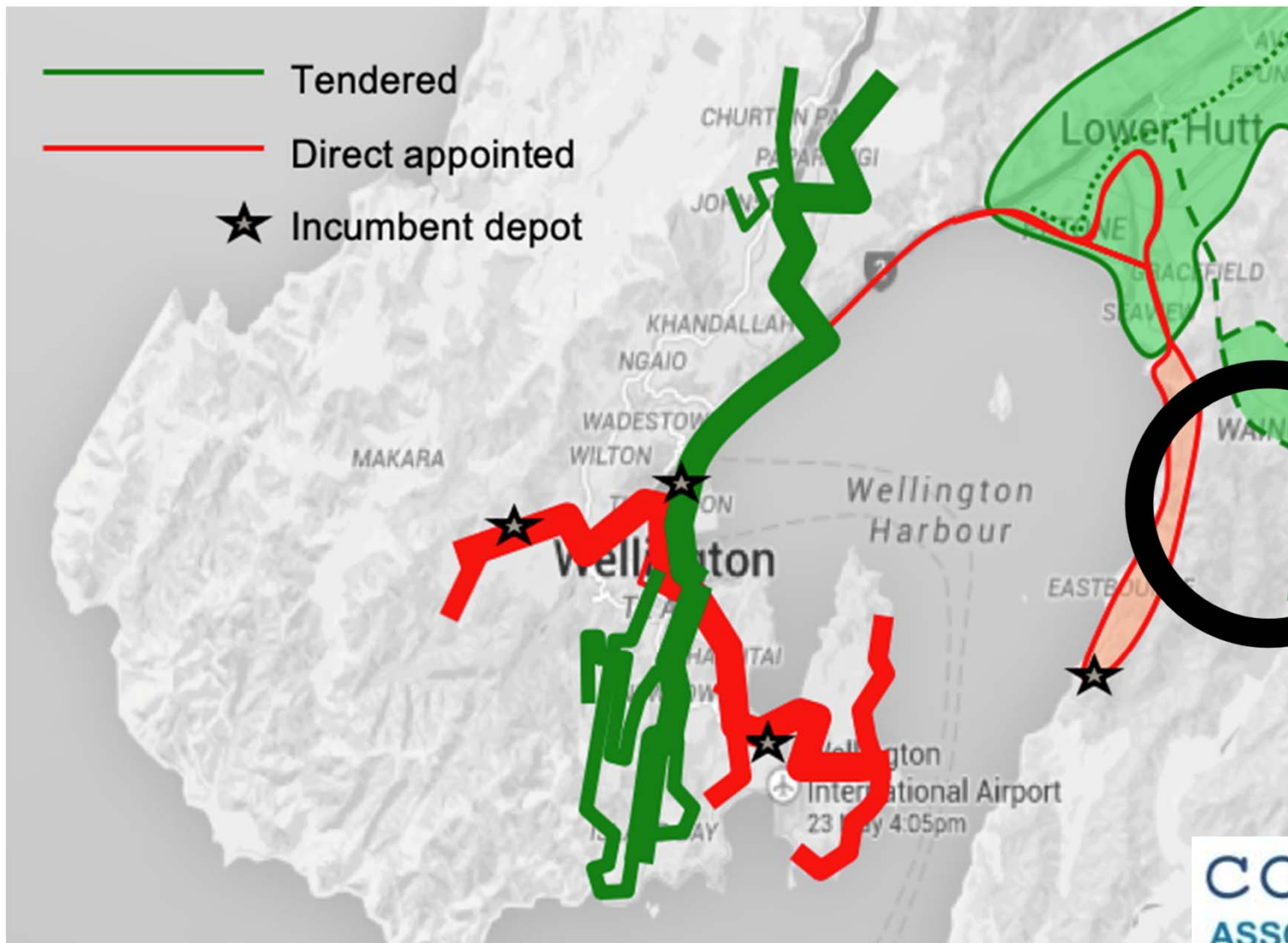


- Legislated through amendments to the Land Transport Management Act 2003 (LTMA)
- Public Transport Operating Model (PTOM)
- Objectives:
 - Grow patronage
 - Grow commerciality
 - Grow confidence of efficient pricing
 - Grow confidence of competitive market

