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## Field Device Maintenance Contract Extension

For decision:

For noting:

### Ngā tūhonga / Recommendations

That the Auckland Transport Board (board):

- a) Approve a 12-month extension of the four Field Device Maintenance contracts at a total contract value of \$3.4 million.
- b) Delegate authority to the Chief Executive to sign the contract variation (extension) agreements.

### Te whakarāpopototanga matua / Executive summary

1. Extensions of the current Field Device Maintenance (“FDM”) Contracts would take the individual contract terms beyond five years. Based on Auckland Transport’s (“AT”) Delegations Manual, board approval is required to delegate authority to the Chief Executive to sign the contract extensions.
2. The primary purpose of the current FDM contracts is for a programme of preventative maintenance and reactive maintenance of Auckland Transport’s (AT’s) technology field devices. This ensures AT’s field devices under the scope of these contracts function reliably and safely to deliver operational and customer experience outcomes.
3. The current FDM contracts expire on 30 June 2020. The scope and complexity of these services has increased in recent years and in order to complete a procurement process that will deliver the necessary operational, safety, and value for money outcomes it is necessary to extend the contracts by 12 months.

### Ngā tuinga ō mua / Previous deliberations

4. There are no previous deliberations related to this contract extension request.

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## Te horopaki me te tīaroaro rautaki / Context and strategic alignment

5. The field devices in these contracts have a variety of use cases that enable AT to deliver several key organisational objectives and deliverables:
  - a. Strategic Transport Priorities from the 2019/20-2021/22 Statement of Intent:
    - i. Help people to travel safely – i.e. School Zone Safety Signs sets a legally enforceable speed limit
    - ii. Make the best use of existing transport networks and manage the impacts of the transport system on the environment – i.e. using Variable Message Signs (VMS) to promote behavioural change, increasing the patronage on public transport and reducing the number of single occupancy vehicles
  - b. AT's mission and Vision Zero strategy – proactively and reactively maintaining AT's field devices will ensure the transport system (active modes, public transport, general traffic) operates in a safe and efficient manner
  - c. Providing an excellent customer experience i.e. delivering accurate real-time travel information to our customers via Passenger Information Displays (PIDs) and VMS signs

## Ngā matapakinga me ngā tātaritanga / Discussion and analysis

6. Since the FDM contracts were awarded in 2015, there are several factors that impact these contracts which necessitates a thorough review of their structure and scope. These factors include:
  - a. Changes in technology
  - b. An increase to the number of operational devices currently in scope
  - c. An increase to the number of operational devices currently out of scope that could be included in the scope of devices
  - d. The Enterprise Asset Management project which will change the system and processes for asset management
  - e. The On-Bus Connectivity project which will impact the on-bus contract due to the new devices that need to be installed and the consequential increase in maintenance requirements
  - f. The Road Corridor Maintenance environment and the opportunity to adopt a 'dig once' approach for locations where a field device is installed in the road corridor

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7. A 12-month extension is required because the procurement of these services is complex and will take considerable time to conduct a market sounding, review business requirements, establish the desired business outcomes, and complete the procurement activity. The extension will provide more time to:
- a. Complete the internal review process of the existing FDM contracts and other inter-related contracts to establish contract requirements
  - b. Conduct a market sounding exercise to inform the procurement strategy
  - c. Review the effectiveness of how the existing FDM contracts operate against alternate operating models including but not limited to:
    - i. Appointing a single prime contractor to manage all devices
    - ii. Maintaining the current situation of area-based coverage
    - iii. Changing to a device-based model where suppliers would manage single or multiple device types across Auckland
  - d. Develop the tender documents and conduct the tender
  - e. Transition to new contracts
  - f. Establish a thorough contract management plan
  - g. Establish an effective and transparent process for the budgets associated with the FDM contracts
8. The approximate annual spend of the current contracts is:

	Armitage	CSLi	Downer	HTS	Total
<b>Annual Spend*</b>	\$0.33 million	\$1.1 million	\$0.54 million	\$1.1 million	<b>\$3.07 million</b>

\*Based on FY2018/19 spend

**Ngā tūraru matua / Key risks and mitigations**

9. Extending the current contracts presents the following risks:

Key risk	Mitigation
Incumbent suppliers could reject AT's request to extend the contracts due to lack of resource availability or desire to continue based on the current operating environment.	All incumbents have verbally expressed a desire to commit to a 12-month extension.

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	Existing agreements are non-exclusive providing AT the right to contract other suppliers for the services required.
Supplier(s) may request cost increases which could delay the extension negotiation process and increase costs to AT.	If both parties do not reach agreement concerning new prices within an acceptable timeframe the current prices will continue to apply.
Potential challenge from nonincumbent suppliers on the grounds that extending the current contracts is anti-competitive behaviour.	Non-incumbents will be given the opportunity to provide feedback on the future operating environment and to participate in the procurement process.

**Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts**

10. The main financial risk is cost increase as a result of the 12-month extension. The current contract rates have remained fixed since 2015 so there is a risk the suppliers will want to increase rates in return for agreeing to the extension.
11. To mitigate this risk, we will negotiate on a contract-by-contract basis for rates that are fair, proportionate and verified against relevant cost indices.
12. Execution of the contract extensions can be accommodated within current resources from relevant stakeholder groups and procurement.

**Ngā whaiwhakaaro ō te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations**

13. There are no direct environmental or climate change impacts related to the contract extension request.

**Ngā reo o mana whenua rātou ko ngā mema pooti, ko ngā roopu kei raro i te maru o te Kaunihera, ko ngā hāpori katoa / Voice of mana whenua, elected members, Council Controlled Organisations, customer and community**

14. There are no direct mana whenua, elected member, Council Controlled Organisation, customer or community impacts related to the contract extension request.

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## Ngā whaiwhakaaro haumarū me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations



15. There are no direct health, safety and wellbeing impacts related to the contract extension request.

### Ā muri ake nei / Next steps

16. Contract variation assessment and contract variation agreement(s) will be finalised for the Chief Executive to approve.

17. RFP for new contracts will be completed.

### Te pou whenua tuhinga / Document ownership

<b>Submitted by</b>	Sam Tuineau <b>Group Manager Technology</b>	
<b>Recommended by</b>	Roger Jones <b>Executive General Manager Business Technology</b>	
<b>Approved for submission</b>	Shane Ellison <b>Chief Executive</b>	