

Gourock Dunoon Ferry Service Future Contract

Service specification

1) Contract duration.

1.1 We propose a long-term contract, ideally for the full 12 years set out in the Commission's latest guidelines, in order to deliver a sustainable solution for the service which enables investment in vessels and infrastructure but also in marketing, customer service and community engagement.

Risks

1.3 We consider the likelihood of a complaint to the EC about a longer contract to be **low** and the probability of the EC upholding such a complaint to be low.

1.4 Any long contract carries with it the risk of being 'locked in' if the contractor is considered to be under-performing. The contract will therefore need a clear set of performance indicators and appropriate default and termination clauses.

2) Frequency and length of operating day.

2.1 The minimum frequency requirement set out in the 2011 ITT was based on the previous Cowal Ferries' timetable and was geared around connecting with hourly fast trains to/from Glasgow with additional sailings at peak commuting times. AFL's winning bid introduced additional sailings and a longer operating day – see table below. Analysis of detailed carryings figures should be undertaken to establish the demand for sailings during off-peak periods. Consideration will need to be given to connectivity with Glasgow rail services following changes to the rail timetable since 2011.

	Service specification (Monday-Friday)	Contracted timetable (Monday-Saturday)
First departure Gourock	0620	0620
First departure Dunoon	0650	0650
Last departure Gourock	2018	2240*
Last departure Dunoon	2045	2310**
Number of round trip sailings	18	30***

* 0100 on Friday/Saturday

** 0125 on Friday/Saturday

*** 32 on Friday/Saturday

2.2 It has been suggested that consideration be given to requiring one of the vessels to berth overnight in Dunoon to enable an earlier first sailing. Analysis of demand and consultation with the harbour authority would be required, as well as consideration of the impact on the crew.

2.3 The incremental costs of additional services is relatively low except where an increase creates the requirement for an additional crew due to working hours legislation.

Risks

2.4 The likelihood of a complaint to the EC on alleged “over-specification” of service frequency, if the requirement is more closely aligned to the current provision than to the 2011 ITT, is considered to be **high** but we consider the probability of this being successful to be **low** provided that the new specification is based on an analysis of carryings which shows that there is demand for these services.

2.5 Without robust analysis there is a risk of providing services at public expense beyond what is actually required by users.

3) Fares.

3.1 The existing foot passenger fare structure was inherited from the former Cowal Ferries service and is therefore largely historic, no longer reflecting developments elsewhere on ferry services supported by the Scottish Government, particularly the simplification of prices and ticketing brought about by the roll-out of RET¹.

3.2 We recommend reviewing the fares structure in line with the principles of RET but noting that the popular multi-journey tickets are already below RET levels².

3.3 A new fares structure could be based on a number of parameters which could, for example, include:

- ensuring that all fares are no more than fare based on the RET formula;
- reducing the range of fares currently in place;
- arrangements for the continuation of multi-journey and season tickets, including ferry-rail tickets, if there is demand for these.

3.4 As only a foot passenger service can be subsidised, any future vehicle ferry operator would be responsible for determining the fares of vehicles and vehicle passengers.

3.5 We would, however, expect foot passengers and vehicle passengers to pay the same prices and have access to the same range of ticket options – otherwise there is confusion for travellers and (albeit relatively low risk) potential for manipulation of revenue streams between the (subsidised) ‘passenger’ and (unsubsidised) ‘vehicle’ cost centres.

Risks

3.6 Any change to the passenger fares structure which reduces costs for users will make it more attractive for those who have a choice of service; there is therefore a

¹ RET is based on one price for a single ticket (children half price) with return and multi-journey tickets withdrawn.

² A review of the RET formula is planned for this year in line with the Ferries Plan.

risk of challenge from Western Ferries based on concerns over loss of foot passenger traffic to the town centre service. However, the rollout of RET to all lifeline services has been clearly stated Scottish Government policy since 2012.

3.7 The risk of leaving the fares largely unchanged is that the Government's policy on fares as set out in the Ferries Plan would not be delivered for this route and that whilst this may not affect many regular users it has the potential to miss the opportunity to support visitor travel to Dunoon and Cowal.

4) Scheduled relief.

4.1 The current contract requires 2 vessels and the service is "self-relieving" i.e. the service reduces in frequency for 4 weeks a year (2 weeks in October, 2 week in May). This reduces service levels for those periods an hourly service.

4.2 The provision of suitable vessels (and if necessary infrastructure) should address concerns about the increased vulnerability of a single vessel service. One point that should be considered is the timing of annual overhauls in the next contract. If there is evidence that the reduced service has had an impact on, in particular, tourist numbers using the service, then this could be addressed by requiring annual overhauls to take place in the off season.

4.3 The contract could require the provision of a relief vessel although the options for available tonnage open to bidders, particularly over a 12 year period, may be limited and could add considerably to the cost of the contract. There could be other options for the operator including provision of additional bus services. An analysis of weekly carryings figures should show whether there is an impact during the overhaul periods and enable consideration of whether requiring additional relief arrangements would represent a proportionate cost.

Risks

4.4 The likely criticism of a requirement for scheduled relief cover would be in similar vein to the criticism of a frequent service (above) and the cost it would add to the contract. However, provided that such a requirement was meeting a need demonstrated by an analysis of carryings, we consider that the likelihood of a successful challenge on this point to be **low**.

4.5 The risks to a single-vessel service during the overhaul period are mainly to do with technical failure (if there is weather disruption then, assuming 2 future sister-ships, one or two vessels would make no difference). This cannot be discounted but presence of alternatives in the case of the Gourock-Dunoon route (McGills buses, Western Ferries and the road link) provide a mitigation of the effects. The additional subsidy cost of a relief requirement needs therefore to be weighed against the risks.

5) Unscheduled relief.

5.1 In case of disruption, usually weather-related, the current contract requires the operator to "provide reasonable notice and reasonable assistance to users of the

Services to minimise the disruption suffered by them”³. Due to reliability issues Transport Scotland has agreed with AFL provision of a bus replacement service, now on a formal contractual basis.

5.2 The provision of suitable vessels (and if necessary infrastructure) should remove or at least significantly reduce the need for such a service under the next contract. Although the tender specification could include such a requirement, this would add cost to the service which could be criticised as duplicating the cost of investment in new vessels. An alternative would be to require bidders to set out what their unscheduled relief arrangements would be and evaluate these as part of the quality assessment.

Risks

5.3 The operational and legal risks are similar to those in section 4 above; however, with new vessels the operational risks should be lower during normal periods of 2-vessel service.

6 Performance deductions.

6.1 The current contract with AFL is consistent with the Clyde & Hebrides and the Northern Isles contracts in including performance deductions for (in particular) reliability and punctuality. Events considered outside the operator’s control, principally weather, are counted as “relief events” and a performance deduction is not applied.

6.2 Given the significance of reliability to this service, particularly for daily commuters, we have considered whether a contractual incentive for weather reliability could be included. However, we want to avoid creating a commercial pressure on the operator or on the vessel skippers and crew to sail in unsafe conditions. With new vessels on the route, the need for such a clause should be significantly reduced. However we can seek to ensure that the contract does not create any incentives (financial or otherwise) not to sail.

Risks

6.3 The risk of weather-related cancellations cannot be entirely removed. Our view at this stage is that this is better addressed through vessels and infrastructure than through the performance deduction regime.

Transport Scotland
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³ Section 2.8.2