

8.10. Extension to Unit 5 Contract

Prepared for: Council
Report No. OPS2318
Activity: Transport - Public Passenger Transport
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Date: Add date (e.g., 29 February 2021)

PURPOSE

[1] To further extend the expiry date of the Unit 5 Public Transport Services contract to 30 June 2025 in response to Waka Kotahi feedback.

EXECUTIVE SUMMARY

- [2] In 2022 Transport Staff developed the rationale for an extension for a minimum of 1 year, for internal decisions to be made.
- [3] Transport staff provided a report to Council for consideration at the February 15th meeting. Council approved a 12-month extension.
- [4] Subsequent to that decision Waka Kotahi have indicated that they require a two-year extension as their condition of approval.
- [5] This will provide additional time for ORC procurement as well as potential bidders to prepare for the likely procurement of zero emission vehicles.
- [6] This report requests that the extension for the Unit 5 public transport service be extended further to 30 June 2025.

RECOMMENDATION

That the Council:

- 1) **Notes** this report.
- 2) **Approves** the extension to the contract to an expiry of 30 June 2025.

BACKGROUND

- [7] A report was presented to Council on February 15th, 2023, to gain approval for an extension to the Unit 5 Public Transport service contract.
- [8] Council approved an extension to the Unit 5 public transport contract for a period of 12 months on February 15th, 2023.
- [9] Waka Kotahi considered this request from February 2023 to May 2023.

[10] Waka Kotahi subsequently notified ORC (Otago Regional Council) that they will approve a two-year extension to be satisfied that procurement would be robust and competitive. Any approvals would be contingent on a two-year extension.

[11] A draft procurement timeline has been developed.

DISCUSSION

[12] ORC have provided Waka Kotahi with a programme timeline for a 24-month procurement would be.

[13] ORC Transport staff discussed the Unit 5 extension with Waka Kotahi a number of times during regular meetings with them in 2022.

[14] After the Council decision Waka Kotahi was notified of the decision.

[15] Waka Kotahi formally considered this request from February 2023 to May 2023.

[16] Waka Kotahi subsequently notified ORC (Otago Regional Council) that they will approve a two-year extension to be satisfied that procurement would be robust and competitive, noting in particular:

- a. The transition to the Sustainable Public Transport Framework (SPTF);
- b. Feedback received by WKNZTA related to previous ORC tender timeframes, particularly Unit 3.
- c. Introduction of Peak/express service variations, which have been delayed by the driver shortage.

[17] This request came after the approval from Council for the 12-month extension.

OPTIONS

[18] Approve the additional Unit 5 contract extension to June 30, 2025

[19] Decline the additional Unit 5 contract extension

RISKS

[20] There are risks in declining this request:

- a. That the contract lapses, impacting services and funding.
- b. A robust and competitive procurement is not realised.
- c. The transition to zero carbon public transport is impacted.
- d. That Waka Kotahi declines any extension under two years
- e. Financial and reputational risks from service levels dropping

CONSIDERATIONS

Strategy and policy change at a national level is a key factor in the fluidity of the transport industry. Government decisions around the public transport operating model and potential funding levels to grow public transport and transition fleets to zero-emission vehicles will play out in 2023 and 2024. These will subsequently impact Council's strategy and policy around

public transport investment, expressed through the RLTP/NLTP and Councils Long Term Plan, due for approval in June 2024.

Financial Considerations

- [21] Financial considerations were discussed in the February 15th report. These are central to the rationale for extending the current contract to July 2025, when a new set of services would be introduced. This could offer higher service levels and zero-emission vehicles, in line with decisions made by Council in the LTP, due mid-2024.
- [22] Proceeding with procurement to introduce a new service from July 2023 would foreclose such opportunities to an extent, or at least potentially introduce added commercial complexity to negotiations and contract terms. It could also put Council at a commercial disadvantage over the longer term through the need to negotiate large contract variations to introduce new vehicles and/or service levels at a later date.
- [23] The cost of the service level enhancements already approved by council amounted to circa \$800,000 p.a. unindexed and before GST. The existing unit 5 contract value is some \$1.27m, making the varied contract value some \$2.07m p.a. before indexation and GST. This is the approximate contract value going forward until the unit is retendered and takes effect from July 2025. Waka Kotahi NZ Transport Agency have confirmed they will co-invest in this service at the usual financial assistance rate of 51%.

Significance and Engagement Considerations

- [24] Strategy and policy changes at a national level is the primary driver for this decision. Government decisions around the public transport operating model and potential funding levels to grow public transport and transition fleets to zero-emission vehicles will play out later in 2023 and in 2024.

Legislative and Considerations

- [25] These have been set out above. Legislative and policy change in the public transport sector is underway and may take 12-18 months to be completed. By extending the existing arrangements for this passenger transport contract until these matters are resolved we are ensuring continuity of service for our customers and a prudent use of current and future ratepayer contributions.

Climate Change Considerations

- [26] Central government decisions on the next GPS will determine the speed with which Councils can enhance public transport service levels and transition bus fleets to zero-emission vehicles. Extending the unit 5 expiry date to July 2025 represents a prudent step in this context, allowing Council subsequent time to develop its own approach and then apply it, resulting in a more comprehensive policy led approach to the procurement of future services, and avoiding a retrospective one likely to represent less value for money.

Communications Considerations

- [27] There are no communications necessary with customers because of this decision. Customers will enjoy the continuity of the existing service until a new one is introduced in July 2025.

NEXT STEPS

[28] Should Council approval the recommendations in this report, officers will inform both Waka Kotahi and the incumbent operator of this decision and make use of existing delegations to formalise the contract variation.

NEXT STEPS

[29] Text

ATTACHMENTS

Nil