



Public Transport – Supplier Selection Guidance

Integrated Procurement Resource

NZ Transport Agency Waka Kotahi

1 November 2025

DRAFT

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1. Introduction

1.1 Overview

The supplier selection guidance provides practical advice on supplier selection methods for the New Zealand public transport sector. It is intended for use by public transport authorities (PTAs), public transport operators (PTOs) and other stakeholders involved in the procurement, management, and delivery of public transport services. The principles and practices outlined in this document are designed to promote consistency, fair competition and value for money in the supplier selection process.

As public transport services can be complex with high levels of requirements and regulatory compliance to ensure the provision of effective, efficient and safe public transport services, it is essential that supplier selection processes are designed, managed and executed with appropriate consideration of the outcomes sought and the optimal techniques to select the most appropriate supplier and achieve best value for money.

With public transport contracting in New Zealand devolved to multiple PTAs across the country, each with different levels of capability and capacity, and a comparatively small pool of PTOs, it is important that tendering and contracting approaches by PTAs are as consistent as practicable to reduce tendering workload for both PTAs and PTOs and support increased PTO participation in procurement processes.

1.2 Purpose

This guidance provides requirements and guidance on supplier selection methods for public transport activities. The requirements, principles and practices set out in this document are designed to:

- obtain value for money
- enable fair competition – fair opportunity to and treatment of potential suppliers
- encourage competitive markets – maintain and grow long term market capability, capacity and competition
- set out the requirements that are specific to the procurement of PT services
- deliver a consistent approach to procurement for all PTAs
- ensure compliance within the Land Transport Management Act 2003 (LTMA).

The handbook is part of the PT Integrated Procurement Resources, a nationally consistent suite of guidance, tools and frameworks coordinated by NZTA to support efficiency in the procurement of public transport (PT) activities.

1.3 Scope

The scope of the Supplier Selection Guidance covers the procurement of PT services, strategic enabling assets (e.g. land, electricity infrastructure, depots and vehicles), enabling systems and functions (e.g. ticketing and real-time information systems) and professional services related to PT planning and delivery.

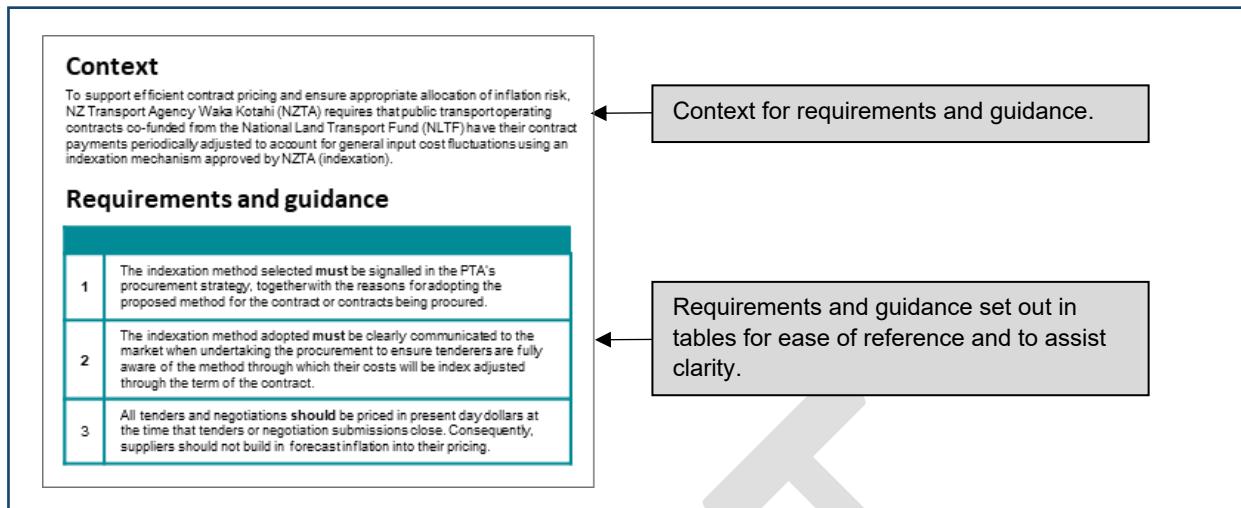
The principles outlined in Part A apply to the procurement of all forms of PT activities.

The practices in Part B are primarily aimed at the procurement of PT services (i.e. bus, ferry and rail operating contracts) but are generally applicable to other PT activities (such as the procurement of enabling assets, professional services, etc). Where there is divergence in required approach, this is identified in the guidance.

1.4 Using this document

For ease of reference and to assist clarity, this document tabulates requirements and guidance as illustrated in Figure 1 where relevant.

Figure 1 showing format for requirements and guidance.



The following terms are used to distinguish between requirements and guidance:

- “**Must**” denotes requirements. This term refers to content that PTAs must adhere to. These requirements can stem from either a statutory provision within the LTMA or statutory powers granted to NZTA under the LTMA, such as defining conditions of receiving funding from the NLTF or approving procurement procedures.
- “**Should**” and “**May**” denotes guidance. The term “should” indicates strong recommendations or best practices, while “may” suggests optional guidelines.

NZTA may update requirements and guidance from time to time.

PART A – PRINCIPLES

2. Obtaining best value for money

2.1 Introduction

The concept of value for money, as applied throughout the PT Integrated Procurement Resources, is directly aligned with the requirements in the Land Transport Management Act 2003 (LTMA) on obtaining best value, ensuring effectiveness and efficiency and delivering outcomes in the public interest.

The PT Integrated Procurement Resources uses the following key terminology:

| Term | Definition |
|--|---|
| Value for money | Best value for money is achieved when public transport delivers outcomes in the public interest effectively, efficiently, and at a fair price. |
| Outcomes in the public interest | Outcomes that provide enduring benefits to current and future generations. In the context of public transport, these typically include some combination of economic prosperity, social inclusion, healthy and safe communities, urban productivity, and reduced environmental harm and a sustainable, competitive market for PT services. |
| Effectiveness | Refers to the extent to which public transport delivers outcomes in the public interest it was designed to achieve. |
| Efficiency | Refers to the efficient use of money and resources (e.g. people, vehicles, infrastructure, energy) to achieve outcomes. Efficiency considers how well resources are mobilised and deployed and how much money it costs. |
| Fair price | Refers to selecting the supplier who can deliver what you need, at a fair price and on time. |

2.2 Procuring for best value for money

Obtaining value for money means getting the best available result for the money spent including consideration of:

- minimum level of benefit required
- maximum level of additional benefit of utility
- the extent to which additional price may be justified by additional benefit
- total cost of ownership over the whole-of-life, including asset control, end-of-contract provisions and asset transfer arrangements
- appropriate management of risk
- market sustainability.

Additional benefit that may justify accepting a higher priced proposal can include:

- higher quality that yields improved outcomes
- more timely delivery that results in outcomes being realised sooner
- reduction of risk
- increased efficiency for the PTA (time/effort)
- whole of life cost savings.

Best value for money must be considered on a whole of life basis – this is particularly important when considering long term purchases such as multi-year PT service contracts. Whole-of-life assessment within the procurement process requires:

- Less focus on the upfront price and more recognition that best value is obtained by looking at the overall ‘value’ associated with the asset or service over its life,
- Looking closely at the ongoing costs attributable to the procured good or service, such as maintenance and replacement schedules, service level changes and how costs may change over time, and
- Assessing how the apportionment of risk within the contract has the potential to impact whole of life costs.

2.3 Using an approved procurement procedure

By designing and using a procurement procedure approved by NZTA that follows the requirements and guidelines in this document, a PTA will increase the likelihood of:

- Ensuring efficiency by avoiding unnecessary process costs or the imposition of unwarranted compliance costs (e.g. by using shortlisting and prequalification mechanisms where appropriate, ensuring consistency in procurement approaches across PTAs and by only asking for relevant information and evidence that will contribute to effective evaluation processes), and
- Encouraging competition by purchasing in a way that maintains the long-term sustainability and competitiveness of the supplier market and minimises barriers to competition (e.g. by reducing participation effort and costs and offering a contract that is attractive to the market with the right balance of risk and reward).

Refer to the [Public Transport Procurement Procedures Manual](#) [under development] for more information on obtaining procurement approvals for public transport activities.

3. Enabling fair competition

3.1 Introduction

Fair competition in PT procurement ensures that every capable supplier has a genuine chance to bid for and win work and that no supplier is advantaged or disadvantaged by the process. It is achieved through transparent, consistent and well-governed procurement processes that build trust in the system and encourages a healthy market.

This principle is critical in achieving value for money, encouraging innovation and maintaining trust in the procurement system. Fair competition is typically assessed in terms of **fair opportunity** and **fair treatment**.

3.2 Fair opportunity

All interested parties should be able to participate in the procurement process without facing unreasonable barriers or disadvantages.

Key elements:

- **Market awareness:** Opportunities are promoted effectively so that all capable suppliers, including local, regional and international operators — are aware and can respond.
- **Reasonable requirements:** Qualification and technical requirements are proportionate to the contract's needs and not designed to exclude smaller or new entrants.
- **Market engagement:** Timely market engagement to gauge and encourage interest in contract opportunities and seek market feedback.

3.3 Fair treatment

All suppliers are evaluated using the same criteria, and decisions are made objectively and consistently.

Key elements:

- **Transparency:** providing sufficient clear information to all potential suppliers to enable them to prepare competitive responses.
- **Impartiality:** equal and consistent treatment of all potential suppliers and acting without bias toward or against any potential supplier.
- **Integrity:** acting lawfully, behaving ethically, appropriately managing conflicts of interest and maintaining confidentiality.
- **Reasonable requirements:** Qualification and technical requirements are appropriately designed not to exclude smaller or new entrants.
- **Adequate timeframes:** Suppliers are given sufficient time to prepare and submit.
- **Clear evaluation criteria:** Criteria are defined up front and applied uniformly to all bids.
- **Non-discrimination:** No supplier is favoured ahead of others based on prior relationships, location or other influence.
- **Confidentiality:** Bidder information is kept confidential to avoid giving any party an unfair advantage.
- **Transparent feedback:** Debriefing unsuccessful bidders with clear reasons enhances confidence and future competitiveness.

3.4 Achieving fair competition

Procurement practices that help achieve fair competition are summarised in Table 1.

Table 1: How procurement practices contribute to fair competition

| Procurement practice | Contribution to fair competition |
|--|---|
| Open competitive tendering | Ensures all capable suppliers can participate under the same rules. |
| Early market engagement | Provides all suppliers with the same early insights and opportunities to prepare. |
| Proportionate qualification criteria | Avoids excluding capable but smaller or newer providers. |
| Clear, published evaluation criteria | Prevents subjective or biased evaluation. |
| Conflict of interest management | Ensures that decision-makers have no vested interest in the outcome. |
| Use of probity advisors or independent oversight | Reinforces process integrity and consistent treatment. |
| Standardised templates and processes | Reduces variability and ensures all bidders respond to the same scope and expectations. |
| Debriefing and feedback mechanisms | Increases transparency and gives bidders clarity to improve for future rounds. |

4. Competitive and efficient markets

4.1 Introduction

As well as requiring procurement procedures to obtain best value for money, LTMA s25 also requires NZTA, when approving procurement procedures, to give regard to the desirability of fair competition and the encouragement of *competitive and efficient markets*.

In the context of public transport procurement:

- A **competitive market** is one where:
 - Multiple capable suppliers are available and willing to bid for contracts.
 - No single supplier dominates, ensuring no undue market power is exerted.
 - Barriers to entry are low, allowing new or smaller players to participate.
 - Pricing and service quality are influenced by supplier rivalry, leading to innovation, value for money, and responsiveness to public needs.
- An **efficient market** is one where:
 - Resources are allocated optimally, delivering the best possible outcomes (e.g. service quality, coverage, cost-effectiveness).
 - Information is transparent, so PTAs and suppliers can make well-informed decisions.
 - Transaction and operational costs are minimized across the bidding, contract management and service delivery lifecycle.
 - The market adjusts quickly to new information or conditions, such as changing passenger demands or policy goals (e.g. decarbonisation).

4.2 Encouraging competitive and efficient markets

Encouraging competitive and efficient markets means maintaining or growing market capability, capacity and competition including:

- Providing opportunities to a range of suppliers to give them relevant experience
- Taking a strategic programme level approach to procurement
- Aligning the capacity of suppliers to match contract opportunities
- Balancing short term value against the potential to lock in regional monopolies that may result in higher costs in the longer term.

Procurement is a key lever for shaping and supporting healthy supplier markets as summarised in Table 2.

