



How the Ministry of Education managed the 2008 national school bus transport tender process

Report to the Ministry of Education

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1: Introduction

What is school transport?

1. One of the principles underpinning the school transport policy is that the State provides safe school transport services.¹ The policy is designed to ensure that students' access to education is equitable. Each year, about 65,000 school students are transported to and from their schools.
2. In 2007/08, the Ministry of Education (the Ministry) was appropriated \$131.071 million to fund the purchase of school transport services. Those services were to take eligible students to and from state and state integrated schools. The appropriation also included funding for payments to schools managing their own transport services, and payments to parents/caregivers to compensate them for the costs of taking children to school if other transport services were unsuitable or unavailable.
3. The Ministry's contracts with providers of school transport services were set to expire on 31 December 2008. Between 2006 and 2008, the Ministry carried out a nationwide procurement process to select providers of school transport services for the six-year period beginning 1 January 2009.² In this report, we refer to the procurement as the 2008 bus tender process.

Summary of the 2008 bus tender process

4. Broadly, the 2008 bus tender process involved:
 - consulting stakeholders (between November 2005 and November 2006) about aspects of the proposed contracting and tendering process;
 - reporting to stakeholders (from November 2006 to June 2007) about that consultation;
 - preparing, consulting on, and then publishing (between July 2007 and March 2008) a Request for Proposal (RFP) document that signalled two phases for the 2008 bus tender process:
 - a **qualification submissions phase**, where bus operators submitted information that would establish whether they met the required vehicle safety and service quality standards; and

¹ For more information on the school transport policy, see Ministry of Education (October 2006), *School Bus Transport Discussion Document: Contracting and Tendering Review*, pages 1-2.

² The contracts included the option of another six years (three years and an optional extension of three further years), depending on the provider's performance.

- a **pricing submissions phase**, where bus operators submitted prices for the routes they wanted to tender for;
 - the qualification submissions phase (from March to June 2008);
 - the pricing submissions phase³ (from June to September 2008); and
 - contract negotiations with preferred suppliers (from October to November 2008).
5. The way that the Ministry designed the 2008 bus tender process ensured that safety and service quality considerations were emphasised and considered before price became part of the Ministry's decision-making. Bus operators had to meet a safety standard set out in the RFP before they could bid for any school bus routes.
 6. The Ministry used two companies (represented by two individuals known as service agents) to process the bids received for the qualification submissions phase,⁴ and set up a Tender Evaluation Committee (TEC).⁵ Although it was a Ministry committee, the TEC acted as a quality assurance mechanism for the work of the two service agents. It recommended to the Ministry which bus operators should be invited through to the pricing submissions phase, and then, based on the pricing bids, recommended the preferred supplier to operate each school bus route.
 7. The two service agents carried out the same tasks. One service agent assessed the qualification submissions for the lower North Island and the South Island. The other service agent assessed the qualification submissions for the rest of the North Island. Both service agents were involved in assessing qualification submissions from the four bus operators that competed nationally by bidding in both service agents' geographic areas.
 8. Overall, the 2008 bus tender process involved 2089 individual school bus routes,⁶ and 165 bus operators took part. Of these 165 bus operators, 151 got through the qualification submissions phase and were invited to submit pricing bids for any, some, or all of the bus routes included in the 2008 bus tender process.
 9. Of the 146 bus operators who chose to submit pricing bids, 95 were successful and entered into contracts with the Ministry to provide school bus transport services. Under the contracts that expired on 31 December 2008, there had been 227 providers of school bus transport services.

³ This was also called the operator selection phase.

⁴ Ministry staff analysed the pricing submissions.

⁵ The TEC mostly comprised Ministry staff, although there were some external members.

⁶ This includes daily school routes and technology routes. See the Appendix for more information about these types of school transport services.

Why did we inquire?

10. After the outcomes were announced in September, several people asked us to inquire into aspects of the 2008 bus tender process. The concerns expressed to us were varied. Some correspondents were bus operators with concerns specific to their experiences as participants in the 2008 bus tender process. Other correspondents were parents and/or schools concerned about the change of bus operator and/or the level of service to be provided under the new contracts.
11. Allegations were made that the Ministry had not properly followed the RFP rules in evaluating some of the bus operators' submissions, and that some bus operators had colluded to "undercut" other bus operators and ensure their own success. We also received correspondence expressing broader concerns about the school transport policy and the overall 2008 bus tender process.
12. The Minister of Education (the Minister) also wrote to us, in early December 2008, asking us to inquire into the allegations of illegality and unfairness in the 2008 bus tender process.
13. We considered all of the concerns expressed to us directly, and those in the public domain, when we were deciding whether to carry out an inquiry. It was immediately clear that we could not address some of the concerns that were raised with us. The Auditor-General can audit, inquire into, and report on public entities and how they use public resources. The Auditor-General has no power or authority to nullify contracts or overturn the decisions that public entities make.

Our inquiry terms of reference

14. We considered how any inquiry work we carried out could provide useful assurance to the Ministry, the Minister, Parliament, and interested stakeholders about the 2008 bus tender process. We announced our terms of reference in February 2009. Our inquiry examined:
 - how the Ministry prepared its overall procurement strategy and RFP for the 2008 bus tender process;
 - the extent to which the RFP reflected the Ministry's earlier consultation with stakeholders, where appropriate, and the clarity with which any important changes to the RFP were communicated to stakeholders;
 - the extent to which the RFP rules were applied correctly and consistently by Ministry staff, contractors, and the TEC; and
 - the extent to which the Ministry responded promptly and effectively when concerns were expressed about aspects of the 2008 bus tender process.

Our expectations of the 2008 bus tender process

15. We made sure that our inquiry terms of reference enabled us to assess how well the 2008 bus tender process followed good practice for procurement. Procurement concerns were a strong feature of much of the correspondence to us about the 2008 bus tender process. We also received many complaints about how the Ministry dealt with concerns and complaints during the 2008 bus tender process. We decided to examine this as part of our inquiry work.
16. This report details the findings and conclusions of our inquiry work, and is divided into three parts:
 - the Ministry's procurement approach;
 - how the Ministry applied the RFP rules; and
 - the Ministry's process for dealing with correspondence.
17. We expected the Ministry's 2008 bus tender process to give effect to the Government's school transport policy objectives, comply with relevant Ministry policies, and follow good practice for procurement and contract management. We used existing good practice guidance on public sector procurement to inform our views about the Ministry's procurement approach.
18. We expected the Ministry to apply its RFP rules correctly and consistently. To form views about how the Ministry applied its RFP rules, we selected a sample of qualification submissions and pricing submissions, and applied the RFP rules ourselves.
19. We expected the Ministry to respond promptly and effectively to correspondence about the 2008 bus tender process. We sampled some correspondence from the qualification and pricing submissions phases and examined how the Ministry responded.

