



GOUROCK-DUNOON FERRY SERVICE - FEASIBILITY STUDY OF A FUTURE PASSENGER AND VEHICLE SERVICE WITH THE VEHICLE PORTION BEING NON-SUBSIDISED

Contents

1. Introduction
2. Background
3. Aims & Objectives
4. Research Design/ Methodology
5. Research Outputs
6. Ownership & Publication of Outputs
7. Responsibilities of the Service Provider
8. Contract Management
9. Timetable
10. Access Arrangements
11. Contract Price
12. Contract Conditions
13. Criteria for the Evaluation of Tenders
14. Guidance for Submitting a Tender

Transport Scotland

15 October 2012

1. Introduction

- 1.1 This terms of reference (ToR) document sets the requirement for the appointed consultant in meeting the aims of this particular workstream within the broader Gourock-Dunoon Ferry Service Project Plan, specifically, a feasibility study of a future passenger and vehicle service with the vehicle portion being non-subsidised. The ToR forms part of a tendering process by Transport Scotland advertised on the Public Contracts Scotland website as part of an open competition. The study itself will be completed within 6 months. The ToR has been agreed by the Steering Group.
- 1.2 The policy objective is that there shall be a safe, reliable, frequent, commuter ferry service between Dunoon town centre and the rail terminal at Gourock. The service must be able to operate reliably throughout the year in the weather and sea conditions experienced on the Firth of Clyde and provide an acceptable level of comfort to meet the reasonable expectations of users including commuters, the elderly and disabled and tourists.
- 1.3 It is the wish of Scottish Ministers that the ferry service shall carry both vehicles and passengers.

2. Background

- 2.1 The Deloitte & Touche study conducted in the late 1990s provides some basis on which to build. Since then though costs and revenues have changed, infrastructure has been developed and experience has been gained of operating a service using smaller, passenger-only vessels. That study was a fuller, options appraisal for the provision of ferry services on the Gourock-Dunoon route. That is not the intention of the current work, so a complete update of the Deloitte & Touche report is not required.
- 2.2 What is required is an identification of the options and assessment of the likely costs (capital and resource) and revenues for operating a vehicle and passenger ferry service between Gourock & Dunoon town centres upon which the vehicle portion is not subsidised, but the passenger service is. In effect, the current study takes the form of a ‘feasibility study’; benchmarking the costs of providing a safe, reliable, frequent, subsidised, public service, passenger only, service in suitable vessels required to cope with the sea conditions on the Firth of Clyde and then determining whether carrying vehicles would increase or reduce losses.
- 2.3 In this context, a reliable service includes a level of reliability in bad weather comparable to that of the service that operated on the route prior to 30 June 2011, excluding the performance of the MV AliCat. The original Deloitte Touche report commented that “large hulls are required to suit Upper Clyde water”.

3. Aims & Objectives

- 3.1 The overarching aim of the study is to determine the feasibility of a service with the vehicle-carrying portion of the service operating without subsidy and the passenger-carrying portion being subsidised in manner compatible with EU Law.

4. Scope

General

- 4.1 It is important that the analysis considers all costs, all revenues and the required rate of return (as necessary) in its assessment. Where material costs are identified, but figures cannot be obtained, that should be made clear. Assumptions and approximations may be appropriate in any such circumstances.
- 4.2 As in the original Deloitte Touche report, the basis of cost and revenue projections must be itemised to show estimated revenue flows for different categories of user and itemised cost items down to the levels of such items as manning levels, fuel and spares.
- 4.3 As in the original Deloitte Touche report, the annual commercial loss that could be expected from providing a frequent, reliable foot passenger only service, in suitable vessels, over a 15 year period should be estimated. This along with an allowance for reasonable profit will provide a benchmark for the Public Service Obligation (PSO) compensation (subsidy) that would be permitted under EU law. The reasonable profit figure used should be quantified and justified. The analysis of likely operating costs and revenues should be sufficiently clear and transparent to avoid any claim of cross-subsidisation of the unsubsidised vehicle element by the subsidised passenger element.
- 4.4 The revenue and costs assumed for vehicle carrying should be for vessels optimal for the route in terms of design, manning levels, speed and vehicle and passenger capacity.

