

Our ref: PRH 0405926/003

Your ref: A30244 – A30245

19 December 2006

Australian Competition and Consumer Commission
Level 35
360 Elizabeth Street
MELBOURNE VIC 3000

Attention: Louise Hird

By email: louise.hird@acc.gov.au

Dear Louise

**Municipal Association of Victoria
Applications for Authorisation A30244- A30245
Request for further information**

- 1 We refer to your letter dated 1 December 2006 and your request for further information. We provide the following information in response to your request to assist the Commission in its consideration of the applications.
- 2 Documents to which reference is made in this correspondence will be sent via hard copy under separate correspondence requesting confidentiality.

An estimate of the transaction cost savings referred to in the MAV applications, for both individual councils and overall

- 3 Individual council savings are predicted to flow from:
 - 3.1 Procurement / tender process costs, from project definition through to contract execution.
 - 3.2 Day to day contract management and administration of this activity, including invoicing and accounting.

Please notify us if this communication has been sent to you by mistake. If it has been, any client legal privilege is not waived or lost and you are not entitled to use it in any way.

- 4 Based on information received from DoI, we estimate that conducting the procurement process over a period of approximately 9-12 months would cost each individual council in the range of \$0.5 million to \$1 million. The lower band of this range is considered a minimum, regardless of procurement scale.
- 5 In terms of procurement and tender process costs, this includes the cost of acquiring services from the following external advisors:
 - 5.1 Lawyers
 - 5.2 Engineers
 - 5.3 Financial advisors
 - 5.4 Probity advisors and auditors, and
 - 5.5 Project management resources, to lead and run the procurement.
- 6 In terms of the costs of day to day contract management and administration, including invoicing and accounting, we estimate that the total saving would be approximately \$400,000 for each council over a ten year period.
- 7 We have based this calculation on the assumption that around a quarter of duties performed by a full time contract manager employed by council may be required to manage this function¹.

A guide to how councils determine the number of shelters they acquire annually

- 8 We are instructed that councils generally do not have a policy to actively consider the number of shelters required on an annual or ongoing basis. It is our understanding that requests are generally made by the following classes of persons and are considered on an ad hoc basis:
 - 8.1 individual requests from constituents in the municipality; and
 - 8.2 bus operators.
- 9 The approach proposed under DoI's new arrangements with councils will be based on applying objective tests to all council municipality's bus shelter and bus stop infrastructure. In summary, there are proposed to be dual tests relating to usage such that:
 - 9.1 passengers have to be using the stop/shelter; and
 - 9.2 any shelter that falls below what is considered a minimum quality or standard may be considered for replacement.

¹ Based on a contracts manager earning at least \$150,000 pa, multiplied by ¼ and multiplied by 10 years being at least \$0.37 million, and taking some account of additional costs such as the time of support staff and other administrative staff.

- 10 A further investment choice will be based on having a minimum ratio of shelters to stops, being 25% of stops to have shelters.
- 11 A copy of the proposed objective tests will be sent via hard copy under separate correspondence requesting its exclusion from the public register by reason of its confidential nature.

An estimate of the average number of shelters acquired annually by councils

- 12 As stated in paragraph 8, we confirm that the number of shelters presently acquired by councils on an annual basis generally depends on the requests that are made for shelters in a year.
- 13 Under the approach proposed by DoI, DoI will be committed to purchasing 400 shelters over the first one to two years to be installed in particular municipalities. DoI expects to roll out up to 1,300 new shelters during the contract term (including the 400 shelters it is now committed to providing). DoI may roll out these shelters in the first four years of the term, equating an annual roll out of approximately 325 shelters per annum. The commitment of 400 shelters will all be installed in the first two years of the term, guaranteeing an average of 200 shelters per annum in the first two years.

The number of bus shelters covered by the agreement that will be advertising/non advertising

- 14 The number of existing bus shelters to be covered by the proposed arrangements is 1637, consisting of 758 advertising shelters and 879 non-advertising shelters.
- 15 In relation to the expected 1,300 shelters to be rolled out during the contract, it is difficult to estimate which shelters will be advertising and which ones will be non-advertising because sites have not yet been proposed for each shelter. Consequently, an assessment of advertising value by the successful contractor, or the application of an advertising policy by councils, cannot yet be undertaken.
- 16 For internal forecasting purposes only, DoI has adopted a conservative approach and assumed 10% of the total number of new shelters installed under the new contract will be advertising shelters.

A copy of the signed MoU

- 17 An executed copy of a MoU will be sent via hard copy under separate correspondence requesting its exclusion from the public register by reason of its confidential nature.

A copy of the RFT

- 18 A copy of the following documents:
- 18.1 The RFT documents, on CD ROM; and
 - 18.2 Addendum 1 materials that update the RFT,



will be sent via hard copy under separate correspondence requesting their exclusion from the public register by reason of their confidential nature.

Please contact me if you have any questions concerning the information we have provided.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Holm'.

Paul Holm

Partner

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