2: The Ministry's procurement approach

20. We examined how the Ministry prepared its overall procurement strategy and RFP for the 2008 bus tender process. We considered the extent to which the RFP reflected the Ministry's earlier consultation with stakeholders, where appropriate, and the clarity with which any important changes to the RFP were communicated to stakeholders.

What we did

21. We reviewed the Ministry's documentation from when its consultation for the 2008 bus tender process began in November 2005, through to the date that tenders closed for qualification submissions in April 2008. We also interviewed Ministry staff and contractors involved with the 2008 bus tender process.
22. We considered the quality of the Ministry's documentation and the processes the Ministry followed until the date that qualification submissions were accepted. We formed a view on this aspect of the 2008 bus tender process based on the Ministry's own contracting and purchasing policies, as well as good practice guidance on public sector procurement.

Our findings

Designing the 2008 bus tender process

23. The design of the Ministry's procurement strategy began with its consultation with school boards of trustees, bus operators, and other interested parties on the overall system for contracting school bus services. The Ministry's consultation process was thorough and inclusive. The Ministry used surveys, workshops, and a discussion document to obtain the views of these stakeholders, and then produced summaries of the consultation feedback. The Ministry published its responses to the feedback. We consider that this represents good practice.
24. The RFP evolved from this earlier consultation process, and had three main preparation phases. The first phase involved drafting the RFP (between July and October 2007). The initial draft of the RFP was placed on the Ministry's website in October 2007 to enable feedback before the RFP was finalised. The Ministry notified bus operators about the draft RFP, and after receiving some feedback it placed an updated version on the Ministry's website in December 2007. The last phase involved the release of the final RFP on the Government Electronic Tenders Service (GETS) website in March 2008, and a workshop with bus operators in April 2008.

25. We used a sample of the consultation feedback to assess the extent to which it was considered by the Ministry before the RFP was finalised. We did not expect the Ministry to reflect all feedback in the final RFP. Overall, we consider that the Ministry conscientiously considered the consultation feedback from bus operators and schools, and much of it was reflected in its final RFP.
26. Much of the feedback from schools related to the perceived benefits of using local bus operators and, in particular, those bus operators already providing local school transport services. The Ministry's final RFP reflected this feedback by allowing up to five points to be awarded to incumbent bus operators when qualification submissions were evaluated.
27. There were specific instances where feedback obtained during consultation was not reflected in the RFP (for example, concerns about providing seatbelts in buses for school children). For the most part, these instances were well explained in Ministry papers and the external Ministry publication arising from the consultation process, the *Contracting and Tendering Review Report* (CaT Review Report, June 2007).
28. There was one notable area of concern raised by some bus operators during the consultation that was not reflected in the final RFP. Some bus operators expressed concern about the use of fleet pricing, even though it had been used in previous school transport tender processes. Fleet pricing is where a single price is offered for two or more routes.⁷ Some of the concerns related to perceptions that fleet pricing could enable economy-of-scale advantages for larger bus operators. The RFP permitted the use of fleet pricing.
29. A Ministry briefing paper acknowledged the potential benefit to the Ministry of fleet pricing on the costs of delivering school bus transport services:
- ... the Ministry wants to encourage fleet rate pricing as a means of obtaining greater cost efficiencies in school transport services, while at the same time maintaining long term competition in the sector ...*
30. The 2008 bus tender process enabled bus operators to submit pricing bids for groups of routes (route groupings) as well as a number of route groupings (cluster bidding). The bus operators chose which route groupings they wanted to combine into clusters. We consider that fleet pricing, route groupings, and cluster bidding further emphasised the importance of price in determining the outcome of the 2008 bus tender process.
31. At the same time, the Ministry's procurement approach sought to preserve competition for school bus services by ensuring that no single bus operator obtained

⁷ The Appendix sets out brief descriptions of the bidding types.

more than 75% of the school bus routes within a geographic region. This rule was not set out in the RFP. We were advised that the largest market share by a single bus operator in a geographic region is 62%.

32. The final RFP acknowledged that competitive pricing was a means of obtaining greater cost efficiency, and stated that value for money was an objective of the 2008 bus tender process.⁸
33. We consider that the Ministry's decision to proceed with offering a fleet pricing opportunity was fair and reasonable. The Crown and its agents should always consider how best to achieve value for money in their use of public funds. The principles underpinning school transport policy emphasise safety and service quality. The Ministry's use of a two-phase evaluation process ensured that vehicle age and safety and service quality considerations were given higher weighting and acted as a filter before the Ministry considered pricing submissions.
34. The 2008 bus tender process also enabled cluster bids. Cluster bidding is where bus operators bid for two or more route groupings (collections of individual routes in a common geographic area) with a single price. Cluster bidding had not been used before. Cluster bidding was clearly signalled in both the draft and final RFP.
35. It was not clear to us what analysis the Ministry did to assess what (if any) effect cluster pricing might have on the results of the 2008 bus tender process. If the Ministry had understood this potential effect, it might have been able to more effectively manage the expectations of stakeholders.
36. Combined, the ability to submit route grouping and cluster pricing⁹ gave a strong comparative advantage to larger bus operators over smaller bus operators. We are not critical of the consequences of these pricing arrangements, or their use in the 2008 bus tender process. However, we do consider that the Ministry should have placed more emphasis in discussions with stakeholders on the ability of bus operators to offer, and the likely effect of, cluster pricing and fleet pricing before the RFP was finalised. This might have helped the Ministry to better manage the expectations of smaller bus operators (whether incumbent or not) as they entered into the 2008 bus tender process, and after the outcomes were announced.

Changes to the stated RFP process

37. As part of our inquiry, we examined the clarity with which the Ministry communicated to stakeholders any important changes to the stated RFP process.

⁸ Ministry of Education (17 March 2008), *Request for Proposals for School Bus Services*, page 8.

⁹ Both route grouping and cluster pricing enable bus operators to offer the same rate for each kilometre.

Rule 30 of the RFP stated that any changes would be communicated through the GETS website.