Options

- 4.5 The study should describe the current routes and current and recent ferry services. It should then identify, consider and describe proposed options to deliver the service set out in the policy objective above.
- 4.6 These options should include variations in vessel provision, timetable and fares as set out in the following paragraphs.
- 4.7 The study should seek to present an appropriate range of operating scenarios, as evidenced by data gathering from potential operators, industry and local knowledge, and market analysis. The sensitivity of the cost estimates to variations in key elements that drive operating costs should be explicitly considered and demonstrated. The Western Ferries operating model provides a model against which the various options developed by the study can be assessed.

Operating costs

- 4.8 At a simple level, the study will need to provide analysis of the likely operating costs (capital and resource) for providing a reliable and frequent passenger only service and identify any additional costs purely associated with carrying vehicles. That should include fixed and variable costs, and offer some analysis and commentary on likely future changes in the key cost variables and an associated risk analysis with options for their management/mitigation.
- 4.9 There should be several variations of operating and asset finance models (e.g. owned vessel versus leased vessel) and service level (e.g. frequency, length of operating day,

peak and off-peak service differentiation etc.) which will need to be considered. Options for leasing should include leasing of a vessel to the operator by CMAL. Similarly, capacity provision may provide an opportunity to minimise costs and maximise revenue – and/or optimise the balance between the two – although not at the expense of reliability. The impact of different vessel options on costs will need to be assessed and clearly presented: this covers the cost of purchase of lease/charter and also variations in costs of (e.g.) fuel, crewing and shore staff, insurance and harbour charges linked to different types of ship.

- 4.10 Any capital costs associated with making the harbour facilities fit for use by the service will be included in the assessment but separately identified.

Operating Revenue

- 4.11 At a simple level, the study will need to provide an assessment of the current and forecast travel demand and an analysis of the likely carryings and associated operating revenue from providing a reliable and frequent passenger only service and identify any additional revenues purely associated with carrying vehicles with a breakdown of revenues derived from abstraction from other operators, from generating new traffic and from potential new services or markets. This should take into account information on changes in passenger revenue from the previous vehicle-carrying service to the current passenger-only service e.g. loss of revenue from passengers previously carried in vehicles including those using CalMac Hopscotch tickets.
- 4.12 The study will need to establish the likely scale and nature of demand for the envisaged service. That should include, but might not be limited to, an analysis of peak and off-peak demand, the need to cope with peaks in demand, the role of tourist demand, the potential for growing the market and an assessment of freight demand.
- 4.13 The combination of likely demand, service-level specification, and fares will determine the potential revenue. An assessment of the sensitivity of demand to service specification will be needed (e.g. increasing or decreasing operational hours, increasing or decreasing sailing frequency and sailing at different frequencies at different times of the operating day).
- 4.14 The analysis will need to have regard for a number of fares “policies”. The influence of local competition will need to be considered. An RET-based fares model should be considered as an option given Ministerial policy. Fares options focused on the needs of daily commuters and on attracting day-trippers (foot and vehicle passengers) should also be considered. The consultant should present evidence underpinning the fares used in the analysis. Sensitivity tests informed by risk analysis may be appropriate.
- 4.15 The study should also consider other revenue streams (non fare-box) that an operator might generate and that might offset operating costs of the service. The likelihood of their existence, and potential scale, should be clearly discussed.

Long-term sustainability/viability

- 4.16 The study should clearly address the issue of longer-term route performance based on a whole life-cycle approach to costs. This should look at the possibility that short-term losses are made to generate longer-term profit, as well as the possibility that any profit is only short-lived.

Assessment of the wider context of the proposed Gourock-Dunoon ferry

- 4.17 It is important the study does not look in isolation at the service on this route.
- 4.18 The study should consider the potential impact of a vehicle-carrying ferry service on this route on the wider Cowal economy. A full economic analysis is not required but the study should consider the views of the local communities and businesses and other existing evidence on the potential impact of a vehicle-carrying service on this route on:
- businesses in Dunoon and Cowal, particularly the tourism, haulage and retail sectors
 - the place of this service within a resilient, integrated transport network, including how it would provide improved access to/from the Cowal peninsula in the event of road closures and for blue light services
 - personal mobility including commuting times for foot and vehicle passengers
 - traffic congestion, on both sides of the Firth
 - broader transport policy objectives including modal shift

5. Research Design/ Methodology

- 5.1 It will be for the appointed consultant to propose the most appropriate method for meeting the aims and scope described above. The methodology for estimating costs and revenues should follow economic appraisal guidance. In general, the methodology will involve some or all of:

