

8.0 Procurement procedure 3 – Public transport services

8.1 Overview

Introduction

Procurement procedure 3 – Public transport services consists of four parts:

- guidelines for understanding the strategic context for the procurement activity
- an outline of the delivery models available for use
- guidelines for the selection of a supplier selection method
- guidelines for contract forms to be used with the procurement procedure.

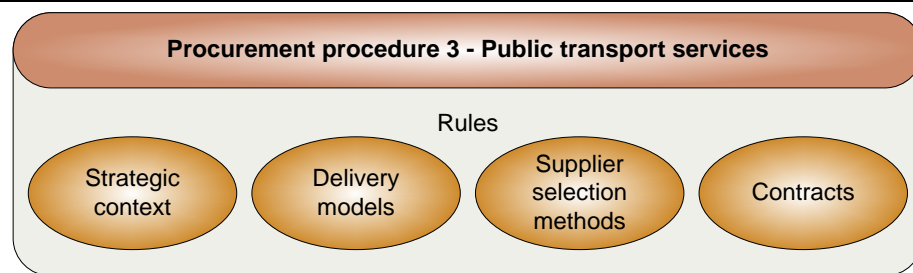
In this chapter

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8.2 Definition

Purpose



This procurement procedure covers the outputs required for the carriage of passengers on buses. Approved organisations should develop customised procurement procedures for ferry and rail services. However, these procedures should have regard to the partnering delivery model.

Professional services associated with public transport services activities should be purchased using procurement procedure 2 – planning and advice, unless these form an integral part of the public transport services outputs being procured or managed. This option allows the purchaser more flexibility and choice where required to better align the procurement procedure with the activity.

Note that this procurement procedure does not apply to the use of in-house professional services that have the Transport Agency’s prior approval.

Summary of requirements

Approved organisations must follow the requirements below when using this procurement procedure.

Definition

The activity must fit within the definition for public transport services in the LTMA, and be identified in the regional public transport plan of an approved organisation.

Strategic context

To use this procurement procedure, an approved organisation must understand the procurement activity’s strategic context. This will enable the approved organisation to fully specify the outputs that are required and to understand the activity’s complexity, scale, timing, innovation potential and risk, and assess the supplier market.

Delivery models

All approved organisations are permitted to use the partnering and staged delivery models as outlined in this procurement procedure.

The supplier panel delivery model is an advanced component and can only be used with the Transport Agency’s prior written approval under s25 of the LTMA. The rationale should be included in the procurement strategy and the necessary s25 approval sought in conjunction with seeking endorsement of the strategy.

8.2 Definition continued

Summary of requirements continued

Supplier selection methods

All approved organisations are permitted to use the supplier selection methods referred to in this procurement procedure.

The quality based supplier selection method is an advanced component where the output being purchased is anything other than a commercial unit or professional services. As an advanced component, an approved organisation must have the Transport Agency's prior written approval under s25 of the LTMA for its use. The rationale should be included in the procurement strategy and the necessary s25 approval sought in conjunction with seeking endorsement of the strategy.

Rules

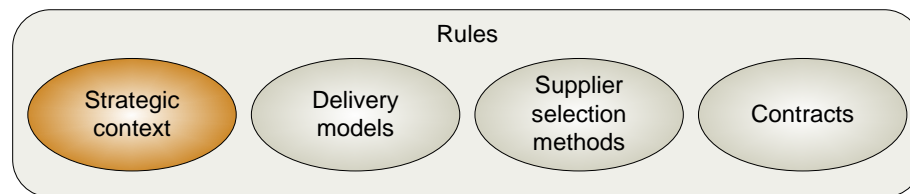
The rules set out in chapter 10 *Rules* must be followed.

Further assistance

Contact the Transport Agency if you are not sure if the activity conforms to the requirements of the public transport services procurement procedure, or if you wish to depart from the rules contained here.