Table 2: How Procurement Processes Contribute to Competitive and Efficient Markets

| Procurement Action | How It Contributes to Competition | How It Contributes to Efficiency |
|--|---|--|
| Transparency and fairness of treatment | Levels the playing field and attracts more bidders by providing clear rules, requirements, and evaluation criteria. | Reduces uncertainty and bidding costs, ensuring better quality and more timely bids. |

| | | |
|---|---|---|
| Market sounding and engagement | Helps identify market capability and interest; encourages new entrants or innovation. | Ensures service design aligns with what's feasible, reducing risks of poor performance. |
| Contract packaging (e.g. size and scope of contracts) | Presenting appropriately sized units with the opportunity for bundling that is attractive to a wide cross-section of PTOs will enhance the level of interest. | Allows services to be matched more closely with operator capacity, avoiding inefficiencies of oversizing while offering the opportunities for economies of scale. |
| Balanced risk allocation | More balance between risk and reward creates a more attractive proposition for the market, encouraging broader supplier participation. | Ensures operators focus on service delivery rather than managing inappropriate commercial risks and avoids risk premiums being applied to pricing. |
| Performance-based contracts | Encourages suppliers to innovate and compete on quality and efficiency. | Links payment to outcomes like punctuality and customer satisfaction, improving resource use. |
| Timely and predictable procurement cycles | Builds supplier confidence and planning certainty. | Reduces "boom and bust" cycles that create inefficiencies or drive suppliers out of the market. |
| Reducing incumbency advantage | Encourages participation by increasing the opportunity for non-incumbents to be successful. | Promotes efficient pricing and discourages complacency from long-term incumbents. |
| Utilising nationally consistent procurement resources | Supplier familiarity and the ability to align information requirements reduces time and effort to respond to tenders around the country, encouraging participation. | Reduced time and effort to respond to tenders reduces supplier overhead costs, while more a more consistent approach to risk allocation by PTAs enables PTOs to price efficiently with increased certainty. |

5. Good practice public transport procurement

5.1 Introduction

Good practice procurement means designing procedures and practices that obtain the intended outcome efficiently and effectively, guided by the following objectives:

- Clear understanding of requirement including known and potential additional requirement;
- Potential suppliers are able to effectively engage and participate in the procurement process;
- The process reasonably minimises the effort required of potential suppliers to participate in, and the PTA and other stakeholders to support, the procurement process;
- Suppliers have the information necessary to develop and submit proposals which are most likely to deliver best value;
- The process identifies the proposal that captures the best value for money and enables a contract to be entered with the successful supplier;
- The PTA acts in manner that reflects a reputable client of choice;
- Procurement activities are able to withstand scrutiny and challenge; and
- Public confidence in the competence and integrity of the PTA is safeguarded.

5.2 Good practice methods

Implementing the following methods will enable good practice procurement outcomes.

| Method | Outcome |
|---|---|
| Develop and implement an effective procurement strategy and continuously improve procurement planning for each procurement phase. | Development, implementation and improvement of a robust strategy, enabling the PTA and support from NZTA to: <ul style="list-style-type: none">• fully understand the procurement programme / project;• understand and respond to the market capability and conditions, including considering feedback from market engagement;• coordinate and manage stakeholder issues and interfaces, including those within the PTA;• manage issues and risks which affect project outcomes, including interfaces, planning and transition;• ensure the appropriate capability and processes are employed by the PTA; and• provide consistency of approach by the PTA and with other PTAs across similar procurements. |
| Identify, engage and maintain an appropriately skilled, resourced, structured and managed team at all procurement phases. | An effective and experienced procurement team enables certainty of delivery of procurement outcomes, through: <ul style="list-style-type: none">• relevant experience, expertise and capacity;• leadership and leadership support;• project management capability; |

| | |
|---|---|
| | <ul style="list-style-type: none"> • relationships and process management within key stakeholders; • appropriate committed budgets; and • clear accountabilities and responsibilities. |
| Provide potential participants with sufficient, accurate and timely information in advance of the procurement phase commencing. | <p>Sufficient, accurate and timely information enables potential participants to make informed decisions and implement appropriate arrangements to optimise their chances of winning by being able to:</p> <ul style="list-style-type: none"> • effectively plan their involvement in a procurement; • understand the procurement requirements; • assess their appetite for the opportunity; and • identify and select resources and potential partners. |
| Ensure that the procurement scope and approach aligns with market capabilities, capacity and appetite and is attractive to a number of potential suppliers. | <p>The procurement is designed and planned to attract and promote competition from a number of suitable, capable suppliers and enables suppliers to provide comprehensive proposals that meet procurement requirements.</p> |
| The process, including the evaluation methodology, is designed to provide alignment between the responses received from the market and the procurement objectives. | <p>Delivery of the procurement objectives will be more certain if the supplier selection approach and procurement objectives are aligned, by ensuring:</p> <ul style="list-style-type: none"> • alignment of evaluation criteria and procurement objectives; • alignment between criteria and the information requested in procurement responses; • the experience and qualifications of the evaluators are aligned to the commercial and technical requirements and the complexity of the procurement; and • evaluation is conducted in accordance with the published methodology. |
| The procurement documents contain relevant information to enable bidders to understand the procurement requirements, the procurement process and the how responses will be evaluated. | <p>The PTA will receive optimal results if appropriate and accurate information is included in the procurement documents. Critical information to include in procurement documents includes:</p> <ul style="list-style-type: none"> • a comprehensive description of the procurement requirements; • a description of the procurement process including the evaluation methodology; • clear and unambiguous descriptions of the evaluation criteria and information required from suppliers to demonstrate how they meet each criteria; • clear protocols applicable to the PTA and respondents |

| | |
|--|--|
| | <ul style="list-style-type: none"> • clear communication throughout the process, considering the use of supplier briefings, interactives and transparent Q&A. |
| Response requirements should only include information which will be used to effectively and efficiently evaluate and select suppliers. | <p>Both the PTA and the supplier's costs are minimised if:</p> <ul style="list-style-type: none"> • unnecessary or immaterial requirements are avoided; and • response information is sensibly minimised and targeted to that which is essential to assess supplier capability and to differentiate between suppliers. |

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PART B – PRACTICES

6. Approach to market methods

6.1 Overview

For the procurement of PT activities, the approach to market methods available to PTAs are:

- **Open source procurement** (also known as open tendering) – competitive procurement process publicly advertised on GETS, enabling any qualified supplier to submit a proposal. May be undertaken in a single stage or two stage process.
- **Closed source procurement** (also known as closed or selective tendering) – limited competition method where a small group of pre-qualified or invited suppliers is asked to submit bids.
- **Direct source procurement** (also known as single or sole sourcing) is a non-competitive method where one bid is sought from a supplier and evaluated without a tendering process. May be used in urgent situations, where effective competition is inhibited, for continuity of critical services or for contract renewals. This method should only be used sparingly, with clear justification and oversight.

Table 3 summarises the opportunities and challenges for each sourcing method. Guidance is also provided in this section on single stage and two stage open sourcing methods and the differences between RFIs and ROIs and RFTs and RFPs.

Table 3: Approach to market methods – opportunities and challenges

| Approach to market method | Opportunities | Challenges |
|---------------------------|---|---|
| Open source | <ul style="list-style-type: none">• Encourages maximum competition• Increases transparency and public confidence• Promotes innovation from a wide supplier pool• Potentially better value for money | <ul style="list-style-type: none">• Can be time-consuming and resource-intensive• May attract unqualified or non-serious bidders• Risk of low-cost, low-quality bids• Can discourage smaller players due to complexity |
| Closed source | <ul style="list-style-type: none">• Focuses on qualified, capable suppliers• Reduces bid evaluation burden• Can improve quality and relevance of bids• Encourages competition among experienced players• Balances efficiency and capability where full open competition is not practical or when specific capabilities are required | <ul style="list-style-type: none">• May be perceived as less transparent• Could exclude innovative or emerging suppliers• Risk of reduced competition if the pool is too narrow• May be perceived as a 'closed shop' to new entrants stifling future competition• Requires strong pre-qualification process |
| Direct source | <ul style="list-style-type: none">• Enables rapid procurement (e.g., during emergencies)• Useful where only one supplier exists (e.g. proprietary systems or | <ul style="list-style-type: none">• Lacks competition, reducing price pressure• High risk of poor value for money |

| | | |
|--|---|---|
| | <p>incumbent continuity) or effective competition is inhibited</p> <ul style="list-style-type: none"> • Simplifies negotiation and contract management | <ul style="list-style-type: none"> • May reduce accountability and increase perceptions of bias • Can entrench incumbents and stifle market development |
|--|---|---|

| Requirement and guidance | | |
|--------------------------|-------------------------------|---|
| 1 | Procurement strategies | <p>The approach to market methods to be applied to PT activities must be described in procurement strategies together with the value for money rationale for the approach selected.</p> |
| 2 | Open source | <p>Open tenders align best with principles of fairness, transparency, and long-term market health. In the majority of circumstances for the procurement of PT services and related activities, open competition is considered most likely to achieve best value for money. This approach must be considered the default for PT services contracts unless there is clear value for money justification for a closed or direct source procurement.</p> <p>An open tender process may comprise a two stage process in which an open selection process, such as a Registration or Expression of Interest (ROI/EOI), is conducted to enable the selection of a shortlisted group of respondents, prior to a second, closed Request for Proposal (RFP) or Request for Tender (RFT) stage conducted with the shortlisted respondents. See below for more guidance on the use of single stage and two stage procurements.</p> |
| 3 | Closed source | <p>Closed sourcing, in which select suppliers are invited to compete in a closed tender, is generally most effective where the market capabilities are well understood, the scope of work is well defined and low risk and a closed tender will provide material savings in time and cost than running an open source process.</p> <p>Closed sourcing may be utilised for some public transport activities, such as some PT enabling assets, systems and functions and professional services.</p> <p>Closed sourcing must not be used to avoid competition or to discriminate against any supplier.</p> <p>Due to the relatively small PTO supplier market in New Zealand and the relative complexity and risk associated with PT service delivery, it is not desirable to preclude any potential PTOs (who can meet minimum levels of qualification) from the procurement of PT services contracts, as the benefits of a closed source procurement do not outweigh the disbenefits of excluding potential suppliers. Consequently, closed sourcing must not be used for PT services contracts (other than those under short term and supplier pool delivery models).</p> |
| 4 | Direct source | <p>There are limited circumstances when direct source processes may offer better value for money due to the cost and complexity associated with open competition processes outweighing the benefits from an open source process as a result of:</p> <ul style="list-style-type: none"> • The procurement is for a low value, low risk activity within the context of the PTA's environment. • The procurement is for PT services under a short term or supplier pool delivery model. • Where scope, available contract tenure or other barriers to entry exist that are likely to inhibit effective competition. In this situation, direct source may be most appropriate until such time as the environment changes to remove the inhibitors to competition. <p>In all cases where direct sourcing is utilised, PTAs must have undertaken an assessment of what value for money from a direct source approach will look like, define their 'bottom line' and define</p> |

their fallback strategy for an alternative procurement approach should direct sourcing not achieve the PTA's expected bottom line.

PTAs **should** undertake a benchmarking exercise utilising a range of available data to inform its value for money assessment.

6.2 Single stage procurement

All interested suppliers are invited to submit a full proposal and pricing response to an open tender or RFP process. Full evaluation occurs in one step.

Best suited for:

- Low-to-medium complexity service contracts
- Mature markets with known and capable supplier base
- Where the effort for suppliers to respond is proportionate to their chances of success
- Where market engagement indicates that there will be a manageable number of responses and the process is unlikely to be flooded with unsuitable responses.

Note:

- The use of pre-conditions in tenders can help PTAs avoid receiving low quality or non-viable bids and help to inform potential suppliers whether or not they will benefit from submitting a bid. Refer requirements and guidance below.

| Opportunities | Challenges |
|--|---|
| <ul style="list-style-type: none"> • Maximises competitive tension and transparency • Can uncover new or unexpected market entrants • Quicker procurement timeline (if well-scoped) | <ul style="list-style-type: none"> • High bid volume can increase evaluation burden • Risk of receiving low-quality or non-viable bids • No early filtering of non-capable or non-serious bidders • Risk of discouraging higher quality operators from bidding – perceived lower chance of winning when there is a large field competing and high amount of effort to submit fully priced bids. |

Requirement and guidance

| 1 | Pre-conditions |
|---|--|
| | <p>To avoid receiving low quality or non-viable bids, PTAs should include a minimum set of pre-conditions that a respondent must meet to be evaluated. The pre-conditions should set out the PTA's minimum expectations of capability and experience which respondents must be required to demonstrate in their proposals for their proposals to be fully evaluated, allowing potential suppliers to determine whether or not they meet minimum capability and/or capacity requirements and therefore whether or not they will benefit from submitting a bid. If a proposal is received that does not meet the required pre-conditions, it may be set aside and excluded from further evaluation.</p> <p>If pre-conditions are to be used, they must:</p> <ul style="list-style-type: none"> • be limited to: |

| | |
|---|--|
| | <ul style="list-style-type: none"> ○ legal or financial capacity ○ commercial or operational capacity or capacity to deliver ○ appropriate technical skills or expertise or relevant experience ● genuinely mandatory and relevant to the requirement ● binary and not open to interpretation or subjectivity (i.e. yes/no, meets requirement/does not meet requirement) ● demonstrable (able to be proven). |
| 2 | <p>Negotiations</p> <p>For PT services and other higher value, higher risk activities, flexibility should be retained by the PTA to conduct a negotiation stage with the preferred respondent or respondents following the evaluation selection phase. See Section 7.10 for further guidance on negotiation phases.</p> |

6.3 Two stage procurement

All interested suppliers are invited to respond to Stage 1 of the process – utilising a ROI from which a shortlist of 2-3 suppliers are selected on the basis of a qualitative based evaluation. Stage 2 is a closed RFP or tender, allowing only shortlisted suppliers to respond with full proposals and pricing.