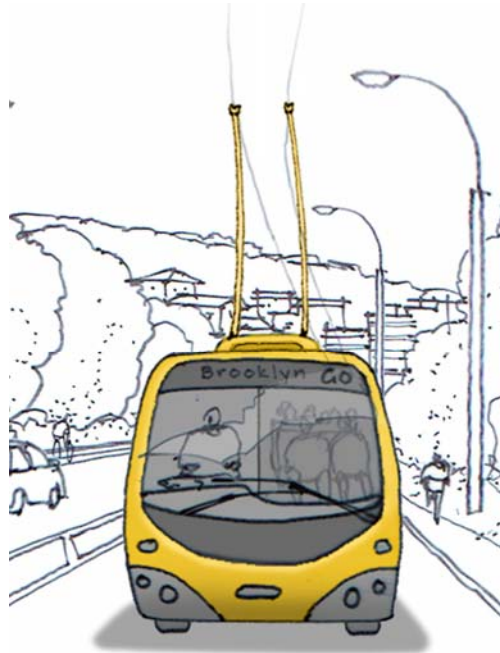
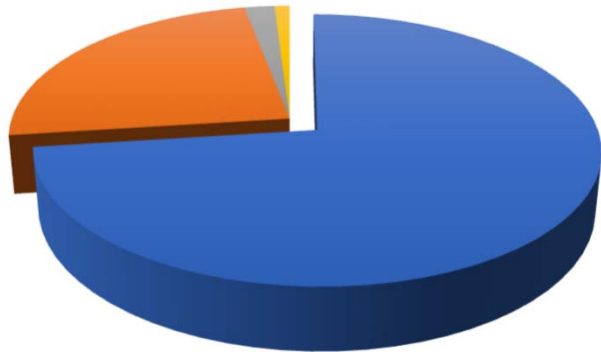
Contracting basis – ‘Units’



Unit allocation

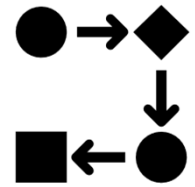


Key challenges



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Designing the process



Financial &
Commercial Advisors



Principles &
objectives

Procurement
elements

Commercial
elements

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Informed by industry



Pre-tender briefing

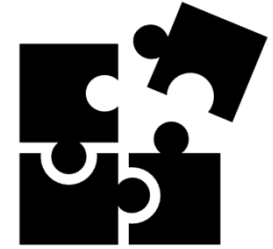


Interactive meetings
with Tenderers



Written feedback
submissions from
Tenderers

Key features



- Single stage RFT
- One tranche of 9 contracts
- Bundling of units encouraged – no limitations
- Price Quality Method for evaluation
- Alternative tenders encouraged

Unique features



- Region wide assessment of best tender combinations
- Emissions Improvement Premium
- 50% new buses required in each tender
- Tenderer's capacity
- Market concentration assessment
- Transferring assets

Incentivising lower emissions



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Outcomes of tender process



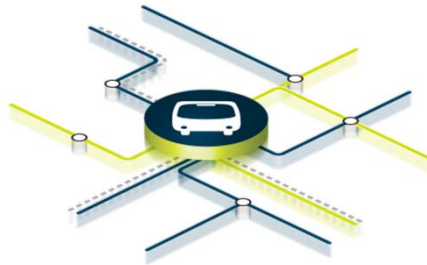
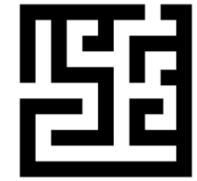
- Highly competitive tender process
 - 9 tenderers – local and international
 - 86 tenders – combinations of units
- Dominant incumbents did not win tendered contracts
- Savings against forecast
- Strong performance based contract
- Largely new fleet
- Some electric buses (negotiated subsequent to tender)

Direct appointed contracts



- Negotiated contracts
- Legislative requirement of PTOM
- Dominant incumbents guaranteed contracts
- No recourse to market for government
- Substantial premium over tendered prices

Challenging transition



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Key lessons



1. Importance of market engagement
2. Importance of having recourse to go back to market in negotiations
3. Importance of time in transition processes involving significant change
4. Change affects incumbents, not just new entrants
5. Change affects the transport authority, not just the operators



Thank you