

Market Engagement for Gourock Dunoon Ferry Service

Summary of Findings from Transport
Scotland's one to one discussions
with operators

June 2014

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Outline of market engagement process



- PIN published online in OJEU and Public Contracts Scotland on 3 October 2013.
- Potential bidders emailed with an invitation to the information day 7 October 2013.
- Information day held 18 October 2013.
- All operators who had expressed an interest were invited to attend one to one discussions with Transport Scotland.

Invitation to one to one discussions

- Operators were reassured that the information they supplied would be
 - Treated as commercial-in-confidence.
 - Would remain anonymous at the individual operator level.
- Six operators accepted the invitation for one to one discussions.
 - All were content to have the name of their company released.

Operators who took part in discussions

- Argyll Ferries Limited (a subsidiary of David MacBrayne Limited)
- Clyde Marine Services Limited
- GSS Marine Services
- P&O Ferries
- Serco
- Western Ferries

Timing and content of one to one discussions



- Took place between 8th November and 22nd November 2013 at TS offices.
- Officials from Ferries Unit and Analytical Services took part in each discussion.
- Each discussion lasted around 2 hours.
- Discussions were structured around a questionnaire.
 - Steering Group commented on draft questionnaire

Analysis of one to one discussions

- With a small sample size the analysis was limited to counting the number of operators giving a particular response.
 - For open ended questions, similarly worded responses were counted in the same category.
 - No direct quotes used.

Findings – Information gaps



Do you feel you have sufficient information to make a decision on whether to bid to run the Gourock – Dunoon Ferry Service?

Response	Number of operators
Yes	0
No	6

Further information requested included 29 specific points of detail around procurement process, service to be tendered and the market.

Details also recorded on length of time required to bid.

Findings – Authorising process

What authorising process would your company have to go through before deciding to make a bid to operate the service?

Response	Number of operators
Board approval required	4
Managing Director decision	1
No formal board approval	1

Findings – Criteria looking for

What criteria is your company looking for before it will decide to bid?

Criteria	Number of operators*
Commercial risk and rate of return	6
Strategic fit with company's business	2
Scope to deliver innovation and service improvements	1
Scope for partnership	1
Cost of preparing the bid	1
Length of contract	1
Price quality ratio	1
Who competitors will be	1
Reputational risk	1
Risk of competitive response from Western Ferries	1
Passenger only service lowers risk	1

* Multiple answers allowed

Findings – Provision of vessels

Would you prefer purpose built vessels or would you prefer to bring your own boats to the route?

Response	Number of operators
Prefer to use vessels provided	2
Prefer to provide own vessels	2
No preference	1
Depends (need clarity what Scottish Government can do on provision of vessels)	1

Findings – Harbour dues

Is the level of harbour dues at Gourock or Dunoon a factor that affects your decision to bid?

Response	Number of operators
Yes	0
No	6

All operators noted that they need to know what the harbour dues were and that clarity on dues is required

Findings – Contract length

Would a longer contract period make you more likely to bid?

Response	Number of operators
Yes	2
No	3
Depends whether longer contract is permissible under EC regulations	1

The 2 operators stating yes said 10 years would make a difference

Findings – Basis on which bid

Based on the information available to you, on what basis would you bid to run the route? Passenger only or vehicle and passenger?

Response	Number of operators
Vehicle and passenger (but only if Scottish Government bore revenue risk for the vehicle service)	1
Passenger only	4
Depends on tender	1

Findings – Factors deterring bid for vehicle service



What factors are deterring you from providing a vehicle carrying service given the commercial prospects set out in the MVA report?

Factors noted as deterring from providing vehicle and passenger service (4 operators)*	Number of operators*
Competitive response from Western Ferries (would not take commercial risk of competitor seeking to drive out of business) particularly since competitor has cost advantage (shorter route, less fuel and no harbour dues)	3
Unlikely to get necessary market share as no room for two vehicle service operators in the market	2
Administrative risk associated with separation and accounting of costs and subsidy into vehicle and passenger services	2
MVA study based on break-even point of revenue and costs not commercial return	1
Could not get funding from bank given such risk	1
If bringing own vessels, too much of a revenue risk	1
Size of market overall small so not worth risk	1
Too many unknowns	1
Costs of vehicle service exponentially greater	1
Government can only subsidise passenger service	1

* Multiple answers allowed

Findings – Overall likelihood of bidding by type of service

Overall, how likely are you to bid for the service, based on the information provided?

	For a Vehicle and Passenger Service	For a Passenger only service
Likelihood	Number of operators	Number of operators
Very likely		2
Likely		
Neither likely nor unlikely	1	2
Unlikely	2	
Very unlikely		
Don't know		
Prefer not to say	1	1
Would not bid*	2	1

* Category added as answer given by several operators. Next slide splits results according to whether or not they were considering bidding for a particular type of service

Findings – Overall likelihood of bidding by type of service

Overall, how likely are you to bid for the service, based on the information provided? (analysed by those considering bidding)

	For operators considering bidding for a Vehicle and Passenger Service	For operators considering bidding for a Passenger only service	For operators stating that their decision to bid would depend on the tender
Likelihood	Number of operators (1)	Number of operators (4)	Number of operators (1)
Very likely		2	
Likely			
Neither likely nor unlikely		2	
Unlikely	1		
Very unlikely			
Don't know			
Prefer not to say			1

Conclusions

- Useful feedback on information gaps and these will be filled when the invitation to tender for the service is developed.
- No common views on: whether to bring own vessels or use vessels provided; whether a longer contract preferred.
- Harbour dues not a deterrent to bidding but clarity on dues required.
- More interest in bidding for a passenger only service than a passenger and vehicle service.