8.3 Strategic context

Rule



An approved organisation must, as part of its assessment of the strategic context, assess all proposed procurement activity against the objectives set out in a procurement strategy which has been endorsed by the Transport Agency. At a minimum, the assessment must consider:

- whether the proposed procurement activity is consistent with the value for money objectives in the procurement strategy
- whether the proposed procurement activity is consistent with the policies or constraints, where relevant, in the procurement strategy
- whether there have been any changes in the procurement environment since the development of the procurement strategy which have a material effect on the procurement decisions made
- the linkage to the regional public transport plan.

Where an approved organisation's procurement activities, choices and decisions are inconsistent with its procurement strategy, the approved organisation must document the reasons for its decisions.

See section 10.4 *Procurement strategies* for further details.

Reference procurement strategy

The strategic analysis will typically be undertaken at the commencement of the funding cycle and as part of any regular refresh of a procurement strategy. Circumstances can change, and therefore changes to the original specification or approach to the procurement activity could deliver better value for money.

At the commencement of each procurement activity, it is important to reflect on the specific strategic context in which the procurement is to be undertaken and ensure that the specific value for money objectives for that procurement activity can still be obtained. This assessment will involve looking at the assumptions documented in the procurement strategy and testing them against the current environment to check if they remain valid.

It is important to emphasise that, at this point, the approved organisation's strategic approach to procurement will already have had a significant influence on specifying the nature of the outputs to be purchased and their scale and complexity. The approved organisation will have considered:

- what is being purchased, why, and the timing
- the capacity, capability and competitiveness of the market to deliver the outputs
- the procurement capability of the approved organisation to manage the procurement activity
- the broad procurement options, including procurement procedures to be used and the delivery model.

8.3 Strategic context continued

Reference procurement strategy continued

The analysis and conclusions on the above factors will have enabled the approved organisation to specify the required outputs during activity formulation and the development of a procurement strategy. To ensure that the specified outputs and the proposed approach to the procurement activity will obtain best value for money, the proposed approach must now be assessed to ensure consistency against the original objectives in light of the current situation.

The following checklist provides guidance on the matters that should be considered when undertaking this assessment. This process will ensure a full understanding of the strategic context for the particular procurement activity.

Strategic consideration	Questions for approved organisations
1 With reference to the RPTP, is there a clear statement of the outputs to be purchased?	<ul style="list-style-type: none"> • Have all services considered part of the public transport network been identified and organised into units in the RPTP? • Have the services in each unit been clearly specified? • Have the key variables most relevant to the services, namely those that will impact on delivery of the services, including peak vehicle requirement and desired frequency, been identified? • Do you have a good understanding of the expected price that you will have to pay for the services?
2 Is there clear alignment to the objectives as stated in the procurement strategy?	<ul style="list-style-type: none"> • Does your approach to this procurement activity still align with your strategic priorities? • Is your proposed approach to timing and grouping of unit RFPs, including the approach to group tenders, (where relevant) consistent with your procurement strategy? • Is there any reason why this procurement activity should no longer proceed? • Are the identified economic, environmental and social considerations still relevant?
3 Is there appropriate procurement capability (either internal or external) to undertake the activity?	<ul style="list-style-type: none"> • Do you have the capability to undertake the procurement activity? • If not, where are the gaps and how is the required capability to be resourced? • Do you have the necessary resources to manage and monitor the contract? • Are the risks associated with the procurement activity understood and quantified? Who is best placed to manage this risk?

8.3 Strategic context continued

Reference procurement strategy continued

4 What is the status of the supplier market (including potential new suppliers)?	<ul style="list-style-type: none"> • Have there been any significant and relevant changes to the supplier market (ie number of suppliers, competitiveness of the market) that will affect your intended approach to the procurement activity? • Are any others, including other approved organisations and the Ministry of Education, purchasing similar goods and services? • Is the proposed timing of your procurement activity able to be accommodated by the supplier market? • What activity will you undertake to attract the maximum number of tenderers, including potential new suppliers? • Is it appropriate to directly appoint some suppliers, and is there sufficient market tender data to support the negotiation?
5 What are the risks and opportunities?	<ul style="list-style-type: none"> • Are the identified risks and opportunities still relevant?
6 What is the current status of the public transport network and market?	<ul style="list-style-type: none"> • Are major services reviews or changes to the network identified in the RPTP proposed? • Is patronage growing, stable or declining?