Best suited for:

- High-value, complex, or strategic public transport contracts
- New service types or where quality, innovation, or experience are key
- Markets with a high number of potential respondents
- Where the effort for suppliers to respond fully to the requirements of the tender, including pricing, is likely to be disproportionate to their perceived chances of success under an open process that may attract many different suppliers.

| Opportunities | Challenges |
|---|---|
| <ul style="list-style-type: none"> ● Filters out unsuitable suppliers early ● Encourages higher quality operators to bid due to more balanced effort and reward opportunity ● Encourages higher quality and more tailored proposals in Stage 2 ● Reduces workload for both evaluators and suppliers when a large field of suppliers are likely to bid ● Enables more targeted engagement with shortlisted respondents (e.g. briefings, interactive discussions). | <ul style="list-style-type: none"> ● Adds time to the procurement timeline ● Perceived reduction in openness if not well-communicated ● May discourage smaller or perceived lesser quality operators from participating ● May eliminate lower cost respondents early from the process if they are also lower quality. |

Requirement and guidance

| | |
|---|---|
| 1 | ROI – stage 1 |
| | <p>The ROI stage of a two stage process must be used for shortlisting suppliers to take through to the second stage of the process on the basis of a qualitative assessment to select the most suitable suppliers to meet the objectives of the tender. The ROI must clearly describe how suppliers will be shortlisted.</p> |
| | <p>As the focus is on a qualitative assessment only, there is a risk of selecting the ‘biggest and best’ suppliers who are also likely to be the most expensive. PTAs should therefore avoid over-weighting criteria such as “track record with major clients” or “scale of business”, otherwise smaller but capable suppliers may be excluded. Evaluation criteria should identify the suppliers who can credibly deliver the contract sustainably rather than a “best in market” approach and avoid placing high weightings on attributes that have little bearing on outcomes such as innovation if there will be limited opportunities to innovate within the contract.</p> |
| | <p>Tips to avoid bias toward “biggest/most expensive”:</p> <ul style="list-style-type: none">• Frame criteria as “sufficient to deliver”, not “most experienced in market”• Accept evidence of equivalent experience (don’t limit to Tier 1 suppliers)• Ensure thresholds are realistic, not excessive• Don’t set criteria for things that don’t matter or are unlikely to make a difference to the goods or services being procured. |
| 2 | RFP – stage 2 |
| | <p>As supplier capability will have been determined at the ROI stage, the RFP stage of a two stage process must be used to differentiate between the shortlisted suppliers by focussing on criteria that will have a meaningful impact on outcomes that are of value to the PTA, such as specific initiatives that support broader outcomes or reduction of risk (short and/or long term risk), and price.</p> |
| | <p>Where capable suppliers have been shortlisted and there is limited opportunity for suppliers to offer additional value, a higher weighting on price should be applied.</p> |
| 3 | Negotiations |
| | <p>As with a single stage process, flexibility should also be retained in a two stage process by the PTA to conduct a negotiation stage with the preferred respondent or respondents following the evaluation selection phase. See Section 7.10 for further guidance on negotiation phases.</p> |

6.4 RFI versus ROI

The terms **Request for Information (RFI)** and **Registration of Interest (ROI)** are often used interchangeably in procurement, but there are differences in purpose, depth of response and procurement intent.

ROIs and Expressions of Interest (EOI) are also used interchangeably by different agencies and jurisdictions for the purposes of shortlisting, however MBIE and NZTA have settled on the terminology of **Registration of Interest (ROI)** for the mechanism of shortlisting in two stage procurement processes and for selecting suppliers to be appointed to panels.

Requirement and guidance

| | |
|---|---|
| 1 | RFIs RFIs are used to help a buying agency to identify the number and type of suppliers who are active in the market for the goods or services being procured and to seek other information about the market, such as the type of goods or services available, the level of market interest, capability and capacity and to provide feedback on aspects of an intended procurement process to inform the procurement process design. RFIs must not be used for shortlisting. If both information gathering and shortlisting is the intent of the process, then PTAs must use an ROI. |
| 2 | ROIs ROIs are a formal pre-qualification step in a two-stage procurement process, used to identify and shortlist the most suitable respondents to participate in the next RFP or RFT phase. They may also be used to select suppliers to appoint to a panel. Respondents are expected to demonstrate capability, experience, and relevant past performance against defined evaluation criteria. Questions and responses are more detailed than a RFI, with an express intent of shortlisting the most suitable 2–4 respondents to participate in the RFP stage. ROIs must contain a clearly communicated process for how shortlisting will be undertaken. |

6.5 RFT versus RFP

The terms **Request for Tender (RFT)** and **Request for Proposal (RFP)** are also often used interchangeably in procurement, but there are differences in how structured the buyer's requirements are and the degree of flexibility offered to suppliers in shaping their responses. Generally, RFTs are more suited to contracts where certainty and compliance at the best price is most important, while RFPs are better suited where the desired outcome is known, but not the best way to get there and collaboration, customisation or innovation is needed to shape the best solution.

In short, a RFT specifies input requirements to achieve a solution, whereas a RFP describes a problem or opportunity and asks market to propose how they will solve the problem or realise the opportunity.

Requirement and guidance

| | |
|---|---|
| 1 | RFT <u>Purpose:</u> To obtain fixed, price-based offers to deliver clearly defined goods, services, or works under specified terms and conditions. <u>Characteristics:</u> <ul style="list-style-type: none">Highly prescriptive — detailed technical specifications, performance standards, and contract terms are set by the buyerBidders are expected to comply closely with specifications (or state deviations)Evaluation is typically weighted more toward price and complianceUsed when outcomes are well understood and little variation is expected <u>Use Cases:</u> <ul style="list-style-type: none">PT vehicle supply or depot constructionBus services with minimal change or opportunity for innovation expected over the termCommodity services where price is the main differentiator |
|---|---|

2 RFP

Purpose: To seek higher levels of innovation or tailored solutions to meet defined outcomes, with more room for respondents to propose how to achieve them.

Characteristics:

- Less prescriptive — focuses on outcomes or needs rather than detailed specifications
- Encourages creativity, alternative methods, or service models
- Evaluation typically balances quality, methodology, experience, and price
- May include negotiations or refinement of the solution before contract award

Use Cases:

- Flexible or innovative public transport models (e.g. on-demand services) or where high levels of change are expected over the term
- Where technical innovation, such as decarbonisation, is valued
- Service models where performance outcomes are known but delivery methods may vary

The following table provides a useful RFT vs RFP decision guide.

| Decision Criteria | Use RFT | Use RFP |
|---|---|--|
| Are the service requirements clearly defined and fixed? | <input checked="" type="checkbox"/> Yes – you have detailed specs, KPIs, service model | <input type="checkbox"/> No – outcomes are clear, but delivery method is open |
| Do you want to compare suppliers mainly on price? | <input checked="" type="checkbox"/> Yes – price is the main differentiator | <input type="checkbox"/> No – quality, innovation, or methodology are also key |
| Is compliance with a defined set of terms essential? | <input checked="" type="checkbox"/> Yes – legal, technical or regulatory needs are strict | <input type="checkbox"/> No – flexibility to tailor solutions is acceptable |
| Are innovative or alternative approaches encouraged? | <input type="checkbox"/> No – exact conformity is required | <input checked="" type="checkbox"/> Yes – suppliers are encouraged to propose how to meet outcomes |
| Is the contract structure standard and non-negotiable? | <input checked="" type="checkbox"/> Yes – fixed template contract will be used | <input type="checkbox"/> No – some commercial negotiation may occur |
| Is time for evaluation and negotiation limited? | <input checked="" type="checkbox"/> Yes – quicker, more direct process preferred | <input type="checkbox"/> No – more evaluation and dialogue is acceptable |
| Are market capabilities and approaches likely to vary? | <input type="checkbox"/> No – industry has standardised delivery | <input checked="" type="checkbox"/> Yes – suppliers may bring varied strengths and models |

7. Evaluation methods

7.1 Introduction

For the procurement of PT activities, there are a range of evaluation methods available to PTAs as follows:

- Conformance and Value (for direct source procurements only)
- Lowest Price Conforming
- Conformance and Value Narrative
- Price Weighted Attribute
- Weighted Attribute and Value Narrative
- Price Quality Method
- Quality Based Method
- Quality Based Method (with price negotiation)
- Negotiation and Best and Final Offer (BAFO).

Each method balances price, quality, and value differently depending on the procurement context, market conditions, and risk profile.

Table 4 summarises the key elements of each method

Table 4: Evaluation methods

| Evaluation method | Price influence | Quality assessment | Best for... |
|--|-----------------|-----------------------------------|--|
| Conformance and Value | Variable | Narrative-based | Sole source or contract extensions |
| Lowest Price Conforming | 100% | Conformance only | Routine, low-risk services where additional benefits are not of utility |
| Conformance and Value Narrative | Variable | Narrative-based | Moderate complexity where there are subtle value differences |
| Weighted Attribute | Variable | Scored attributes including price | Low to moderate complexity where there are subtle value differences |
| Weighted Attribute and Value Narrative | Balanced | Scored + narrative | Strategic or sensitive procurements |
| Price Quality Method | Balanced | Scored attributes + formula | Complex, performance-critical transport contracts Where additional benefit (non-price score) can be objectively determined Multi-unit bus service procurements |

| Evaluation method | Price influence | Quality assessment | Best for... |
|--|---|---|---|
| Quality based | Price not considered | Scored attributes, without influence of price | Shortlisting for complex, performance-critical transport contracts |
| Quality based (with price negotiation) | Price not considered in initial selection but may influence final outcome | Scored attributes, without influence of price – subsequent negotiation on price with preferred bidder | Low to moderate complexity contracts, where quality is the primary consideration and the proposed price weight would be less than 25% |
| Negotiation and BAFO | Balanced | Adjusted scored attributes | Value enhancing and final supplier selection for complex, performance-critical transport contracts |

Requirement and guidance

1 Procurement strategies

The evaluation methods to be applied to PT activities **must** be described in procurement strategies together with the value for money rationale for the approach selected.

7.2 Conformance and Value

Used in non-competitive, direct source procurements. The focus is on ensuring the proposed solution conforms to minimum requirements and represents value for money in a broader sense (not just price).

| Opportunities | Challenges |
|--|---|
| <ul style="list-style-type: none"> Enables direct engagement with a trusted or proven supplier. Allows alignment with broader public value goals (e.g. service continuity, innovation, decarbonisation). Fast and low-cost procurement process. | <ul style="list-style-type: none"> Risk of limited transparency and perceived lack of fairness. May face internal or external scrutiny, especially if poorly justified. Reduced competitive pressure can affect value-for-money. |

Requirement and guidance

1 Evaluation approach:

- Assess if the proposal meets minimum requirements (conformance).
- Evaluate overall value considering strategic fit, quality, risk, and cost.
- Value determined by qualitative judgement and comparative benchmarking.
- PTAs **must** have undertaken an assessment of what value for money from a direct source approach will look like, with a clear understanding of their 'bottom line' and 'walk away' parameters. To understand these elements, PTAs must have a defined 'fallback strategy' that can be implemented should the direct source evaluation determine that value for money will not be achieved.

| | |
|---|--|
| 2 | <p>Best used for:</p> <ul style="list-style-type: none"> • Low value, low risk procurement activities. • The procurement is for PT services under a short term or supplier pool delivery model. • Extensions or amendments to existing contracts • Where scope, available contract tenure or other barriers to entry exist that are likely to inhibit effective competition. In this situation, direct source may be most appropriate until such time as the environment changes to remove the inhibitors to competition. |
|---|--|

7.3 Lowest Price Conforming

Used in competitive tendering where all proposals that meet the mandatory requirements are considered equally, and lowest price wins. The preferred supplier is the supplier that offers the lowest price and meets all the minimum technical and service requirements.

