

**Proposed changes to the Procurement Manual**

**Section 10:28 Gross cost resets for public transport units**

---

Rule	<ol style="list-style-type: none"><li>1. Bus public transport unit contracts procured through an open supplier selection process will have a cost reset of the annual gross price informed by benchmarked price data (see appendix I <i>Contract negotiation processes for bus public transport units</i>) at six years of the nine-year term.</li><li>2. This section does not apply to contracts for commercial units.</li><li>3. Approved organisations with small or medium sized bus markets and where suitable price benchmark information is not or is unlikely to be available, can reconfirm the contract price at the current contract price when undertaking a gross cost reset.</li></ol>
------	---

---

**Appendix I**  
(continued)

**Contract negotiation processes for bus public transport units**

Negotiation for  
gross cost resets

The following processes must be used when resetting the gross cost of a tendered contract at the end of the sixth year, under section 10.28 Gross cost resets for public transport units.

Larger bus markets:

- The approved organisation will identify a benchmark price range for a unit contract using the process specified in the benchmarking section of this appendix.
- The approved organisation will compare the inflation-adjusted gross price of the contract against the benchmark price range. No change will be made to the inflation-adjusted gross price where it is within the benchmark price range.
- Where the inflation adjusted gross price is outside the benchmark price range, the parties will enter into a negotiation process following the direct appointment process specified in the preceding section of this appendix.
- The reset price will apply for the start of year seven of the contract, and if necessary paid in arrears.

Other bus markets:

- Where the size of the bus market prevents the use of the methodology in the price benchmarking section of this appendix, approved organisations are encouraged to try and identify alternative benchmarking methods that they may be able to use to undertake a gross cost reset.
- Where approved organisations decide to proceed with benchmarking, they will need to determine their own approach for testing the current contract price (inclusive of the indexed winning tender contract price plus the indexed price of variations) at the time of the gross cost reset. The approach will need to be

consistent with the following principles:

- i. Be simple to apply and administer
  - ii. Give confidence that the output of the approach reflects appropriate market prices
  - iii. Contribute to value for money.
- The benchmarking approach will be set out in the regional Procurement Strategy, and be assessed by the Transport Agency against these principles. Approved organisations are advised to work with the Transport Agency throughout the Procurement Strategy development process to ensure that the approach is appropriate.
  - Approved organisations that do not have, or are unlikely to have, suitable benchmark information to reset the gross price, will reconfirm the current contract price when undertaking the gross cost reset.
  - The current contract price is defined as the original winning tender contract price (i.e. the initial contract price) plus the price of any contract variations (for service level adjustments) made during the first six years of the contract, each adjusted for input price variation using an index approved by the Transport Agency in accordance with section 10.25 of this Manual.