

Auckland Regional Traffic Signals Maintenance and Renewals Contract – Procurement Strategy

Glossary

Auckland Transport	(AT)
Integrated Traffic Systems	(ITS)
Joint Transport Operations Centre	(JTOC)
New Zealand Transport Agency	(NZTA)
Traffic Services Limited	(TSL)

Executive Summary

Completion dates of legacy traffic signals maintenance and renewal contracts are due for completion in mid-2012.

This report outlines the proposed future contractual strategy for the maintenance and renewal of traffic signals to be delivered across the Auckland Region. The new contracts are planned to commence in July 2012.

Previously the signals contracts were managed by NZTA. All the local council's assets in the Auckland Region were included under these contracts. With the formation of AT the majority of the signals assets belong to AT, and it has been proposed by the JTOC Steering Committee that the contracts will become AT contracts and will include NZTA's assets.

This enables AT to give consideration to a "best for network" approach with respect to the future number, type and duration of the replacement contracts.

To maintain a sustainable contracting environment and maximise the benefits to AT, consideration was given to the number of contracts, and the size and boundaries of the contract areas. It was determined to have four contracts - Central, South, North and West - based on the North and South boundaries for the road maintenance contracts except for the inclusion of the Whau Ward within the Central contract. The geographical boundaries of these areas are detailed in Attachment 1. The boundaries for the road maintenance contracts were detailed in the Road Corridor Maintenance Strategy which has been previously endorsed by the Board.

Recommendation

It is recommended that the Board:

- i) Receives this report
- ii) Endorses the Traffic Signals Maintenance and Renewals Contracts Strategy outlined in this paper
- iii) Delegates to the Chief Executive responsibility to implement the contractual strategy to ensure alignment with the new contract commencement dates

Background

The existing arrangement of Traffic Signals Maintenance contracts in the Auckland Region consists of a package of five separate contracts. These are generically divided into the following areas:

- **North (Contract MA2660)** - comprising what was North Shore City Council and Rodney District Council.
- **Central (Contract MA2738)** - comprising what was Auckland City Council.
- **West (Contract MA3227)** - comprising what was Waitakere City Council.
- **South 1 (Contract MA3226)** - comprising what was Manukau City Council.
- **South 2 (Contract MA2733)** - comprising what was Papakura District Council.

The interaction between NZTA and AT road networks, SCATS controllers and joint funding programmes requires a review of the contracts to optimise service delivery.

Delivery of the services under the five current contracts is currently carried out by two suppliers:

- Integrated Traffic Systems (ITS), a Division of Downer EDI Limited
- Traffic Services Limited (TSL)

ITS run the North, Central and South 2 areas, and TSL run the South 1 and West areas.

The current position of these Contracts is as follows:

- The North area is in the seventh extended year of what was originally a five year (3+1+1) contract period.
- The Central area is in the final year of a six year (3+1+1+1) contract period.
- The West and South areas are in the third year of 3+1+1 contract periods.

These contracts are summarised in Attachment 2. The scope of services for the existing contracts consists of a maintenance element as well as an asset renewals element. This is expected to continue to be the core scope for future contracts.

It is becoming difficult for AT and NZTA to administer and manage the existing arrangement. This is primarily due to the existing legacy contracts having different contract conditions and differing completion dates, creating an inconsistent approach across the network. A common approach is sought so that AT's key objectives (listed below) can be more readily achieved.

The proposed Traffic Signals Maintenance and Renewal Contract Strategy is based on the following:

Objectives:

The objectives of the contracts are to ensure:

- New levels of customer focus
- Collaborative partnerships
- Value for money
- A sustainable contracting environment
- Simplicity and consistency

This will ensure that traffic signals are:

- Regularly serviced, maintained and repaired
- Can be safely and effectively operated at their level of optimum performance

Procurement Strategy

The outcome that AT and NZTA seek is an optimised procurement model to be implemented by the start of the 2012/2013 financial year.

1) Contract Packaging

AT has given consideration to the size and boundaries for the traffic signals contracts in alignment with the new road maintenance contracts and proposes to revise the boundaries, based primarily on geographical considerations, and (for consistency) to also generally share boundaries with other disciplines such as road maintenance and the power distribution grid.

Having considered the existing contract structure, it was concluded that a good option would be to keep Whau Ward in the Central area and use the road maintenance boundaries for the North and South contract boundaries.

This gives the following contract sizes each detailing contract number, location, number of signalised intersections and % of total signalised intersections, respectively:

- Contract 1 - North - 130 - 17%
- Contract 2 - Central - 352 - 46%
- Contract 3 - West - 59 - 7%
- Contract 4 - South - 227 - 30%

It is likely that there will be seven to eight tenderers.