Data collection

- Collection of data and information regarding current and past Firth of Clyde ferry services.
- Data gathering from potential operators: as many potential operators as possible should be contacted; the study must not be limited to existing ferry operators on the Firth of Clyde.
- Collection of information from providers of elements of the service (e.g. harbours)

Information gathering from stakeholders

- Discussions with Local Authorities
- Discussions with the Dunoon Gourock Ferry Action Group and their advisors.
- Discussions with representatives of the tourist industry, shopkeepers, hauliers, students, the elderly, and the disabled.
- Taking maritime advice on the required vessel specification for reliable operation year round on the Firth of Clyde (note this is not the same as the certification required to operate on the waters), and crew levels for possible passenger and vehicle capacities.

Information gathering from public

- A public consultation meeting

Modelling and Analysis

- Development of a financial model capable of estimating costs and revenues.
- Analysis and modelling of potential demand for the service.
- Consideration of specific factors in the analysis including:
 - Potential impacts on the current market, and of any distortions in the current market, for cross Firth of Clyde vehicle ferry traffic.
 - Experience of the introduction of Road Equivalent Tariff (RET) on other routes.
 - Identification of options for the provision of owned and leased vessels.

Presentation of findings

- Presentation of the findings and assessment of feasibility
 - Presentation of the final report to the Steering Group.
 - Presentation of the final report to a public meeting.
- 5.2 The existing capabilities of potential operators must not be allowed in any way to determine the format of the proposed service and thus prejudice the outcome of the study.
- 5.3 Please provide details of any potential problems or weaknesses with your proposed approach and how you would seek to address them.
- 5.4 The successful contractor is responsible for the design of research instruments (such as survey questionnaires and interview and focus group topic guides), but should allow time for these to be approved by Transport Scotland prior to commencing fieldwork.

6. Research Outputs

- 6.1 The primary output will be a final report of publishable quality. It should include a clear conclusion based on the analysis and evidence gathered and generated during the study. It will also provide clear explanation of the financial model, analysis and any assumptions behind, or limitations to, the work.
- 6.2 The content, detail and presentation of the report shall be such as to easily permit independent verification of any calculations and conclusions reached. Electronic copies of documents and underpinning raw data will be supplied in an agreed electronic format.
- 6.3 The Consultant will be contracted to and funded by the Scottish Government. The Consultant will provide reports to the Steering Group.
- 6.4 All written reports must be prepared in a clear, accessible and concise manner, they should be proof-read before submission, and must be submitted in a publishable standard and in Transport Scotland's Social Research house-style. Information on this is available in the Handbook for Contractors at: <http://www.transportscotland.gov.uk/analysis/research/contractor-guidance>
- 6.5 Tenderers should note that one or more drafts of reports are likely to be required before a final draft is agreed, and that they should allow for this in the timetable and costs they propose. It is the responsibility of the contractor, however, to ensure that submitted drafts are of a high quality and are not in need of proof reading by the client.

7. Ownership & Publication of Outputs

- 7.1 The ownership of the research material including the final report and any data produced as a result of the research lies with the Scottish Ministers. The decision to publish and the date and format of publication will be taken by Transport Scotland.

8. Responsibilities of the Service Provider

- 8.1 The contractor will be responsible for the design, fieldwork, data analysis and preparation of the final report to a standard agreed with Transport Scotland
- 8.2 It is the responsibility of the contractor to ensure that the proposed methodology does not contravene the provisions of the Data Protection Act 1998. Your tender should state:
1. Which (if any) professional codes of practice you will follow.
 2. How you will address any ethical issues that are identified in the specification.
 3. What other ethical issues you think are relevant to this project, and how you would address them.
- 8.3 In assessing ethical issues, you may wish to refer to the ethical sensitivity checklist which all Scottish Government and Transport Scotland researchers must complete on the inception of new research projects. A copy of the checklist can be accessed via (<http://www.scotland.gov.uk/Topics/Research/About/Social-Research/Guidance-for-Contractors/Ethical-Checklist>).
- 8.4 Academic institutions are asked to clearly state what impact, if any, any required clearance of their own ethics committees would have on the time scale for the evaluation.

