Dear Convener

GOUROCK-DUNOON FERRY SERVICES 2017 - 2029

I would like to draw your attention to parliamentary written question S5W-01311, and my answer today, confirming the start of the tender process for the next Gourock to Dunoon Ferry Services (GDFS) contract.

I have attached my news release that will issue shortly as well as a copy of my letter to the members of the Gourock-Dunoon Steering Group.

Kind regards

Humza Yousaf

8 July 2016
8 July 2016

Steering Group members

I am writing to inform all Gourock-Dunoon Steering Group members of our plans for taking forward the procurement process for the next Gourock - Dunoon Ferry Services contract. Today I have answered a Parliamentary Question (S5W-01311) confirming that a Contract Notice has been issued, formally beginning the tendering process. I want to take this opportunity to thank all of the Steering Group members for their significant efforts over the last few years in helping us to reach this stage.

At the 19 January 2016 Steering Group meeting, chaired by Derek Mackay, MSP, previous Minister for Transport and Islands, you were advised that we would revert to you when conclusions had been reached about the way forward.

As noted above we have formally commenced the procurement process. I can confirm that our aim will be to issue the invitation to tender in late summer 2016, and assess tender submissions over the winter period. This will allow us to award the contract in spring 2017 and for the new contract to begin on 30 June 2017. We will make clear in the tender that improved vessels should be made available on the route as soon as possible after the new contract begins, with the aim of those vessels being in place by summer 2019.

As you know Ministers concluded that we should tender on the basis of a passenger only subsidy, whilst also encouraging bidders to provide an unsubsidised vehicle service at their own commercial risk. In the tender we will specify the current level of service – to be provided by two vessels.
Since the current contract was introduced in 2011 there have been concerns about the reliability of the service. Previous Ministers committed to address this issue by ensuring that more reliable vessels are provided for the next contract. I have carefully considered all of the views expressed on this issue and concluded that we do need to specify in the tender that a minimum vessel length of 40 metres is considered necessary for this route. Additionally, we will be making very clear in the tender that there is a requirement for high levels of service reliability.

Scottish Ministers’ view is that bidders are best placed to provide these vessels, and that it is likely that new build vessels will be required. Substantial capital investment will therefore be required and as a result we have some flexibility on the duration of the next contract. Our intention therefore is to tender for a 12 year contract, as opposed to the current 6 year contract period.

Turning to the issue around harbour charges, at the 19 January 2016 meeting Mr Mackay undertook to consider this issue further. As you know harbour charges are a matter for Caledonian Maritime Assets Ltd and Argyll & Bute Council as the respective harbour authorities. Following the January meeting, Transport Scotland (TS) wrote to both harbour authorities asking them to consider the issues and provide us with an update on their harbour charges. CMAL indicated that treating their respective harbours on a standalone basis may well increase charges rather than reduce them. Argyll & Bute Council have indicated that they will continue to keep harbour charges under review. Given this feedback, I have concluded that the harbour charges, set by the respective harbour authorities should apply in the tender.

Finally, you are aware of the EC’s requirement to have clear accounting and auditing measures in place to avoid any cross subsidisation between a subsidised passenger service, and any non-subsidised vehicle service. The Steering Group members will be aware that Transport Scotland wrote to the EC in 2015 setting out details of the ‘incremental cost’ approach considered in the MVA report, and supported by the Steering Group. The EC expressed concerns about this approach, and we have now written to them again setting out a revised approach which we believe may still support a commercial vehicle carrying service. The revised approach is based on ‘incremental costs’ but involves increasing the percentage of common costs allocated to the vehicle portion of the service, in line with growing vehicle carryings. The ECs response to our letter provides us with sufficient assurance to allow us to pursue this revised ‘incremental cost’ option in the tender.

Additionally, at the 19 January 2016 meeting the continued role of the Steering Group in its current form was discussed. To allow us to discuss the Steering Group’s future role, I would be happy to meet in Atlantic Quay, Glasgow. This will also give us the opportunity to discuss the conclusions set out in this letter. Please confirm if you would like to meet, and I will ask my officials to put the necessary arrangements in place for such a meeting.
I have copied this letter to the Scottish Parliament’s Rural Economy and Connectivity Committee as well as Michael Russell MSP and Stuart McMillan MSP.

Kind regards

HUMZA YOUSAF
Tender for Gourock-Dunoon ferry service

Next contract will bring bigger vessels to the route

The next contract to run the Gourock-Dunoon ferry service will bring more resilient vessels to the route, Minister for Transport and the Islands Humza Yousaf has announced.

A Contract Notice has been published today, announcing our intention to run a procurement for the next contract which is due to begin in June 2017. The new contract will run for 12 years.

As part of this procurement, the tender document will specify that the next operator will have to provide vessels of 40 metres in length. This will bring greater resilience to the service, particularly during adverse weather conditions. Additionally, performance deductions will be applied for avoidable service disruption.

Bidders will be asked to tender for a passenger service, whilst being encouraged to provide an unsubsidised vehicle carrying service. The contract will also feature a continued commitment to half-hourly crossings on the route.

Interested parties will be invited to submit formal tenders later this summer, with a view to awarding the contract in Spring 2017.

Mr Yousaf said:

“The publication of this Contract Notice fires the starting gun on the tender exercise for the next Gourock-Dunoon ferry services contract.

“Following close consultation with local stakeholders, we have specified that bidders will have to provide vessels of 40 metres in length. This will help address the current issue of reliability on the service, and offer greater resilience during periods of adverse weather.

“The 40 metre specification may require a potential bidder to make a significant capital investment. Tendering for a 12-year contract will make this a more attractive option, allowing bidders a greater length of time to see a return on that investment.

“The Scottish Government’s wish is to see a passenger and vehicle service operating between Gourock and Dunoon. That is why we are encouraging bidders to operate a commercial vehicle carrying service, alongside a subsidised passenger service.

“This tender underlines the Scottish Government’s continued commitment to the Gourock-Dunoon ferry service. It will retain the current timetable of half-hourly crossings and will also seek bidders views on potential improvements to harbour infrastructure at both ends of the route.
“We want this new contract to provide greater support to the communities that rely on this important transport link. By bringing more resilient vessels to the route and continuing to invest in harbour infrastructure, we hope to make tangible improvements to the service and continue to support the economies in Argyll and Bute and Inverclyde.”

Ends.