38. The Ministry updated the draft RFP between when the RFP was published on the Ministry's website in October 2007 and when the RFP was finalised in March 2008. This was intentional: the Ministry released the RFP in draft form so that it could incorporate any feedback.
39. After the final RFP was placed on the GETS website in March 2008, the Ministry hosted two workshops about the RFP with bus operators in April 2008. This provided a useful opportunity for any queries to be raised and answered in an open forum. We were told that the Ministry did not use the workshop to advise participants of every change made to the final RFP during the six months after the draft RFP was first placed on its website. We consider that this was a fair and reasonable approach for the Ministry to take.
40. The Ministry made changes to the stated RFP process after the RFP was finalised in March 2008. We examined each of these changes carefully, and looked at how they were communicated to bus operators. We identified three main changes:
 - changes to the timetable for announcements, after the Ministry took longer than expected to evaluate qualification and pricing submissions;
 - a decision to refine how some of the evaluation criteria were applied, so that they could better reflect the range of bus operators' circumstances; and
 - a decision to include qualification ratings in the evaluation of cluster pricing bids, to make it consistent with the evaluation methods used for other bid types, even though this had not been made explicit in the final RFP.
41. The Ministry did not notify any of these process changes through the GETS website. Instead, the Ministry used its weekly email newsletter to all 165 bus operators to communicate the first two changes. It considered this approach to be more direct than relying on bus operators visiting the GETS website.
42. The third change was not communicated at all. The Ministry considered that including qualification ratings in the evaluation of cluster pricing bids was consistent with its evaluation method for other bid types, and therefore did not constitute a change to the RFP. The Ministry told us that it was important to include qualification ratings so that safety and service standards could be part of the evaluation of cluster pricing bids. The Ministry viewed it as a clarification of process and not a change that needed to be communicated to bus operators.
43. Based on our understanding of the RFP and earlier consultation documents, we consider that this was a change to a reasonable person's understanding of how cluster pricing bids would be evaluated by the Ministry, even if the change made the

evaluation method consistent with how all other bid types were evaluated. It should have been communicated to bus operators.

44. In our view, all three changes should have been communicated through the GETS website. The Ministry's weekly email newsletters were not an adequate substitute for communicating changes to the final RFP. The email newsletters could have been used as a supplementary means of communicating the changes.

Alignment with good practice guidance

45. We assessed the Ministry's 2008 bus tender process against its own purchasing and contract management policies, and against good practice guidance about public sector procurement.¹⁰
46. There were some departures from the Ministry's procurement policies and guidance. We did not identify any major causes for concern when we compared the 2008 bus tender process with good practice guidance about public sector procurement.
47. Overall, we consider that the departures from the Ministry's policies were not significant. It is natural for any in-depth review of a procurement process to identify departures from policy (sometimes these are well-reasoned and documented) and areas for improvement. We have identified a number of minor areas for improvement, and we expect the Ministry to address these in any future procurement of school transport services.
48. To address these departures, we expect the Ministry to:
- use the experience of the 2008 bus tender process (and other school bus tender processes) to inform the procurement strategy and RFP design of subsequent bus tender processes;
 - ensure that there is clear responsibility for the strategic oversight of subsequent bus tender processes, so that early warnings of strategic and political risks can be escalated and managed appropriately and in a timely way;
 - expressly reflect the Government's school transport policy objectives in its procurement plan objectives and evaluation criteria to clearly align the objectives in the critical documents at each level of decision-making;
 - prepare procurement plans and contract management plans that are in keeping with its contract management and purchasing policies;

¹⁰ Office of the Auditor-General (2008), *Procurement guidance for public entities: a good practice guide*; Ministry of Economic Development (2006), *Mandatory Rules for Procurement by Departments*; Ministry of Economic Development (2007), *Government Procurement in New Zealand, a Policy Guide for Purchasers*; Ministry of Education (2006), *Contract Management Policy and Purchasing Policy*.

- include procurement plan objectives in RFPs so that potential suppliers can more easily understand the policy priorities underpinning the tender process;
- require the evaluation criteria, as well as the RFP, to be explicitly approved for release;
- consider what changes should be made to enhance the quality assurance processes; and
- ensure that more complete records are kept to support important decisions made as the RFP is designed and as the submissions are evaluated. This will require giving recordkeeping guidance to any contractors and consultants.

Conclusions

49. The Ministry's process for preparing its RFP for the 2008 bus tender process was based on thorough and inclusive consultation and, for the most part, the consultation feedback was reflected in the final RFP. Where the consultation feedback was not reflected in the final RFP, the Ministry had justifiable reasons for deciding not to include it.
50. Some of these decisions meant that larger bus operators would have a competitive advantage in the 2008 bus tender process. The Ministry had designed a procurement approach that recognised the need to achieve value for money. It was aware that the use of a range of fleet pricing options could result in a significant change to the pool of school bus operators.
51. Overall, the Ministry's 2008 bus tender process met the most significant procurement requirements set out in its own policies, and in the good practice guidance promulgated by the Ministry of Economic Development and by our Office. Notwithstanding this, there are some minor areas for improvement that we expect the Ministry to address in any future bus tender processes.

3: How the Ministry applied the RFP rules

52. We examined the extent to which the RFP rules were applied correctly and consistently by Ministry staff, contractors, and the TEC during the 2008 bus tender process.

Phases of the 2008 bus tender process

53. For this aspect of our inquiry, we considered the 2008 bus tender process in its two distinct phases:
- the qualification submissions phase, which began when qualification submissions were due on 30 April 2008; and
 - the pricing submissions phase, which began when the period for lodging pricing submissions closed on 11 July 2008.
54. The Ministry's two service agents used the criteria¹¹ set out in the RFP to evaluate each of the qualification submissions and arrive at a provisional rating (out of 95).¹² The service agents' provisional ratings were considered by the TEC and either confirmed or amended before being submitted to the Ministry's Senior Manager – Resourcing for approval. Bus operators who scored more than zero for each of the vehicle safety, business sustainability, customer service history, and driver development criteria *and* whose total provisional rating was more than 30 for vehicle safety, business sustainability, customer service history, driver development, and vehicle age were invited through to the pricing submissions phase.
55. During the qualification submissions phase, Land Transport New Zealand (LTNZ)¹³ verified some of the information bus operators submitted about vehicle age and vehicle safety.¹⁴
56. The pricing submissions phase involved each bus operator submitting bids for any routes, route groupings, or clusters. The pricing submissions were analysed and considered by the TEC. The TEC made recommendations for the Ministry to

¹¹ The evaluation criteria were: vehicle age (25 points), vehicle safety (20 points), business sustainability (20 points), customer service history (15 points), driver development (15 points), and incumbency (5 points). Further information on each of the criteria was included in the RFP.

¹² Incumbency scores were not awarded until the pricing submissions phase. At that point, qualification ratings were a mark out of 100.

¹³ The functions of LTNZ and Transit New Zealand were brought together as the New Zealand Transport Agency from 1 August 2008.