9. Contract Management

- 9.1 The contract will be managed by Kathy Johnston, Transport Analytical Services, Transport Scotland, who will be responsible for the day-to-day liaison with the contractor and for agreeing final versions of all research tools and outputs (telephone 0131 244 0872 or kathy.johnston@scotland.gsi.gov.uk).
- 9.2 A Steering Group will oversee the study.
- 9.3 The contractor should provide regular and frequent progress updates to the project manager and Steering Group. Details of this arrangement will be agreed at the inception meeting.
- 9.4 Contractors will also be expected to take part in a joint feedback session (by telephone or face to face) upon the completion of the research and submission of the final report. The aim of this session will be for the contractor and project manager to discuss how the research has gone, including whether it met its aims and objectives. This will also provide an opportunity to think about how it might have done this more effectively.

10. Timetable

- 10.1 It is anticipated that the study will be completed within **6 months**, and will begin in week commencing **19th November 2012**. The contractor must be in a position to begin the project by that date.

- 10.2 A detailed research schedule will be agreed with the contractor, which will form part of the contract. The indicative timetable is as follows:

♦ <i>Tenders submitted</i>	<i>2nd November 2012</i>
♦ <i>Contractor appointed</i>	<i>end of week of 12 November 2012</i>
♦ <i>Study design</i>	<i>November 2012</i>
♦ <i>Main fieldwork and data collection</i>	<i>December 2012</i>
♦ <i>Analysis</i>	<i>December 2012, January 2013</i>
♦ <i>Reporting: interim</i>	<i>late December 2012</i>
♦ <i>Reporting: final</i>	<i>February 2013</i>
♦ <i>Reporting: presentation of findings</i>	<i>February 2013</i>

11. Access Arrangements

- 11.1 There will be a presumption that information is not commercially sensitive. However a protocol will be agreed early for using and treating such information as providers of information identify as being commercially sensitive.

12. Contract Price

- 12.1 A budget of up to £50,000 (excluding VAT) is available for this work. This must cover liability for all costs including staff costs, attendance at meetings, equipment, access to data, any reimbursement of research participants, travel and subsistence, overheads, and participation in any dissemination of the research that is envisaged in the specification. Payments will be phased and linked to the successful completion of key stages of the research. Tenderers liable for VAT on government-funded research projects should indicate this in their proposal. Full economic costs must be made.

13. Contract Conditions

- 13.1 The contract awarded will be governed by the standard contract conditions covering Transport Scotland social research awards, a copy of which is included in the Handbook for Contractors available at:
<http://www.transportscotland.gov.uk/analysis/research/contractor-guidance>

Tenderers should outline **potential risks** to the successful completion of the project within timescale and budget. Tenderers should describe the risks, state what the likelihood is of their occurrence, describe what steps they will take to reduce that likelihood, and describe what measures they will take if the risks materialise. Risks described should include fire or flood.

- 13.2 The risks specific to this piece of work should also be identified. For example:
- One risk is a low level of engagement with operators and this may then affect the availability of cost data.
 - Another risk is that in the estimation of operation costs and revenues it may be difficult to separate out cross subsidisation of the unsubsidised vehicle element from the subsidised passenger element.

Tenderers should present contingency plans for how they proposed to minimise the risk of these situations arising.

- 13.3 All information submitted in tenders to Transport Scotland (including the identity of tenderers) may need to be disclosed and/or published by Transport Scotland under the **Freedom of Information Act (Scotland) 2002**.
- 13.4 If you consider that any of the information included in your tender is commercially confidential, you should only show that information in an Annex to the tender, indicating clearly that you consider it commercially confidential, and explaining (in broad terms) what harm might result from disclosure and/or publication of it and for how long you consider that it will remain commercially confidential. You should be aware that receipt by Transport Scotland of any material marked “confidential” or equivalent should not be taken to mean that Transport Scotland accepts any duty of confidentiality by virtue of that marking; even where you have indicated that you consider some information you have provided to be commercially confidential we may be required to disclose and/or publish it; in such cases Transport Scotland will first consult you before disclosing and/or publishing the information.
- 13.5 If you consider none of the information in your tender to be commercially confidential, please make a statement to that effect.