| Opportunities | Challenges |
|--|--|
| <ul style="list-style-type: none"> • Transparent, objective, and easy to defend. • Efficient evaluation process. • Drives down cost through strong price competition. | <ul style="list-style-type: none"> • Ignores qualitative differences between proposals. • Risk of selecting an underperforming supplier. • Accentuates a 'race to the bottom', impacting employee conditions and other aspects of strategic value to the PT sector. • Can discourage innovation or higher-value offerings. • Risk of financial unsustainability and unintended cost during term to mitigate risk. |

| Requirement and guidance | |
|--------------------------|---|
| 1 | <p>Evaluation approach:</p> <ul style="list-style-type: none"> • Proposals must meet a set of mandatory conformance criteria. • No further qualitative scoring is undertaken. • The lowest-priced conforming bid is selected. |
| 2 | <p>Best used for:</p> <ul style="list-style-type: none"> • Well-defined, low-complexity services. • Minimum requirements have a clear pass / fail basis. • Where there is minimal differentiation between suppliers, including where supplier capability has already been assessed through establishment of a pre-qualified panel. • Where the PTA is not prepared to pay a premium for additional quality and would have a likely price weighting of 75% or more. • Where there is low risk of underperformance or non-compliance. |
| 3 | <p>Must not be used for:</p> <ul style="list-style-type: none"> • PT services under relational or alliance delivery models. |

7.4 Conformance and Value Narrative

All conforming proposals are evaluated and the proposal offering the best overall value is selected based on a narrative justification rather than a mathematical score.

| Opportunities | Challenges |
|---|---|
| <ul style="list-style-type: none">Enables consideration of contextual factors and broader public value.Offers flexibility to weigh delivery risks and alignment with strategic goals.Useful when supplier knowledge or community fit matters. | <ul style="list-style-type: none">More subjective and harder to defend if challenged.Requires skilled evaluators to assess narrative quality consistently.May lead to inconsistent outcomes if not well structured. |

| Requirement and guidance | |
|--------------------------|--|
| 1 | Evaluation approach: <ul style="list-style-type: none">Proposals must meet all mandatory and desirable criteria.Evaluation team discusses comparative strengths, risks, and benefits.Value decision is documented as a narrative rationale instead of a weighted score. |
| 2 | Best used for: <ul style="list-style-type: none">Moderately complex procurements where value is multi-dimensional.Situations requiring a flexible, defendable decision without rigid scoring.Situations where qualitative differences, while subtle, can have a significant impact on outcomes.The second stage of a two stage process in which the most capable and suitable suppliers have been shortlisted. |

7.5 Weighted Attribute

A formula-based method where all attributes, including price, are given a weight and scored. The attribute scores are adjusted for weightings and summed to determine the preferred proposal.

| Opportunities | Challenges |
|--|--|
| <ul style="list-style-type: none">Provides a structured and balanced method to assess quality and price.Encourages competition on both service delivery and cost.Transparent and well-suited to public accountability. | <ul style="list-style-type: none">Weightings must be carefully designed to reflect procurement priorities.Can over-emphasise price if scoring ranges aren't calibrated properly.Accentuates a 'race to the bottom', impacting employee conditions and other aspects of strategic value to the PT sector.Can discourage innovation or higher-value offerings.Risk of financial unsustainability and unintended cost during term to mitigate risk. |

| Requirement and guidance | |
|--------------------------|--|
| 1 | <p>Evaluation approach:</p> <ul style="list-style-type: none"> Attributes are scored, including price. Requires a clear description of how price is to be scored Total score = sum of attribute scores × attribute weight |
| 2 | <p>Scoring price:</p> <ul style="list-style-type: none"> Price is scored comparatively across all bids with the lowest-priced bid being scored the highest Other bids get a proportion of that score based on how much higher their price is Example methods include: <p>Ratio method</p> $\text{Price Score} = \left[\frac{\text{Lowest Tendered Price}}{\text{Individual Bid Price}} \right] \times \text{Price Weight}$ <p>Ratio method worked example:</p> <ul style="list-style-type: none"> Price weighting 40% Bidder A: \$9.80m Bidder B: \$9.00m (lowest) Bidder C: \$10.50m <p>Price scores:</p> <ul style="list-style-type: none"> A: $(9.00/9.80) \times 40 = 36.73$ B: $(9.00/9.00) \times 40 = 40.00$ C: $(9.00/10.50) \times 40 = 34.29$ <p>Linear Scale Method</p> <p>Define a maximum and minimum price range (from bids or pre-set), then allocate scores linearly within that range.</p> |
| 3 | <p>Best used for:</p> <ul style="list-style-type: none"> Services where cost control is essential, but basic quality still matters. Projects with relatively low complexity or innovation need. Where there is minimal differentiation between suppliers. The second stage of a two stage process in which the most capable and suitable suppliers have been shortlisted. |

7.6 Weighted Attribute and Value Narrative

Combines structured scoring with a narrative justification to explain how the highest-scoring proposal offers the best value for money.

| Opportunities | Challenges |
|--|--|
| <ul style="list-style-type: none">Combines structure with flexibility — suitable for complex or strategic contracts.Allows strong proposals to stand out beyond rigid scoring.Supports nuanced evaluation of quality, context, innovation. | <ul style="list-style-type: none">More resource-intensive to evaluate.Harder to defend decisions – risk of challenge if narrative component is not well structured and recorded.Risk of inconsistent application without trained evaluators. |

| Requirement and guidance | |
|--------------------------|---|
| 1 | Evaluation approach: <ul style="list-style-type: none">Price information is kept from the evaluation panel until after the evaluation on the merits and scoring is finalised.Non-price attributes are weighted and scored using a standard evaluation model.Price is then disclosed to the evaluation panel. The panel discusses whether any differences in price reflect added value within the offers and work to reach a consensus on which offer represents best value for money.A value narrative is written to explain the result and highlight strengths, weaknesses, and rationale for selection. |
| 2 | Best used for: <ul style="list-style-type: none">Strategic public transport activities where both transparency and discretion are needed.Moderate to high-complexity services with both qualitative and quantitative factors. |

7.7 Price Quality Method (PQM)

A formula driven method that balances price and quality where the quality attributes are graded and the preferred supplier is selected by balancing price and quality through the use of a formula.

Detailed process steps for the application of PQM to the evaluation of procurements for PT service contracts are provided in Appendix 2.

| Opportunities | Challenges |
|--|---|
| <ul style="list-style-type: none">Encourages high-quality proposals by linking quality to effective price.Enables value-for-money comparisons at a regional level when multiple units are being procured at once.More objective than purely qualitative methods. | <ul style="list-style-type: none">Complex to explain and requires understanding of how quality converts into price.Price weightings of 60% or more place a disproportionate influence on price.Can be gamed if scoring bands or quality weightings are not carefully set.Applies a high level of prescription to a subjective process. |

Requirement and guidance

| | |
|---|--|
| 1 | <p>Evaluation Approach:</p> <ul style="list-style-type: none"> • Proposal submissions are received in 'two envelopes'. Price is withheld from the evaluation panel until evaluation of non-price attributes has concluded. • Non-price attributes are evaluated and scored by the evaluation panel. • The differential in non-price scores between suppliers are monetised based on a prescribed formula and a function of the respective weighting of each attribute, including price. • The monetised value, known as the Supplier Quality Premium (SQP) should reflect the amount that the PTA is prepared to pay for the additional value offered by a higher quality proposal. • The SQP is deducted from the proposal price to determine the Quality Adjusted Price, with the preferred supplier selected on the basis of the lowest Quality Adjusted Price. |
| 2 | <p>Best used for:</p> <ul style="list-style-type: none"> • Complex or long-term PT services contracts where additional benefits can be objectively evaluated. • Procurements comprising multiple PT units where the combination of monetised evaluation results for each unit enables the best value for money outcomes to be selected at a region level. • Competitive markets with diverse supplier capabilities. |

7.8 Quality Based (without consideration of price)

A weighted attribute method where proposals are selected on the basis of the best overall scores, determined by combining scores given to individual non-price attributes that are weighted for importance, generally for the purposes of shortlisting.

| Opportunities | Challenges |
|---|--|
| <ul style="list-style-type: none"> • Encourages high-quality proposals. • Filters out unsuitable suppliers early in a two stage process • Encourages higher quality and more tailored proposals in Stage 2 • Reduces workload for both evaluators and suppliers when a large field of suppliers are likely to bid | <ul style="list-style-type: none"> • Removes price tension in first stage of two stage process. • May eliminate efficient (lower quality but lower priced) suppliers early in process. |

Requirement and guidance

| | |
|---|--|
| 1 | <p>Evaluation Approach:</p> <ul style="list-style-type: none"> • Non-price attributes are evaluated and scored. • Scores are multiplied by attribute weightings and summed. • The highest overall scores are selected for progressing to the next stage. |
|---|--|

| | |
|---|---|
| 2 | Best used for: <ul style="list-style-type: none"> • Complex or long-term PT services contracts, where high value is placed on quality. • In relation to PT activities, must only be used for shortlisting suppliers as part of a two stage procurement process. |
|---|---|

7.9 Quality Based (with negotiation on price)

A weighted attribute method where proposals are selected on the basis of the best overall scores, determined by combining scores given to individual non-price attributes that are weighted for importance, with the price proposal from the preferred supplier subject to negotiation to reach agreement.

| | Opportunities | Challenges | | | |
|--------------------------------------|--|--------------------------|--|--|--|
| • Encourages high-quality proposals. | • Provides flexibility through the negotiation process to tailor the contract, including the price methodology enabling a more collaborative approach to obtaining best value for money. | • Reduces price tension. | • May eliminate efficient (lower quality but lower priced) suppliers early in process. | • Potential to pay more to engage a high-quality supplier. | • Time consuming if the PTA is prepared to walk away from negotiations with preferred supplier if agreement cannot be reached and enter negotiations with the second preferred supplier. |

| Requirement and guidance | |
|--------------------------|--|
| 1 | Evaluation Approach: <ul style="list-style-type: none"> • Non-price attributes are evaluated and scored. • Scores are multiplied by attribute weightings and summed. • The bidder with the highest overall score is invited to enter negotiations. • If agreement on price and final terms cannot be agreed with the initial preferred supplier, the PTA must be prepared to exit negotiations and negotiate with the next preferred supplier. • An alternative option is to invite the top two preferred suppliers to enter negotiations and a Best and Final Offer process to maintain greater competitive tension on the final phase. |
| 2 | Best used for: <ul style="list-style-type: none"> • Low to moderate complexity contracts, where quality is the primary consideration and the proposed price weight would be less than 25%. |

7.10 Negotiations and BAFO

Each evaluation method described above is capable of selecting a preferred supplier from which a contract may be awarded. However, due to the subjective nature of evaluation, general lack of precision associated with the evaluation scoring process and different interpretations of requirements by bidders, there is invariably opportunity to clarify aspects of proposals and identify opportunities for additional value through a subsequent negotiation phase with one or more preferred suppliers, which may include a Best and Final Offer (BAFO) step.

| Requirement and guidance | |
|--------------------------|---|
| 1 | <p>Purpose</p> <p>PTAs may reserve the right to negotiate with one or more preferred suppliers following the evaluation phase and prior to contract award.</p> <p>The inclusion of a negotiation phase (with or without a BAFO step) in a supplier selection process must not be used to simply drive prices down but to discuss, through negotiation, where additional value for money may be gained through changes in requirements and/or risk apportionment.</p> |
| 2 | <p>Transparency</p> <p>If PTAs intend to reserve the right to include a negotiation phase in a supplier selection process, this right must be clearly notified in the RFP, together with:</p> <ul style="list-style-type: none"> • a description of the purpose of the negotiation phase, • a description of the negotiation phase process that will be undertaken, including if there will be a BAFO step, and • if it is intended to maintain competition during the negotiation phase with more than one supplier, how the shortlisting of suppliers to participate in the negotiation phase will be undertaken and how subsequent selection of a single preferred supplier will be determined. |
| 3 | <p>BAFO</p> <p>Where more than one supplier is invited to participate in negotiations, PTAs may undertake a BAFO process where participating suppliers are given the opportunity to submit their best and final offer on the basis of value changes to the RFP requirements and/or commercial terms resulting from negotiations.</p> <p>A BAFO phase is a step in an open source procurement process, that occurs after negotiations have been undertaken to identify value opportunities with preferred supplier. It gives shortlisted suppliers an opportunity to revise and improve their proposals—usually in relation to price, commercial terms and/or minor technical details—before a final decision is made. The purpose is to ensure the PTA achieves the best overall value by allowing suppliers to sharpen their offers in light of feedback or clarified priorities, noting that a BAFO step must not be used to simply drive prices down.</p> <p>The BAFO phase is generally used when proposals are closely ranked, or when negotiations have revealed potential improvements or concessions that could materially affect value for money.</p> <p>The BAFO phase is a continuation of the formal procurement process and must be conducted in a transparent and auditable manner with the PTA issuing a request in writing outlining what suppliers may update in their final submissions, how submissions will be assessed and how final decisions will be made.</p> <p>While not always required, BAFO can be a valuable tool when multiple bidders are competitive, and the PTA wants to ensure that it has received the best combination of price, quality, and risk allocation that may not be guaranteed based on the RFP requirements.</p> |
| 4 | <p>Plan</p> <p>Prior to undertaking a negotiation phase, PTAs must prepare a negotiation (and BAFO, if applicable) plan setting out the objectives, process, negotiation points, areas of potential value trade-offs and how its final decision will be determined.</p> |

8. Evaluation of proposals

8.1 Process integrity

To maintain competitive and sustainable supplier markets it is important that evaluation processes are conducted with integrity and transparency.

