



Public Transport Procurement Procedures Manual

Requirements and guidance for developing procurement strategies and obtaining procurement approvals

DRAFT

NZ Transport Agency Waka Kotahi

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1 Introduction

1.1 Purpose

This document provides requirements and guidance for Public Transport Authorities (PTAs) applying for endorsement from NZ Transport Agency Waka Kotahi (NZTA) to conduct procurement of public transport activities, as required under the Land Transport Management Act 2003 (LTMA).

1.2 Scope

The scope of the PT Procurement Procedures Manual (PT-PPM) covers the procurement of public transport activities related to planning and delivery. **Table 1** summarises the activities that are in scope of the PT-PPM and the approvals pathway for each activity.

Table 1: PT-PPM scope of activities

Activity	Description	Approvals pathway	National requirements and guidance
PT services	Means the day-to-day operation of PT services, such as bus, train, ferry, total mobility and community transport services identified in a Regional Public Transport Plan.	PT procurement strategy	PT - Integrated Procurement Resources
PT enabling assets and supporting services	Means assets such as vehicles, vessels, rolling stock, depots, energy infrastructure and facilities necessary to reliably deliver public transport services.	PT procurement strategy	PT - Integrated Procurement Resources
PT enabling systems and functions and supporting services	Refers to systems and functions necessary to deliver PT such as ticketing systems, passenger information systems, contract management systems, and customer service functions and capabilities.	PT procurement strategy	PT - Integrated Procurement Resources
Professional services (related to PT)	Professional services include services provided by, e.g. network schedulers, public transport planners, procurement, commercial and legal advisors that contribute to the delivery of PT activities.	PT procurement strategy	Government Procurement Rules

For clarity, the following activities are out of the scope of the PT-PPM. For guidance on the approvals pathway and guiding requirements, please refer to the NZTA Procurement Manual.

- PT infrastructure, such as bus stops, bus lanes, layover facilities, ferry wharf infrastructure, rail infrastructure.
- Supporting services, such as general cleaning and maintenance services for PT infrastructure.
- Professional services unrelated to PT.
- Roading infrastructure and maintenance services.

1.3 Audience

The primary audience for the PT-PPM includes PTAs, as well as public transport operators and other stakeholders involved in public transport, planning procurement or and delivery. The users of the PT-PPM may be new to the subject of PT services procurement as well as experienced practitioners. Accordingly, this document covers both first principles, along with more detailed guidance and requirements.

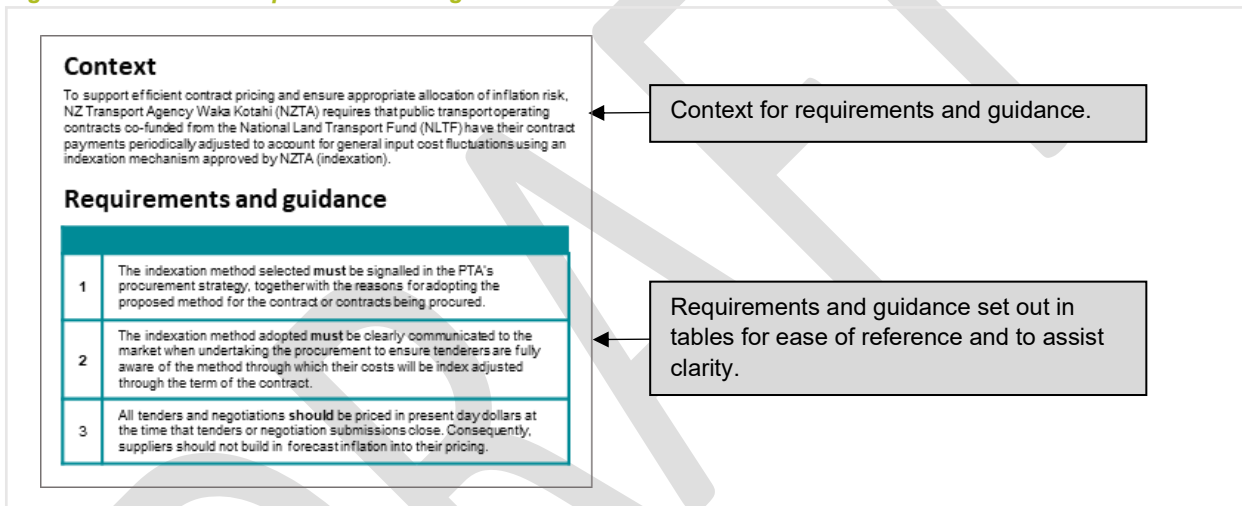
1.4 Relevant legislation and policy

The LTMA requires that PTAs must use procurement procedures (for funded activities) and procurement approaches (for unsubsidised public transport services) that are approved by NZTA. PTAs obtain approvals by outlining their intended procurement procedures to NZTA for endorsement.

1.5 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: Format for requirements and guidance



The following terms are utilised 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.

2 Integrated procurement resources

2.1 Overview

The PT-PPM is a key component of the broader Integrated Procurement Resources for sector practitioners. It provides core requirements and guidance for securing NZTA approval to procure public transport services and related activities, and for preparing procurement strategies.

Aligning with the PT-PPM and supporting resources helps foster a sector-wide approach to obtaining value for money. The Integrated Procurement Resources include:

- **Public transport procurement procedures manual** (this document) - requirements guidance for developing procurement strategies and obtaining NZTA procurement approvals under the LTMA.
- **Contract development** (under development) – Provides requirements and guidance for developing public transport operating contracts, promoting national consistency and greater value for money.
- **Supplier selection** (under development) – requirements and guidance for undertaking procurement processes to ensure effective competition and value for money outcomes
- **Pricing workbooks** (under development) – template tool to improve consistency in pricing information received through tender processes, including how prices are broken down into transparent cost components and indexation categories for ongoing contract management.
- **Contract variations** (under development) – requirements and guidance for designing and applying contract variations in public transport operating contracts.
- **Public transport monitoring and reporting** - (under development) – requirements and guidance for public transport monitoring and reporting.
- **Indexation** – requirements and guidance for the application of indexation by PTAs when setting up public transport operating contracts and applying indexation throughout the contract's life.
- **Requirements for Urban Buses (RUB)** – for bus contracts, the minimum requirements for all buses used in urban bus contracts is defined by RUB. The purpose of the RUB is to standardise urban bus requirements across PTAs to create efficiencies and improve the usability and accessibility, as well as environmental quality, of buses for all customers.

Note: NZTA's intent is to build out this suite of Integrated Procurement Resources with sector stakeholders over time to be inclusive of all public transport modes. While much of the initial content is specific to bus procurement, the key concepts and guiding principles have been developed with the intent of being generally applicable across all modes.

Requirement and guidance	
1	Integration The related requirements and guidance documents also follow the “Must”, “Should”, and “May” framework outlined in section 2 of this document. Alignment with the relevant “Must” statements in these documents forms the basis on which NZTA grants procurement approvals. To streamline processes and the development of procurement strategies, it is assumed that PTAs are aligned with all “Must” requirements unless otherwise agreed in writing. This assumption reduces the need for PTAs to provide detail in procurement strategies, allowing greater focus on matters of strategic significance.

3 Legal framework

3.1 Land Transport Management Act

The Land Transport Management Act 2003 (LTMA) is the primary legislation governing the organisation, planning, procurement and contracting of public transport services in New Zealand. Supporting policy and guidance is provided by the New Zealand Transport Agency Waka Kotahi (NZTA) through this PT-PPM.

The following sections summarise important aspects of the LTMA in relation to organising, planning and procurement of public transport services.

3.2 Statutory functions

The LTMA defines the statutory functions of public transport authorities (PTAs) and NZTA, and the planning and procurement requirements that collectively determine how public transport is procured. These elements are summarised below and expanded upon further in this document where relevant.

Requirements and guidance	
1	<p>PTA statutory functions</p> <p>Regional councils, unitary authorities and Auckland Transport (or any territorial authority to which the regional council has transferred relevant function and powers) are collectively referred to as public transport authorities (PTAs).</p> <p>Under the LTMA, PTAs are responsible for statutory functions key to the organisation and delivery of public transport services in New Zealand, including:</p> <ul style="list-style-type: none">• developing and adopting regional public transport plans (RPTP) (LTMA s119)• planning and delivery of integral services (LTMA s116A)• managing exempt service registers (LTMA s130) <p>All public transport services in New Zealand must be delivered by, or be under contract to, a PTA, unless exempt or excluded.</p> <p>For further guidance on PTA responsibilities associated with RPTPs and integral, exempt and excluded public transport services refer to NZTA's Public Transport Framework.</p>
2	<p>NZTA's statutory functions</p> <p>Under the LTMA (s95), NZTA has statutory functions to:</p> <ul style="list-style-type: none">• contribute to an effective, efficient, and safe land transport system in the public interest• oversee the planning, operation, implementation, and delivery of public transport• manage funding of the land transport system• assist, advise, and co-operate with approved organisations• deliver, or manage the delivery of, activities for ticketing systems and payments in relation to the land transport system. <p>To support its statutory functions, NZTA has statutory powers and responsibilities such as:</p> <ul style="list-style-type: none">• issuing guidelines for regional public transport plans (s124(a)(ii))• approving procurement procedures for subsidised public transport (s25(1))• approving the approach to procurement for un-subsidised public transport (s120(3))• sourcing information from public transport authorities (s128).

3	<p>Procurement approvals</p> <p>There are two types of procurements approvals relevant to public transport activities:</p> <ul style="list-style-type: none"> • <u>Procurement Procedure Approval</u> – this refers to NZTA approval required under section 25 of the LTMA for activities funded from the NLTF, including public transport. • <u>Procurement Approach Approval</u> – refers to NZTA approval required under section 120(3) of the LTMA when a PTA plans to contract a public transport service without financial assistance – such as a service that earns more revenue than it costs to provide.
4	<p>Obtaining best value for money</p> <p>LTMA s25 requires NZTA to approve procurement procedures that are designed to obtain best value for money and to give regard to the desirability of fair competition and encouraging competitive and efficient markets.</p> <p>LTMA s25(7) caveats that certain elements of s25 do not apply to procurement procedures that relate to the procurement of PT services, including the requirements to give consideration to enabling fair competition and encouraging competitive and efficient markets. The intent of the caveats in s25(7) is to remove the onus on competition in circumstances where PTAs consider that delivering PT services in-house will obtain best value for money.</p> <p>However, in accordance with the broader requirements of the LTMA, it is NZTA policy that enabling fair competition and encouraging competitive and efficient markets through the outsourcing of service delivery is most likely to obtain best value for money. Refer section 0 of this PT-PPM for further information on NZTA’s policy in relation to in-house service delivery models.</p>
5	<p>PTA statutory obligations to obtain best value for money</p> <p>PTAs must give consideration to the following sections of the LTMA when planning the procurement of PT services:</p> <ul style="list-style-type: none"> • S25 Procurement procedures – requires NZTA to approve procurement procedures designed to obtain best value for money and to give regard to the desirability of fair competition and encouraging competitive and efficient markets. • S115 Principles – PT services should be provided in a way that assists public transport investment to be efficient and to give value for money, which NZTA must take into account when approving procurement procedures in conjunction with all other principles set out in s115. • S124 Matters in relation to Regional Public Transport Plans – PTAs must take into account the need to obtain best value for money when adopting RPTPs.
6	<p>Inter-related planning processes</p> <p>There is a close inter-relationship between RPTPs, network planning and procurement processes, with these elements tightly coupled under the LTMA. Content in a RPTP relating to procurement should be informed by strategic elements and analysis that underpin procurement strategies.</p> <p>More information on these inter-relationships are provided in 6.13Appendix A</p>

4 Obtaining procurement approvals

The LTMA requires that PTAs must use procurement procedures (for funded activities) and procurement approaches (for unsubsidised public transport services) that are approved by NZTA. NZTA endorsement of a PTA's Procurement Strategy is the means for confirming that the PTA's planned procurement activities meet the requirements of the LTMA.

This section outlines approval methods available for public transport activities and uses the following key terms.

4.1 Key terminology

Term	Definition
Procurement Procedure Approval (LTMA)	NZTA approval required under LTMA s25 for activities funded from the NLTF, including public transport.
Procurement Approach Approval (LTMA)	NZTA approval required under section 120(3) of the LTMA when a PTA plans to contract a public transport service without financial assistance - such as a service that earns more revenue than it costs to provide.
Public Transport Procurement Strategy	<p>A long-term, high-level approach developed by a PTA for procuring public transport activities, including PT services allocated to units, enabling assets (e.g. fleet and depots), enabling systems and functions (e.g. ticketing or real-time information systems) and professional services to cost-efficiently deliver the outcomes set out in a RPTP.</p> <p>A Public Transport Procurement Strategy may be standalone or form part of an Approved Organisation's broader Transport Procurement Strategy.</p> <p>Procurement Strategies are the forum by which PTAs must outline their intended Procurement Procedures for PT activities to NZTA for endorsement.</p>
Procurement Plan	A detailed plan for conducting a specific procurement activity or group of related procurement activities.
Procurement Activity	A distinct sourcing process for a particular activity such as a public transport unit or group of units or associated enabling assets (e.g. ticketing or real-time information systems), customer service functions or professional services related to PT planning and delivery.
Procurement Procedure	The process by which a specific activity or group of related activities will be procured. To receive funding under LTMA s25 for activities funded from the NLTF, Approved Organisation's must procure activities using a procurement procedure that has been approved by NZTA.