At the end of this step, the approved organisation will determine if the original assumptions as documented in the procurement strategy and as they relate to this procurement activity, still hold true.

If circumstances have changed and better value for money can now be obtained by an alternative approach, consider what can be done differently while acknowledging that the options at this stage are limited.

Confirm strategic context

Where the particular circumstances in which the activity is to be undertaken have changed since the procurement strategy was prepared and there is potential to enhance value for money through an alternative approach to the procurement activity, an approved organisation should take this into account. For example, there may now be opportunities to:

- collaborate with other approved organisations or align with the Ministry of Education on the procurement activity
- take advantage of innovation
- change the timing for the procurement activity.

In the event that an alternative approach is chosen as the most effective way to obtain better value for money, the purchaser should adopt this approach and fully specify the procurement activity in light of this changed assessment.

8.3 Strategic context continued

Document outputs

Having confirmed the strategic context of the specific procurement activity, the purchaser must document the link between the procurement strategy, the RPTP and the procurement activity.

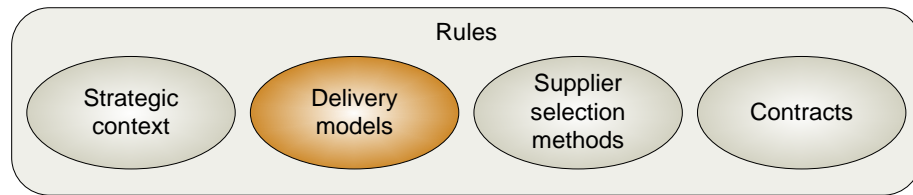
At the end of the strategic context assessment, the approved organisation will have fully specified and documented the outputs to be purchased. The approved organisation will clearly understand the factors associated with the delivery of the activity that need to be addressed during the procurement phase. This understanding is critical, as it provides the information required to determine which delivery model and supplier selection method are likely to produce the best value for money outcomes. Under this procurement procedure most services will be procured using the partnering delivery model.

Where there are any changes in approach from what is specified in the procurement strategy, it is especially important to document the reasons for an alternative approach. If this requires the procurement strategy to be varied, the Transport Agency's endorsement of this variation should be sought at this stage. If there is any uncertainty about whether a change in approach requires a variation of the strategy please contact the Transport Agency for advice.

- The documentation process is likely to be an ongoing process as various decision points are reached. The approved organisation must meet the requirements set out in section 10.6 *Documentation and publication requirements*, including recording all decisions in relation to the selection of a delivery model and a supplier selection method.
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8.4 Delivery models

Rule



All approved organisations are permitted to use the partnering and staged delivery models as outlined in this procurement procedure.

The supplier panel delivery model is an advanced component and can only be used where an approved organisation has the Transport Agency’s prior written approval under s25 of the LTMA.

Introduction

The delivery models available for use with this procurement procedure are:

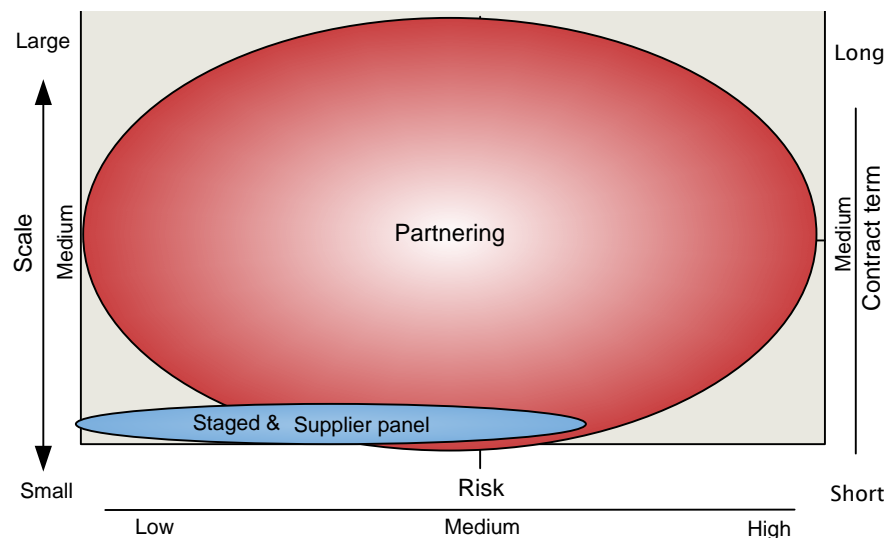
- partnering
- staged
- supplier panel (advanced).