| Requirement and guidance | |
|--------------------------|---|
| 1 | Obligations To ensure process integrity PTAs must : <ul style="list-style-type: none">• act fairly, reasonably and consistently and in accordance with relevant legal obligations• use transparent evaluation criteria and processes• ensure proposal evaluators fully understand the RFP and related documents in detail so that they know what the PTA is procuring, what the PTA values and the desired outcome• ensure proposal evaluators and decision makers only consider relevant factors and not consider any irrelevant factors• protect confidential and commercially sensitive information• clearly communicate requirements and process steps to participants• communicate the conclusions of the evaluation process to participants. These obligations are applicable to the entire evaluation process. |
| 2 | Treating suppliers equally PTAs must treat and evaluate suppliers equally and not favour one supplier over another on the basis of a factor that is not relevant to delivery of the required outputs or outcome. |
| 3 | Evaluators Competent people must evaluate the proposals. PTAs must ensure that suitable experience and technical knowledge is available within evaluation panels. Where the chosen supplier selection method is complex or complex requirements are included in the RFP, greater levels of skill and experience will be required. In these circumstances PTAs should seek specific subject matter expertise to supplement the expertise within the evaluation panel. A group of subject matter experts (SMEs) may be convened to provide technical assessment reports on particular aspects of the proposals to the evaluation panel to supplement and inform the evaluation panel's own evaluation judgement. For clarity, it is not a requirement that a NZTA Qualified Tender Evaluator be included on evaluation panels for PT activity procurements. |
| 4 | Referees PTAs should use referees nominated by suppliers to independently verify the attributes of suppliers. To ensure fairness, PTAs must describe in the RFP how referees will be used and then act consistently with the RFP. |
| 6 | Documentation PTAs must prepare robust documentation as part of the procurement process, providing evidence of the process followed and appropriate justification of the evaluation scoring and supplier selection recommendations. |

Robust documentation not only enables PTAs to comply with their process obligations but assists PTAs to provide constructive feedback to suppliers following conclusion of the evaluation process.

8.2 Evaluation criteria

Selecting appropriate evaluation criteria directly influences which proposal is awarded and whether the outcome delivers value for money, service quality and strategic alignment. Evaluation criteria define what matters most in a proposal — whether that's track record, operational performance, transition readiness, innovation or total whole of life cost. Poorly chosen or weighted criteria can result in awarding contracts to suppliers that are low-cost but underperforming, or high-quality but unaffordable or unsustainable.

| Requirement and guidance | |
|--------------------------|--|
| 1 | Pre-conditions, mandatory criteria, evaluative criteria In a procurement process, evaluation criteria can be structured into three distinct levels: pre-conditions, mandatory criteria and evaluative criteria. Each serves a different purpose and operates at a different stage of the evaluation process. |
| 2 | Pre-conditions Pre-conditions confirm eligibility/legal compliance and ensure that only eligible and compliant bidders enter the evaluation process. Pre-conditions are non-negotiable entry requirements that must be met before a proposal is considered for evaluation at all. They are rated as either a Pass or Fail. If a supplier does not meet a pre-condition, their proposal is excluded from further evaluation. Examples: <ul style="list-style-type: none">• Holding a valid operator license or permit• Having minimum insurance coverage• Having certain capacity or level of experience Generally, pre-conditions enable potential bidders to self-assess whether they are eligible to submit a proposal and if it is worth their while to invest the effort to bid. Appropriately targeted pre-conditions help the PTA to avoid receiving and evaluating proposals from unsuitable bidders. To fairly assess if a proposal received meets the pre-conditions, bidders should be requested to submit evidence with their proposal that supports their claim of meeting the pre-condition, for example, a copy of a licence or insurance certificate. |
| 3 | Pass/fail criteria Pass/fail (also known as mandatory) criteria confirm technical capability or contract fit. They are non-negotiable specifications or commitments that bidders must meet and are assessed on a Pass/Fail basis. Proposals that fail on these criteria should be excluded from further evaluation in the process. Unlike pre-conditions, pass/fail criteria relate more to technical capability or service specifications rather than legal or formal eligibility. Examples: <ul style="list-style-type: none">• Has a minimum number of years of experience in delivering similar services in similar environments• Demonstrating ability to provide 100% zero-emission buses by a certain date• Meeting specified fleet size or depot access requirements |

| | |
|---|--|
| | <ul style="list-style-type: none"> • Confirming agreement to key contract clauses • Committing to minimum workforce terms and conditions • Demonstrating minimum health and safety standards <p>Pass/fail criteria ensure that minimum standards of technical compliance are able to be met before effort is invested in full evaluation of the proposal. They should reflect absolute must-haves in supplier capabilities or obligations.</p> <p>At a minimum, PTAs must specify the following pass/fail criteria:</p> <ul style="list-style-type: none"> • Committing to the PTA's specified minimum bus driver wage rate. |
| 4 | <p>Evaluative criteria</p> <p>Evaluative criteria are the scored elements by which compliant bids are compared and ranked. They measure qualitative and quantitative factors such as price, methodology, innovation, sustainability, risk management, and past performance.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Quality of operational plan • Price or total cost of ownership • Experience and capability of key personnel • Sustainability or innovation approaches • Workforce practices <p>Each criterion carries a weight depending on the relative importance of the criterion. Proposals are awarded points based on how well they satisfy each criterion. The weighted scores inform the final decision by balancing cost and quality, allowing trade-offs between different bid strengths.</p> |
| 5 | <p>Criteria selection</p> <p>To select the right criteria, PTAs must begin by identifying the key outcomes and risks associated with the activity being procured. Each criterion must be clearly defined, able to be objectively assessed, aligned with the contract's critical success factors and will differentiate between suppliers.</p> <p>PTAs should select criteria that are most important and will make a meaningful difference within the context of the procurement deliverables. PTAs should consider what value each criterion represents to the PTA such that the PTA would be willing to pay more for a proposal that scores more highly than another proposal for a criterion.</p> <p>Where a criterion is important but can be satisfied by demonstration of a minimum level of compliance, such as a particular level of health and safety certification, PTAs should consider making such criterion a pass/fail assessment and provide more scope for differentiation between suppliers using other criteria.</p> <p>Due to the need to assign weightings to criteria, including price, PTAs should keep the number of criteria to a minimum as large numbers of criteria dilute the importance of each criteria, reducing their effectiveness at providing meaningful points of difference between proposals.</p> |
| 6 | <p>Workforce is a mandatory non-price criterion</p> <p>PTAs must include workforce as a mandatory non-price criteria with a minimum 10% weighting. The minimum of 10% applies to the total weighting available, meaning the remaining 90% must be allocated across other non-price criteria and price elements in a way that best aligns with the outcomes sought for the specific procurement activity.</p> |

| | Required criteria | Minimum Weighting |
|--|--|-------------------|
| | Workforce | 10% |
| <p>The purpose of the mandatory non-price quality weighting for workforce is to create upward market led competitive tension on workforce terms and conditions. This recognises that a robust, stable workforce underpins service quality, safety, reliability and resilience and is essential to sustaining and growing the public transport system over time.</p> | | |
| <p>Link to Economic Benefits</p> <p>In accordance with Government Procurement Rule 8, PTAs should consider how the supplier will deliver economic benefits to New Zealand.</p> <p>Examples of economic benefits listed in Rule 8 include:</p> <ul style="list-style-type: none"> • Making better use of New Zealand resources, such as increasing workforce participation and providing training or apprenticeships • Using New Zealand businesses, either directly or as subcontractors (including SMEs and regional businesses) • Creating export opportunities • Developing New Zealand industry capabilities or capacity • Developing and adopting innovative products or practices that benefit New Zealand communities • Considering sustainability and/or environmental benefits • Contributing to positive social and cultural outcomes in New Zealand communities. <p>Improving public transport workforce terms and conditions over time delivers broader economic benefits because it has flow-on beneficial impacts for, households, communities, and the economy more generally.</p> <p>For this reason, a weighting towards workforce is equivalent to and can be counted as weighting towards an economic benefits criterion. PTAs may choose to separately identify economic benefits as a non-price criterion in its own right but must avoid duplicating evaluation and weighting with respect to workforce.</p> | | |
| 7 | <p>Criteria weightings</p> <p>Setting criteria weightings involves assigning a relative importance to each criterion in the form of a percentage.</p> <p>The key weight to establish at the outset under weighted attribute and PQM evaluation methods is the weighting to be assigned to price. For PT services contracts and other high value activities where price materiality is high, PTAs must undertake sensitivity testing of the price weighting to understand the potential impact that the price weight may have on evaluation outcomes and the potential resultant additional price paid for a higher quality proposal.</p> <p>NZTA's attribute setting tool and price quality evaluation tool can assist in setting and testing price and non-price attribute weights for PQM. Refer Procurement tools.</p> <p>Price weighting</p> <p>Price weight considerations can impact competitive interest in the procurement. A supplier's decision to enter (or not enter) a competition can be strongly influenced by the price weight advised in the RFP. Suppliers who have a higher price structure but offer a higher quality of service may choose not to compete when the price weight is relatively high, recognising that their chances of winning against a supplier with a lower price structure are small. Conversely, when the price weight is high, suppliers who prefer to compete on price alone (rather than on quality) will be encouraged to enter the competition.</p> | |

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| | <p>For PT services contracts, the weighting for price must be a minimum of 30% and not more than 60%.</p> <p>Non-price weightings</p> <p>The setting of weightings to non-price attributes should reflect both strategic priorities and the impact on outcomes the PTA is seeking.</p> <p>To ensure criteria are meaningful and differentiable, PTAs should not assign weightings of less than 10% to any individual non-price criteria and should not dilute the weighting of individual criteria by sub-allocating weightings within a criteria.</p> <p>The process should test different criteria weighting scenarios to ensure the chosen model will result in evaluation outcomes that align with the PTA's objectives and priorities and won't unintentionally skew the result toward outcomes that are not of value to the PTA.</p> <p>Transparency and consistency in weightings help ensure the process is fair, defensible and aligned with public value. Weightings help guide suppliers' focus and their understanding of the PTA's priorities and areas of importance.</p> |
| 8 | <p>Criteria definition and context setting</p> <p>It is important that the criteria descriptions and associated questions and required evidence are clearly considered and articulated in RFP documents. As the saying goes, 'be careful what you ask for as you are likely to get it'. In other words, poorly framed criterion questions will generate responses to match.</p> <p>As part of tender design, the PTA must:</p> <ul style="list-style-type: none"> • Clearly define the outcomes sought for each criterion to be assessed. • Specify what "Good/Acceptable" looks like for each criterion to be evaluated. <p>Defining what "Good" looks like is critical because it provides bidders with a clear line of sight from the outcomes sought to the evaluation standards. It establishes a benchmark for acceptable performance and creates a reference point for demonstrating value-add above that baseline, or conversely, deficiencies below that baseline. This clarity helps suppliers understand how evaluators are likely to perceive responses above or below expectations and enables evaluators to apply consistent standards. By doing so, the process promotes transparency, reduces ambiguity, and ensures that differentiation between bids is based on meaningful improvements beyond the "Good" threshold.</p> <p>Evaluation Lens</p> <p>A given criterion should evaluated through logical lens such as:</p> <ul style="list-style-type: none"> • Resources – the equipment, facilities, and intellectual property the supplier proposes to use to deliver the outputs. • Methodology – the procedures the supplier proposes to use to achieve the specified end result. • Track record – the supplier's history of delivering works or services to the required quality standards, on time and within budget. • Relevant experience – the supplier's previous experience in technical areas related to the outputs being purchased. • Relevant skills – the competence of the personnel the supplier proposes to use, particularly their skills and experience in areas relevant to the outputs being purchased. <p>These lenses are not mandatory or exhaustive and should be applied to the extent they are relevant to the criterion being assessed (e.g., safety, workforce, economic benefits). For example, track record may not be a relevant consideration for every criterion.</p> |

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| <p>PTAs should clearly define the lenses that will be used for each criterion. This helps both evaluators and tenderers understand the basis for assessment.</p> <p><i>Example Criterion: Fleet</i></p> <p>Outcome sought: A reliable, well-maintained fleet that delivers consistent service quality and a positive customer experience, while supporting decarbonisation and improved sustainability.</p> <p>Good / Acceptable: Demonstrates a robust fleet management approach, including maintenance systems, compliance with safety and environmental standards, and a clear plan for meeting service reliability requirements. Fleet age and condition meet baseline expectations, and the supplier has a credible plan for achieving zero-emission targets within agreed timeframes.</p> <p>Higher scores: Evidence of proactive investment in modern, low-emission or zero-emission vehicles, younger fleet profiles that enhance reliability and customer comfort, and innovative approaches to fleet optimisation (e.g., predictive maintenance, energy efficiency initiatives). Demonstrates how these features will reduce risk, improve service quality, and contribute to broader outcomes such as decarbonisation and customer satisfaction.</p> <p>Evaluation lens: Resources (fleet assets and supporting infrastructure), Methodology (maintenance and renewal strategies), Relevant Skills (technical expertise in managing fleet and related technologies), Track Record (history of delivering reliable services).</p> <p>Note: A PTO should not be scored higher simply because it operates a larger fleet. Higher scores must be based on evidence that the proposed fleet profile and management approach will deliver additional benefits to the PTA, such as improved reliability, reduced emissions, and enhanced customer experience.</p> |
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8.3 Scoring scale