4.2 Approval methods

NZTA primarily provides procurement approval for PT related activities through endorsement of Public Transport Procurement Strategies. Activity specific approvals are also possible in some cases.

Requirement and guidance	
1	<p>Procurement strategy</p> <p>Endorsement of a procurement strategy constitutes procurement procedure approval under the LTMA. NZTA may provide conditional or partial endorsement if it considers part of the strategy needs more work, without holding up other activities.</p> <p>On receiving procurement strategy endorsement:</p> <ul style="list-style-type: none"> • PTAs can proceed with procurement activities in line with the endorsement provided by NZTA. • NZTA does not need to review or approve detailed procurement plans, provided they remain within the scope of the endorsed strategy. • Where a Procurement Strategy has received conditional or partial endorsement, PTAs must seek further endorsement when they are in a position to satisfy each of the conditions attached to the original endorsement. • PTAs are encouraged to take an adaptive approach to improve value for money. If changes are needed, these can be addressed by: <ul style="list-style-type: none"> ○ Updating the relevant part of the strategy, or ○ Seeking specific approval for the departure, whichever is more efficient. <p>A PTA may request a conditional endorsement approach when it makes sense to defer some parts of the strategy. This can be a practical way to take a staged approach, progressing shorter-term priorities while keeping longer-term goals in view.</p> <p>PTAs must refer to the significance policy within their Procurement Strategy and consult with NZTA if unsure whether an activity or change in activity or circumstance is within scope of an endorsed strategy. Refer section 5.4.5 for guidance on Procurement Strategy significance policies.</p>
3	<p>Activity specific procurement approvals</p> <p>In some cases, NZTA may grant specific procurement approvals for an activity that falls outside the scope of an endorsed strategy, without need for a strategy update. This is typically used when:</p> <ul style="list-style-type: none"> • The activity was not anticipated or completed in the original strategy. • The procurement approach is defined in an approved business case or similar document. • A strategy update at that time is not warranted or would be inefficient. <p>This type of approval is intended to be an exception to the norm and not a substitute for strategic planning.</p>
4	<p>Interpretation of requirements</p> <p>As noted in section 1.5, the following terms are utilised to distinguish between requirements and guidance:</p> <ul style="list-style-type: none"> • “Must” denotes requirements. For the purposes of obtaining procurement approval, unless otherwise agreed, it is assumed PTAs are compliant with all documented requirements. Where PTAs propose to depart from a requirement specified in any of the related guidance documents listed in section 2, they must seek NZTA’s prior approval.

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| <ul style="list-style-type: none">• “Should” denotes recommended guidance. PTAs may depart from recommended guidance, however they must identify in their procurement strategies where they propose to deviate from recommended guidance and provide the rationale for doing so from a value for money perspective.• “May” denotes optional guidance. PTAs have the discretion to depart from optional guidance and are not required to signal this in procurement strategies. |
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5 Developing a public transport procurement strategy

5.1 Introduction

A Public Transport Procurement Strategy sets out the long-term, high-level approach for how a public PTA will manage and coordinate the procurement of public transport activities.

While a PTPS may complement an Approved Organisation's broader Transport Procurement Strategy, it can also stand alone as a focused strategy specific to public transport. It should be tailored to the local context and aligned with national and regional transport goals and requirements

This section outlines requirements and guidance for developing public transport procurement strategies and uses the following key terms.

5.2 Key terminology

Term	Definition
Public transport services	Means the day-to-day operation of public transport services, such as bus, train, ferry, total mobility and community transport services identified in a Regional Public Transport Plan.
PT enabling assets	Means assets such as vehicles, vessels, rolling stock, depots, energy infrastructure and facilities necessary to reliably deliver public transport services.
PT enabling systems and functions	Refers to systems and functions necessary to deliver public transport such as ticketing systems, passenger information systems, contract management systems, and customer service functions and capabilities.
Professional services	Professional services include services provided by, for example network schedulers, public transport planners, procurement, commercial and legal advisors that contribute to the delivery of approved transport activities.
PT infrastructure	Means assets such as bus stops, bus lanes, layover facilities, ferry wharf infrastructure.

5.3 Structure and scope

Requirement and guidance	
1	<p>Scope</p> <p>The strategy may address all public transport activities relevant to a PTA in one document or it could apply to a specific programme such as a unit or group of units, which may be mode specific, for example, a PTA may develop separate but related strategies for bus, rail and ferry services.</p> <p>Within the 'Introduction' of a procurement strategy, PTAs must outline the scope of the document, including whether it covers all public transport elements relevant to the region or a sub-component.</p> <p>If the document addresses a sub-component, PTAs must also outline how other elements have been or will be addressed in a way that ensures an overall cohesive and strategic approach to procurement for the purpose of obtaining best long-term value for money.</p>

2	<p>Structure</p> <p>Public transport procurement strategies should adopt a nationally consistent document structure comprising the following sections:</p> <ul style="list-style-type: none"> • Title page • Table of contents • Introduction • Strategic context • Strategic responses • Procurement approach • Procurement programme • Significance policy • Appendices (if applicable) <p>While the structure is nationally consistent, content within each section will be tailored to local or regional context.</p>
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5.4 Procurement strategy content

The following provide requirements and guidance for the content of the following sections of a public transport procurement strategy:

- **Strategic context**
- **Strategic responses**
- **Procurement approach**
- **Procurement programme**
- **Significance policy**
- **Appendices** (if applicable)

5.4.1 Strategic context

The purpose of a strategic context section is to provide a concise overview of the key factors shaping the PTA's procurement approach.

Requirement and guidance	
1	<p>Strategic context</p> <p>The strategic context section should include the following subsections:</p> <ul style="list-style-type: none"> • <u>Scope</u> – A summary of the scope of the procurement strategy, describing the procurement activities covered by the strategy. • <u>Outcomes sought</u> - A summary of the public transport outcomes already defined in the Regional Public Transport Plan (RPTP). • <u>Network</u> - A high-level summary of current services and enabling systems, expected changes, and future aspirations and implications for procurement and contracting. • <u>Inputs required</u> - An outline of the key inputs needed to deliver the network effectively – such as vehicles, workforce, infrastructure, and technical expertise. • <u>Supplier market</u> - An assessment of the supplier market – including capability, capacity, competition, and barriers to entry – and the implications for procurement. • <u>Policy environment</u> - A summary of any significant regulations and policies that will influence procurement. • <u>Funding and investment</u> - A brief overview of funding constraints or opportunities and how these may affect the procurement and contracting of PT services.

	<ul style="list-style-type: none"> • <u>PTA capability and capacity</u> - A frank assessment of internal capability and capacity to manage procurement and contracts and how this will influence the approach. <p>PTAs should include any other matters they consider to be significant factors that influence their procurement approach for public transport services and enabling systems and functions.</p>
2	<p>Drafting guidance</p> <p><u>Outcomes sought</u></p> <p>RPTP objectives establish outcomes for PT in a region and consequently a network design and system approach to deliver the PT outcomes sought. The procurement strategy must include a high-level summary of the PT outcomes and the influence that the outcomes sought will have on key procurement considerations, in particular for considerations such as unit design, delivery model, competition, procurement approach and contract term.</p> <p><u>Network</u></p> <p>When describing the network design approach, consideration must be given to any significant upcoming or future infrastructure or network projects that will impact PT service delivery and how any such future projects may impact current and future procurements of PT services.</p> <p><u>Inputs required</u></p> <p>Key inputs have a material influence on the effective and efficient delivery of PT services. The procurement strategy must include a concise description of how the influence that each of the key inputs have on the intended procurement approach and the risks associated with each.</p> <p><u>Supplier market</u></p> <p>LTMA s25 requires NZTA to approve procurement procedures designed to obtain best value for money and to give regard to the desirability of fair competition and encouraging competitive and efficient markets. A core aspect of procurement strategies is therefore to describe the procurement context from the perspective of competition. Procurement strategies must describe the supplier market environment, including the degree of market concentration, potential level and nature of supplier interest in the planned procurement.</p> <p>This section must also include an assessment by the PTA of the number of PTOs it considers optimal for the region to sustain both competition for and competition within the market and to provide resilience in the event that a PTO withdraws from the market.</p> <p>PTAs must describe factors that may influence competition in its region, in particular barriers to entry, but also other external factors, such as potential overlap with other PTAs' procurement programmes, and how these may influence competition.</p> <p><u>Policy environment</u></p> <p>Describe key regulatory or policy positions that impact on PT service delivery and related procurement decisions. Note, only describe those regulatory and policy positions that are of significance to the procurement in question. Do not describe the general regulatory environment, such as the role of the LTMA, unless there is a specific aspect of, or change to, the regulatory environment that has a direct and material bearing on the PTA's procurement decisions.</p> <p><u>Funding and investment</u></p> <p>Describe the impacts and risks that any funding constraints may have on the PTA's approach to the procurement of PT services and future contracts and how these are intended to be mitigated. Conversely, describe any opportunities or expected changes to the PT environment from new investment.</p>

	<p><u>PTA capability and capacity</u></p> <p>Provide a frank assessment of the PTA's internal capability and capacity and the potential effect of any risks or gaps on the procurement and contracting approach.</p>
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5.4.2 Strategic responses

The purpose of a strategic responses section is to outline how a PTA plans to respond to the strategic context through its procurement structure and policies.

Requirement and guidance	
1	<p>Strategic responses</p> <p>The strategic responses section should include the following subsections:</p> <ul style="list-style-type: none"> • <u>Unit Structure</u> - An overview of units to be procured, including rationale for how they are structured and their intended timing for going to market (e.g. tranches or phases). For further requirements and guidance on units refer to section 6.5. • <u>Procurement Policies</u> - Procurement policies provide a PTA's response to its strategic context on key matters influencing procurement planning and decision making. PTAs must have procurement policies covering: <ul style="list-style-type: none"> ○ asset control, ○ and any other matters that the PTA considers will have significant influence on their procurement activities.
2	<p>Drafting guidance</p> <p><u>Unit structure</u></p> <p>Describe the PTA's approach to unit design and structure in response to the key influencers of its strategic environment and the rationale for the approach taken within the context of obtaining best value for money. The PTA should describe the impact that the unit structure will have on both pending and future procurements.</p> <p>In circumstances where a PTA is changing the unit structure for an upcoming procurement (e.g. by consolidating into fewer units and/or reallocating services between units), the reasons for the change must be set out in the Procurement Strategy with reference to the underlying basis and principles for unit design. Any such change must also be signalled in a RPTP or variation to a RPTP.</p> <p>Where the PTA is intending to procure multiple units within the same procurement tranche, it must signal its intentions to describe how it will offer the units to the market.</p> <p>For further requirements and guidance on units refer to section 6.5.</p> <p><u>Asset control</u></p> <p>A PTA's policy on asset control forms both a response to the PTA's strategic environment and, once strategic decisions have been made by the PTA on its asset control policy, forms part of the PTA's strategic environment, influencing subsequent procurement response decisions. PTAs must outline its asset control policy in relation to each class of strategic enabling assets in the procurement strategy.</p> <p>For further requirements and guidance on asset control refer to section 6.6.4.</p>

5.4.3 Procurement approach

This section provides guidance on the key elements that should be addressed when outlining the procurement approach for public transport services and supporting systems.