¹⁴ LTNZ was not required to assess the completeness of the information that bus operators submitted about their vehicles.

approve. Although price was an important factor in decision-making, it was not necessarily the only factor.

57. A filtering process occurred so that all bid types (routes, route groupings, and clusters) were considered before a preferred bus operator for each route was identified. For each route, the lowest bid was identified along with any bids within 10% of that lowest bid. These were considered acceptable bids. For some routes, there was only one acceptable bid (usually because no other bids were within 10% of that lowest bid price). The bus operator who submitted the sole acceptable bid was considered the preferred supplier. Where two or more acceptable bids were the same price, the bus operator with the highest qualification rating was considered the preferred supplier.
58. Once all the preferred suppliers were approved and the Ministry published that information, it began its next phase of work to ensure that all bus operators were ready to deliver bus services at the beginning of the 2009 school year.

What we did

59. Of the 165 bus operators who participated in the qualification submissions phase, we selected a sample of 25 bus operators. We evaluated their scores using the criteria in the RFP. Essentially, we repeated the qualification submissions phase tasks carried out by each service agent. In doing so, we considered the consistency with which each service agent applied the evaluation criteria to the submissions in our sample, and whether the service agents were consistent with each other in how they applied the evaluation criteria.
60. The Ministry used LTNZ to verify the vehicle age and safety information in the qualification submissions. LTNZ did not verify the completeness of the information that was submitted about vehicle age and safety. We checked this information for each of the 25 qualification submissions in our sample.
61. Two of our sample of 25 did not participate in the pricing submissions phase.
62. The remaining sample of 23 submitted prices for 34 route groupings. Fourteen of those route groupings were part of 10 cluster pricing bids. We evaluated all 34 route groupings and 10 cluster pricing bids against the rules in the RFP for the pricing submissions phase. In doing so, we were examining the extent to which the RFP rules were applied correctly and consistently.
63. During this part of our inquiry, we interviewed Ministry staff, contractors, the service agents, TEC members, and staff from LTNZ.

Our findings about the qualification submissions phase

How each service agent applied the RFP evaluation criteria

64. In our sample, each service agent had followed the same approach for each qualification submission they evaluated. We found one minor inconsistency in how the service agents awarded some points for the driver development criterion. While this is not ideal, it did not have a material effect on the provisional qualification rating awarded to each bus operator in our sample.

Consistency between the service agents

65. For three criteria, the service agents had applied the evaluation criteria in different ways. The criteria were:
- Business sustainability: one service agent used an historic LTNZ review to arrive at scores, while the other service agent used the bus operator's business plans and other prospective information.
 - Customer service history: because of the subjectivity of this criterion, the service agents were inconsistent in how they arrived at scores based on customer feedback about bus operators.
 - Driver development: one service agent awarded scores based on the number of drivers qualified as at 30 April 2008, while the other service agent awarded scores based on the expected number of qualified drivers in 12 months' time.
66. In scoring the business sustainability criterion using an historic LTNZ review, the service agent effectively doubled the weighting accorded to vehicle safety. This additional emphasis on vehicle safety was consistent with the safety principle underpinning the school transport policy. However, it was not clear exactly how the service agent considered business sustainability. The inconsistent application of the business sustainability criterion between the service agents should have been avoided.
67. The retrospective approach to scoring business sustainability also suggested to us that not all of the information included in the qualification submissions was used to inform that service agent's provisional ratings. The service agent used only some of the submitted information to form his judgments.
68. The service agents scored the customer service history criterion differently. While they both reviewed feedback from schools and other stakeholders to inform their score, they arrived at their score in different ways. Further, some of these scores changed when the TEC moderated the scoring based on its knowledge of the bus operators. The TEC also assigned customer service history scores when the qualification submission did not include any customer references from schools. The

TEC often awarded maximum scores (15 points), using its knowledge of the sector and individual bus operators. In most cases, there was insufficient documentation in the Ministry files or in the TEC minutes to explain the scores the TEC awarded.

69. The Ministry told us that it expected service agents' scores for driver development to be based on the number of qualified drivers the bus operator had when qualification submissions closed in April 2008. As well as the service agents scoring this criterion on a different basis, we noted that the TEC made some changes to the driver development scores in our sample. We do not know what information these changes were based on because the Ministry was unable to provide us with enough documentation to support the changes that were made.
70. With the geographic split of the service agents' portfolios, and their inconsistent approaches to scoring three of the six criteria, we decided to examine whether these differences could have changed the outcomes of the 2008 bus tender process. There was potential for the different approaches to scoring to affect the outcomes for lower North Island and South Island routes *only* if the bus operators that competed across service agents' geographic boundaries were competing for these routes. This did occur, and the results of our analysis are discussed in paragraph 85.
71. The service agents worked largely in isolation from each other. There was little opportunity for the service agents, either independently of the Ministry or through the Ministry's facilitation, to work together to share their approaches to evaluating the qualification submissions. In our view, the service agents working more closely together could have reduced the level of inconsistency between their scoring of the business sustainability, customer service history, and driver development criteria.

TEC's quality assurance role

72. The TEC acted as a quality assurance mechanism for the provisional ratings that the service agents awarded during the qualification submissions phase. However, the TEC did not identify the different approaches that the service agents had taken to three of the criteria. In our view, this was an essential part of the TEC's function.
73. It was not clear in the TEC's documentation why the TEC had adjusted some of the scores that the service agents had awarded for some criteria. Although the Ministry had not intended for the qualification submissions to be provided to the TEC to help it perform its moderation role, little rationale for each service agent's scores against each criterion was provided in the information they supplied to the TEC. Given that the TEC did not review the qualification submissions, we consider that the Ministry should have required the service agents to provide more detail to the TEC to support their evaluation scores.

74. The Ministry appointed an independent advisor to the TEC. The independent advisor's role involved him participating in the TEC's decision-making. We consider that the independent advisor could have strengthened the quality assurance role of the TEC if he had not been involved in decision-making. In our view, the Ministry should revisit the purpose for using an independent advisor in any future bus tender processes.