It is important that sufficient and appropriate scoring guidance is available to enable panel members to consistently score each proposal response.

| Requirement and guidance | |
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| 1 | <p>Scoring</p> <p>A scale of 0 to 10 should be used when grading non-price attributes in accordance. To help achieve consistency of practice, grades should be awarded in whole numbers (no decimals) and a grading scale similar to that illustrated in Table 5 should be used.</p> <p>A 10 point scoring scale is recommended over a 100 point scoring scale to provide greater consistency, less false precision and greater differentiation between bids, where warranted.</p> <p>A 100-point scale can give the illusion of precision (e.g., scoring something 73 vs 75), however evaluators generally cannot reliably distinguish at that level. A 10-point scale forces evaluators to make clearer, more defensible distinctions without over-calibrating minor differences.</p> <p>While some 100 point scales nominate that 5 point increments must be used, essentially this is the equivalent of a 10 point scale that allows 0.5 increments leading to false precision and less differentiation.</p> <p>Note that the original PQM methodology was calibrated on the basis of a 100 point grading scale. A modified version of PQM has been developed for a 10 point grading scale, which is provided in the PQM worked example in Appendix 2.</p> <p>When scoring, it is important that evaluators award scores only for features or benefits that are aligned with the outcomes the PTA is seeking and that provide genuine utility and value,</p> |
| 2 | Minimum scores |

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| <p>Each evaluation criterion must have a defined minimum threshold. Any proposal scoring below this threshold may be set aside or flagged for clarification with the tenderer. The threshold represents the lowest level of performance or value considered appropriate for that criterion.</p> <p>PTAs should vary the disqualification scoring threshold by criteria, for example for criteria that represent higher importance for a PTA (e.g. safety) may have a higher disqualification threshold (e.g. a score of 4 or less for a criterion) due to their significance and potential impact on outcomes. Conversely, less critical or more subjective criteria may be disqualified or set aside at lower thresholds (e.g. a score of 2 or less for a criterion) to allow flexibility and enable more room for PTAs to make trade-offs between price and quality.</p> <p>If disqualification thresholds are being applied, this must be clearly stated within the procurement documents.</p> |
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Table 5: Scoring scale

| Value Add Rating | Definition | Score |
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| Exceptional | Delivers exceptional additional useful benefits that will clearly contribute to outcomes well beyond baseline expectations. | 10 |
| High | Provides substantial additional useful benefits that will clearly contribute to outcomes beyond baseline expectations. | 8–9 |
| Moderate | Offers some additional useful benefits beyond baseline expectations. | 6–7 |
| Good (baseline) | The baseline. Meets expectations and will achieve outcomes sought. | 5 |
| Lower | Reduced contribution toward outcomes sought due to some minor deficiencies. | 3–4 |
| Deficient | Falls short of expectations or potentially detracts from outcomes sought due to one or more significant deficiencies. | 1–2 |
| Inadequate / Unacceptable | Misaligned with or has not demonstrated understanding of outcomes sought or lacks sufficient information to assess contribution to the outcomes sought. | 0 |

8.4 Evaluating proposals

There is significant risk associated with the evaluation process, and it is important that everyone participating in the evaluation takes particular care to ensure that probity principles and requirements are carefully followed. This will ensure that both the respondents and key stakeholders are able to have confidence that the evaluation process is impartial, ethical, fair, unbiased and no party is given advantage over another or discriminated against.

| Requirement and guidance | |
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| 1 | Probity and integrity <p>When evaluation panels are scoring submissions, individual and collective behaviours must meet appropriate standards of probity, including:</p> <ul style="list-style-type: none">Everyone involved in the evaluation must have read, completed and signed a Conflict of Interest and Confidentiality Declaration.Confidentiality must be respected and maintained throughout the processThe panel must not discuss any element of the process with anyone outside the evaluation panel.The evaluation process must be free of bias and any perception of bias. Any conflicts of interest (actual, potential or perceived) and possible issues of bias must be disclosed and discussed with the evaluation panel chair before commencement of the evaluation stage. Evaluators must notify the evaluation panel chair of any change of circumstances that may occur during the evaluation period, which could give rise to an actual or potential conflict of interest.Under a two envelope process, price evaluation must be either undertaken after the non-price evaluation has concluded or, if it is to be undertaken in parallel, must be undertaken by completely separate qualified personnel with no element of price submissions disclosed to the non-price evaluation panel.In the circumstance of a parallel price evaluation, evaluation panels must include a non-scoring chair or observer to act as a conduit between the price and non-price evaluation panels. |
| 2 | Evaluation process <ul style="list-style-type: none">Each evaluation panel member should individually score each proposal based on the evidence and information provided as it relates to the evaluation criteria questions.The evaluation must not be based on irrelevant considerations. This includes hearsay, anecdotes or unsubstantiated views of evaluation panel members and information not directly relevant to the evaluation criteria questions.Evaluation panel members must substantiate their evaluation scores with written comments in sufficient detail to enable detailed de-briefings of unsuccessful respondents and to withstand scrutiny from information requests made under the Local Government Official Information and Meetings Act (LGOIMA), audits and potential challenges to the process. Individual scores will then be reviewed and debated as a panel.On the completion of individual evaluations, the evaluation panel will meet to moderate the scores assigned to each proposal for each evaluation criteria and agree consensus scores and record the rationale to support scores and outcomes.If evaluation panel members are unable to agree on a consensus score for any answer, the score agreed by the majority should be confirmed and dissenting views recorded. |

8.5 Pricing

PTAs must ensure that the price submitted by respondents reflects both value for money and the sustainability of the service over the life of the contract. Pricing must be structured, requested and evaluated in a way that enables fair comparison, long-term affordability and alignment with service objectives the contract's risk allocation approach.

| Requirement and guidance | |
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| 1 | Price book template – bus operating contracts For the procurement of bus operating contracts, PTAs must utilise the NZTA Price Book template and accompanying guidance to request RFP price submissions. The NZTA Price Book template is provided as part of the Integrated Procurement Resources. |
| 2 | Price evaluation Key considerations for the evaluation of pricing for PT operating contracts: <ul style="list-style-type: none">PTAs should evaluate proposal pricing on the basis of the net present value of the whole of life cost of the proposal over the contract term.Ensure there is competitive tension on variation pricing by including the effects of variation pricing within the whole of life cost calculation by calculating variation rates by different volume assumption scenarios (e.g. X additional in-service hours and Y additional in-service kms).The method that will be used to calculate the total whole of life cost for each price submission must be documented in the procurement documents.Identify and investigate unsustainable pricing (either unrealistically low or disproportionately high) at both an aggregate and cost category level relative to other submissions and the PTA's own estimates. |

8.6 Due diligence

Before awarding a contract, evaluation teams **must** conduct due diligence. This ensures, among other things, that suppliers are who they claim to be, are financially sound and have the necessary capacity and capability to deliver the needs of the PTA.

| Requirement and guidance | |
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| 1 | Due diligence checks PTAs must undertake the following due diligence checks on preferred suppliers prior to awarding a contract: <ul style="list-style-type: none">Conduct reference checks using the referees nominated by suppliers in responses.Review the supplier's (and parent company if a guarantee is being provided) financial accounts covering at least the past two, but ideally three, financial years. The financial accounts should be audited, but if the supplier (or parent) is not required to have their accounts audited, the accounts must be verified and declared as true and accurate by a chartered accountant who is a member of Chartered Accountants Australia and New Zealand (CAANZ). PTAs should undertake the following due diligence checks: <ul style="list-style-type: none">Request declarations from suppliers of professional conduct and claims history that could lead to a legal or reputational risk for the PTA if the supplier was awarded the contract. |

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| | <p>This includes declaring whether the organisation or any key personnel have been subject to any disciplinary action, suspension, legal claim or regulatory investigation in relation to service delivery or professional conduct.</p> <p>Where PTAs are unfamiliar with a supplier, they should undertake the following additional due diligence checks:</p> <ul style="list-style-type: none">• Companies Office checks to verify the ownership structure and identity of the persons who are Directors of the company.• Due diligence of the individuals who are Directors of the company to ascertain their past experience and track record.• Additional research to verify the claims made within proposals. <p>PTAs may conduct additional reference checks and due diligence steps as deemed appropriate.</p> |
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9. Multiple unit tendering

9.1 Introduction

Procuring multiple units at the same time is a unique feature of PT services procurement with a number of implications and considerations. These include:

- Optimising economies of scale and efficiencies through unit bundling within market share and supplier capacity constraints.
- Selecting the best combination of proposals at a regional level.
- Applying any market share caps to the selection process.

9.2 Unit bundling

Where a PTA is procuring multiple units at the same time, unit bundling refers to the practice of tenderers bidding for multiple units as a bundle, with the objective of achieving economies of scale, network synergies and resource efficiencies.

| Requirement and guidance | |
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| 1 | Unit bundling Where a PTA is procuring multiple units at the same time, it should encourage suppliers to submit proposals for bundled units to ensure that the opportunities for economies of scale, network synergies and resource efficiencies are maximised. PTAs must clearly signal in procurement documents whether suppliers can submit proposals for bundled units and any associated conditions on doing so. |
| 2 | Unit contracting Each unit must be contracted individually so that there is the ability to manage performance, variations, fleet and end of term arrangements, etc at a unit level. Therefore, while a supplier may submit a proposal that is contingent on being awarded all units in a bundle, each unit must have an individual price to enable a separate unit agreement to be entered into between the PTA and PTO for each unit in the bundle. On accepting the bundled proposal, the PTA must not “unpack” bundles to select individual units. |
| 3 | Maximising the benefits of bundling Suppliers are in the best position to identify the most efficient approach to delivering the services within the units that are being tendered in each procurement phase. When enabled to do so, suppliers will bundle units together to create operational efficiencies by inter-lining services (which could be assigned to different units) and economies of scale by operating multiple units from a centralised depot. To encourage and not constrain this efficiency, PTAs should not specify arbitrary groupings of units or requirements for suppliers to submit individual unit bids as well as bundled bids. To maximise opportunities for tenderers and therefore competition, PTAs should encourage suppliers to submit multiple proposals for different unit combinations. Smaller operators may not have the capacity to deliver all units in a unit procurement opportunity but may wish to bid for multiple units, either individually or as bundles, to enhance their chances of success. To avoid the risk of a smaller operator over-exposing themselves financially or in their ability to deliver, PTAs should give suppliers the opportunity to nominate a maximum size of contract – Tenderer Capacity (see below). To avoid unnecessary effort for both suppliers and the PTA, PTAs should not impose a tendering requirement on suppliers requiring standalone bids for individual units in addition to bundled bids. |

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| | <p>This is particularly important to encourage new entrants who may have a minimum PVR requirement to achieve the necessary economies of scale to justify participation in the market.</p> |
| 4 | <p>Tenderer capacity</p> <p>To encourage a high number of bids for each unit, suppliers should be offered the opportunity to nominate a maximum size of contracts (in aggregate) that they are able to deliver.</p> <p>The maximum size may be specified in terms of aggregate Peak Vehicle Requirements (PVR) aligned to the units being tendered or other relevant measure.</p> <p>Any combination of units in the final ranking exercise that results in the maximum contract size specified by a supplier being exceeded would be excluded from consideration.</p> <p>This approach maximises competition by providing suppliers with the option to submit proposals for different combinations of units without the risk of over-exposing themselves financially or in their ability to deliver, while ensuring the selection of preferred supplier outcomes is not compromised by a combination of unit proposals that cannot be delivered.</p> |
| 5 | <p>Assessing multiple unit combinations</p> <p>To account for the impact of bundled bids and the permutations of different bundled and individual unit configurations, the evaluation process must enable a value for money assessment to be made at a regional or procurement tranche level.</p> <p>The Price Quality Method (PQM) is recommended as a suitable evaluation method for assessing multiple unit procurements as the method generates a single monetised value (quality adjusted price) for each unit proposal, whether in a bundle or individually, which can be aggregated at a region or tranche level to enable a single aggregate quality adjusted price for each combination of unit proposals.</p> <p>A key consideration for PTAs is that an individual unit proposal that has the best overall score for that particular unit may not be selected as a preferred proposal if, in combination with proposals for other units, it is not part of combination of unit proposals that offer the best overall value for money score at the regional or tranche level.</p> <p>A description of how the PQM evaluation method can be used to assess different combinations of unit proposals for multi unit tendering, including a worked example, is provided in Appendix 2.</p> |

9.3 Applying market concentration thresholds

In regions with sufficient scale of PT services to sustain more than one PTO, the impact of market concentration on competition will be affected by various factors including the service operating model selected, whether the PTA owns or controls certain strategic depots and the staging of tender packages to the market.