Requirement and guidance	
1	<p>Procurement approach</p> <p>The procurement approach section should include the following subsections:</p> <ul style="list-style-type: none">• <u>Public transport services and strategic enabling assets</u> – This subsection should provide an overview of the intended procurement approach for units and their associated enabling assets. Key aspects to cover include, but not limited to, the intended approach for:<ul style="list-style-type: none">○ Service and asset delivery model○ Contract structure and duration○ Relational delivery○ Risk allocation○ Key commercial terms○ Applicable standards○ Sourcing methodFurther guidance on these aspects is included in section 6.• <u>Enabling systems and functions</u> - This subsection should outline the intended procurement approach for systems and functions that support the delivery of public transport services. These may include, but are not limited to:<ul style="list-style-type: none">○ Ticketing systems○ Passenger information systems○ Technology systems○ Contract management systems○ Customer service functions and capabilities○ Professional servicesNZTA encourages PTAs to consider opportunities for collaborative procurement and management of enabling systems and functions across regions, where this could improve value for money and service outcomes. <p>Procurement strategies should outline how such opportunities have been considered. This might include joint initiatives, or how procurement activities can be structured to allow other regions to opt in at a later stage where appropriate. Approaches that support interoperability, scalability, and shared service models are particularly encouraged.</p>
2	<p>Drafting guidance</p> <p>The intended procurement approach should be outlined clearly and efficiently for each activity being procured. Where the same approach applies across multiple activities, avoid unnecessary repetition by providing a single, clearly stated description and specifying which activities it covers. For activities with differing approaches, outline those differences by exception. This ensures the strategy remains concise, readable, and easy to navigate.</p> <p>In some cases, the strategy may indicate intended direction for some aspects of a procurement approach, such as key commercial terms and applicable standards, while recognising that other detailed processes and decisions will be developed later. This is particularly relevant for longer-term or more complex initiatives, where flexibility is needed to respond to evolving circumstances.</p>

	<p>As a general principle, the strategy should provide greater certainty and specificity for near-term activities, while allowing more flexibility for those planned further into the future. This approach supports informed decision-making in the short term, while maintaining adaptability over the longer term.</p> <p>The intended approach should be refined as more detailed procurement planning and design work progresses beyond the strategy stage.</p> <p>Significant changes may require review and endorsement from NZTA. For further guidance, refer to section 5.4.5 on significance policies.</p>
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5.4.4 Procurement programme

The purpose of a procurement programme section is to provide an overview of the intended programme of the PTA's procurement activity.

Requirement and guidance	
1	<p>Procurement programme</p> <p>The procurement programme should provide a succinct, high-level overview of the anticipated timing of procurement activities over the life of the strategy. Its primary purpose is to support national visibility and coordination of public transport procurement across New Zealand.</p> <p>To enable this, NZTA aggregates procurement programme information from regional strategies to build a national view of upcoming procurement activity. This aggregated data will be made accessible to sector stakeholders, including PTAs and the supplier market, to support:</p> <ul style="list-style-type: none"> • Improved coordination across regions, helping to identify opportunities for alignment and collaboration. • Greater transparency for the supplier market, enabling better planning and resourcing. • Enhanced strategic insights into national procurement trends and investment timing. <p>The procurement programme should be presented in a visual or tabular format, such as a Gantt chart or timeline, summarising indicative timeframes. It must remain high-level and must not include commercially sensitive information that could disadvantage the authority in future negotiations. To maintain clarity and protect commercial interests:</p> <ul style="list-style-type: none"> • The procurement programme should be included as an appendix to the strategy document. • Any commercially sensitive or detailed information should be managed in the main body of the strategy in accordance with confidentiality protocols. <p>Procurement programmes are expected to evolve over time. As circumstances, funding, or priorities change, authorities must update their programmes to ensure they remain accurate, relevant, and useful. Where possible, programmes should also indicate known dependencies or areas of flexibility that may affect timing.</p>

5.4.5 Significance policy

Procurement strategies are living documents. PTAs are expected to update their strategies as circumstances evolve, such as changes in funding, policy direction, or market conditions, to ensure they remain current, relevant, and aligned with obtaining best value for money.

The purpose of the significance policy is to help provide flexibility for PTAs to adapt procurement approaches while maintaining alignment with their endorsed strategy. By clearly defining what constitutes a significant change, the significance policy:

- Enables timely operational adjustments without unnecessary approvals.
- Encourages innovation and responsiveness to market conditions.
- Supports continuous improvement and better value for money.
- Focuses NZTA oversight on material changes, reducing administrative burden.

Requirement and guidance	
1	<p>Significance policy</p> <p>Each procurement strategy must include a Significance Policy that defines the circumstances under which changes to the strategy are considered significant and therefore require review and re-endorsement by NZTA. Significance should be considered from a materiality lens. While significance refers to how important a matter is, materiality relates to whether the effect of the matter is substantial enough to influence decision-making or stakeholder responses.</p> <p>PTAs must include, at a minimum, the requirements 2-4 below in their Significance Policy. PTAs may include additional considerations that reflect local context.</p>
2	<p>Changes that are not considered significant</p> <p>These are routine or minor changes that are not expected to have a material effect on outcomes. Such changes do not require NZTA review or re-endorsement.</p> <ul style="list-style-type: none">• Adjustments to procurement timelines of up to six months as long as those adjustments are not expected to have influence procurement outcomes.• Refinements to evaluation criteria that do not alter the procurement model.• Updates to reflect administrative or procedural improvements.
3	<p>Changes that may be considered significant depending on context</p> <p>These changes may or may not be significant, depending on their scale, impact, or timing. PTAs should consult NZTA early to determine whether re-endorsement is required. Examples include:</p> <ul style="list-style-type: none">• Adjustments to procurement timelines of more than six months.• Shifts in procurement scope or scale that could affect market interest.• Changes to risk allocation that could result in a material increase in the cost of services or a reduction in interest from the market.• Modifications to the procurement method or delivery model.
4	<p>Changes that will always be considered significant</p> <p>These changes require NZTA review and endorsement before proceeding. Examples include:</p> <ul style="list-style-type: none">• A fundamental change in procurement strategy or approach (e.g., moving from competitive tender to a direct appointment approach).• Extending the term of a contract beyond its original term by a period that is more than the PTA extension option defined in the contract or 24 months, whichever is the lesser.

	<ul style="list-style-type: none"> • Departures from requirements denoted with a “<i>must</i>” within any requirements contained in the PT Procurement Framework that have not previously been endorsed. • Material changes in project scope or risk. • Upcoming procurement of units or activities not previously endorsed in a strategy.
5	<p>Managing change</p> <p>Where changes are required, PTAs should:</p> <ul style="list-style-type: none"> • Refer to their Significance Policy to assess whether the change is significant. • Consult NZTA early if there is uncertainty about whether a proposed activity remains within the scope of the endorsed strategy. • Address changes through either: <ul style="list-style-type: none"> – Updating the relevant section(s) of the strategy and seeking re-endorsement, or – Requesting specific approval for the departure, whichever is more efficient and appropriate – Preparing and submitting a new Procurement Strategy.

5.4.6 Appendices

To keep the main body of a public transport procurement strategy clear, concise, and focused, important supplementary information should be placed in appendices.

Requirement and guidance	
1	<p>Appendices</p> <ul style="list-style-type: none"> • <u>Reference clearly</u> - Refer to appendices at relevant points in the main text so readers know where to find supporting details. • <u>Keep it relevant</u> - Only include appendices that directly support or clarify content in the main document. • <u>Label and organise</u> - Use clear titles and consistent formatting for each appendix to make navigation easy. • <u>Use for evidence</u> - Where relevant, include things like market analysis or stakeholder engagement summaries in appendices to support key positions outlined in the strategy.

6 Subject matter guidance

6.1 Overview

This section outlines key concepts, nationally consistent terminology and guidance on specific topics that PTAs will need to consider when developing public transport procurement strategies.

This section covers the following topics:

- Value for money
- Time horizons
- Relational delivery
- Arranging services into units
- Service and asset delivery models (including asset control)
- Contracting for services and assets
- Contract length
- Contract development
- Risk
- Workforce.
- Sourcing and supplier selection methods
- Market caps

6.2 Value for money

The LTMA provides the statutory foundation for all transport planning, procurement, and investment decisions in New Zealand, including those related to public transport.

The LTMA requires NZTA to approve procurement procedures that are:

“designed to obtain the best value for money spent by the Agency and approved organisations—having regard to the purpose of the Act.”

The purpose of the LTMA is:

“to contribute to an effective, efficient, and safe land transport system in the public interest.”

The concept of value for money, as outlined in this guidance, is directly aligned with the LTMA’s emphasis on obtaining best value, ensuring effectiveness and efficiency, and delivering outcomes in the public interest. This section 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 sustainable 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, 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.

Sustainable price	Refers to the minimum price at which public transport activity can be provided effectively while covering all associated costs including a fair margin and ensuring ongoing viability for participants.
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Requirement and guidance	
1	<p>Value for money</p> <p>The purpose of public transport procurement strategies is help obtain best long-term value for money.</p> <p>Obtaining best value for money means achieving clearly defined outcomes in the public interest in a way that is both effective and efficient.</p> <p>These dimensions must be considered together. For example:</p> <ul style="list-style-type: none"> • A service may appear efficient (e.g. high utilisation), but if it fails to achieve its intended outcomes, it is not effective. • A service may achieve outcomes, but if it does so with excessive or poorly allocated resources, it is not efficient.
2	<p>Measuring value for money</p> <p>Measuring value for money requires a structured approach that includes:</p> <ul style="list-style-type: none"> • <u>Defining outcomes in the public interest</u> – The outcomes public transport is expected to achieve should already be identified in RPTPs and summarised in the strategic context section of procurement strategies. Further information and guidance can be found on the NZTA website relating to public transport outcomes and the development guidelines for RPTPs. • <u>Linking outcomes to performance expectations</u> - Translating strategic outcomes into measurable service performance expectations is essential for contract design, performance monitoring, and risk allocation. • <u>Measuring effectiveness and efficiency</u> - Using both efficiency and effectiveness indicators to assess whether services are achieving their intended outcomes (effectiveness) and using resources optimally (efficiency). • <u>Performance benchmarking</u> - Comparing performance across similar service types and contexts to identify relative efficiency and effectiveness, while recognising that not all activities are directly comparable, and that performance must be interpreted in light of service type, purpose, and procurement design (e.g. risk allocation). <p>More detailed guidance and requirements can be found in the [public transport monitoring and reporting document (under development)].</p>
3	<p>Pricing and value for money</p> <p>Pricing refers to the amount paid by public entities for public transport services or assets. While price is a key input, it does not determine value for money on its own.</p> <p>Pricing represents best value for money when:</p> <ul style="list-style-type: none"> • Risk has been appropriately identified and allocated by the PTA <ul style="list-style-type: none"> ○ When more risk is transferred to suppliers (e.g. revenue risk, extended asset risk, performance penalties), higher prices can be expected to reflect the increased commercial exposure.

	<ul style="list-style-type: none"> ○ When the public sector retains more risk, pricing may be lower, but the public entity(s) assumes greater responsibility for managing uncertainty. • The supplier market has competitively priced the activity • The price and what it represents is understood • The price is sustainable over the long term. <p>Paying a higher price may still represent best value for money if the risk allocation is appropriate and supports better outcomes, innovation, or long-term efficiency. For more guidance on risk allocation refer to section 6.10.</p> <p>A sustainable price enables suppliers to deliver services or assets effectively while:</p> <ul style="list-style-type: none"> • Covering all associated costs • Including a fair and reasonable margin • Supporting the ongoing viability of the supplier and the wider market <p>Sustainable pricing is essential for maintaining a resilient, high-performing supplier base and ensuring continuity of service over time.</p>
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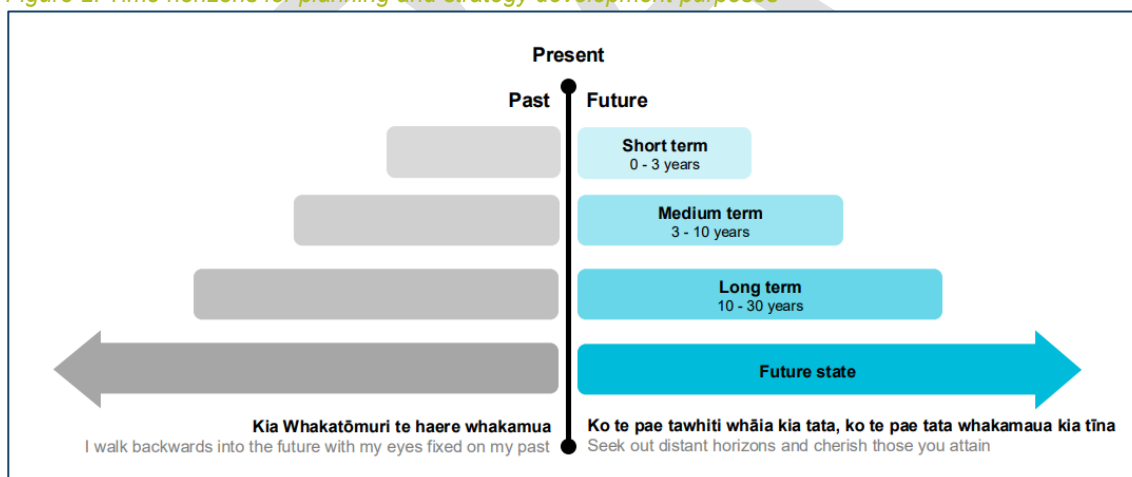
6.3 Time horizons

Procurement decisions made today are not made in isolation. They are shaped by past decisions and will influence what is possible in the future.

Because of this, it is important to consider the implications of procurement choices across different time horizons. This is especially relevant when thinking about procurement cycles, their outcomes, and how they affect value for money and the development of competitive and efficient supplier markets.

