

Management report to Council

Agenda item 6.3

Corporate Transport Services Contract No. 3543

Council

Presenter: Geoff Robinson, Manager Engineering Services

31 May 2016

Purpose and background

1. The purpose of this report is to award a tender for the provision of corporate transport services for three years with an extension option of up to four years.
2. The contract allows for the provision of corporate transport services. This involves the management and operation of Council's Corporate Transport Office incorporating transport related administrative functions (Service Element A) and management of mechanical maintenance and accident repairs (Service Element B). The service enables centralised access to Council's fleet assets including transport logistics for motor vehicles, buses, electric bicycles, electric vehicles, public transport, hire vehicles, car share services and marine assets. The current service provider is The Rental Faculty Pty Ltd. The current contract 3395 expires on 31 August 2016. The tender was advertised in 'The Age' newspaper on Saturday 27 February 2016. Three tender submissions were received. All tenders were compliant.
3. The weightings of the evaluation criteria were declared in the invitation to tender documents and tender briefing session which was conducted on 3 March 2016. The criteria were Cost (60 per cent), Plan for Proposed Services (20 per cent) and Experience, Capability and Past Performance (20 per cent). The tender evaluation summary is contained in Attachment 1.

Key issues

4. The evaluation of the non-financial criteria from the three tender submissions revealed two of the three companies provide in-house expertise in mechanical and automotive electrical repair / diagnostic works (Service Element B). The third company relies on using automotive and mechanical expertise under a sub-contractor arrangement. This company demonstrated greater experience managing day-to-day operations of a pool vehicle fleet within a transport office environment, including managing specific fleet related corporate accounts such as Fuel cards, MYKI and VicRoads (Service Element A).
5. The tender evaluation panel interviewed The Rental Faculty Pty Ltd, who satisfied the panel that they were capable of performing the service for the lowest price submitted. The City of Melbourne was nominated as the sole Referee and was accepted by the panel. The referee self-assessment was undertaken over a contract period of six years with sustained contract performance results regularly exceeding performance targets.
6. The cost to Council of appointing the recommended tenderer is \$862,571 over three years, which is inclusive of Lump Sum, Schedule of Rates for prescribed maintenance and repair works plus CPI adjustment for years 2 and 3. The tender price (\$205,000 year 1) is marginally lower than current contractual arrangements (approximately \$230,000). The reduced figure is associated with a scope change to delete the 24 hour on call service (all new vehicles are delivered with roadside assistance).
7. The Rental Faculty Pty Ltd is recommended as the preferred tenderer. The price offered represents the best value for money and the tender assessment for the non-financials was convincing and satisfies the requirements of the contract.

Recommendation from management

8. That Council awards the contract for the provision of corporate transport services to The Rental Faculty Pty Ltd (trading as Fleetwise) for a term of three years commencing on 1 September 2016 for a year one contract sum of \$285,853 inclusive of schedule of rates quantities, with an option to extend the term of the contract by up to four years and otherwise in accordance with the negotiated terms and conditions of contract.

Attachments:

1. Supporting Attachment No.1 (Page 2 of 4)

Supporting Attachment

Legal

1. Pursuant to section 186 of the *Local Government Act 1989* (Vic), before a Council enters into a contract for the purchase of goods or services to the value of \$150,000 or more (levels increased by Order in Council dated 7 August 2008), the Council must give public notice of the purpose of the contract and invite tenders from persons wishing to undertake the contract.

Finance

2. The first year lump sum operating cost of the contract is \$205,000 plus schedule of rates items of \$80,853 (total \$285,853). This amount is accommodated in the existing 2015-16 operational budget and also incorporated into the 2016-17 operational budget provisions. The tendered price is lower than existing contractual arrangements.

Procurement

3. This matter accords with the Centre Led Procurement Policy and the approved Procurement Plan for this service. The tendering process was satisfactorily reviewed by an independent probity auditor.

Tender evaluation summary

4. The membership of the tender evaluation panel was as follows.

Title and/or company	Generalist or Nominated Speciality	Full / Advisory Member
Principal Engineer Services, CoM	Specialist (Chair)	Full
Coordinator Engineering Contracts, CoM	Specialist	Full
Contracts Officer Parks Services, CoM	Generalist	Full
Category Manager, CoM	Specialist	Advisory
Financial Analyst, CoM	Finance	Advisory

All members of the TEP have completed and signed the Disclosable Interests and Confidentiality Declaration.

5. The summary of final scoring for the three conforming tenderers is shown below:

Summary of final scoring				
Company	Price <i>(Refer to Note 1)</i>	Financial score <i>(Refer to Note 2)</i>	Non-financial score	Total score
The Rental Faculty TA Fleetwise	\$862,571 (Yr 1 Lump Sum: \$205,000)	60.0	32.10	92.10
Tenderer A	\$1,113,488 (Yr 1 Lump Sum: \$221,970)	46.50	27.90	74.40
Tenderer B	\$1,246,406 (Yr 1 Lump Sum: \$210,300)	41.50	28.80	70.30

Note 1: this price applies to the lump sum component of the service for Years 1, 2 and 3 plus an extension of the schedules of rates by estimated quantities and inclusive of 2.5% CPI for years 2 and 3. Year 1 Lump Sum includes management fee and management plans only.

Note 2: this score includes an assessment of both lump sum pricing and schedules of rates.

Conflict of interest

6. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

7. Internal key stakeholder consultation was undertaken with On-Street Compliance, Community Services and Engineering Services to ensure the service is relevant and meeting the ongoing business requirements of the respective branches. Survey responses received from the Executive Management Team indicate a high level of satisfaction at the relevant branch level for corporate transport services.

Relation to Council policy

8. From the Council Plan 2013 – 2017 the following goals are supported:
- 8.1. **Goal 5: “An eco-city”**. The service specifications and tender submission incorporate environmentally sustainable work practices with regards to reducing, recycling and reusing. While the responses are somewhat limited in nature the automotive transport industry recycles tyres, vehicle body panels, doors and bumpers while oil and lubricants are disposed of in accordance with trade waste standards. Other environmental initiatives within a capital city environment include encouraging greater use of sustainable transport options such as public transport, electric bikes and electric vehicles. The City of Melbourne was the recipient of the **2014 Fleet Environment Award** from the Australasian Fleet Management Association (AFMA).
- 8.2. **Goal 6: “A connected City”**. The Corporate Fleet Policy and Service Specifications for this contract encourage the use of sustainable transport options such as public transport, electric bikes, electric vehicles and car share options. The adoption of new and emerging technologies is a feature of Councils transport performance over many years.
- 8.3. **Goal 7: “Resources are managed well”**. The tender received for this contract is based on a lump sum and schedule of rates that will deliver value for money to Council in relation to contract management and operational expenditure. The services to be performed and associated expenditure will be in accordance with existing budget constraints.

Corporate social responsibility

9. Apart from employing local people and engaging with local sub-contractors as a means of supporting local people with local jobs, the collective responses by the tenderers doesn't provide greater tangible solutions to create opportunities to develop programs or initiatives to support social enterprises. Generally, the employment practices and inclusion of sectors of society considered disadvantaged, marginalised or requiring assistance is not fully established in the motor vehicle and fleet management industry.