14. Criteria for the Evaluation of Tenders

- 14.1 Tenders will be assessed on the following quality criteria:
- a. *Research Approach*. This will include understanding of the research requirements, understanding of ferry transport service issues, design and approach. (The weighting will be **35 per cent**).
 - b. *Skills and Experience*. The assessment will be made on the skills and experience of fieldwork staff and the level of input from more senior staff, and management arrangements. Experience of similar work or projects in the past will also be scored under this heading. (The weighting will be **40 per cent**)
 - c. *Risk Management and Quality Control Issues*. Evidence of effective risk management and quality control mechanisms for the handling of fieldwork and data (The weighting will be **15 per cent**).
 - d. *Research Ethics*. Informed consent, data protection and confidentiality issues. (The weighting will be **10 per cent**).
- 14.2 Tenders will also be assessed for value for money. Value for money is calculated by dividing the sum of the quality scores by the cost of the tender. The higher the figure from this calculation, the greater the value for money. In effect this means the price quality ratio is 50:50.
- 14.3 Tenderers should be aware that if a tender is judged unsatisfactory on any of the criteria listed above, it may be ruled out of further consideration.

15. Guidance for Submitting a Tender

15.1 The following information should be included in a response:

- ◆ **Name** of the tenderer(s), status in the company/institution, and name of person for further contact (if different);
- ◆ A brief statement detailing an **understanding and interpretation** of the purpose, specific objectives and scope of the project;
- ◆ Details of the **proposed methodology and timescale**, including dates for the completion of discrete stages of the work as detailed in the specification.
- ◆ **Curricula vitae of all individual staff involved, including details of their role, their particular expertise and time input in person days** (including, where applicable, staff not yet appointed) and associated management arrangements for the project;
- ◆ Details of **previous research experience of the individual members of the project team** relevant to the current application, both within and outwith Transport Scotland;
- ◆ Contact details for two people who have agreed to be approached to supply **references** in relation to this work (to be taken up depending on the nature of the competition).
- ◆ A clear statement of the **tender price and costs** under the following subheadings for each stage of the project:
 - Research / management staff costs
 - Equipment and materials
 - Reimbursement of research participants
 - Travelling expenses directly related to the project (including any costs for attendance at meetings)
 - Overheads
 - Any other costs
 - VAT if applicable
 - Total

- ◆ Please complete the following table:

Costs	Stage 1	Stage 2	Stage 3 etc	All Stages
Staff				
Equipment + materials				
Travel				
Reimbursement of participants				
Overheads				
Other (specify)				
VAT				
TOTAL				

- ◆ **Day rates** for each member of the project team.
- ◆ Details and costs of any work to be **sub-contracted**, including information on whether the same sub-contractor has been used previously.
- ◆ Any information you consider **commercially confidential** you should include in a separate Annex, explaining what harm might result from its disclosure and for how long you consider that it will remain commercially confidential. If you

consider none of the information in your tender to be commercially confidential, please make a statement to that effect.

- ◆ A statement of the **ethical issues** that are expected to arise in conducting the work and a statement of how these will be addressed. **This should include standard ethical issues associated with most/all research projects, as well as those particularly relevant to this specific piece of work.**
- ◆ Details of approach to **quality assurance** (including adherence to timescales and the quality of key outputs) and any relevant procedures/ accreditation **and how these will be applied to this project.** This should not simply be a statement of your organisation's standard practices.
- ◆ A **risk assessment** for the project should be presented in a table similar to the one below, detailing potential risks, likelihood, measures to reduce their likelihood and plans to deal with risks that do materialise. **This should include those risks associated with most/all research projects, as well as those particularly relevant to this specific piece of work.**

Issue	Likelihood of Risk (low, medium or high)	Mitigating Action(s)	Recovery Plan

- 15.2 We ask that tenderers keep their submission to a **maximum of 30 pages in length.**
- 15.3 In exceptional circumstances where hard copy tenders are submitted, the tender document should be signed by the principal researcher(s) and countersigned by a partner of the market research company/ consultancy or by the Head of Department of an academic institution, as appropriate.
- 15.4 Responses should be based on the information given in the Specification and upon the professional knowledge and expertise of the contractor. Clarification of specific points can, however, be sought via Public Contracts Scotland website until **24th October 2012.** Anonymised questions and our subsequent response will be forwarded, for information, to all contractors involved in the tendering process.
- 15.5 You should contact the project manager as soon as possible to inform them whether or not you intend to submit a tender. Tender documents should be submitted via the tender postbox on the Public Contracts Scotland website.
- 15.6 Tenders must arrive by **2nd November 2012 at noon.**