Figure 2 (below) defines time horizons for planning and strategy development purposes

Figure 2: Time horizons for planning and strategy development purposes



Requirement and guidance

1 Adaptability over time

Considering the implications of procurement approaches across different time horizons does not mean trying to predict the long-term future, which is inherently uncertain. Instead, it means taking a strategic approach that:

- delivers value in the short term,
- avoids short-term gains that undermine obtaining long-term outcomes and value, and

- is likely to remain beneficial across a range of potential future scenarios

More specifically, procurement strategies **should** be designed to remain relevant and effective as circumstances change. This includes:

- Anticipating change - Strategies should expect shifts in policy, funding availability, market conditions and overtime and include outline an approach for monitoring and responding to change in a way that is agile, efficient, and minimises administrative burden.
- Building feedback loops - Use shorter-term results and lessons learned to inform future decisions and improve outcomes over time.
- Valuing long-term adaptability - Rather than relying on a single forecast, consider multiple plausible futures. Choose approaches that perform well across different scenarios and leave room for future adjustment.

6.4 Relational delivery

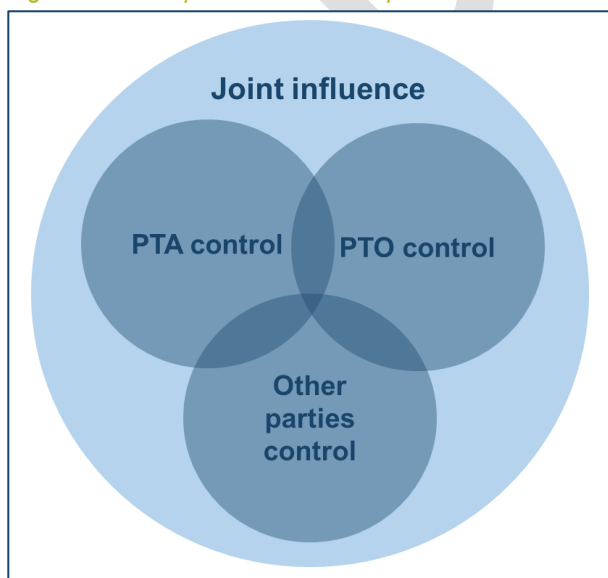
A relational delivery approach acknowledges that no single party controls the entire public transport system. Instead, delivering efficient and effective public transport is a shared responsibility, with interdependencies across multiple stakeholders.

For example, under the Land Transport Management Act (LTMA), public transport authorities are responsible for planning and delivering regional public transport networks. This requires long-term relationships with:

- Territorial authorities – for infrastructure and land use planning
- NZTA – for funding, national policy, and regulation
- Service providers – for the safe and efficient delivery of services

These parties rely on one another to achieve outcomes in the public interest, ensure a high-quality customer experience, and deliver operational excellence.

Figure 3: Interdependent relationships



In a relational delivery context, public transport performance depends on many parties working together, each with distinct roles, responsibilities, and areas of influence. At the heart of this framework is the principle of actionable accountability and influence. This means:

- Each party being accountable for the things they can directly control, and

- Using shared information to jointly influence the wider system and factors beyond any one party's direct control.

The nature of these relationships may vary depending on the context. For instance, they may be formalised through contracts with operators, or through collaborative agreements and joint planning with councils and NZTA.

While the form may differ, the underlying principle and ways of working remains consistent, where success depends on:

- Long-term collaboration
- Shared information and common goals
- Joint procedures and decision-making
- Collective problem-solving and innovation
- Aligned investment strategies
- Trust and transparency
- Adaptability to change.

This approach contrasts with transactional delivery, which focuses on short-term or one-off exchanges. Good relational delivery does not happen automatically. It can degrade over time and must be actively nurtured through:

- Clear roles and responsibilities
- Proactive monitoring and relationship management across all stakeholders
- Strong accountability mechanisms.

Enabling a relational delivery approach requires consideration in all aspects of public transport procurement, from strategy development through to day-to-day service delivery.

6.5 Arranging services into units

A core component of the LTMA that governs the procurement of public transport is the allocation of services to operational units, with each unit made up of a PT service (route) or group of services. Units are the underlying element on which the procurement of PT services are based as they form the basis on which services are procured and contracted. Unit design and related contracting elements, such as contract term and asset control, influences not only a PTA's pending round of PT contract procurements but also subsequent rounds.

It is important therefore that appropriate consideration is given to the planning and design of the unit structure in a region and how factors, such as contract term and asset control, will influence both pending and subsequent procurements.

Requirement and guidance	
1	<p>Integral services</p> <p>S116A of the LTMA requires that PT services identified as integral in a RTP must be operated in a unit or part of a unit.</p>
2	<p>Units</p> <p>A unit is a defined geographic area of any size that is specified in a RTP and for which the PTA has specified how public transport services must be operated. The geographic area of a unit is largely determined by the services included within a unit. The meaning of a unit is defined in s114B.</p>

3	<p>Allocating integral services into units</p> <p>Integral services must be arranged into units based on their statutory service type and potential eligibility for subsidy or financial assistance. Unit types are as follows:</p> <ul style="list-style-type: none"> • Contracted unit – Comprising one or more integral public transport services that are provided, or intended to be provided, under contract to a PTA and are eligible for subsidy. • Exempt fare reduction – Comprising one or more exempt public transport services that are considered integral, receive, or are intended to receive, financial assistance to reduce fares in accordance with an agreement between the PTA and exempt service operator. • Exempt financially-assisted – Comprising one or more exempt public transport services that are provided in small passenger services vehicles (12 or fewer seats) and receive, or are intended to receive, financial assistance under LTMA s120(1)(a)(vii). • Exempt integral – Public transport services that are independently operated, considered integral to the network, and not financially-assisted or intended to receive financial assistance. • In-house unit – Comprising one or more integral public transport services that are provided, or intended to be provided, by a PTA and are eligible for a subsidy. <p>Allocating integral services into units based on the statutory service type provides a logical organising structure and an efficient way to procure, monitor, report and enable transparency of information.</p>
5	<p>Basis for arranging services into units</p> <p>Services must be arranged into units on the following basis:</p> <ul style="list-style-type: none"> • <u>Geographically-based</u> - Units must be geographically based – LTMA s114B defines a unit as a geographic area of any size identified in a regional public transport plan. The geographic area of a unit is largely determined by the services within the units and may change over time. • <u>Single mode</u> - Services in a unit must be of the same mode. For example, a unit cannot include a combination of bus, ferry or train services. This provides greater transparency and simplifies monitoring and reporting, but does not prevent integrated procurement across different modes, if required. <p>On-demand public transport is a variant to a parent mode, such as bus or ferry, and may be arranged into separate units or form part of units with fixed route services of the same mode.</p> <ul style="list-style-type: none"> • <u>Single operator</u> - All services allocated into a contracted or in-house unit must have a single operator accountable for the operation and delivery of services within the unit. This does not preclude joint ventures or other such arrangements. <p>Exception – An exempt unit may be associated with one or more exempt service providers. For example, a PTA may identify a unit for the purpose of enabling provision of the Total Mobility scheme in a geographic locality and may have agreements with multiple service providers within that locality.</p> <ul style="list-style-type: none"> • <u>Efficiency and value for money</u> - Services must be arranged into units in a manner that is efficient and gives value for money. Refer Unit design principles below.

6 Unit design principles

PTAs **must** demonstrate alignment with the following unit design principles when developing procurement strategies and related content in RPTPs.

Principle 1 - Units must be operationally and financially efficient

Services **must** be allocated into units in a manner that:

- is attractive to the target supplier market as defined in procurement strategies,
- is operationally efficient,
- makes best use of existing or planned enabling infrastructure and assets,
- supports cost-effective service changes.

Operational efficiency refers to the grouping of services within units so as to minimise dead-running (to the extent practicable) to and from depots and providing opportunities for the interlining and block scheduling of services to maximise resource utilisation and minimise dead-running between service blocks.

The locations or potential locations of strategic enabling assets, such as bus depots, are a critical consideration in the design of a PTA's unit structure as asset location can materially influence the operational and financial efficiency of the services delivered from each asset. Therefore, a PTA **must** give appropriate consideration to its long-term approach to asset location, control and investment as input to its RPTP and to articulate its strategic approach through its procurement strategy.

Principle 2 - Allocation of services into units must support long-term competitive and efficient markets

Units **must** be configured in a manner that supports long term competition to the greatest extent practicable by:

- enabling the effective procurement of both pending and subsequent contracting rounds,
- (in larger markets that can sustain more than one operator) avoiding market dominance by a single operator, and
- offering appropriate scale, service composition and growth to attract multiple operators to tender.

In larger markets, units **should** be organised to enable a regular programme of procurement over time that avoids extended periods of minimal or no procurement activity. This supports:

- sustainability of the supplier market and associated supply chains
- competitive pricing transparency and benchmarking.

Within the constraints of any market share restrictions, units should be configured to encourage operators to tender for a group of units as an integrated package to enable enhanced operational efficiencies and economies of scale.

6.6 Service and asset delivery models

This section outlines requirements and guidance for:

- Service delivery models
 - Standard
 - Advanced
- Asset delivery models.

6.6.1 Service delivery models

Service delivery refers to the day-to-day operation and delivery of public transport services, with different delivery models available to PTAs to deliver services under different circumstance. Delivery models help define the allocation of responsibilities between the PTA and PTO and the allocation of risk and control to the appropriate parties to manage and mitigate risks.

The specification and choice of delivery model for a procurement activity is an important component of a procurement procedure and sets the scene for supplier selection methods along with the form and content of contracts.

For PT services, a range of delivery model options exist, providing PTAs with flexibility to select a delivery model that best meets the needs and context of the services as described below.


6.6.2 Standard service delivery models

This section outlines the following delivery models that are considered standard:


- Relational delivery
- Supplier pool
- Short term.

PTAs may utilise these delivery models without requiring prior approval from NZTA, provided appropriate value for money rationale is documented in their procurement strategy.


Relational delivery

	<p>Out-sourced delivery model in which a PTA enters a relational contract with a PTO for the provision of all services within a unit or multiple units.</p> <p>A PTA may contract with multiple PTOs to deliver services across a region.</p> <p>Enabling assets may be provided by the PTO or PTA.</p> <p>Considered the standard form of delivery model and must be governed by a relational contracting approach.</p>
Opportunities	Challenges
<ul style="list-style-type: none">• Enhanced risk and reward sharing and greater transparency driving greater trust, lower cost and flexibility to adapt to evolving needs, technologies and changes in demand• Enhanced collaboration by creating space for co-design and continuous improvement• Increased competition as a result of offering attractive risk and reward settings to the market	<ul style="list-style-type: none">• Ambiguity in roles/responsibilities without clearly defined governance• Risk of misalignment if shared objectives aren't genuinely upheld• Cultural resistance to transparency and open-book approaches• Greater dependency on interpersonal dynamics and consistent leadership• Capacity and capability of PTAs and PTOs to adapt to relational delivery principles, including to invest in the planning to develop relational delivery aligned procurement processes and contracts

Supplier pool

	<p>An extension of the relational delivery model in which the PTA contracts with two or more PTOs in the same operational area.</p> <p>The PTA utilises the supplier pool to either competitively tender service expansion variations or to offer service expansion variations to the best performing PTO in the pool.</p>
Opportunities	Challenges
<ul style="list-style-type: none"> • Simple to procure and administer • May be direct or closed sourced to incumbent PTOs <ul style="list-style-type: none"> • Potential to 'reward' better performing PTO with first right of offer for service expansion variations (Direct source) • Potential for contestability between incumbent PTOs for service expansion variations (Closed source) 	<ul style="list-style-type: none"> • Ensuring relevant risks and service variability are appropriately covered in the variation • Ensuring fairness and trust in the process by communicating: <ul style="list-style-type: none"> – Basis of performance on which direct sourcing is based – Selection criteria for contestable process

Short term

	<p>Out-sourced delivery model with basic contracting elements suitable for short term PT activities that may be a steppingstone to something else, such as:</p> <ul style="list-style-type: none"> • trial services • emergency contracts • special events • interim services for growth areas.
Opportunities	Challenges
<ul style="list-style-type: none"> • Simple to procure and administer • May be direct or closed sourced to incumbent PTOs • Potential to 'reward' better performing PTO with first right of offer for a short-term contract (Direct source) • Potential for contestability between incumbent PTOs (Closed source) 	<ul style="list-style-type: none"> • Ensuring relevant risks and service variability are appropriately covered in a short form contract • Ensuring fairness and trust in the process by communicating: <ul style="list-style-type: none"> – Basis of performance on which direct sourcing is based – Selection criteria for contestable process


6.6.3 Advanced service delivery models

The following forms of delivery models are considered advanced:

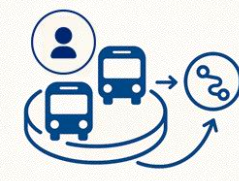
- Alliance (lite)
- Alliance (advanced)
- In-house.

