

6 May 2021

Jay Zmijewski  
NZ Bus  
Jay.Zmijewski@nzbus.co.nz

Dear Jay

## **Procurement: Supply Chain Integrity**

As you know, with recent media speculation over the labour practices associated with certain agencies within the People's Republic of China, and acknowledging your crucial partnership roles with us as we move towards greater decarbonisation of our bus network, we wanted to check in with you to ensure we have the most up to date information on aspects of the supply chain associated with your purchase of electric vehicles (EVs) that will soon form an integral part of the Metlink network.

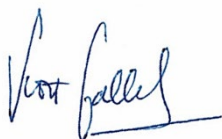
Can you confirm for us the scale of product(s) being sourced from within the People's Republic of China for your EVs, the agencies involved and the manufacturing origin (down to the relevant Province) of such product(s)? In addition, would you be able to confirm what other part(s) of your EVs are being sourced, manufactured and/or produced from other countries, including New Zealand.

Could you also confirm, once again, for us the due diligence which you undertook in terms of your supply chain?

Until the media articles late last week, neither ourselves nor yourself had identified issues directly related to the concerns now being raised, but we want to ensure we are working together to improve our understanding of, and confidence in the supply chain.

I look forward to hearing back from you.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Scott Gallacher".

**Scott Gallacher**  
Kaiwhakahaere Matua Metlink | General Manager Metlink



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25 May 2021

Mr Scott Gallacher  
General Manager Metlink  
Greater Wellington Regional Council  
PO Box 11646  
Wellington 6011

Dear Scott

**Procurement: Supply Chain Integrity - CRRC**

Thank you for your letter dated 6<sup>th</sup> May 2021 and your request for information relating to aspects of our supply chain associated with the purchase of 67 (EV's), 25 of which will soon be operating as part of the Metlink network.

**Background**

Firstly, it should be noted that GWRC approved the orders before they were placed.

In 2019 as part of our procurement process we went out to open competitive tender for the supply of new EV's. A total of seven companies were invited to submit tenders.

Over a number of months, the number of companies competing for the tender was reduced down to two, namely ADL and CRRC. These two companies made their final bids, and the successful bid was submitted by CRRC. Subsequent to the selection process the Chief Engineer and I spent three days visiting CRRC's factory located in Ningbo, South East China, close to Shanghai and one day at their Zhuzhou facility where the power trains are produced. The object of the exercise was two-fold:

- (1) To go over our specifications in detail to ensure everyone associated with our contract was crystal clear on what was required and moreover the standard of workmanship that must be achieved in the build process.
- (2) We wanted to see and tour the factory where these buses were to be built and assembled. We spent several hours in the factory and I have to say, as a qualified Engineer myself, that the premises and the production line were equal to, or better, than any I have seen anywhere in Europe. Everywhere was spotlessly clean which is always a good sign of a committed, motivated workforce.

We were also allowed to walk around the product line and randomly speak to staff, unsupervised. Everyone we spoke to was interested and motivated.

As part of the manufacturing process CRRC source a significant amount of material and componentry from overseas, mainly from mainland Europe, for example:

- Aluminium and stainless steel material comes from Finland and Switzerland as does the material which forms the main part of the body structure.
- Front and Rear axles are produced by ZF which is a top-quality brand and comes direct from Germany.

Items produced locally:

- The power train is sourced locally in China in Zhuzhou in the province of Changsha. We spent a full day at this facility viewing the power train's production line, their test laboratory and smart cloud centre; all ultra-modern.

The above represents a significant amount of the material used in the build of our EV's. There are a few other smaller items which are sourced locally. Our Due Diligence does not cover these, nor does it include every single piece that makes up the finished product. It should be noted that most of the buses operating in New Zealand are manufactured or assembled in China.

Our experience with CRRC to date has been a successful one. They have produced the 12 EV's which are operating successfully in Auckland. They have been built to our standards and they were delivered on time.

The first batch of 25 for Wellington have been built and are currently sitting at a port in China, they should have been en route to New Zealand, however, the boat they were booked to sail on was cancelled. They have now been re-booked and should arrive in New Zealand in early July 2021.

I trust the above answers the points you have raised. If not, please do not hesitate to make contact.

Kind regards



Barry Hinkley  
Chief Executive Officer  
**NZ Bus**

6 May 2021

Keven Snelgrove  
Tranzurban  
Kevns@tranzit.co.nz

Dear Keven

## **Procurement: Supply Chain Integrity**

As you know, with recent media speculation over the labour practices associated with certain agencies within the People's Republic of China, and acknowledging your crucial partnership roles with us as we move towards greater decarbonisation of our bus network, we wanted to check in with you to ensure we have the most up to date information on aspects of the supply chain associated with your purchase of electric vehicles (EVs) that will soon form an integral part of the Metlink network.