Each delivery model has distinct characteristics that suit particular procurement events. In general, the main factors influencing which delivery model should be applied are determined through reference to:

- the defining characteristics of the procurement activity
- the approved organisation’s procurement strategy

The majority of scheduled public transport services should be procured under the partnering delivery model.

The defining characteristics of a procurement activity are its complexity, scale, timing, contract term (of a term service contract), innovation potential, risk and supplier market. The following diagram illustrates that in most situations the partnering delivery model should be used.



8.4 Delivery models continued

Selecting a delivery model

The purchaser must consider the following factors (where relevant) when selecting a delivery model for a specific procurement activity:

- type of services
- complexity and uncertainty
- scale
- contract term
- whether any public transport unit contracts will be directly appointed
- timing and urgency
- innovation potential
- risk management
- supplier market
- the demand for public transport
- the public transport network in the region, or sub region, including proposed frequency and anticipated patronage.

Selecting a delivery model for a public transport services procurement activity involves analysing the conditions surrounding the procurement event that were identified in the strategic context analysis and specified in the activity description. All considerations must be documented under the reporting requirements in section 10.6 *Documentation and publication requirements*.

It is expected that the majority of scheduled public transport services identified in the RPTP will be delivered under the partnering model. If this delivery model proves to be outside the purchaser's capability and capacity, the purchaser should consider investing in the development of capability and capacity or where no reasonable alternative exists bringing in additional capacity or capability. For procurement activity related to small scale, infrequent (eg a fortnightly service provided for community access) or unscheduled public transport (eg special event services) an alternative delivery model may be selected.

The following table provides examples of when to consider each delivery model that best fits a public transport services activity. It describes the circumstances under which it is advisable to use each of the models.

8.4 Delivery models continued

Selecting a delivery model continued

Delivery model	Consider when ...	May not be suitable for ...
Partnering	<p>The partnering delivery model should be used:</p> <ul style="list-style-type: none"> • for scheduled public transport services identified as units in the RPTP • for medium and large scale procurement • where there is value in the purchaser and suppliers collaborating closely • where there is scope for risk to be shared between approved organisations and suppliers to incentivise both parties to work together to innovate • for negotiated and like-for-like units that will be directly appointed. <p>The partnering delivery model can be used for procurement activity of any scale.</p>	
Staged	<p>The staged delivery model may be used for:</p> <ul style="list-style-type: none"> • small and low value contracts, eg a once a week 'shopper' service • emergency services • special event services • trial services. 	<p>This delivery model is not suitable for:</p> <ul style="list-style-type: none"> • scheduled urban public transport services.
Supplier panel (advanced)	<p>This delivery model may be used:</p> <ul style="list-style-type: none"> • if it is included in an endorsed procurement strategy • where there are a number of small activities where supplier consistency would be valued • where the volume of service activity may be too large for one supplier to undertake, eg a large special event • where the procurement requirement cannot be adequately predicted, eg emergency services 	<p>This delivery model is not suitable for:</p> <ul style="list-style-type: none"> • scheduled urban public transport services.

8.4 Delivery models continued

Partnering delivery model

The partnering delivery model recognises the investment, different skills and ability to manage risk, of the purchaser and supplier participants. It is built on trust, innovation, sharing of data and mutual long-term goals. It encompasses all stages of planning, procurement and delivery, without detracting from the basic contractual management and obligations of each party. The partnering model is not a formal partnership, but recognises the importance of collaboration between purchasers and suppliers to the provision of quality public transport services and leverages investment from both parties.

The purchaser and supplier are incentivised to work collaboratively to achieve high performance standards and grow the commerciality of the unit. Successful collaboration demands that all parties share a common commitment to achieving the mutual goal of growing patronage with less reliance on subsidy. Risk is shared, to ensure that risks are placed with the party best able to manage them.