PTAs must engage with NZTA prior to developing a PT procurement strategy that utilises one or more of these advanced delivery models.


Alliance (lite)

	<p>Multiple PTOs work together to jointly deliver services under a joint contract arrangement with the PTA either:</p> <ul style="list-style-type: none">• voluntarily formed into a joint venture by a tender requirement, or• selected by the PTA through tender responses. <p>Relational delivery model as base contracting framework adapted to accommodate collaborative approach.</p> <p>Leverage alliancing features without the formal governance structures.</p>
Opportunities	Challenges
<ul style="list-style-type: none">• Encourages strong collaboration between PTOs, leveraging collective expertise and resources, fostering joint problem-solving and innovation.• Aligns incentives through shared risk and reward mechanisms, promoting joint accountability for outcomes.• Supports co-development of service improvements, resource utilization, fleet transitions, and infrastructure upgrades.• Foster supplier market depth and enable a pathway for new entrants.	<ul style="list-style-type: none">• Requires high trust, open communication, and cultural alignment• Complex to structure equitable risk/reward sharing arrangements, especially with diverse PTOs.• Requires significant time and resources upfront to co-design workable and detailed delivery plans.• Requires robust systems for performance monitoring, data sharing, and dispute resolution.• Incentives, such as longer tenure, may be required to encourage PTO collaboration and sharing of IP with potential future competitors.

Alliance (advanced)

	<p>Under a more standard alliance style contract, the PTA and selected PTOs work together to collaboratively determine and deliver the best solution to meet the PT service objectives with shared risk and reward.</p> <p>Could be used to deliver a single unit in a given locality or multiple units across a broad spatial area.</p> <p>Formal governance oversight by an Alliance board required.</p> <p>PTA would be a participating owner in the Alliance.</p>
Opportunities	Challenges
<ul style="list-style-type: none"> Encourages strong collaboration between PTA and PTOs, fostering joint problem-solving and innovation. Aligns incentives through shared risk and reward mechanisms, promoting joint accountability for outcomes. Supports co-development of service improvements, resource utilization, fleet transitions, and infrastructure upgrades. Brings PTOs into the strategic planning process, improving alignment with PTA's long-term objectives. 	<ul style="list-style-type: none"> Requires high trust, open communication, and cultural alignment Complex to structure equitable risk/reward sharing arrangements, especially with diverse PTOs. Potential for blurred accountability or scope creep if roles/responsibilities are not clearly defined. Requires significant time and resources upfront to co-design workable and detailed delivery plans. Requires robust systems for governance oversight, performance monitoring, data sharing, and dispute resolution. Administration heavy, good culture & collaboration paramount. Advanced skills capabilities required across all participants. Appropriate only for large scale, changeable and higher risk service delivery scenarios.

In-house

	<p>PTA does not out-source service delivery, undertaking all facets of asset ownership and operations, employment of operational staff (e.g., drivers, maintenance crew, rostering and dispatch personnel), and management of the day-to-day operations of the services, including all associated risks.</p> <p>Appropriate only in certain circumstances, such as where there has been a market failure and an efficient outsource market for PT services does not exist.</p>
Opportunities	Challenges
<ul style="list-style-type: none"> Ability to address market failure (e.g. step in rights) or enable service provision where effective market for provision services does not exist. 	<ul style="list-style-type: none"> PTA is fully responsible for service quality, safety, and customer experience. May lack cost discipline and innovation without market competition. Assumes all staffing, industrial relations, and negotiation duties. Carries full financial risk, including capital and operating costs.

Requirement and guidance	
1	<p>Procurement strategies</p> <p>PTAs must outline in their procurement strategies, the service delivery model that will be used for the PT services being procured and the rationale for the delivery model selected within the context of the PTA's strategic environment and how the selected delivery model will provide best value for money.</p>
2	<p>Standard forms of delivery</p> <p>PTAs may utilise these delivery models without requiring prior approval from NZTA, provided appropriate value for money rationale is documented in their procurement strategy.</p>
3	<p>Advanced forms of delivery</p> <p>PTAs must engage with NZTA prior to developing a PT procurement strategy that utilises one or more of these advanced delivery models.</p>
4	<p>Outsourced delivery</p> <p>NZTA core operational policy is to obtain best value for money spent on public transport service delivery by fostering a competitive and efficient supplier market overtime. The out-sourcing of service delivery to PTOs core policy for the following reasons:</p> <ul style="list-style-type: none"> • Out-sourcing enables the selection, appointment and contracting of specialist organisations that have the requisite expertise, processes and resources to perform the complex functions that underpin the delivery and operation of PT services, • Separating PT planning and funding from operations enables an appropriate transfer of risk from the public to private sector, including utilising commercial incentives to drive cost efficiency and service performance, • Where efficient markets exist, out-sourcing enables services to be competitively procured which is more likely to result in better value for money (lower prices and higher quality) than alternative methods of procurement. <p>In-house delivery</p> <p>PTAs must obtain explicit NZTA approval before proposing in-house delivery of public transport services in a procurement strategy. Approval is considered on a case-by-case basis. Any proposal to deliver services in-house by a PTA must be supported by:</p> <ul style="list-style-type: none"> • A review undertaken in accordance with section 17A of the Local Government Act, • A robust assessment regarding the potential short- and long-term implications for achieving best value for money and desirability of maintaining competitive markets for the supply of services, and, • A business case commensurate with the scale and significance of the potential undertaking.

6.6.4 Asset delivery models

Within the context of PT services, asset delivery models refer to how the different asset classes that are required to deliver PT services are provisioned and controlled.

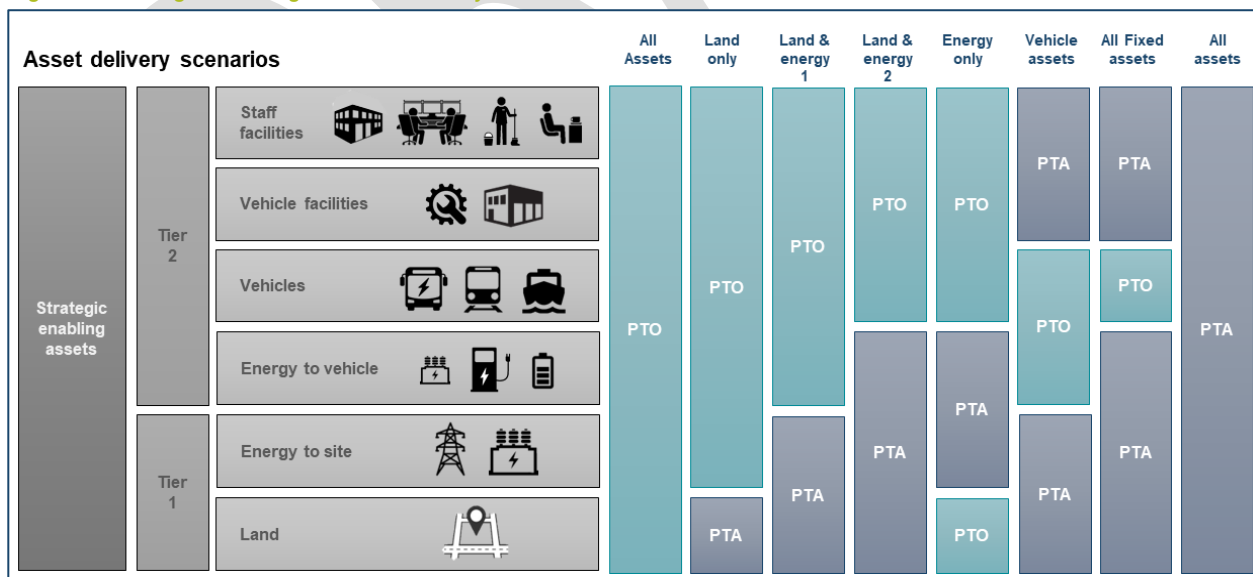
The key distinction for the purposes of PT services procurement is defining the classes of strategic enabling assets and the party responsible for the provision and control of the assets

Classification of assets

Tier	Description
Tier 1 assets	Foundational long-term strategic enabling assets such as land and access to energy. Lifecycles measured in decades and/or strategically important for enabling competitive and efficient markets. May be delivered by PTA or PTO depending on delivery model strategy.
Tier 2 assets	Medium-term enabling assets essential to service delivery (generally >10-year lifecycles) and the treatment of which can significantly influence obtaining best value for money. Examples of Tier 2 assets include vehicles, vehicle maintenance facilities, charging and fuel infrastructure, employee facilities.
Tier 3 assets	Commodity assets (generally <10-year lifecycles) routinely renewed and replaced as part of normal business processes. Examples of Tier 3 assets include technology systems such as real time information, bus telematics, scheduling and rostering systems, security and CCTV assets, office infrastructure.

Tier 1 and Tier 2 assets can be provisioned or delivered in many different ways as illustrated in Figure 4. What is appropriate regarding the configuration of responsibilities and subsequent decisions regarding asset control will depend on context, such as but not limited to scale, location, funding, unit structure, potential effects on competition and service delivery model.

Figure 4: Strategic enabling assets – delivery model scenarios



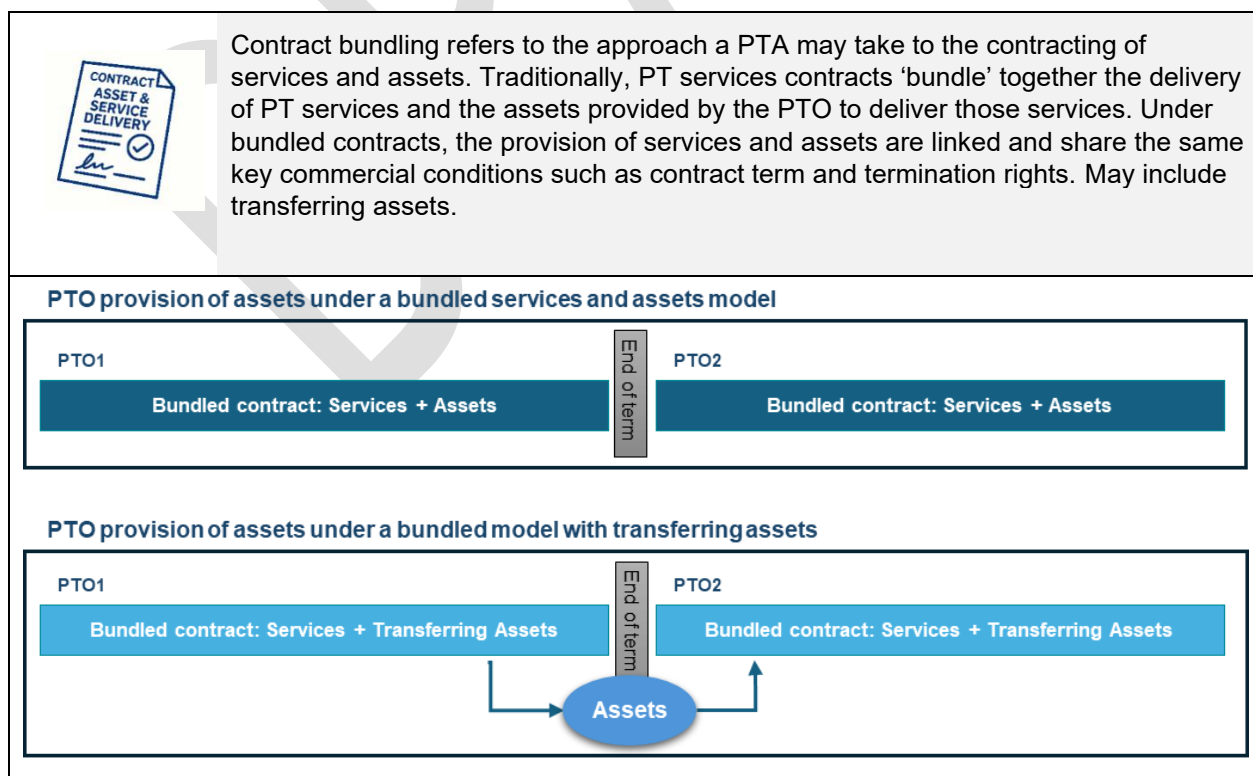
Requirement and guidance	
1	<p>Procurement strategies</p> <p>PTAs must demonstrate in their procurement strategies, the asset delivery model that will be used for the PT services being procured and the rationale for the delivery model selected. Rationale must be provided within the context of the PTA's strategic environment and how the selected delivery model will provide best value for money.</p>
2	<p>Circumstances for PTA control of assets</p> <p>Generally, it is expected that PTOs are in the best position to procure, own, operate and maintain strategic enabling assets and the associated risks, however there are certain circumstances that may warrant PTA control of strategic enabling assets. These include but are not limited to:</p> <ul style="list-style-type: none"> instances where suitable land for depot facilities is constrained or is likely to become constrained, resulting in: <ul style="list-style-type: none"> control of enabling assets by PTOs creating a barrier to competition, an unacceptable risk to efficient service continuity should an existing depot be repurposed to alternative uses and no longer be available for public transport purposes, where there is a more efficient risk allocation through PTA control, where there is lower overall cost to the PT system, however consideration needs also to be given to the role that asset control by a PTO may play in lowering overall costs for service due to its ability to earn a return on capital and/or to apportion costs across other business activities, where PTA control of enabling assets supports cost effective service change or expansion over time.
3	<p>Asset control policy</p> <p>PTAs must define an asset control policy covering each class of strategic enabling assets as part of their procurement strategy and regional public transport plans. This policy should be shaped by the specific context and needs of the region. In some cases, public control may be necessary to support a competitive and efficient market and deliver long-term value. In other cases, private sector control may be more appropriate to achieve these goals.</p>
4	<p>PTA asset control pathway</p> <p>Asset control does not necessarily mean ownership. Forms of asset control include:</p> <ul style="list-style-type: none"> ownership end of term transfer lease third party 'solution as a service'. <p>Where a PTA's asset control policy includes elements of public control, the procurement strategy must clearly outline the asset control pathway for each relevant class of strategic enabling assets. This should include the intended approach to public control, the key responsibilities and risk allocation, and an explanation of how the proposed pathway supports value for money in the context of the public transport services being procured.</p>