Operator depth and the removal of barriers to entry are important to achieve the benefits of long term competitive tension on prices and outputs. In the absence of control by PTAs over strategic enabling assets to reduce barriers to entry, it is important for long term competition in a region that there is depth in the incumbent operator market (relative to the size of the market) and that dominance by a single operator is avoided.

The application of market caps can be used to prevent a single operator becoming dominant in a region and stifling competition.

Requirement and guidance

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| 1 | Market concentration threshold |
| | <p>As noted in the PT-PPM, where market caps are to be applied, the cap should not be an absolute and mandatory figure as there may be value trade-offs for the PTA of accepting a tender outcome that exceeds the market cap – therefore assessing market concentration against a market concentration threshold is a more appropriate approach to apply.</p> |
| | <p>A market concentration threshold represents a trigger in which, if a tender outcome exceeds the threshold for a preferred tenderer, the PTA can assess whether it is willing to accept a higher market concentration outcome should there be a value for money case in doing so. If there is not a value for money case for exceeding the threshold, then the PTA may revert to the next best alternative tender outcome.</p> |
| 2 | Communicating market cap thresholds |
| | <p>Where a PTA intends to apply a market concentration threshold to its procurement of PT service contracts, it must communicate the intended approach and how it will be applied within the procurement process to suppliers in the procurement documents.</p> |
| 3 | Applying market concentration thresholds to the supplier selection process |
| | <p>Assessment against market concentration thresholds should be applied as part of the evaluation process, rather than being imposed as a restriction on the number of units that a supplier may tender for. This approach has the advantages that:</p> |
| | <ul style="list-style-type: none">• Suppliers are not restricted from submitting multiple bids, thus increasing competition, and• The evaluation team gains valuable information on any “premium” value that distinguishes a result with significant market concentration versus a result that offers greater supplier depth in the market. |
| | <p>A market concentration threshold approach provides transparency about the potential trade-offs between:</p> |
| | <ul style="list-style-type: none">• Lower prices in the medium term, creating potential savings that can be invested in alternative initiatives;• The potential future cost of lower levels of competition in future tenders; and• Investments that the PTA may need to make to increase competition in future rounds, should that be required to attract an appropriately robust level of competition in future. |
| | <p>The market concentration threshold process comprises the following steps:</p> |
| | <ol style="list-style-type: none">1. After the price/quality evaluation of all tendered units has been undertaken and outcomes ranked, the evaluation team tests whether the initial preferred tender outcome results in any supplier exceeding the market cap threshold.2. If the market cap threshold is exceeded by a supplier, the process identifies the next preferred tender outcome that results in no individual suppliers exceeding the threshold.3. If the evaluation process is utilising the Evaluation Adjusted Price of PQM to select the optimal unit proposal combination, the process identifies the difference in Evaluation Adjusted Price between the initial preferred tender outcome (which exceeds the market cap threshold) and the next preferred outcome (which doesn't exceed the threshold).4. The difference in Evaluation Adjusted Price between the tender outcomes represents the potential trade-off in price and quality that the PTA must consider if it were to select the lower market concentration outcome, assisting informed decision making. |

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| | <p>5. If the trade-off in price/quality is deemed too great to accept a lower market concentration outcome, the process may consider the next ranked outcome (if one exists) that exceeds the threshold but represents a lower market concentration outcome than the initial preferred outcome. A similar cost benefit trade-off can be undertaken until a preferred outcome is selected that balances market concentration against the price/quality premium that the PTA is willing to pay.</p> <p>6. The result may be the initial preferred outcome if the price/quality trade-off is considered too great to accept a lower market concentration outcome.</p> <p>An illustrated decision flowchart for a market concentration assessment is provided in Appendix 3.</p> |
| 4 | <p>Estimating the cost of higher levels of market concentration</p> <p>Prior to undertaking a market concentration trade-off assessment of tender outcomes, PTAs must establish the potential costs of higher levels of market concentration.</p> <p>Such cost estimates include:</p> <ul style="list-style-type: none"> • The potential price premium that may be paid in future rounds due to less competitive tension on prices in future – international evidence suggests that this could range from 5-15% depending on the circumstances and level of remaining in-market competition. • The cost of interventions by the PTA to lower barriers to entry in future to mitigate the impact of market dominance by a single supplier. Such interventions generally relate to acquiring control of depots and other strategic enabling assets. |

10. Process requirements

10.1 Managing probity and acting ethically

PTA procurement must take place in an open and fair environment to ensure all potential suppliers are given impartial and equitable treatment.

Probity means the demonstration of ethical behaviour, integrity, honesty, and fairness throughout the procurement process – in short, acting ethically and fairly. Demonstrating high standards of probity is essential to public confidence in public services.

All suppliers must be given a fair opportunity and the procurement process must be transparent, accountable, impartial and equitable.

| Requirement and guidance | |
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| 1 | Principles of probity PTAs must comply with five interrelated principles of probity: <ol style="list-style-type: none">1. acting fairly, impartially and with integrity2. being accountable and transparent3. being trustworthy and acting lawfully4. managing conflicts of interest5. securing commercially sensitive and confidential information. |
| 2 | Probity in practice An ethical, transparent approach requires that the procurement rules are clearly stated, well understood and applied equally to all parties. Probity principles must be integrated into all procurement planning. PTAs must ensure that systems, policies and procedures provide accountability, are able to withstand public scrutiny and preserve private sector confidence in the procurement process. This means: <ul style="list-style-type: none">• undertaking due process• obtaining appropriate approvals• documenting decisions. Probity auditors can offer independent oversight and assurance that processes are fair, transparent and defensible, acting as an independent 'watchdog' over the procurement process. Probity auditors are valuable in providing confidence to suppliers, other stakeholders and the public that the process is impartial and can help reduce the risk of challenge, complaints or legal disputes by documenting that the process was robust. Probity advisors can offer real-time guidance during the procurement, helping the project team design and run the process in a way that manages probity risk, including such matters as how to manage conflicts of interest and ensuring communication with suppliers are consistent and fair. For procurements of PT services contracts, PTAs must appoint a probity auditor and/or advisor (who may or may not be independent to the organisation) at the outset of the procurement project. For high value PT services contracts where the risk of challenge from unsuccessful bidders is high, PTAs must appoint a probity auditor who is independent of the organisation and a probity advisor (who may or may not be independent to the organisation) at the outset of the procurement project. |

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| 3 | <p>Additional guidance</p> <p>Further guidance on managing probity can be found on the websites of the Public Service Commission and Government Procurement.</p> |
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10.2 Putting tender documents together and loading them on GETS

| Requirement and guidance | |
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| 1 | <p>Drafting RFx documents</p> <p>RFx is a generic acronym used to cover an assortment of procurement forms, such as Registration of Interest (ROI), Request for Tender (RFT) and Request for Proposal (RFP).</p> <p>In RFx documents, PTAs must:</p> <ul style="list-style-type: none"> • clearly describe the goods or services being purchased • define any limits to the scope of what is being purchased – for clarity, it is useful to describe what is in scope and what is out of scope • use plain English and write as succinctly as possible – avoid legalese jargon and acronyms • to the extent possible, draft requirements as outcomes and avoid prescriptive requirements and specifications that may limit competition • align requirements, the evaluation criteria and the response form questions – e.g. if the supplier must have a particular accreditation, make sure there is a matching evaluation criterion and a response form question asking for details • avoid asking for unnecessary information. <p>RFx documents must contain:</p> <ol style="list-style-type: none"> 1. All of the information that suppliers need to prepare and submit meaningful responses. 2. A clear description of the procurement process being used (e.g. single stage process using a Request for Proposal, two stage process using an Expression of Interest followed by a Request for Proposal). 3. The following information: <ol style="list-style-type: none"> a. the PTA's name and address b. the name and contact details for the PTA's contact person c. a description of the goods, services or works and any technical specifications, timetables, plans, drawings or instructions, or a description of the outcomes, including any broader outcomes the supplier is expected to deliver or the PTA is seeking to achieve d. as applicable, the quantity (if known) or estimated quantity of the goods, services or works e. the estimated timeframe for delivering the goods, services or works, or the length of the contract and any options relating to the length of the contract f. service levels, response times or other performance measures suppliers will need to meet g. any conditions for participating in the procurement process, including any pre-conditions or certificates or standards the supplier must meet |

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| | <ul style="list-style-type: none"> h. any limitations on the number of suppliers that may be shortlisted i. all evaluation criteria the PTA will use to assess responses, including an indication of the relative importance of each evaluation criterion j. the deadline and address for submitting responses k. any restrictions or instructions on how suppliers are to submit responses (e.g. electronic via email or via GETS, page limits on responses, price and non-price responses to be submitted in separate form) l. any other terms or conditions relating to the procurement or the procurement process |
| 2 | <p>The contract</p> <p>A draft of the intended contract must be included with the RFP to provide suppliers with visibility of the terms and conditions that they are committing to.</p> <p>PTAs may require acceptance of terms and no departures from the contract or may make it a condition of each potential supplier's response that they state whether or not they're prepared to be bound by the terms and conditions of the contract.</p> |
| 3 | <p>Pricing</p> <p>If the chosen evaluation method requires the evaluation panel to evaluate the non-price criteria without knowledge of pricing information, suppliers must be required to submit their offer in two sealed envelopes, or for electronic submissions, in two separate templates:</p> <ol style="list-style-type: none"> 1. the response to the requirements (non-price response form) 2. pricing template. |
| 4 | <p>Timeframe</p> <p>PTAs must allow enough time for suppliers to appropriately respond to opportunities.</p> <p>PTAs should consider how long it will take a supplier to:</p> <ul style="list-style-type: none"> • read and analyse the documentation • seek clarification and ask any questions if required • prepare pricing information • develop and submit a proposal, potentially including agreeing arrangements with sub-contractors or other partners, and • seek internal governance approvals. <p>Be aware of procurements by other PTAs or agencies that might affect how much time suppliers have to respond.</p> <p>PTAs must include a timeline in the RFP so that suppliers have an indication of when offers will be evaluated and when they might expect to know the outcome. Don't underestimate how long the overall process will take, including seeking internal PTA approvals at key stage gates.</p> |
| 5 | <p>Advertise the opportunity on GETS</p> <p>PTAs must advertise the opportunity on GETS at a minimum.</p> <p>Choose the correct GETS code to ensure the right suppliers receive the notification – MBIE's procurement specialists can help with this.</p> <p>To reach as many potential suppliers as possible, PTAs should also advertise the opportunity via other networks, such as industry associations and directly to known suppliers.</p> |

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| | <p>After advertising on GETS, PTAs may choose to continue to utilise the functionality on GETS for the provision of RFx documentation and communicating with suppliers through the process or use a suitable alternative electronic tendering system.</p> <p>PTAs must not conduct the ROI or RFP phase of an open source procurement by email.</p> |
| 6 | <p>Templates</p> <p>Standardised RFx templates are provided on the Government Procurement website.</p> |

10.3 Communicating with suppliers during the process

It is important that procurement processes are undertaken in an open and fair environment with equitable sharing of information with all suppliers, including questions and answers.

| Requirement and guidance | |
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| 1 | <p>Supplier briefing</p> <p>PTAs may choose to hold a briefing for potential providers to ensure they fully understand the PTA's requirements and the procurement process and to seek feedback on specific aspects of the procurement.</p> <p>If the PTA has engaged with any potential suppliers before advertising the procurement, PTAs should offer a supplier briefing to ensure all suppliers have the same information and those who have been previously consulted with don't gain an advantage in the procurement process.</p> <p>Competing suppliers do not tend to provide feedback in open fora and so PTAs may choose to hold interactive one-on-one supplier briefings, either as well as, or instead of, open supplier briefings. When holding interactive one-on-one briefings, it is important that all suppliers are treated equally and the same information is shared with all suppliers.</p> <p>Before the briefing</p> <ul style="list-style-type: none"> Advertise the briefing in procurement documents and GETS notice and any other communication channels used to advertise the opportunity. Allow at least five working days from the issue of the RFx to the briefing date, so suppliers can read the documents, reschedule existing commitments and arrange travel if they need to. Consider providing a video conference facility to allow suppliers to attend remotely. <p>At the briefing</p> <ul style="list-style-type: none"> The briefing should add to suppliers' understanding of the procurement requirements and process, not just repeat the contents of tender documents. Pitch the briefing at potential suppliers who have little experience in responding to requests for proposals. Provide an opportunity for suppliers to ask questions as part of the briefing process, and make sure any questions and answers are recorded. Take a record of attendees. <p>After the briefing</p> <p>If the procurement is:</p> <ul style="list-style-type: none"> open, publish questions and answers on GETS along with a copy of any presentations or other information shared |

| | |
|---|--|
| | <ul style="list-style-type: none"> closed, send all invited suppliers a copy of the questions and answers plus the presentation and any other information shared. |
| 2 | <p>Questions and answers</p> <p>Suppliers must be able to ask questions to help them prepare their proposal.</p> <p>When the answer provides extra information to the RFx, PTAs must make the answers available to all suppliers, so no one gets an unfair advantage.</p> <p>PTAs must communicate in the RFx documents, the deadline for asking questions within the response period and when the PTA will provide final responses. Sufficient time should be allowed for suppliers to reflect any information provided in final answers in their responses.</p> <p>Respond to questions promptly and comprehensively – the aim is to help suppliers to submit the best offer they can.</p> <p>If an answer is not simply administrative and could be of value to other suppliers, the answer must be made available to all suppliers so no one gets an unfair advantage.</p> <p>During the ROI or RFP phases of an open source procurement, PTAs must utilise the Q&A function on GETS or alternative electronic tendering system to answer questions and to communicate any other information with suppliers throughout the process.</p> <p>Commercially sensitive questions</p> <p>If a supplier's query is about information that is commercially sensitive to the supplier, they must make this clear within their query. Any information that is commercially sensitive must be protected and not released to any other supplier. In this case, the PTA may respond to the supplier directly without sharing the information wider.</p> <p>If a PTA considers that the query is not commercially sensitive or the subject of the query is general in nature and should be shared with all suppliers, the PTA should request the supplier to either withdraw the query or re-frame the query to remove any commercially sensitive information.</p> |