This is achieved through the inclusion in contracts of key partnering tools, such as principals for collaborative relationships, financial incentive mechanisms, key performance indicators and annual business planning.

The partnering delivery model is the main delivery model for the procurement of scheduled public transport services identified as units in the regional public transport plan, including partnering for commercial units.

Under the partnering delivery model, contracts will be partnering contracts. Contract terms for partnering contracts are specified in section 10.24 *Contract term of a public transport unit* and must include key partnering tools.

Price determination

The contract price for a partnering contract will be based on the annual gross price of operating the service, and any incentive payments made under the financial incentive mechanism and will either be set through a competitive process or where the supplier is directly appointed, by negotiation.

Where direct appointment is used, data envelopment analysis will be undertaken by a benchmarking advisor appointed by the Transport Agency and used to determine a benchmark range for prices. The Transport Agency must be notified of all proposals for direct appointments under section 10.27 *Direct appointment of a supplier for a public transport unit* and may at its discretion require its representative to be present at any negotiation meetings, as well as being present at all like-for-like negotiations.

Contract payments will be based on the annual gross price adjusted by indexation. The application of the financial incentive mechanism and any performance incentives will be separate.

In the case of commercial units, the supplier retains the farebox revenue and no subsidy is paid by the approved organisation. Note that the supplier may still receive payment from the approved organisation for the SuperGold Card free off-peak public transport scheme.

8.4 Delivery models continued

Partnering delivery model continued

The annual gross price for contracts let through a competitive process will be reset at year six of the contract using benchmark data to ensure ongoing confidence in costs.

Relationship management

It is expected that the parties will commit to working together to assist in achieving best value for money from investment in public transport services and achieving the goal of growing patronage with less reliance on subsidy.

A partnering model relies on the purchaser and supplier maintaining an open approach to information sharing and innovation. Working collaboratively and actively managing tensions and disputes to resolve them before they become intractable will avoid these undermining the ability of the parties to work together.

Advantages

- The contract contains partnering tools to facilitate collaborative relationships.
- Revenue is shared through financial incentive mechanisms.
- Both parties work together to plan, procure and deliver high-quality services and obtain best value for money.
- The parties are motivated to proactively manage risk by placing risks with the party best placed to manage them.
- The parties are motivated to proactively identify opportunities to improve services.
- Both parties have ongoing and significant involvement in service delivery.
- The parties can draw on each other's expertise.
- There is opportunity for innovation.
- There is revenue and patronage transparency.
- Improved coordination increases efficiency.
- Annual business planning allows a collaborative dialogue about customer feedback and any initiatives to improve service delivery.

Disadvantages

- Both parties are required to invest resources in managing the relationship and annual business planning.
 - Parties are exposed to a broad range of risks.
 - Parties' ability to make unilateral decisions on operational issues is restricted.
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8.4 Delivery models continued

Staged delivery model

Under staged delivery, a small-scale or short-duration activity is delivered through one or more separate contracts between the purchaser and supplier(s). This could be a unit of services, but may include some services outside units, such as emergency services.

The use of partnering tools is optional for contracts procured under the staged delivery model.

Price determination

The contract price may be based on the full cost of delivering the services or on retention of fare revenue by the supplier.

Relationship management

Under a staged model, roles for parties and outputs are often well understood through past experience. Risk is largely managed by the purchaser.

Advantages

- Simplified contract terms can be used for small scale services.
- The purchaser can control service design and delivery.
- Greater certainty over the final outputs is possible.
- Design of the final output is likely to be well aligned with the purchaser's requirements.
- Contract management is simplified, as decisions are made solely by the purchaser.
- Transaction costs for both supplier(s) and the purchaser are reduced.

Disadvantages

- The detailed prescription of routes, timetables, capacity and minimum vehicle quality requirements may restrict innovation.
- There is ongoing and significant involvement of the purchaser.

Supplier panel delivery model (advanced)

The supplier panel delivery model establishes a relationship with a group of suppliers that will be used to deliver services at short notice or of a short duration such as emergency or special event services. This does not imply an exclusive arrangement between the purchaser and the panel. Occasionally, the purchaser may engage suppliers that are not panel members to deliver similar outputs.