5	<p>End of term transfer</p> <p>Where a PTA is proposing end of term transfers of assets, the PTA's procurement strategy must demonstrate thinking in the following areas:</p> <ul style="list-style-type: none"> • The assets under consideration and the reasons for an end of term transfer approach. • Whether the end of term transfer will be a mandatory requirement or will take the form of an option exercisable by the PTO or PTA respectively. • The valuation approach for the transferring assets.
6	<p>Asset management</p> <p>Asset management refers to the operation, maintenance and long term custodianship of assets. An entity responsible for control can be different to the entity responsible for the operation and maintenance aspects of asset management, however the long term custodianship of an asset is ultimately the responsibility of the party who controls the asset. This responsibility has implications for risk apportionment and resourcing and must be considered in procurement strategies.</p> <p>Where PTAs choose to control enabling assets, they must demonstrate in their procurement strategies the effects on risk apportionment and how the PTA will organise itself to ensure it has the capability and capacity to manage the long-term custodianship of assets in a commercially oriented discipline.</p>

6.7 Contracting for services and assets

Under each of the different service delivery and asset delivery models there are implications for how assets and services may be contracted as illustrated below. Different contracting forms may be applied to different assets. For example, vehicles and charging infrastructure may be delivered under a bundled contract while depot infrastructure may be delivered under a separable contract or by the PTA.

6.7.1 Bundled



6.7.2 Separable

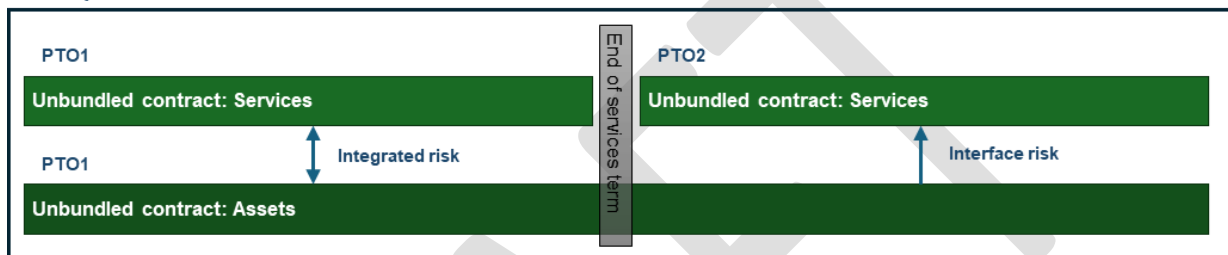


Services and enabling assets are organised into related but separable contracts. Contracts are competitively tendered and could be awarded to the same or different providers.

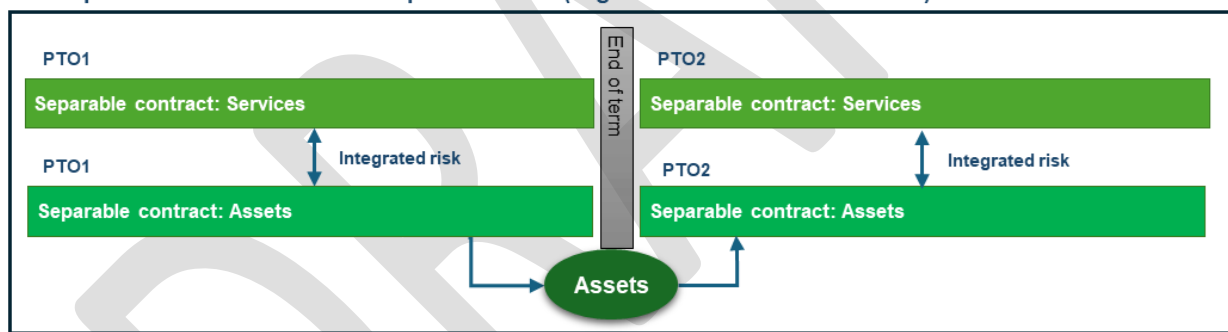
Separable contracts for an asset type may be utilised to enable a longer-term commitment that more appropriately reflects the economic life of an asset and survives beyond the term of the services contract.

Alternatively, asset delivery contracts for an asset type may be separated to take advantage of specific funding mechanisms with the term aligned to the services contract. Depending on the funding mechanism, assets may be required to transfer to ensure continuity of asset provision and financing costs reflective of the economic life of the asset.

PTO provision of assets under an unbundled model



PTO provision of assets under a separable model (aligned to services contract term)

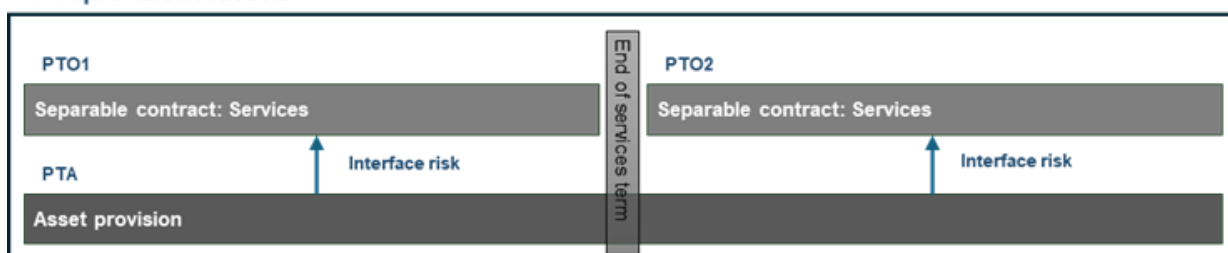


6.7.3 PTA provisioned assets



PTO operates services under a competitively tendered contract. Strategic enabling assets are provisioned by PTA under a commercially oriented structure with a lease to the PTO.

PTA provision of assets



Requirement and guidance	
1	Procurement strategies PTAs must demonstrate in their procurement strategies, the contracting form or forms that will be used to bring together services and asset delivery and the rationale for the contracting forms selected. Rationale must be provided within the context of the PTA's strategic environment and how the selected contracting forms will provide best value for money.
2	Further guidance For more information on contracting for services and assets and the opportunities and challenges associated with each model, refer to the [Contracting Guidance – under development] .

6.8 Contract length

6.8.1 Selecting a contract term

Selecting an appropriate contract term length is a key decision in PT procurement, especially for PT delivery and infrastructure-related services. The optimal term for different PT activities should balance value for money, market competition, delivery risk and investment certainty.

The principles in Table 2 can help guide the selection of contract term lengths for PT activities.

Table 2: Principles for selecting optimal contract term lengths

Principle	Application
Investment recovery	<p>Align term length with asset or investment horizon.</p> <p>Longer terms are suitable when suppliers must make significant upfront investments (e.g. fleet, depots, technology systems), allowing suppliers to amortise their capital costs over longer time periods and earn a reasonable return.</p> <p>Shorter terms may be suitable where assets are leased, lower-value, easily redeployed or have end of term asset transfer provisions in place.</p>
Market conditions and maturity	<p>Match term length to market conditions and maturity.</p> <p>In mature or competitive markets in which there are low barriers to entry, shorter terms enables the market to be regularly tested, encouraging ongoing innovation and keeping competitive pressure high.</p> <p>In developing or more constrained markets, longer terms may be needed to make the opportunity attractive to suppliers and build market capacity. Longer term returns are necessary to attract non-incumbent operators to offset the effort, risk and investment in bid and set-up costs where dominant incumbent suppliers and barriers to entry may exist.</p> <p>In summary, shorter terms in competitive markets; longer in thin markets.</p>
Service complexity and transition effort	<p>Longer terms for complex, higher risk services and those requiring high transition effort. Shorter terms for services that are low risk, easy to retender and/or can be easily scaled up or down.</p>

	<p>In more complex, higher risk contracts, longer terms can support more balanced risk sharing, allowing time to resolve early issues and stabilise operations. Longer terms support risk mitigation but must be balanced with flexibility mechanisms.</p> <p>Transitioning between suppliers in high-risk contracts where asset investment is involved can take 12–24 months and significantly affect service quality. Longer terms reduce the frequency and cost of transitions and support institutional knowledge retention.</p> <p>Short contracts increase the risk of frequent disruption and repeated mobilisation/demobilisation cycles.</p> <p>Suppliers are more likely to accept long-term performance-based or alliancing models where they have the opportunity to influence outcomes over time.</p> <p>Strategic, longer term relational contracts also encourage joint innovation, lifecycle cost savings and investment.</p> <p>For low risk, low complexity services and pilot or trial programs, use short-term or flexible contracts to minimise commitment risk.</p>
Clarity and flexibility	<p>While longer term contracts have their place and are necessary for more complex aspects of PT activities, they also bind the PTA into long term agreements and relationships with suppliers, which can be challenging in dynamic environments.</p> <p>It is critical therefore that contracts are well designed and well managed. In longer term contracts. Clarity of roles and responsibilities is especially important to avoid duplication or gaps in delivery, appropriately allocate risk, enable effective performance monitoring and dispute resolution, have a clear governance structure and identify and manage interfaces with other parties and external factors.</p> <p>Flexibility to manage change over multi-year contracts is important to ensure the contract can adapt to unforeseen changes over time. Flexibility is important to support service evolution, such as expanded service reach or integration of new technologies, allows adaptation to policy shifts, minimises change costs and ensures ongoing value for money through appropriate risk allocation and efficient pricing of change events.</p> <p>Examples of contract flexibility include break clauses, mid-term reviews, optimised risk allocation and contract variation pricing mechanisms.</p>
Future planning alignment	<p>Align with future plans for significant changes to policy, network or infrastructure.</p> <p>When determining contract term lengths, consideration should be given to any significant upcoming or future infrastructure or network projects that will impact PT service delivery and how any such future projects will impact current and future procurements of PT services and related activities.</p> <p>Transition risk associated with the concurrent commencement of new contracts (whether that is for PT services or enabling infrastructure or systems) and major network changes should be avoided. Any substantive future network change should ideally be implemented utilising the experience of embedded operators. Where practicable, contract terms should therefore be selected to either expire after future network changes have been embedded or a suitable time in advance of network change to allow new operators to bed in prior to future network changes.</p>

	<p>The expiry of contracts and transition to new contracts at the time of network change should be avoided.</p> <p>Due to the uncertainty when major changes will be implemented, particularly those reliant on infrastructure construction, additional optionality for contract expiry flexibility should be included in contracts that face major network changes near the end of term.</p> <p>When planning for network changes that are associated with infrastructure construction (such as for mass transit systems), consideration needs to be given to network disruptions from construction activities in advance of new network implementations.</p>
Other procurements	<p>Align with future procurement activity.</p> <p>Consideration should be given to other future procurement activity, both regionally and nationally, to avoid potential clashes with the tendering of other major contracts and to assist in the creation of a regular pipeline of procurement activity that enables efficient utilisation of tendering resources both for PTAs and suppliers.</p> <p>NZTA will assist in the coordination and publication of a national pipeline of PT procurement activities.</p>

Requirement and guidance

- | | |
|----------|--|
| 1 | PTAs must demonstrate in their procurement strategies the considerations against the above principles that they had given in the selection of the proposed contract term for each procurement activity. |
|----------|--|

6.8.2 Contract terms for PT services contracts

PTAs have the flexibility to utilise different contract term lengths for PT services contracts to support procurement outcomes intended to achieve long term value for money.