Can you confirm for us the scale of product(s) being sourced from within the People's Republic of China for your EVs, the agencies involved and the manufacturing origin (down to the relevant Province) of such product(s)? In addition, would you be able to confirm what other part(s) of your EVs are being sourced, manufactured and/or produced from other countries, including New Zealand.

Could you also confirm, once again, for us the due diligence which you undertook in terms of your supply chain?

Until the media articles late last week, neither ourselves nor yourself had identified issues directly related to the concerns now being raised, but we want to ensure we are working together to improve our understanding of, and confidence in the supply chain.

I look forward to hearing back from you.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Scott Gallacher".

**Scott Gallacher**  
Kaiwhakahaere Matua Metlink | General Manager Metlink

Monday, May 10, 2021

To: Scott Gallacher  
General Manager Metlink  
Email: [scott.gallacher@gw.govt.nz](mailto:scott.gallacher@gw.govt.nz)

Dear Scott,

RE: Procurement: Supply Chain Integrity

Thank you for your letter dated 6<sup>th</sup> May relating to Tranzurban's supply chain, specifically associated with our purchase of electric buses that will soon be part of the Metlink network.

Before I answer your questions, I would like to say that we were deeply concerned by the recent media reports that allege one of our suppliers is a customer of a company that has used forced labour in the People's Republic of China. This is something we find abhorrent, and we are more than happy to work with Greater Wellington Regional Council on providing you with information. Like yourself, we want to ensure we can work together to improve our understanding of, and have confidence in, the supply chain.

Q. Can you confirm for us the scale of product(s) being sourced from within the People's Republic of China for your EVs?

A. *Our electric buses are built in New Zealand using parts sourced from New Zealand as well as from leading global suppliers in China and Europe. Tranzit currently sources its electric motors, controllers, and inverters from CRRC in China and these components make up less than 10% of our EV buses. In addition, we source chassis, charger, axle assembly and our high voltage batteries from other suppliers in China – the total of which comes to approximately 43% of our EV bus components.*

Q. Can you confirm the agencies involved and the manufacturing origin (down to the relevant Province) of such product(s)?

A.

| Component                          | Origin                            |
|------------------------------------|-----------------------------------|
| Axles                              | China (Suzhou province) and Italy |
| Motor                              | Guangdong province                |
| Chassis steel                      | Shanghai                          |
| 1080kw charger for Grenada depot   | Guangdong province                |
| Dashboard                          | Zhejiang province                 |
| Air compressor                     | Jiangsu province                  |
| Batteries (CATL)                   | Fujian province                   |
| Steering pump                      | Zhejiang province                 |
| Gearbox                            | Germany                           |
| VCCU (Vehicle Charge Control Unit) | Guangdong province                |
| MCCU (Motor Control Unit)          | Hunan province                    |
| Cables (High Voltage)              | Fujian province                   |

Q. In addition, would you be able to confirm what other part(s) of your EVs are being sourced, manufactured and/or produced from other countries, including New Zealand?

*As mentioned in question one, our electric buses are built in New Zealand using parts sourced from New Zealand as well as from leading global suppliers in China and Europe.*

*Our braking system, steering of the electric motor, driver's seat, some pantograph components, and tyres are sourced from Germany. Our passenger seats are sourced from Poland.*

*The rest of our EV bus components are sourced from New Zealand and include: the body design and build, other pantograph components and lighting and switches.*

Q. Could you also confirm, once again, for us the due diligence which you undertook in terms of your supply chain?

*A. Prior to 2017, when Tranzurban signed the tender documents to deliver 60 percent of the urban network in Wellington with Greater Wellington Regional Council, myself, and my brother Paul Snelgrove, were joined by a small team of our specialist EV mechanics and we visited several factories in China, the UK and Europe to determine which best global technology we would use in our EV buses. Following these visits, we chose several Chinese and European suppliers to produce specific components we now use. At no time during these visits, did we feel uncomfortable in the way people were being treated. The relationships we established with our preferred suppliers is ongoing today, so much so that when the media stories were first published, we reached out to our contact at CRRC for confirmation that none of the components we use in our electric buses have been made with forced labour. This has subsequently been confirmed.*

I hope the above answers satisfy your requirements. Please do contact me directly if you require more information.

Moving forward Tranzurban will continue to ask questions around whether the Ministry of Foreign Affairs and Trade could provide more support for private businesses like ours, doing business in China as international supply chains can be complex and difficult to monitor and there is no credible way to vet working conditions and labour rights in individual firms aside from visiting them, which is what we have done.

Thank you for your time.

Kind regards



Keven Snelgrove  
Director of Transport and Logistics  
Tranzurban