

Report No.	20-57
Decision Required	

PALMERSTON NORTH BUS SERVICES CONTRACT EXTENSION

1. PURPOSE

- 1.1. To seek approval to extend the Palmerston North Urban and Massey bus services contract (Contract 2011/42) for 12 months.

2. RECOMMENDATION

That the Committee recommends that Council:

- a. receives the information contained in Report No. 20-57
- b. approves the Palmerston North Urban and Massey Bus Services Contract (Contract 2011/42) be extended by up to 12 months to 14 November 2023, subject to approval from the New Zealand Transport Agency.

3. FINANCIAL IMPACT

- 3.1. No additional financial impact over approved budgets. Costs for the service contract are included in current budgets, extending the existing contract maintains the current costs for an additional 12 months. It should be noted that the service is currently under review and any financial implication from changes proposed would be included as part of development of the 2021-31 Long-term Plan.

4. COMMUNITY ENGAGEMENT

- 4.1. Community engagement is not required.

5. SIGNIFICANT BUSINESS RISK IMPACT

- 5.1. There is no significant business risk associated with this decision.

6. BACKGROUND

- 6.1. The Palmerston North Urban and Massey bus services is our biggest and most complex public transport contract, with over 1 million trips taken annually. While services are contracted by Horizons Regional Council, **Palmerston North City Council (PNCC)** plays a key role in provision of infrastructure to support services and has responsibility for planning/management of the transportation network within the city, of which the bus services play an important part.
- 6.2. The contract for services is due to expire in November 2022. Prior to any public transport contract being re-tendered, the Council plans to complete a review of services to ensure that the new contract remains fit for purpose, and develop a detailed procurement strategy and plan to support the contract tendering. An advisory group has been established to undertake a review of the services and provide recommendations to the Passenger Transport Committee.
- 6.3. The service review commenced in August 2019 and was due for completion by the end of 2020 ahead of the tender process commencing in early 2021. Progress of the review has been impacted by the Covid-19 Level 4 and 3 alerts, due to limitations on resources required to advance work. Recent discussions with PNCC and Horizons officers have

19 May 2020

identified an opportunity to refresh the scope of the review, re-assess project structure and ensure that supporting infrastructure and potential policy changes are fully considered within the review.

- 6.4. The revised approach to the review, and to enable transitioning back into business as usual resourcing levels resulting from the impacts of Covid-19 means the timeframe for completion will be extended by six to twelve months.

7. DISCUSSION

- 7.1. The New Zealand Transport Agency's Procurement Manual contains the approved procurement processes to be used by approved organisations when purchasing infrastructure and public transport services using funds from the National Land Transport Fund.
- 7.2. Rule 10.23 of the Procurement Manual sets out the requirements for lead times for public transport contracts and states that "*The time between contract award and commencement of services must be sufficient to allow a successful tenderer to acquire the resources necessary to deliver the services*". The subsequent guidance notes that "*....larger contracts where providers may need to obtain new vehicles will generally need a lead time no less than nine months. A longer lead time could also encourage new market entrants, who may need to establish depots and hire staff*".
- 7.3. The revised approach to the review and extension of the timeframe has a flow on effect to timing of the tender process and commencement of the new contract. In order to complete the review and provide the necessary lead time, an extension of the existing contract by up to twelve months to November 2023 is recommended. This extension also enables further time to develop a detailed procurement strategy including such components as, bus fleet strategy and branding.
- 7.4. Approval from the New Zealand Transport Agency is also required for any contract extension. Verbal support for this has been provided and a written request is currently being reviewed.
- 7.5. A formal contract extension will also need to be agreed with the bus operator. It is recommended that the extension be for an initial six month period with a right to extend for a further six months (subject to an agreed notice period) should the time be required to ensure a robust procurement process is developed and followed, and any required significant supporting infrastructure is in place for contract commencement.

8. SIGNIFICANCE

- 8.1. This is not a significant decision according to the Council's Policy on Significance and Engagement.

Kelly Curry
SENIOR TRANSPORT PLANNER

Rhona Hewitt
MANAGER TRANSPORT SERVICES

ANNEXES

There are no attachments for this report.