This model enables the purchaser to appoint a range of suppliers that, as a panel, offer the best combination of skills, resources and experience required to deliver the outputs.

The supplier panel model uses a two-stage process. In the first stage, suppliers are appointed to the panel. In the second stage, tasks are allocated to panel members. Tasks may be allocated to a preferred panel member by direct appointment or through a competitive process involving two or more panel members.

8.4 Delivery models continued

Supplier panel delivery model (advanced) continued

A supplier panel may be appropriate in the following circumstances:

- There are a number of suppliers who can provide the required services.
- The procurement requirement may not always be able to be adequately predicted.
- Where the volume of service activity may be too large for one supplier to undertake, eg a large special event.

Where the procurement requirement cannot be adequately predicted, eg emergency services

Price determination

As noted above, the supplier panel delivery model uses a two-stage process.

Stage 1

In the first stage, suppliers are selected and appointed to the panel. Open competition is to be used to select suppliers.

When the suppliers are appointed to the panel, only the broad scope of services to be delivered is defined. The price of what will be supplied cannot be settled at the time of engagement. The purchaser and supplier(s) will agree at the time of engagement on a mechanism that will determine the price for the services that a supplier will be asked to deliver.

The contract between the purchaser and the suppliers on the supplier panel is usually referred to as a 'framework' contract.

Stage 2

In the second stage, service activity is allocated to panel members. This may or may not involve a competition between suppliers on the panel to win the right to deliver a particular service. Allocation can be determined in a variety of ways. The following examples are typical means of allocation:

- a non-competitive basis (eg obtaining a quote from any one panel member)
- a competitive basis (eg obtaining quotes from several panel members)
- an equal division of activity basis
- a rotational basis
- a geographic basis.

The precise mechanism for allocating service activity to the members of a supplier panel is a strategic consideration. Approved organisations wishing to use this advanced delivery model will need to set out their expected means of allocating activity when seeking approval from the Transport Agency to use this advanced model.

The mechanism for allocating service activity must be agreed in the framework contract by all parties to the contract.

8.4 Delivery models continued

Supplier panel delivery model (advanced) continued

Relationship management

The supplier panel model provides for the establishment of collaborative relationships between the purchaser and the suppliers. It should also encourage panel members to have a high level of awareness of the purchaser's requirements.

Performance can be incentivised by making the allocation of tasks to panel members dependent on the quality of their performance on earlier panel tasks.

The flexibility of this model allows for risk to be managed in ways that best match specific tasks.

Advantages

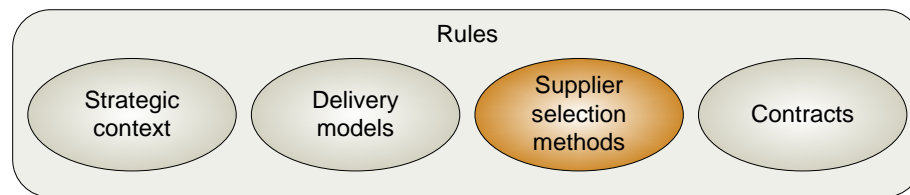
- There is flexibility to move resources to urgent tasks.
- The costs involved in supplier selection and engagement for a programme of many small and similar activities are reduced.

Disadvantages

- The additional costs to both the purchaser and the suppliers of establishing the panel may outweigh any benefits.
 - The opportunities for new suppliers to enter the market are reduced as long as the panel remains in place.
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8.5 Supplier selection methods

Rule



All approved organisations are permitted to use the supplier selection methods referred to in this procurement procedure.

The quality-based supplier selection method is an advanced component where the output being purchased is anything other than a commercial unit or professional services. As an advanced component, an approved organisation must have the Transport Agency's prior written approval under s25 of the LTMA for its use.

Introduction

The following tables show the supplier selection methods that provide a good fit with the delivery models specified for this procurement procedure.

Under the partnering delivery model, suppliers for competitively tendered units should be selected using the price quality method or where disclosure of the estimate may cause significant issues, price quality – without disclosure of the estimate – method (see appendix C *Supplier selection methods*). Suppliers for negotiated units should be selected by direct appointment. Suppliers for new commercial units may be selected using the quality based – where there is no contract price method.