Options for contract tenure are categorized into three bands as illustrated in **Error! Reference source not found..**

Figure 5 Contract tenure bands for PT services contracts



Requirement and guidance	
1	<p>Band 1 contract tenure options of up to 6 years are appropriate for short term contracts, including those that may be awarded under the Supplier Pool delivery model.</p>
2	<p>Band 2 contract tenure options of between 6 to 11 years are appropriate for the majority of PT relational contracts and applicable contracts.</p> <p>Considerations for selecting a Band 2 term of between 6 and 11 years include:</p> <ul style="list-style-type: none"> • Asset delivery model – generally assets provided by the PTO will suit a longer contract term to provide a suitable amortization period and return on capital for the PTO, while, conversely, where key assets are provided by the PTA, the same length of term to provide PTO returns is not required, and a shorter term may be preferred to enable more frequent tendering or for other reasons. • Depth of supplier market – good depth in the incumbent supplier market can support more regular tendering and therefore shorter contract terms. • Different contract terms for different units may be utilised to enable the alignment of expiry dates of different units for planning future tender rounds or to align to other significant changes that may be planned for the network.
3	<p>Band 3 options of greater than 11 years are considered longer than are necessary for 'standard' bus contracts and can add risk to PTAs by locking in individual PTOs and stifling competition, impacting long term value for money.</p> <p>PTAs must obtain approval from NZTA for the use of contract terms greater than 11 years prior to submitting their procurement strategy.</p> <p>Such contract lengths may be appropriate to achieve certain outcomes. Examples of potential circumstances include:</p> <ul style="list-style-type: none"> • To enable the alignment of expiry dates of different units for planning future tender rounds or to align to other significant changes that may be planned for the network. • Incentivising particular outcomes, such as the offer of longer tenure in exchange for the end of term transfer of a strategic asset. • In circumstances where significant change and complexity is expected to occur, particularly in outer years, and it would be difficult to change the PTO during that period. • For complex contracting arrangements, such as an alliance style delivery model, that requires a longer timeframe to deliver the expected benefits.

6.8.3 Contract term extensions

Term extension options are important contractual mechanisms to provide flexibility for PTAs to enable short term extensions for planning related purposes (PTA Extension Option).

Requirement and guidance	
1	<p>PTA Extension Option</p> <p>A PTA Extension Option provides PTAs with the flexibility, at its discretion, to extend PT services contracts by a defined period of time to enable the PTA to defer the commencement date of successor contracts due to unforeseen future changes in circumstances.</p> <p>While all PT operating contracts should include a PTA Extension Option, the inclusion of such options should not be a reason for poor procurement planning, but rather as a mitigation for changing circumstances that require the commencement of a successor contract to be deferred.</p>

<p>PTA Extension Options should be for no longer than 24 months and, to maximise flexibility, should be worded as “up to 24 months from the original expiry date”.</p> <p>The principal circumstances in which a PTA Extension Option may be exercised is to optimise the timing of when successor contracts commence relative to a major network or infrastructure change. The PTA Extension Option also serves to safeguard a period of time if other unforeseen circumstances delay tendering processes and/or contract transitions.</p> <p>Further information on PTA Extension Options is provided in [NZTA Contracting Guidance (in development)].</p>
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6.9 Contract development

The PT operating contract establishes the form of the relationship between the PTA and PTO and stipulates the terms and conditions for delivery of the services.

Contracting guidance is provided in [NZTA Contracting Guidance (in development)] to assist PTAs prepare contracts that will provide a greater level of consistency in contracting of PT services across the country and improved value for money through guidance on a recommended risk allocation framework.

Consistency in contracting approaches by PTAs across New Zealand has a number of beneficial outcomes for the sector, including:

- Reducing tender preparation efforts by PTAs.
- Reducing tender response efforts by PTOs if they do not have to 'learn' and adapt to different forms of contract and risk allocation for each PTA.
- Enabling national benchmarking of costs and performance for the purposes of supporting sector-wide continuous improvement.
- Enabling more collaborative problem solving across the sector.

Requirement and guidance	
1	<p>Draft form of contract</p> <p>A draft form of the intended contract must be made available to RFP participants as part of the RFP process to ensure that participants have a clear understanding of the intended allocation of risk, the manner in which they will be remunerated, each party's obligations and the performance levels that they will be measured against.</p>
2	<p>Contract changes after tender submissions close</p> <p>RFP participants will price their bids on the basis of the terms of the draft contract. Any changes to the draft contract once RFP submissions have closed must only be done so by agreement with the participants remaining in the process, which may require re-pricing or other trade-offs by negotiation.</p>
3	<p>Contracting consistency</p> <p>To maximise consistency and efficiency in contracting across New Zealand, PTAs should utilise the tools and guidance provided by NZTA.</p>
4	<p>Further requirements and guidance</p> <p>Further requirements and guidance in relation to contract development is provided in the [NZTA Contracting Guidance (in development)]. PTAs must describe any notable deviations from the [NZTA Contracting Guidance (in development)] in their procurement strategies.</p>

6.10 Risk

The following section provides guidance on two areas of risk. Process related risk associated with the procurement lifecycle and the allocation of commercial risks between the PTA and PTO.

6.10.1 Process risk

To obtain best value for money, PTAs must be able to proactively identify, evaluate and manage relevant risks, opportunities and issues arising out of the procurement process. Risk can arise at any stage of the procurement lifecycle and can be broadly identified as:

- activity – risks surrounding scope and scale of the services being procured
- process – risks relating to the procurement process
- contract and relationship – risks arising as the activity is delivered
- termination and transition – risks as the contract nears completion and transitions from one contract to another.

Requirement and guidance	
1	<p>Effective risk management</p> <p>To effectively manage risk, PTAs must:</p> <ul style="list-style-type: none">• Establish effective dialogue with the supplier market to best understand the risks for the activity.• Allocate risk in an optimal manner to the parties who are best placed to manage and mitigate the risk over the life of the activity (the supplier is not always the best party to manage or mitigate certain types of risk).• Use appropriate risk transfer and enforcement mechanisms so that the cost of risk is borne by the parties as intended.• Employ an active risk management programme to protect and preserve best value for money in the procurement process.
2	<p>Demonstrating risk management in procurement strategies</p> <p>At a minimum, PTA's must demonstrate consideration of the following risks in procurement strategies:</p> <ul style="list-style-type: none">• Activity risks:<ul style="list-style-type: none">○ Resources to undertake the procurement programme○ Funding constraints○ Delays or change in scope to major infrastructure projects○ Changes in Government policy• Process risks:<ul style="list-style-type: none">○ Lack of competition○ Failure to adhere to probity standards and practices○ Loss of key people during the process○ Affordability of bids received○ Delays in executing the procurement process• Transition risks:<ul style="list-style-type: none">○ Service continuity○ Transition-in risks

	<ul style="list-style-type: none"> • Delivery and contract risks: <ul style="list-style-type: none"> ○ Delivery risks ○ Performance risks ○ Changing circumstances during the term ○ Financial sustainability of the operator.
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6.10.2 Commercial risk allocation

One of the key principles of relational contracting is a risk-sharing approach that ensures contract mechanisms appropriately allocate risks to the party best placed to manage them. PT services are delivered in complex and dynamic commercial and operating environments with many unknowns and uncertainties over long contract periods. It is important therefore that risk associated with these unknowns and uncertainties are appropriately considered and allocated to the party best able to manage them. The inappropriate allocation of risk to the party that is unable to control the risk impacts value for money.

Where risk is inappropriately allocated to the PTO, the PTO will either apply a risk premium to its pricing, which may reflect its perceived direct cost of incurring the risk or the cost to insure against the risk. Alternatively, a PTO may not price the risk, creating a subsequent risk to the financial sustainability of the PTO should the risk materialise. Such an outcome creates further risks to service continuity and the costs of intervention by the PTA. Under all scenarios the inappropriate allocation of risk reduces value for money.

It is important therefore that PTAs adopt a risk-sharing approach rather than simply transferring or contracting risk away.

Requirement and guidance

1	<p>Allocating risk</p> <p>PTAs must carefully consider commercial risk allocation through all stages of developing and executing procurement procedures. Risk can either be allocated to the:</p> <ul style="list-style-type: none"> • PTA • PTO • Shared <p>Risk allocation decisions must be informed by the principle that risks should be allocated to the party best able to manage the risk.</p> <p>Where risk is unable to be influenced by either party, the risk is best allocated to and managed by the PTA.</p>
2	<p>Risk allocation matrix</p> <p>The risk allocation matrix in [NZTA Contracting Guidance] provides recommendations for how risk treatment and allocation should be considered for managing key public transport risks under the relational service delivery model.</p> <p>The principles within this guidance are applicable to other modes and activities.</p>
3	<p>Demonstrating commercial risk allocation in procurement strategies</p> <p>PTAs must describe in their procurement strategies any notable departures from the recommended risk allocation matrix in the [NZTA Contracting Guidance] and the rationale for doing so.</p>

6.11 Workforce

A sustainable, skilled, and supported workforce is essential to delivering reliable, safe, and high-quality public transport services throughout New Zealand that are efficient and provide value for money. The public transport sector depends on the people who plan, operate, and maintain services, particularly frontline staff such as bus drivers, as the face of the network for many passengers.

Workforce considerations are not just operational, they are also strategic. Decisions made during different stages of the procurement and contracting lifecycle directly affect the sector's ability to attract, retain, and develop the personnel needed to meet current and future transport needs.

These include how services are planned, how contracts are structured, and how transitions between operators are managed. Changes in operator, whether through competitive tendering or other procurement processes, can create uncertainty for frontline staff, disrupt employment continuity, and impact service quality.

A well-managed transition process that prioritises workforce stability and supports fair employment practices is essential to maintaining a resilient and high-performing public transport system. Embedding workforce considerations throughout the lifecycle helps ensure that public transport remains an attractive and sustainable career choice.

6.11.1 General roles and responsibilities

Achieving a sustainable, skilled, and supported public transport workforce requires coordinated action across stakeholders. The following roles and responsibilities apply generally to PTAs, PTOs and other stakeholders involved in planning, procurement, and service delivery.

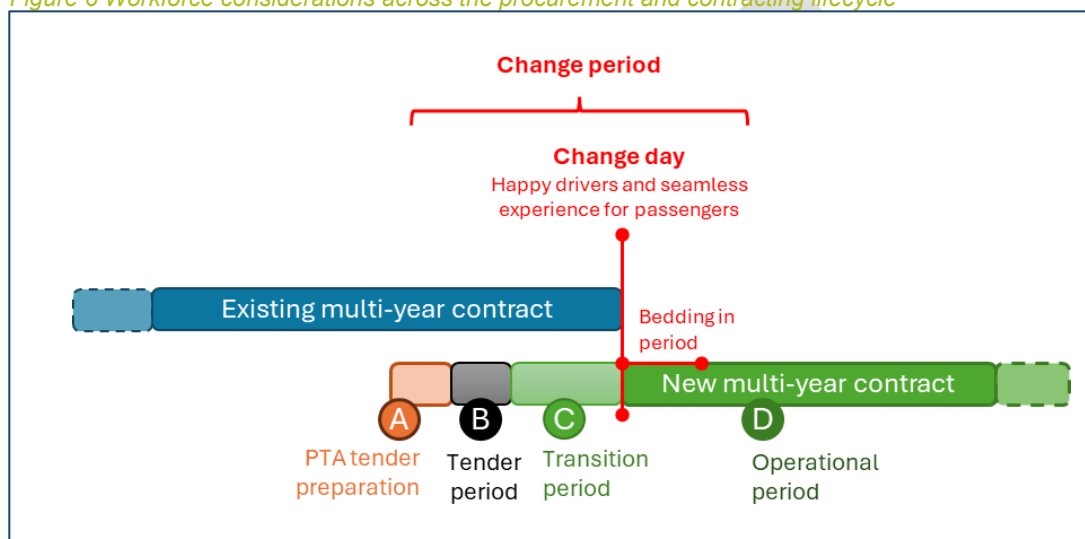
Requirement and guidance	
1	Public transport authorities <ul style="list-style-type: none">• <u>Strategic planning</u>: Consider workforce impacts in network design, service scheduling, and long-term planning.• <u>Procurement design</u>: Structure contracts and tender processes to incentivise fair employment practices, workforce development, and continuity.• <u>Monitoring and oversight</u>: Track workforce-related performance indicators and ensure contractual commitments are being met.• <u>Collaboration</u>: Facilitate joint forums and initiatives to address workforce challenges and promote continuous improvement.
2	Transport operators <ul style="list-style-type: none">• <u>Employment practices</u>: Provide fair, equitable, and attractive terms and conditions that reflect the skills and responsibilities of the workforce.• <u>Workplace culture</u>: Foster a safe, inclusive, and supportive working environment that promotes wellbeing and retention.• <u>Training and development</u>: Offer opportunities for professional growth and career progression within the sector.• <u>Data provision</u>: Supply accurate and timely workforce data to PTAs to support monitoring and continuous improvement.
3	Shared responsibilities <ul style="list-style-type: none">• <u>Workforce stability</u>: Work together to ensure smooth transitions during network and/or operator changes, minimising disruption and uncertainty for staff.