LTNZ's verification role

75. After the outcomes of the 2008 bus tender process were announced, some people expressed concern that a number of vehicle types other than buses were listed by bus operators during the qualification submissions phase. In our sample, submissions from four bus operators cited vehicles that appeared to be inappropriate for school transport use (that is, they were not buses) but were included in LTNZ's initial assessment. For one bus operator, a vehicle's age was incorrectly calculated. When these errors were identified by the bus operators, LTNZ reassessed the information. This did not result in changes to the vehicle age and safety scores for these five bus operators in our sample.
76. There was no evidence to suggest that incorrect assessments by LTNZ were widespread during the qualification submissions phase.¹⁵ Some bus operators identified, when the results of the qualification submissions phase were announced, that their vehicle age and vehicle safety scores had been based on incomplete information. Some were also belatedly identified through quality assurance mechanisms. Most of the omissions related to the exclusion of new buses.¹⁶ The Ministry's written advice did not clearly instruct LTNZ to include this information in its initial verification exercise. In each case in our sample, this was later corrected before the pricing submission phase.

Qualification submissions phase – lessons to be learned

77. The Ministry needs to closely examine the areas for improvement that we have identified in the qualification submissions phase of the 2008 bus tender process, and make sure that improvements are made for any subsequent school bus tender processes. Specifically, the Ministry should:
- review the RFP guidance for each of the evaluation criteria to ensure that the requirements are clear and that the full range of circumstances are provided for;

¹⁵ LTNZ provided an assessment of vehicle age and vehicle safety to service agents, who translated this information into vehicle age and vehicle safety scores.

¹⁶ This omission affected 10 of the 28 bus operators who had asked the Ministry to review their qualification ratings.

- review the information the RFP requires from bus operators, so that it seeks and assesses only information that is essential to the evaluation process;
- clearly specify its expectations of, and requirements of, all contractors and consultants involved in evaluating tenders. This includes providing guidance on how contractors and consultants should interpret the evaluation criteria, and the minimum level of evidence or information required to award certain scores for each of the evaluation criteria;
- facilitate contractors working together under Ministry guidance to minimise the risk of them inconsistently applying criteria during their evaluation of tenders;
- review the quality assurance arrangements it has in place to ensure that it more effectively identifies any inaccuracies and inconsistencies in applying the evaluation criteria;
- enhance the level of supporting information supplied to the TEC about the evaluation scores awarded against each of the criteria, so it can better moderate the provisional ratings and justify any changes that it makes to provisional ratings; and
- revisit the purpose of appointing an independent advisor to the TEC, to strengthen the quality assurance arrangements.

Our findings about the pricing submissions phase

78. For our sample, we evaluated all 34 route groupings and 10 cluster pricing bids against the rules in the RFP for the pricing submissions phase. We looked at the extent to which the RFP rules were correctly and consistently applied.
79. Price was an important determining factor in the 2008 bus tender process. For 30% of our sample of route groupings, the price tendered was 10% lower than any competing bids and therefore the only determinant in awarding that route grouping. Because of the two-phase design of the 2008 bus tender process, there was no suggestion that safety, an underpinning principle of the school transport policy, was compromised by this emphasis on price.

Evaluating the route groupings

80. Feasible bids¹⁷ were identified for each route in each route grouping. Acceptable bids were then identified: the feasible bid that had the lowest price for each kilometre, along with any other feasible bid that was within 10% of that lowest bid (see Rule 130 in the RFP for more information about this process). When there

¹⁷ Feasible bids included fleet pricing bids submitted by bus operators for the route grouping and any composite bids assembled by the Ministry (where the Ministry combined the bids for individual routes that made up a route grouping to make them a route grouping bid).

were a number of acceptable bids, the bus operator with the highest qualification rating became the preferred supplier that the TEC recommended to the Ministry. If there was only one acceptable bid for a route grouping, then the TEC recommended that bus operator to the Ministry.¹⁸

81. When evaluating route grouping bids, the Ministry changed the system between national tender rounds for awarding, and thereby the influence of, incumbency scores. For route groupings, the number of incumbency points awarded between zero and five depended on the number of routes held by the incumbent bus operator, and the number of routes they were bidding for in a route grouping.¹⁹ It disadvantaged bus operators who had bid for a smaller number of routes.
82. We considered whether there was evidence supporting the concerns people had raised about market monopolies and unsustainable prices. In our sample, in 10 of the 34 route groupings only one bus operator advanced to the acceptable bid stage because there were no other feasible bids within 10% of that bus operator's price. These bus operators automatically became the preferred supplier for these 10 route groupings. The final filter – using qualification ratings – did not need to be used to determine the preferred supplier.
83. Essentially, in 10 instances in our sample, price determined which bus operators won the route groupings, after they had met all of the minimum service quality and safety standard requirements in the qualification submissions phase. Six of the 10 sole acceptable bids were from one of the bus operators that competed across service agents' geographic boundaries in the 2008 bus tender process.²⁰
84. To manage the risks of unsustainable prices, the Ministry prepared an expected price range for each of the school bus routes. If the preferred supplier's price was outside this price range, then the Ministry sought further information from the preferred supplier to be satisfied about the sustainability of the price submitted. In our sample, we found evidence that this occurred once.
85. As we noted in paragraph 70, we assessed the extent to which the errors we identified in the qualification submissions phase for our sample of 25 affected the results of the pricing submissions phase. We found no evidence that the outcome

¹⁸ The Ministry told us that if the price for each kilometre was too high when there was only one acceptable bid (about 75% above the current incumbent's rate), then the route or route grouping was recommended for re-tendering.

¹⁹ For example, if an incumbent bus operator bid on one route in a 12-route grouping, that bus operator would be awarded only 1 point because it was less than 20% of the routes that made up that route grouping.

²⁰ Combined, the bus operators that competed across service agents' geographic boundaries were the preferred suppliers for 37% of all the school bus routes included in the 2008 bus tender process.

would have been any different. Our sample included a comparison of the qualification ratings given by the two service agents.

Evaluating the cluster bids

86. The TEC changed the evaluation method it used during the pricing submissions phase to allow qualification ratings to be considered. This change meant that the cluster bid evaluation method matched that used for route groupings. However, it also constituted a change to the RFP rules. This change was not communicated to bus operators. In our view, the Ministry should have communicated through GETS this change in its method for evaluating cluster bids.
87. All of the qualification evaluation scores²¹ except incumbency carried through to the pricing submissions phase for evaluating cluster bids. The Ministry told us that it was too complex a task to include incumbency scores in this analysis. If this was the case, the Ministry should have anticipated the complexity of including incumbency scores in the evaluation of cluster bids, and specifically noted in the RFP that the scores would be excluded from cluster bid evaluations.
88. For six of the 10 cluster bids, the qualification rating determined the preferred supplier. For two of the remaining four cluster bids, the qualification rating of each of the bus operators was the same so price became the final determinant. For the other two cluster bids, price also determined the eventual recommendation.
89. In total, for eight of the 10 cluster bids in our sample, the decision about the preferred supplier was affected by the bus operator's overall qualification ratings. While we did not re-perform the Ministry's evaluation of all cluster bids, we calculated that including the incumbency scores in the decision-making for these eight cluster bids could have influenced the outcome in two cases.
90. In our sample, cluster pricing did not have a substantial effect on which bus operator won the routes. However, cluster pricing did enable the Ministry to achieve a significantly lower price for a number of routes. For the 14 route groupings included in our sample of 10 cluster bids:
 - 5 route groupings: the bus operator and the price remained the same for each route grouping;
 - 6 route groupings: the bus operator remained the same but the Ministry achieved a lower price from that bus operator for those route groupings within the cluster bid;

²¹ For vehicle age, vehicle safety, business sustainability, driver development, and customer service history.