See chapter 5 *Supplier selection process* for detailed guidelines on the application of the supplier selection methods listed here. See appendix D *Procurement procedure decision trees* for a graphic which links strategic context, delivery models and supplier selection methods.

Partnering delivery model

The transfer of risk to the party best able to manage it and the potential for innovation are important features of this delivery model. These features indicate that a focus on the quality of the supplier is of high importance.

Under the partnering delivery model:

- The price quality, or price quality – without disclosure of the estimate, and direct appointment supplier selection methods are used for subsidised services.
- The direct appointment or quality based – where there is no contract price – supplier selection method is preferred for commercial units.

8.5 Supplier selection methods continued

Partnering delivery model continued

The following table sets out guidelines on selecting a supplier selection method.

Supplier type	Supplier selection method and rationale
Selecting the suppliers	<p>Price quality</p> <p>Price quality should be used for all tendered units under the partnering delivery model where the specified outputs can be priced by the supplier(s) and where the purchaser determines that best value for money will be obtained by selecting the supplier that offers the best combination of price and quality requirements as set out in the RFP.</p> <p>Price quality – without disclosure of the estimate</p> <p>The price quality – without disclosure of the estimate method – may be used where, in addition to the above, the purchaser considers that disclosure of the estimate will significantly influence prices tendered or the purchaser is not confident of the accuracy of the estimate and wishes to mitigate the risk that it will distort supplier quality premium values by being significantly different from the lowest price tendered.</p> <p>Appendix C <i>Supplier selection methods</i> has further details.</p> <p>Direct appointment</p> <p>Direct appointment under section 10.27 <i>Direct appointment of a supplier for a public transport unit</i> should be used for negotiated units procured through the partnering delivery model and may be used for non-subsided units. The process for direct appointments under this section is set out in appendix I Contract negotiation processes for public transport unit contracts</p> <p>Quality based – where there is no contract price</p> <p>Quality based should be used where there is a new commercial unit.</p> <p>Note: this is an advanced component when used for anything other than professional services or commercial units.</p> <p>Appendix C <i>Supplier selection methods</i> has further details.</p>

8.5 Supplier selection methods continued

Staged delivery model

The following table sets out guidelines on selecting a supplier selection method.

Supplier type	Supplier selection method and rationale
Selecting the supplier(s)	<p>Price quality</p> <p>Price quality should be used where the outputs can be priced by the supplier(s) and where the purchaser determines that best value for money will be obtained by selecting the supplier that offers the best combination of price and quality requirements as set out in the RFP.</p> <p>Price quality – without disclosure of the estimate</p> <p>The price quality – without disclosure of the estimate method – may be used where, in addition to the above, the purchaser considers that disclosure of the estimate will significantly influence prices tendered or the purchaser is not confident of the accuracy of the estimate and wishes to mitigate the risk that it will distort supplier quality premium values by being significantly different from the lowest price tendered. Appendix C <i>Supplier selection methods</i> has further details.</p>
	<p>Direct appointment</p> <p>Direct appointment must only be used in the circumstances described in appendix C <i>Supplier selection methods</i> and where it will deliver best value for money. Direct appointment under section 10.27 <i>Direct appointment of a supplier for a public transport unit</i> is not permitted under the staged delivery model.</p> <p>Lowest price conforming</p> <p>Lowest price conforming should be used where the purchaser determines that best value for money can be obtained by selecting the service delivery supplier that offers the lowest price and meets the requirements as set out in the RFP. This method should only be used where the output required is very well specified. Appendix C <i>Supplier selection methods</i> has further details.</p>

Supplier panel delivery model (advanced)

The selection of the supplier panel should be undertaken as a staged process, with stage 1 focused on the appointment of suppliers to the panel and stage 2 allocating service provision to panel members.

Stage 1: Appointing suppliers to the panel

Panels can be appointed through the price quality or quality-based supplier selection methods.

For the price quality supplier selection method, a proxy schedule is commonly used to determine price.