- Health, safety, and wellbeing: Collaborate on initiatives that promote physical and mental wellbeing across the workforce.
- Continuous improvement: Use data and feedback to identify trends, address issues, and improve workforce outcomes over time.
- Sector promotion: Foster and champion public transport as a rewarding and sustainable career path, particularly for frontline roles such as bus drivers.

6.11.2 Bus driver workforce

The following section provides specific requirements and guidance relative to the bus driver workforce across different stages of the procurement and contracting lifecycle as illustrated in Figure 6.

Figure 6 Workforce considerations across the procurement and contracting lifecycle



Requirement and guidance

1 Tender Preparation (Stage A of the Procurement and Contracting Lifecycle)

National bus driver wage floor

- PTAs **must** specify in their procurement documents the applicable minimum base wage rate for bus drivers that PTOs must undertake to pay on an indexed basis.
- The rate **must** be no less than the latest applicable sector minimum wage rate published by NZTA at the time of tender release and indexed overtime.
- PTAs **may** specify higher wage rates and/or other minimum conditions having regard to local context.
- PTAs **must** include in their PT services contracts the requirement for PTOs to pass on in full the labour component of indexation adjustments at least annually to bus drivers.

Fostering upward competitive tension

- PTAs **must** include the mandatory workforce evaluation criteria in tender evaluations as specified in the *NZTA Supplier Selection Guidance* (**in development**).

Pricing transparency and consistency

	<ul style="list-style-type: none"> PTAs must utilise tender price workbooks to seek greater transparency over workforce costs and assumptions, improving PTA knowledge and understanding and enabling greater trust between PTAs and PTOs. <p>Transition enablers</p> <ul style="list-style-type: none"> PTAs must plan for a structured and joined-up approach to facilitate the recruitment, training, and onboarding of employees by incoming operators during the transition period, and communicate how the PTA will assist in the mitigation of transition risk in relation to employment. PTAs must include in their PT services contracts obligations on outgoing PTOs to cooperate and not frustrate the recruitment, training, and onboarding of employees by incoming operators. Where existing PT services contracts do not have exit service obligations on outgoing PTOs, PTAs should seek applicable undertakings from incumbent PTOs to cooperate during the transition period as a condition of tender participation. PTAs must include in their PT services contracts obligations on incoming PTOs to cooperate and not frustrate the ability of outgoing PTOs to provide continuity of service during the transition period. <p>Workforce communication</p> <ul style="list-style-type: none"> In advance of tender processes, PTAs should communicate with incumbent PTOs, and incumbent PTOs should communicate with their workforce, regarding how the procurement process work and the steps being taken to minimise potential adverse implications.
2	<p>Tender period (Stage B of the procurement and contracting lifecycle)</p> <ul style="list-style-type: none"> <u>Minimum employment standards</u>: PTOs must tender at a base wage rate and where applicable other employment conditions for bus drivers that are no less than those specified by the PTA. <u>Workforce evaluation criteria</u>: PTOs must respond to, and PTAs must evaluate, mandatory criteria related to workforce practices, including employment terms, training, and workplace culture.
3	<p>Transition period (Stage C of the procurement and contracting lifecycle)</p> <ul style="list-style-type: none"> <u>Joint transition planning</u>: PTAs, outgoing PTOs, and incoming PTOs should participate in joint workforce transition planning to support continuity and minimise disruption. <u>Support for staff onboarding</u>: PTAs should contribute to the transition period by enabling outgoing PTOs to release staff for training and onboarding with incoming PTOs without disadvantage, this may include targeted service level reductions or other supportive initiatives. <u>Collaboration and improvement</u>: All parties should engage in shared workforce forums during the transition period to identify risks, opportunities, and improvement actions. These forums should support proactive planning around recruitment, retention, and workforce wellbeing, and ensure that lessons learned are carried forward into future procurement cycles.
4	<p>Operational period (Stage D of the procurement and contracting lifecycle)</p> <ul style="list-style-type: none"> <u>Labour indexation</u>: PTOs must pass on the labour component of the NZTA indexation mechanism to bus drivers at least annually. <u>Workforce monitoring</u>: PTAs must embed a workforce monitoring framework, incorporating nationally consistent measures and reporting practices to support shared understanding

	<p>and continuous improvement (refer to the Public Transport Monitoring and Reporting document, in development).</p> <ul style="list-style-type: none"> • <u>Collaboration and improvement</u>: PTAs and PTOs must actively participate in joint workforce forums and work together to identify, develop, and implement improvement actions that address workforce challenges and opportunities.
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6.12 Sourcing and supplier selection

Supplier selection refers to the method of selecting suppliers to deliver the PT services in a region.

Requirement and guidance	
1	<p>Consistency in supplier selection approaches</p> <p>To the extent practicable, tendering and contracting approaches by PTAs should be streamlined and consistent across the country to reduce workload for the PTO supplier market and support increased participation in procurement processes, avoid duplicate effort and be accessible to sector participants with varying levels of capacity and capability.</p> <p>To this end, NZTA [has developed / is developing] templates and guidance to assist PTAs prepare tenders and contracts that will provide a level of consistency sought by PTOs.</p>
2	<p>Engagement with the supplier market</p> <p>In preparation of procurement strategies, PTAs must engage with the supplier market, including both incumbent and non-incumbent operators regarding upcoming procurement programmes.</p> <p>The purpose of such engagement is to inform the PTA's procurement strategy to ensure that the opportunity, when presented to the market, is as attractive to the supplier market as possible with the objective of maximising competition. Such consultation also serves to inform the supplier market of the upcoming opportunity.</p> <p>Information that should be sought from the supplier market to inform the preparation of procurement strategies includes feedback on:</p> <ul style="list-style-type: none"> • The optimal unit size and structure to be attractive to a cross section of PTOs • Potential asset and service delivery models • Fleet and infrastructure requirements • Procurement timing and supplier selection approach • Risk allocation <p>Engagement may be undertaken informally with a cross-section of incumbent and non-incumbent operators or more formally through mechanisms such as Requests for Information (RFI).</p> <p>Subject to timing and other considerations, consultation with the supplier market on RPTPs may be sufficient to also inform procurement strategies.</p>
3	<p>Approach to market methods</p> <p>For the procurement of PT activities, the approach to market methods available to PTAs are:</p> <ul style="list-style-type: none"> • Open source procurement (also known as open tendering) is a competitive procurement method where the opportunity is publicly advertised, and any qualified supplier can submit a bid or proposal. • Closed source procurement (also known as selective tendering) is a limited competition method where only a pre-qualified or invited group of suppliers is asked to submit bids.

	<ul style="list-style-type: none"> Direct source procurement (also known as single or sole sourcing) is a non-competitive method where a contract is negotiated and awarded directly to one supplier without a tendering process.
4	<p>Open source</p> <p>Open source procurements 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.</p>
5	<p>Closed source</p> <p>Closed sourcing, in which select suppliers are invited to compete in a closed tender, may be utilised for some public transport activities, such as some PT enabling assets, systems and functions and professional services.</p> <p>Closed sourcing 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>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. Consequently, closed sourcing must not be used for PT services contracts (other than those under short term and supplier pool delivery models).</p>
6	<p>Direct source</p> <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. 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 their fallback strategy for an alternative procurement approach should direct sourcing not achieve the PTA's expected bottom line.</p>
7	<p>Procurement strategies</p> <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>
8	<p>Further requirements and guidance</p> <p>Further requirements and guidance in relation to supplier selection is provided in the [NZTA Supplier Selection Guidance (in development)]. PTAs must describe any notable deviations from the [NZTA Supplier Selection Guidance] in their procurement strategies.</p>

6.13 Market caps

If one PTO dominates a market with significant market share, this can create, or be perceived to create, a barrier to entry for new entrants as they may consider that their opportunity to displace a strong incumbent is lessened, therefore reducing the likelihood of robust competition in future tender rounds.

There is an additional risk that a dominant operator can be less likely to improve service performance and innovate if there is no depth in the market to create rivalry between competitors and in-market pressure to perform.

In regions with sufficient scale of PT services to sustain more than one PTO, the application of market caps can be used to prevent a single PTO becoming dominant in a region and stifling competition.

It is important that PTAs are transparent in specifying a market share cap in tender documents (e.g. no one operator can win more than 40% of the market tendered) as it promotes fairness by enabling operators to be more selective in the areas that they tender for, is objective by removing the risk of bias from evaluations when considering the issue of competition, and, importantly, sends a strong signal to the supplier market that the PTA encourages competition.

Requirement and guidance

1	Market cap thresholds Market caps should not be absolute as there may be value trade-offs for accepting a tender outcome that exceeds the market cap – therefore a market cap threshold is a more appropriate term to utilise. A market cap 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 the market cap threshold being exceeded, 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.
2	Market cap considerations Where relevant PTAs should describe in their procurement strategies their approach to encouraging competition through the use of a market cap threshold and the considerations given to establishing a threshold to ensure that the intended outcomes are achieved. Demonstration of thinking should include: <ul style="list-style-type: none">• Determining the operator shares that are required to achieve the desired level of operator depth in the market.• How the cap will be calibrated and applied when tendering a region in tranches and by sub-region.• Ensuring that the cap doesn't create operational inefficiencies that outweighs the competition benefits.• Ensuring that the level of cap and means of applying the cap doesn't create unintended outcomes.
3	Further requirements and guidance Further requirements and guidance in relation to market caps is provided in the [NZTA Supplier Selection Guidance (in development)]. PTAs must describe any notable deviations from the [NZTA Supplier Selection Guidance] in their procurement strategies.

Appendix A – Integrated planning processes

Regional Public Transport Plans (RPTPs)

RPTPs are a statutory document developed under the LTMA and are foundational to the organisation, planning, procurement and operation of public transport in New Zealand.

Key functional elements of RPTPs are summarised below. For specific guidance on developing RPTPs refer to the [Development guidelines for regional public transport plans](#).

Requirements and guidance	
1	<p>Organisational element</p> <p>The development of RPTPs by PTAs is foundational to the organisation, funding and delivery of public transport services. Under the LTMA:</p> <ul style="list-style-type: none"> only PTAs can adopt, vary or renew RPTPs (LTMA s119(4)) all public transport services must be identified in RPTPs and can only be delivered by or under contract to a PTA (unless exempt or excluded) subsidy (or public funding) can only be provided to a public transport service that is identified in a RPTP as integral to the region's public transport network, and operated in a unit, or part of a unit, by, or under contract to, a PTA. <p>For the purposes of Part 5 of the LTMA, subsidy is defined as any funding from a PTA, local authority, and the National Land Transport Fund (NLTF). This means PTAs, city councils, district councils and NZTA (via the NLTF) can only fund integral services identified in a RPTP.</p> <p>Collectively, these provisions enable PTAs to plan and deliver public transport networks in an integrated manner.</p>
2	<p>Planning element</p> <p>Under the LTMA, a PTA must develop and adopt a RPTP if it intends to provide public transport services or provide subsidy or financial assistance (LTMA s119(1)).</p> <p>The RPTP serves as a statement of services integral to the public transport network, the policies and procedures that govern those services, and the information and infrastructure that support them</p> <p>The development process is a means for PTAs, local authorities, and operators to work together to develop public transport services and infrastructure.</p>
3	<p>Procurement element</p> <p>Under the LTMA (s120), RPTPs must:</p> <ul style="list-style-type: none"> arrange all integral public transport services into units identify the infrastructure necessary to support services indicate the date by which units are expected to start operating specify any objectives and policies that apply to units include policies on: <ul style="list-style-type: none"> the process for establishing units the approach that will be taken to provide the services in a unit, including; <ul style="list-style-type: none"> how the procurement of units will be phased in over time, and whether they are to be delivered in-house or outsourced managing, monitoring, and evaluating the performance of units. <p>For further guidance refer to Development guidelines for regional public transport plans.</p>

4	<p>Consultation requirement</p> <p>Under the LTMA (s125(1)(b)), RTPs must be subject to public consultation prior to adoption. This enables engagement with the public, operators and stakeholders on the design, procurement and operation of public transport networks.</p>
5	<p>Inter-related planning processes</p> <p>The interrelationship between RTPs and procurement processes are illustrated in the figure below, which provides a high level overview of key dependencies across network planning and the development of RTPs and procurement procedures.</p>

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PTAs must gather, analyse and document information about their procurement programme and the environment in which they operate.

RPTPs must be publicly consulted. This provides an important transparency and engagement mechanism for the supplier market.

Depending on timing, complexity and risk associated with an activity specific procurement, PTAs may opt to provide, or NZTA may require, more information in an Activity Specific Procurement Strategy or Plan.

Network planning and delivery