- 1 route grouping: the bus operator remained the same, but the price of that route grouping increased;
- 1 route grouping: the bus operator changed, but the price of that route grouping decreased; and
- 1 route grouping: the bus operator changed and the price of that route grouping increased.

Other observations

91. For our sample, we assessed whether the Ministry followed the other RFP rules that we had not explicitly examined when we repeated the evaluation of the qualification and pricing submissions phases. Some of the rules were not followed.
92. Although we do not consider that the rule breaches were integral to the outcomes of the 2008 bus tender process, we consider that the Ministry should address these areas for any subsequent school bus tender processes.²² Specifically, the Ministry should:
- date-stamp all pricing submissions when they arrive at the Ministry (Rule 9);
 - ensure that no pricing submissions are opened until after the submission deadline (Rule 9) – we found evidence that seven of our sample were opened before 11 July;
 - return any unsigned statutory declarations to bus operators for signing (Rule 44 and Template 13);
 - consider what is the most effective and efficient method for communicating any changes to the RFP and the tender process results, and adhere to that method (Rules 10 and 30). This would not preclude the Ministry using additional communication methods;
 - ensure that the rules about considering late submissions are strictly adhered to (Rule 25) – we found evidence that the Ministry considered two late qualification submissions; and
 - ensure that it has a robust system for satisfying itself that bus operators have enough buses for the number of routes they submit bids for. In the 2008 bus tender process, all of the bus operators had enough buses for the number of routes they won. However, we did observe an error in one of the Ministry's calculations that the Ministry was unable to explain. The error inflated the number of buses the bus operator had in its fleet by 45. Even with this error, the bus operator still had enough buses to operate the number of routes it won.

²²

For ease of reference, we have included the relevant rule number from the RFP.

Conclusions

93. There was some inconsistency in how the service agents carried out their own scoring, with more pronounced inconsistencies between the service agents' scoring. With any in-depth inquiry, we expect to find inconsistencies and identify areas for improvement – no process is perfect. On their own, the inconsistencies we found were not fundamental. However, in combination, there was an unacceptable number of them. The Ministry should address the lessons learned from this inquiry in any subsequent bus tender processes.
94. There was potential for the inconsistent application of criteria between service agents to distort the outcome. This could occur only when the qualification ratings awarded by the different service agents were compared with each other, and when qualification ratings influenced the decision about the preferred supplier (that is, where national bus operators were competing for South Island or lower North Island bus routes). Based on our sample, we found no evidence that the outcome of the 2008 bus tender process would have been any different. Our sample included school bus routes where the qualification ratings awarded by the two different service agents were compared.
95. If the Ministry chooses to use contractors or consultants in its bus tender processes, it needs to more tightly specify the requirements for these contractors and consultants, and monitor their performance against those requirements. This, along with more effective quality assurance arrangements, will help the Ministry to better manage its exposure to any risks in how criteria are applied.
96. The Ministry's quality assurance arrangements did not operate as effectively as they could have. We consider that they need to be enhanced for any subsequent bus tender processes. While a quality assurance system may not identify all errors, a number of the errors and identifiable inconsistencies that occurred in the 2008 bus tender process were, in our view, easily avoidable.
97. When evaluating the pricing bids, most of the RFP rules were applied correctly and consistently. The main exception related to the exclusion of incumbency scores for cluster bids.
98. It is not clear to us whether the Ministry chose its method for recognising incumbency in the 2008 bus tender process knowing that it was not easily able to be used in the evaluation of cluster bids. The Ministry is entitled to determine how it recognises incumbency. However, we consider that the extent of feedback during consultation should have alerted the Ministry to the benefit of clearly setting out how incumbency would be treated when cluster bids were evaluated.

99. Overall, price was an important determining factor in the 2008 bus tender process. The use of route grouping and cluster pricing was influential in this regard. The Ministry used a two-phase process to ensure that minimum service quality and safety standards were met before price could be a decision-making factor. It also considered the risks to long-term competition in how it approached the pricing submissions phase.
100. The influence of price in the 2008 school bus tender process does not cause us concern, given the Ministry's stated value-for-money objectives. There is no suggestion that safety was compromised as a result of the emphasis on price.

4: The Ministry's process for dealing with correspondence

101. We examined the extent to which the Ministry responded promptly and effectively when concerns were expressed about aspects of the 2008 bus tender process.

Correspondence about the 2008 bus tender process

102. Most of the correspondence the Ministry received about elements of the 2008 bus tender process related to qualification ratings and the outcomes of the pricing submissions phase.
103. Qualification ratings were announced in the middle of June 2008. Twenty-nine of the 165 bus operators who participated in this phase sought reviews of their qualification ratings after the Ministry announced the results. All of the review requests were dealt with by the end of August 2008.
104. Of the 165 bus operators, 151 were invited through to the pricing submissions phase of the 2008 bus tender process, with 146 bus operators electing to submit pricing bids. Many concerns were raised about the outcome of the 2008 bus tender process after the results of the pricing submissions phase were announced in late September 2008.²³ Concerns continued to be raised after the terms of reference for our inquiry were announced in February 2009.²⁴

What we did

105. We reviewed the Ministry's process for dealing with 13 of the 29 requests for reviews of qualification ratings. The requests were received during June and July 2008.
106. Of the large amount of correspondence the Ministry received about the outcomes of the 2008 bus tender process, we selected another sample of 12 correspondents. Some but not all of the correspondents were bus operators who had participated in the 2008 bus tender process. Some of the correspondents had written to the Ministry several times between October 2008 and February 2009. We considered all of their correspondence. We reviewed the Ministry's process for dealing with each

²³ The list of successful bus operators was published on the Ministry's website:
www.minedu.govt.nz/NZEducation/EducationPolicies/Schools/SchoolOperations/SchoolTransport/SchoolTransportHomePage/SuccessfulTenderers2008NationalTenderSchoolBusTransport.aspx.