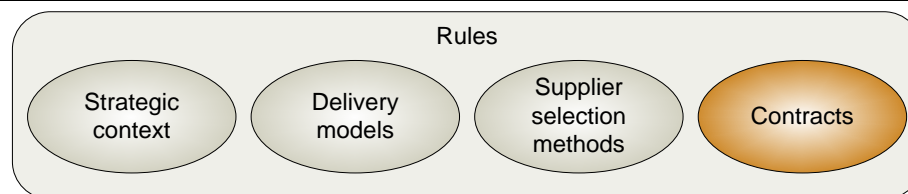
Note: the quality based supplier selection method is an advanced component when used for anything other than a new commercial unit or professional services.

Stage 2: Allocating activity to panel members

This stage involves selecting a member of the supplier panel to carry out a particular activity. The specific process for allocating activity will be part of the detail that requires approval by the Transport Agency for use by the purchaser.

8.6 Contracts

Introduction



Once a preferred supplier is selected, an approved organisation will enter into a contract with that supplier. The contract establishes the form of the relationship between the parties and stipulates the terms and conditions for the purchase of the outputs.

Under a partnering delivery model where a tiered contract structure is adopted an approved organisation may enter into a high-level memorandum of understanding, a 'regional agreement' common to all suppliers and potential suppliers of bus-based public transport units prior to commencing the supplier selection process. This regional agreement will form part of all public transport unit contracts and will set out principles around how the participants will work together.

Scope of contracts

All public transport services contracts should cover:

- description of the outputs being purchased
- term of contract
- mechanisms for negotiating service level variations
- standard terms and conditions (eg limitation of liability and insurance)
- health and safety requirements
- disputes resolution
- contract default conditions and termination processes
- other issues that may be specific to the individual procurement.

Contracts procured under the partnering delivery model must also include:

- principles for collaborative relationships
- annual business planning provisions
- a financial incentive mechanism (see appendix J *Financial incentive mechanism*)
- key performance indicators and monitoring provisions
- provision of patronage and revenue information by the supplier
- fare revenue protection measures.

8.6 Contracts continued

<p>Form of contract</p>	<p>For public transport service units procured under the partnering delivery model it is expected that contracts will be partnering contracts where the supplier and purchaser work collaboratively and leverage off both parties' investment to achieve mutual outcomes through joint business planning, financial incentive mechanisms and other initiatives.</p> <p>Partnering contracts are a shift away from traditional net or gross cost contracts where all the revenue risk sits with one of the parties.</p> <p>There is no standard contract form for public transport services in use in New Zealand. Individual approved organisations have their own contract forms. Factors that will assist an approved organisation to establish the form of contract include:</p> <ul style="list-style-type: none"> • type and number of supplier(s) • nature of relationship • type and volume of output(s) • scale and complexity • risk management strategy and incentives. <p>Purchasers must advise potential suppliers of the proposed contract terms and conditions, including the proposed form of contract. See section 10.12 <i>RFP contents and conformity</i>.</p>
<p>Changes to contracts</p>	<p>This manual sets out guidelines for how contracts may be changed after they have been let. The rules for public transport services contracts are:</p> <ul style="list-style-type: none"> • section 10.24 <i>Contract term of public transport units</i> (restricts changes to the term of a public transport unit contract) • section 10.28 <i>Gross price resets for public transport units</i> (requires a reset of the contract price at year 6). <p>This manual contains no other restrictions on changes that can be made to public transport services contracts.</p>
<p>Contract price adjustment for cost fluctuation</p>	<p>The Transport Agency requires approved organisations to make provision in contracts for contract price adjustment for cost fluctuation (see section 10.25 <i>Contract price adjustment for input price variation public transport services</i>).</p> <p>Note that the Transport Agency limits funding assistance for contract price adjustment for cost fluctuation to the amount calculated using the appropriate Transport Agency index.</p>
<p>Bus contract key performance indicators</p>	<p>The Transport Agency requires approved organisations to include key performance indicators in bus contracts (see section 10.26 <i>Key performance indicators for public transport (bus) contracts</i> and section 11 <i>Performance management and monitoring</i>. Key performance indicators can be used to assess service delivery performance.</p>