- 2) It is recommended that AT proceed with the packaging of areas as shown on AT's proposal i.e. four contracts (North, Central, West and South) as shown in the proposed Contract Boundary Map – Attachment 1. **Contract Duration**

It is recommended that AT proceeds with a 3+2 contract (i.e. three years plus one two-year extension).

This is considered a good compromise between a long-term, fixed contract (e.g. a 10 year Performance Specified Maintenance Contract (PSMC), which is an unsuitable model for Traffic Signals due to the rate at which technology changes), and a short-term contract.

3) Existing Infrastructure

The procurement of the new contracts is a timely opportunity to ensure that the procurement mechanism requires suitably qualified suppliers that can maintain existing systems, as well as new technology.

4) Commercial Factors

Key issue – AT currently has two suppliers, with four or five that are considered suitably qualified, and potentially seven in total. However, the contracting environment is changing rapidly and an updated capability statement is required. To obtain subsidy, the requirements of the NZTA Procurement Manual must also be followed which in this instance requires competitive pricing. In light of this, the following conditions are considered appropriate for the Procurement Plan:

- A supplier who gets the Central contract cannot also get South (and vice versa)
- Either of those suppliers can also get North or West (but not both)

This will result in at least two suppliers and up to four in a competitive market. This can be incorporated into the tender documentation.

5) Performance

It is expected that AT will want consistency of performance across the network and collaborative working on traffic signal maintenance activities. Key result areas (KRAs) and their associated measureable key performance indicators (KPIs) will be developed which cover, amongst others, the following areas:

- Customer focus
- Record keeping and accuracy
- Reliability of equipment
- Responsiveness
- Collaborative approach
- Value for money

6) Review Period

The KPI's need to be jointly reviewed after six months to determine if any changes or refinement is required. The KPI's should be measured and reported upon on a regular basis (at least quarterly) but not applied for the first six months to provide the Contractors with a settling in period.

7) Contract Incentive

It is proposed that 40% of planned renewal work for each area be included in the contract. To recognise high performance, AT may elect to include an additional amount of planned renewal works, up to a further 40% of AT's planned renewal work, for the contract area. The objective of this is to provide an incentive to the Contractors to attain and maintain a high performance level.

Key Contract Features

Below is a tabulated summary of how the proposed contractual structure may look, together with a suggested programme. Please note that the contract values include NZTA's share which overall is approximately 15% of the traffic signal asset base. The renewal figures shown are approximately 80% of the combined AT and NZTA budgets. The balance of 20% is to be retained for incentive for performance and flexibility to be able to call on other contractors in emergency situations.

Feature		Contract Detail	
Contract Form		NZS3910: 2003 (with amendments)	
		Approx. Value (\$000's)pa	
Contracts	Existing Infrastructure	Maintenance	Renewal
North	(130 intersections)	500	550
West	(59 intersections)	200	250
Central	(352 intersections)	1400	1450
South	(ex Manukau/Papakura- 227 intersections)	900	950
Total annual value		3000	3200
Total 3 Year value		9000	9600
Contract Term		3 Years +one 2 Year extension	
Contract Procurement			
AT and NZTA procurement processes		In accordance with the AT and NZTA Procurement processes the four traffic signals maintenance and renewal contracts will be procured through an open tender, and tender submissions evaluated using the Price Quality Method.	
Request for tender		The process will consist of a single phase RFT for non-priced attributes with separate prices for contractual areas.	
Price weighting		A price weighting of 60% be used in the evaluation. This is consistent with requirements for balance between non-price attributes and price weightings. The 40% non-priced attributes evaluated by the Tender Evaluation Team are: relevant experience 5%, resources 5%, relevant skills 10%, track record 10% and methodology 10%.	
Value for money		The contracts are incentivised for good performance, by way of an additional percentage of renewal works being included in the respective contracts.	

Contract Award Programme		
8 March 2012	Tender Document - advertise	2 weeks advertised
22 March 2012	Tender Document released to market	4 weeks for tender
19 April 2012	Tenders close	Deadline allows 3 weeks for evaluation, clarification, review with tenderers and recommendation
10 May 2012	Tender Evaluation Report and recommendation	2 weeks for any clarification and award sign off
1 June 2012	Official contract award	Deadline allows 4 weeks for handover
1 July 2012	Commencement of new contracts	Deadline, start of new contracts

Next Steps / Key Issues

Subject to Board approval of the Procurement Strategy the next steps will be to produce a detailed procurement plan for the contract, to finalise the contract documentation and follow through with the contractual process.

A probity auditor will appointed and discussions are being conducted with Bill Inglis of Shaun McHale.

Attachments

Attachment 1 – Contract Boundary Map

Attachment 2 – Contracts Incorporating Traffic Signal Maintenance and Renewals

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