²⁴ We limited our inquiries into the Ministry's handling of correspondence about the outcomes of the 2008 bus tender process to correspondence received between October 2008 and February 2009.

of these 12 correspondents, as well as the Ministry's replies to the correspondents in our sample.

107. We interviewed a range of Ministry staff about the Ministry's process for dealing with correspondence about the 2008 bus tender process. We also reviewed a significant amount of documentation generated by correspondents and by the Ministry.
108. We did not look into the individual matters each correspondent raised with the Ministry about the 2008 bus tender process and its outcomes. This was not the purpose of our inquiry. We examined the Ministry's process for addressing each of the matters that correspondents raised.

General process for dealing with correspondence

Recording correspondence about the 2008 bus tender process

109. The Ministry did not establish a central register of the correspondence it received about the 2008 bus tender process. To help us with this part of our inquiry, the Ministry retrospectively assembled a central register of correspondence. In total, 129 correspondents were recorded as having communicated with the Ministry in some form about the 2008 bus tender process.
110. The Ministry told us that it did not create a central register at the time the tender was under way because correspondence could arrive as Ministerial letters, Official Information Act requests, or general correspondence by letter or email. We consider that a central register (with cross-references to other systems as appropriate) should have been established. A central register would have ensured that the Ministry accurately monitored the scale and theme of correspondence as it came in.

Replying to correspondents about the 2008 bus tender process

111. Staff involved in evaluating the tenders were also involved in replying to correspondence about the 2008 bus tender process. It was sensible to draw on these staff members' knowledge of the 2008 bus tender process.
112. However, this presented the Ministry with a risk that responses were biased, although we saw no evidence of this in the sample of correspondence that we reviewed. The Ministry appeared to have managed this risk by making the signatories of the correspondence different from the drafter of the reply. From time to time, the drafter also sought advice from other Ministry staff to construct the Ministry's reply.

113. Senior Ministry staff were involved in making important decisions when the volume and nature of concerns escalated after the outcomes of the 2008 bus tender process were announced.

Dealing with requests for reviews

114. After the qualification ratings were published on 11 June 2008 for each of the 165 bus operators, 28 bus operators asked the Ministry to review their qualification ratings. The Ministry issued the review results for 28 bus operators on 26 June 2008. Five further review requests were received after 26 June 2008. Four of these bus operators had previously submitted review requests, and one was requesting a review for the first time.
115. Of the 29 review requests (the original 28 and the one new review request), 13 qualification ratings stayed the same and 16 ratings changed (15 increased and one decreased).²⁵

The Ministry's effectiveness when dealing with requests for reviews

116. We selected a sample of eight of the 28 bus operators who requested reviews of their qualification ratings before 26 June 2008. The Ministry used a consistent process to review these qualification ratings. The TEC made a recommendation to the Ministry and the Ministry replied to each of the eight bus operators with the outcome of their review request.
117. Five of the eight qualification ratings increased through this review process. The changes were largely because the vehicle age scores had been initially calculated on incomplete information. As previously noted, new vehicles were inadvertently excluded from the initial assessment of vehicle age scores. Once the prevalence of this omission was identified, the Ministry reviewed every qualification submission that included new vehicles to ensure that the vehicle age score was accurate, regardless of whether the bus operator had requested a review. This was appropriate action for the Ministry to take.
118. We acknowledge that the Ministry took appropriate action to rectify matters. This does not, however, lessen our dissatisfaction about the review requests leading to so many changes in qualification ratings.

The Ministry's timeliness when dealing with requests for reviews

119. For the eight bus operators in our sample, the Ministry considered their review requests in a timely fashion and communicated its review decision on 26 June 2008.

²⁵ Eleven of these 16 rating changes related to the omission of the vehicle age scores for new vehicles.

This was within 11 days of having received the request, and before the pricing submissions closed on 11 July 2008. We consider that this was sufficiently prompt to enable those bus operators to participate in the next phase of the 2008 bus tender process.

Further review requests

120. The Ministry received five qualification rating review requests after 26 June. Four of these bus operators had previously queried their qualification rating with the Ministry. We examined the Ministry's process for dealing with these five review requests.²⁶
121. The Ministry responded efficiently to three of these review requests (within 10 days). The Ministry took longer to complete its reviews for the other two bus operators – up to three weeks. It is not clear why these reviews took longer. We consider that the Ministry should have completed the reviews faster, because the period for submitting pricing bids closed while the Ministry was considering these two review requests.
122. These reviews resulted in changes to four of the five qualification ratings. Three changes were made because of the inaccurate scoring of new vehicles for the vehicle age criteria, and three changes were made to increase driver development scores. We are concerned that further changes to qualification ratings were made at this stage – this was the third review of qualification ratings for four of these five bus operators. It suggests a lack of robustness in the Ministry's quality assurance processes.

The Ministry's quality assurance processes

123. As well as reviewing the vehicle age scores for all qualification submissions that included new vehicles, the Ministry told us that it "eyeballed" the other evaluation scores (such as driver development and business sustainability) after it received a number of review requests. Ministry staff told us that the "eyeball test" assessed whether the scores awarded for each criteria met their expectations for each bus operator, and whether the scoring was consistent between bus operators.
124. The Ministry was not able to provide us with any documentation to verify that this "eyeball test" took place. We are unclear how the "eyeball test" could have been done objectively and effectively, given the minimal supporting information provided

²⁶ While four of the five bus operators requesting these reviews had previously requested reviews, they did not form part of our sample of eight review requests dealt with by 26 June 2008. In total, we examined 13 separate bus operators' requests for qualification rating reviews.

for each evaluation criteria score to the TEC and the Ministry. We found an instance where one bus operator had no change made to their driver development score in June when they initially requested a review of their qualification rating (this is also when the “eyeball test” was said to have been done), but had their driver development score increased when their qualification rating was reviewed again in late July.

125. The “eyeball test” did not identify the inconsistencies in how the service agents had applied some of the evaluation criteria.

Summary

126. The Ministry was generally efficient in how it dealt with requests to review qualification ratings for bus operators. The number of requests caused the Ministry to review the evaluation scores that made up the qualification ratings in mid-June, through the Ministry’s “eyeball test”.
127. This “eyeball test” was neither documented nor effective enough to identify the inconsistent application of some evaluation criteria by the service agents. Changes to evaluation scores were also made after the “eyeball test” had occurred. In our view, the Ministry’s approach to gaining assurance about the outcomes of the qualification submissions phase before proceeding with the pricing submissions phase was not robust enough.
128. It appeared that the persistence of some bus operators led to increases in their qualification ratings, rather than any quality assurance process that the Ministry initiated after concerns were expressed about the accuracy of some qualification ratings. The lack of a robust quality assurance process at this point of the 2008 bus tender process compounded the problems we noted earlier about the inconsistent application of some of the RFP criteria.
129. The Ministry made changes to qualification ratings where the information supported such a change being made. We did not find any evidence that bus operators had been incorrectly advanced to the pricing submissions phase.