10.4 Debriefing unsuccessful suppliers

A debrief helps suppliers improve their chances for future opportunities. Suppliers can also provide feedback and suggest ways to improve the tender process.

| Requirement and guidance | |
|--------------------------|---|
| 1 | <p>Debriefs</p> <p>PTA must offer a debrief to any supplier that has taken part in a competitive procurement process.</p> <p>In the debrief, PTAs must:</p> <ul style="list-style-type: none"> provide the reasons why an offer was not successful explain how the offer performed against the evaluation criteria indicate the advantages of the successful offer answer any concerns or questions from the supplier. <p>PTAs must be able to justify information and any rationale to be provided to the supplier.</p> <p>The information provided should be detailed enough to show the supplier how they could improve for future opportunities.</p> |

Before the debrief

- Pull together the RFx documents and evaluation material.
- Summarise how the offer was evaluated — scores, rankings, strengths and weaknesses.

At the debrief

- Allow suitable time for the debrief that is respectful to the supplier within the context of the procurement and the effort that will have been invested by the supplier. Allow time for the supplier to ask questions.
- Explain that debriefing is intended to provide constructive feedback to help the supplier improve their competitive performance in future opportunities.
- State that the meeting is an informal discussion to explain how the supplier's offer performed against the evaluation criteria. Be clear that it's not a forum to re-litigate the evaluation process.
- If appropriate, clarify that the evaluation was carried out by a multidisciplinary panel and answers to the supplier's questions are provided on behalf of the panel.
- Be clear that commercial sensitivity and confidentiality (in relation to the other offers) place restrictions on what information can be provided, including pricing. The debrief can advise the supplier where they ranked on total cost. Don't show the supplier anyone else's offer documents or evaluation material.
- Advise who the successful supplier or suppliers are (once this information can be disclosed publicly)
- Ask the supplier for their feedback on the procurement process.

After the debrief

- Write up notes from the meeting and file it with the probity records.
- Follow up on any outstanding points with the supplier.
- Give the supplier a summary of the debrief if they ask for it.

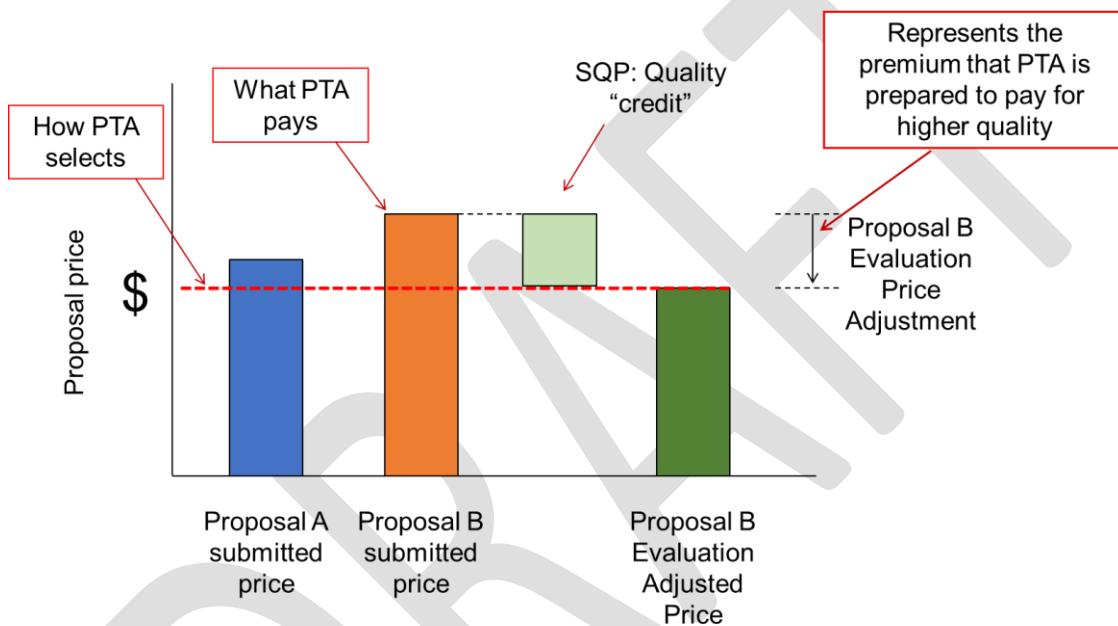
APPENDIX 1 – PQM FOR PT SERVICE CONTRACTS

What is PQM

The Price-Quality Method (PQM) is a structured procurement evaluation tool developed by NZTA using a form of weighted attribute evaluation to blend price and quality into a single, transparent scoring mechanism. It converts the quality (non-price) differences between proposals into a monetary figure called the Supplier Quality Premium (SQP) – representing the amount that the purchaser is willing to pay for higher-quality proposals.

As an output, the SQP should reflect, in a \$ value, how much a PTA is prepared to pay for the additional quality/outcomes of a proposal over that of the lowest ranked conforming proposal as illustrated in Figure 1.

Figure 1: Supplier Quality Premium: “Credit” for higher quality proposals



A further feature of PQM is the Added Value Premium (AVP) assigned to any alternative proposals received and evaluated as part of the procurement process. An AVP is determined based on the desirability of an alternative proposal and added or subtracted from the evaluation adjusted price for that proposal. Evaluation adjusted prices are decreased where the PTA places value on the alternative outputs proposed in the tender and increased where the PTA places a negative value on the outputs of the alternative proposal.

Preparing for the use of PQM

As with any evaluation method, before using PQM, a PTA must fully understand how the method works. The choices made will influence the proposal evaluation outcome because of their impact on the supplier quality premium values – the amount more that the purchaser is prepared to pay for a higher-quality proposal. Supplier quality premiums are influenced by:

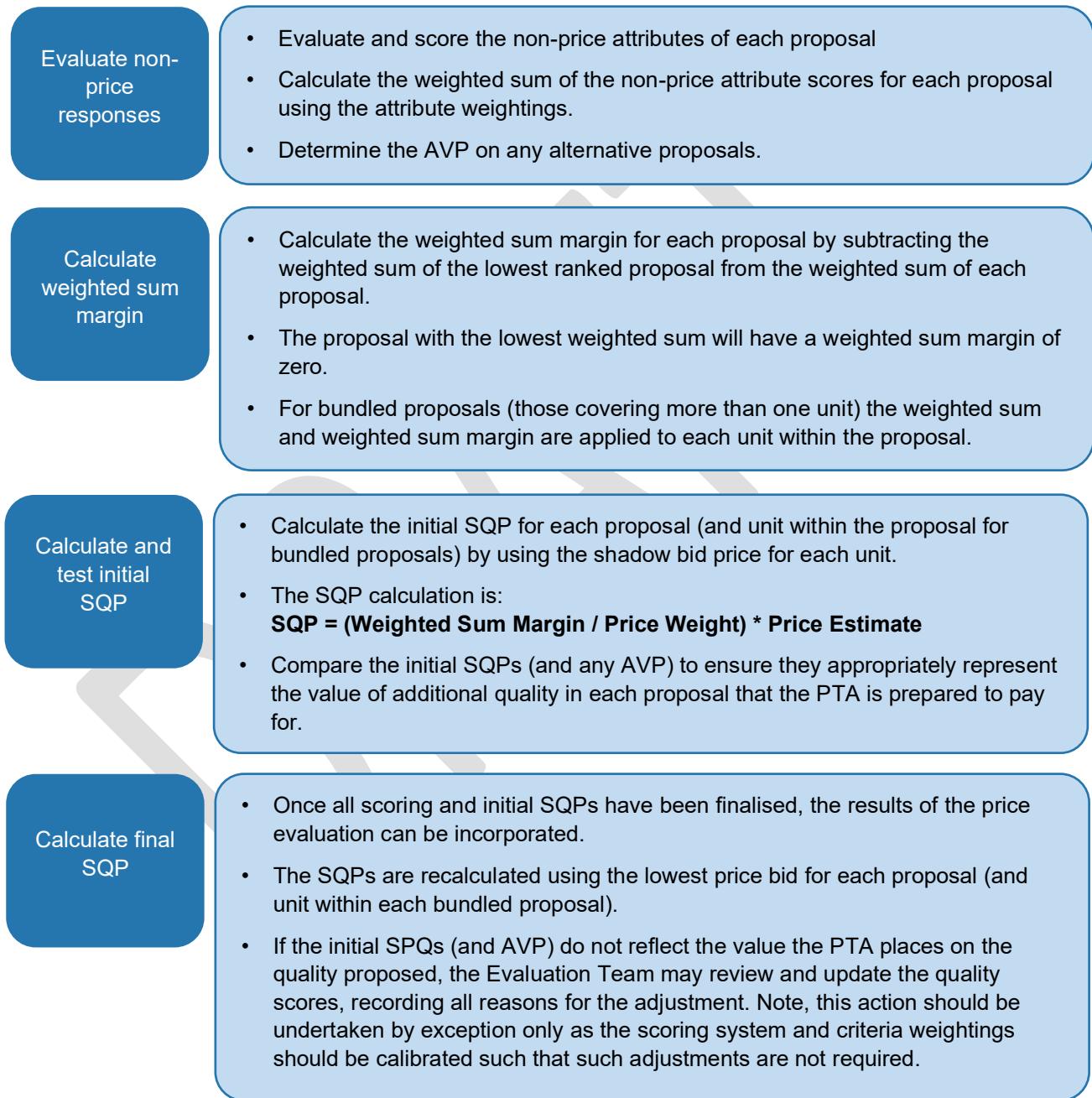
- the price estimate (shadow bid price)
- chosen non-price attributes
- how the non-price attributes are scored (the spread of scores)
- weights given to the non-price attributes
- weight given to price.

All of the above considerations impact on the supplier quality premiums, but the most significant impact typically arises from the weight given to price.

The NZTA attribute weight setting tool is available to help set the weights for the price and non-price attributes. The NZTA PQM evaluation tool will also assist with this testing. [These tools will be made available as part of the Integrated Procurement Resources]

Evaluating using PQM

The following steps summarise the PQM process.



Calculate quality adjusted prices

- Calculate the Quality Adjusted Price for each proposal (or unit in a proposal) by subtracting the SQP (and any AVP) from the bid price for that proposal/unit.

For processes in which multiple units are being procured and bundled proposals are permitted, the following two steps should be applied.

Identify all valid unit combinations

- Identify all possible combinations of bundled and individual unit proposals and calculate the aggregate region-wide Quality Adjusted Price for all units in each combination.
- If applicable, remove any combinations in which the 'nominated capacity' for any supplier is exceeded. Any combination of units in which a supplier's nominated capacity is exceeded is not a valid combination and should be excluded from further consideration.

Rank preferred combinations and assess for market concentration impacts

- Rank the viable combinations based on the aggregate Quality Adjusted Prices for each combination.
- The combination of units with the lowest aggregate Quality Adjusted Price represents the Initial Preferred Outcome.
- If applicable, undertake a market concentration test to determine if the Initial Preferred Outcome would result in any supplier exceeding the PTA's market concentration threshold.
- If the Initial Preferred Outcome would result in a supplier exceeding the PTA's market concentration threshold, the Evaluation Team should consider the value trade-off between the Initial Preferred Outcome versus the Next Preferred Outcome from the context of the effect on future competition if the Initial Preferred Outcome were selected.
- Select the unit combination outcome that offers the best value for money when considering aggregate Quality Adjusted Price and future competition effects.

PQM worked example – multiple unit tender

The following embedded file provides an illustrative worked example for selecting a preferred tender outcome for a procurement comprising multiple units in which suppliers are invited to bid for different combinations of units.



PQM worked example.xlsx

Appendix 2 – Market concentration assessment

Figure 2 illustrates the market concentration assessment process.

Figure 2: Market concentration assessment

