

SOUTHWARK COUNCIL CONTRACTED TRANSPORT PROJECT - SUMMARY OF SERVICE DELIVERY OPTIONS

Service delivery options	Description	Advantages	Disadvantages
Single provider contract	<ul style="list-style-type: none"> All passenger transport service requirements contracted with a single provider 	<ul style="list-style-type: none"> Simple to manage and ensure compliance with specification, relative to other options Builds close relationship with contractor to tailor, develop, improve service Volume of business should enable contractor to discount cost to Council 	<ul style="list-style-type: none"> Limited number of full-service providers in market limits competition - contractor must satisfy all requirements Risk if contractor fails/defaults in all or part - 'eggs in one basket' No ongoing competitive pressure to maintain/reduce prices once contract awarded Contractor may become complacent in meeting service standards Contractor can 'inflate' prices for new work arising after the contract is awarded May disadvantage local SMEs that are unable to meet all of the Council's requirements
Multiple provider contracts (As-is)	<ul style="list-style-type: none"> All passenger transport service requirements contracted with 2 or more providers. Contractors to provide full service required or part service only (eg for 1 or more companies to provide buses and 1 or more companies to provide taxis). 	<ul style="list-style-type: none"> Reduces the risk to the provision of the service in the event of failure/default of a single contractor Provides for continuing competition amongst the contractors for new work Small number of providers to manage and ensure compliance with Specification, relative to the single provider option 	<ul style="list-style-type: none"> Limited competitive pressure to maintain/reduce prices once route awarded to contractor Limited competition to provide best price for new work Limited flexibility to switch routes between contractors Difficult to prevent 'price creep'
Framework	<ul style="list-style-type: none"> Qualifying tenderers taken into a Framework only on basis of price/quality with no guarantee of any volume of work being awarded. Tenderers submit prices for a range of vehicle categories, on a 'minimum charge and pence-per-mile' basis across a number of distance bands, and with or without the provision of PSAs. Tenderers not obliged to tender for 	<ul style="list-style-type: none"> Prices are 'fixed' at the outset and transparent to the Council Award of work is easy to administer Provides for continuing competition amongst the Framework providers to optimise their share of the work available Enables tight control of route costs - the distance, vehicle category and 'per mile' price only determines the cost Flexible - easy to reallocate routes to providers on basis of price/quality of service if 	<ul style="list-style-type: none"> Providers can be reluctant to invest in larger vehicles without 'certainty' of work, thereby limiting capacity available Providers can reject work if not seen as 'profitable' or capacity not available Compliance checking of a relatively large number of providers is required

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	<p>all service categories</p> <ul style="list-style-type: none"> • Number of companies taken into Framework determined by need to ensure adequate capacity and coverage of all of Southwark's requirements - likely to be in the range of 6-10. • Companies in Framework awarded work on the basis of offering the lowest price for a given category of vehicle service and distance for a particular route. • Includes option to 'mini-tender' routes for 'best price', amongst framework providers 	<p>required, and easy to amend routes with price variation determine solely by change in distance</p> <ul style="list-style-type: none"> • Provides opportunities for local SMEs that may only wish to seek part of the Council's business or can only offer some of the services required 	
Managed Service	<ul style="list-style-type: none"> • All passenger transport service requirements contracted to an intermediary organisation acting as a co-ordinator/ consolidator/ prime contractor and support by a number of transport providers usually as sub-contractors 	<ul style="list-style-type: none"> • Single point of contact for the Council • Simple to manage relative to multi-provider or framework options - contractor manages sub-contractors • Builds close relationship with contractor to tailor, develop, improve service • Contractor may be able to drive better value from sub-contractors and be incentivised to do so (eg 'gain share') • Transfers some responsibility to 'optimise' service provision to the contractor 	<ul style="list-style-type: none"> • More complex contracting/sub-contracting arrangements than other options • More difficult to ensure compliance with Specification through a 'third party' • Cost of managed service provider 'overhead' may not be covered by reduced price obtained from sub-contractors • Providers may be reluctant to operate through a 'third-party' as there will invariably be a cost-penalty to them • There is not a well-developed market for managed service providers with experience/ knowledge of this sector

Pricing options	Description	Advantages	Disadvantages
Fixed price	<ul style="list-style-type: none"> Tenderers required to provide a fixed price for the transport of given numbers (or bands of numbers) of service users to a list of locations on a daily, weekly, termly basis as appropriate 	<ul style="list-style-type: none"> Certainty of fixed price Contractors cannot introduce unjustifiable increases/charges for variations in requirements 	<ul style="list-style-type: none"> Does not reflect the reality of a highly variable service requirement Difficult to ensure that cost remains a proper reflection of the service being provided Does not reflect the nature of the sector where individual journeys and routes are generally priced according to specific requirements. Tenderers are likely to load the 'risk' of variability into the price tendered.
Route price (As-is)	<ul style="list-style-type: none"> Tenderers required to price a schedule of routes Winning tenderer(s) would be expected to operate the route at the price tendered, with the price for variations and new routes being agreed with the Council as they arise. Can be tendered in traditional ITT or through an e-auction portal 	<ul style="list-style-type: none"> Tenderers can price a specific journey 'accurately' and competitively to benefit of Council Winning tenderers' prices should reflect 'best price' available at time of award 	<ul style="list-style-type: none"> Prices for subsequent new work or variations required by the contractor(s) have no point of reference and simply represent the 'best price' that the contractor is prepared to offer at the time. Tenderers may price low to win work that they cannot sustain and then may seek to make additional money from their pricing of additional work or variations.
Price per Mile	<ul style="list-style-type: none"> Tenderers required to submit prices on a 'per mile' basis for the range of vehicle types required by the Council, over a number of distance bands. Work awarded strictly on basis of the pricing schedule provided by the contractor(s) and mileage required, as calculated by the Council. 	<ul style="list-style-type: none"> Provides, in effect, a 'fixed price' that relates to a measurable quantity, namely the distance, for any journey required by the Council throughout the life of the contract. Removes the opportunity for the contractor(s) to quote prices for work on an arbitrary basis as the contract proceeds. 	<ul style="list-style-type: none"> Price must be set 'blind' to the details of any actual journeys and without any guarantee of work May make it more difficult for contractors to commit to investment in vehicles and staff