Dealing with correspondence about the outcomes

130. Of the 129 correspondents to the Ministry about the outcomes of the 2008 bus tender process, we drew a sample of 12 correspondents. There were 28 separate pieces of correspondence between the Ministry and those 12 correspondents.²⁷

²⁷ Some correspondents wrote to the Ministry on multiple occasions. We reviewed each piece of correspondence for each correspondent in our sample.

The Ministry's effectiveness in dealing with correspondence about the outcomes

131. The documentation we reviewed suggested that the Ministry considered each piece of correspondence carefully and, for the most part, replied in a consistent and customised way.²⁸
132. In two cases, the tone of the Ministry's reply to correspondents could have been seen as antagonistic in already fraught circumstances. Overall, however, the Ministry's replies to the correspondents in our sample were both courteous and neutral in tone.
133. In January 2009, the Ministry started using standard text about our inquiry when replying to any matters raised. Staff were acting under direction from the Minister of Education's office. We consider that it would have been more effective for the Ministry to note our inquiry work as well as address the concerns raised in the correspondence, given the Auditor-General's mandate and role and the scope of our terms of reference (once announced in February 2009).
134. In our sample of 12, three operators made repeated complaints to the Ministry. This suggests that these correspondents were not satisfied with the Ministry's response. However, we acknowledge that there were some environmental and specific constraints on the Ministry's ability to respond more fully to each of these complaints. For example, one of these correspondents was requesting information that the Ministry could not provide because of privacy and commercial sensitivity considerations.

The Ministry's timeliness in dealing with correspondence about the outcomes

135. Generally, the Ministry's responses to our sample of correspondents were timely.²⁹ We assessed timeliness using the Ministry's own performance measures for certain types of correspondence, for example, 20 days for a non-urgent Official Information Act request. In a small number of cases (four), the Ministry did not meet these performance measure time frames.
136. The Ministry took a little more than two months to respond to one correspondent. In our view, this was too long and unacceptable, regardless of the amount of correspondence received about the 2008 bus tender process.

²⁸ There were some notable exceptions with Official Information Act requests. A lack of consistency in the nature of these responses is appropriate.

²⁹ There were two instances in our sample where the Ministry was unable to provide us with evidence that a final response to correspondents had been sent. A draft was available for us to view, but it was not clear that the letter had been finalised and sent.

Lessons learned

137. In any subsequent school bus tender processes, the Ministry should:
- establish a central register of correspondence linking, as appropriate, to the Ministry's existing correspondence tracking systems, so that it can accurately and effectively monitor the scale and themes of correspondence;
 - establish a complaints process with a single point of contact, so that complaints can be centrally managed in a timely way; and
 - document the analysis it carries out to be satisfied about the veracity of evaluation criteria scores, qualification ratings, and any other decisions when queries are raised.

Conclusions

138. Based on our sample, the Ministry reacted promptly when concerns began to be expressed about aspects of the tender process, during both the qualification submissions and pricing submissions phases. We found only a handful of cases where the Ministry could have been more timely.
139. The effects of the inconsistent and sometimes inaccurate application of the RFP rules became evident after the qualification ratings were announced in mid-June. The Ministry's process for dealing with requests that it review qualification ratings lacked the robustness we expected. For some bus operators, their tenacity rather than the Ministry's quality assurance processes led to an increase in their qualification ratings. This must be improved for any subsequent bus tenders.
140. After the outcomes of the tender process became known in September 2008, and up until a standard set of wording formed the Ministry's response to any and all correspondence about the 2008 bus tender process, we are confident that the Ministry responded to correspondents in a thoughtful and courteous manner.
141. Some correspondents were clearly dissatisfied with the Ministry's response. However, in our view, some correspondents were likely to be satisfied only if the Ministry stopped the entire 2008 bus tender process or changed its outcomes.
142. It is inevitable that some businesses will be unsuccessful in an open tender process. The fact that many of the businesses involved in the 2008 bus tender process were small, rurally located, and that the tender was about transporting school children in small tight-knit communities seemed to amplify the dissatisfaction that was expressed about the outcomes of the 2008 bus tender process.
143. We consider that the use of a central register of correspondence would have helped the Ministry's senior management to more effectively monitor the scale and theme

of complaints, and to consider what (if any) action it needed to take to manage its risks.

144. With the benefit of hindsight, we consider that the scale and nature of complaints received should have caused the Ministry to more effectively review its processes and decisions when the results of both phases were announced and before the Ministry entered into contracts with preferred suppliers.³⁰ This could have identified some of the issues highlighted in this inquiry report.

³⁰ The Ministry deferred its plan to carry out a post-tender review when we were asked to inquire into the 2008 bus tender process.

Definition of types of routes

More information is available from www.minedu.govt.nz (Home > NZ Education > Our education system > Primary & Secondary Education > School Operations > School Transport > School Transport homepage > School Bus Routes).

Route: An individual school bus route. There were 2089 routes in the 2008 bus tender process.

Daily school route: These bring eligible students to school at the start of each day, and take them toward home again at the end of each day. Eligible students are children under 10 years old who live more than 3.2km away from the nearest school, and children over 10 years old who live more than 4.8km away from the nearest school, where no suitable public transport is available.

Technology route: These provide transport to another school during the day so that year seven and year eight students can study technology.

Route grouping: A collection of routes associated with one logical geographic area (such as a town or school). All routes belong to a route grouping. A route grouping could be a single route, if there is no logical link with other routes. The Ministry defined the route groupings.

Cluster: Two or more route groupings. The choice and number of route groupings in a cluster is determined by the bus operator when they submit a tender. Clusters were sometimes also called “route grouping bundles”.

Definition of types of pricing bids

Individual bids: Bids may be submitted separately for individual routes.

Fleet rate bids/pricing: Where the bus operator chooses to bid the same price for two or more routes, to offer a more cost-effective price.

Composite bids: Bids made up of the lowest price submitted by bus operators for each route in a route grouping. Composite bids were assembled by the service agents so they could make comparisons with other route grouping bids. Composite bids were not formal joint venture arrangements between bus operators.

Cluster pricing: Bus operators bid for two or more route groupings (a route grouping cluster) with a single price.

Bid filtering process for route groupings

