

# Tendering a Passenger Ferry Service

Kent County Council



This document is part of iTransfer, a North Sea Region Interreg programme project, which is funded by the European Regional Development Fund.

iTransfer (Innovative Transport Solutions for Fjords, Estuaries and Rivers) aims to make ferry transport more freely accessible and sustainable, and encourage more people to travel by water. In areas in the North Sea Region (NSR) there are opportunities to replace existing vehicle routes with passenger ferries as a viable alternative. Travelling by ferry is more sustainable, easier and quicker. It can also provide lifeline services to remote communities.

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# Tendering a Passenger Ferry Service

## Gravesend to Tilbury

### Executive summary

Kent County Council (KCC) has had a contractual relationship for the provision of subsidy for the passenger ferry from Gravesend to Tilbury since the early 2000s. Before that time the ferry ran wholly commercially without a need for financial support from local authorities. KCC now jointly subsidises the operation with Thurrock Council as it meets an important social need, providing access to employment, education and leisure. When the previous ferry operator went into liquidation the incumbent bought all equipment including the West Street Pier at Gravesend. Although a practical solution to sustain the service at the time, the legacy of this arrangement is that there has been no neutral landing stage on the Kent side of the river deeming that the incumbent operator had sole access preventing tender and competition.

Gravesham Borough Council (GBC) and KCC became involved in the iTransfer project together as GBC had a desire to regenerate the area and redevelop the town pier whilst KCC desired a landing stage which was open to all to use and facilitated a competitive tender process. Once it was clear that GBC would be acquiring a new town pier pontoon, KCC began to think about testing the market for the ferry operation. KCC has extensive experience in the tendering of local bus and taxi contracts, but has never before tendered for a bespoke passenger ferry contract. The iTransfer project has therefore been invaluable in assisting in this process through the engagement with partners, some of whom KCC has worked closely with to inform terms and conditions of contract, the specification and the suite of documents that form the Invitation to Tender.

The output of the project is thus to for the first time allow Kent and Thurrock Councils to tender for the Gravesend to Tilbury passenger ferry service. In doing so, the Councils can ensure value for money, explore enhanced levels of service and ensure that the contract is secured in accordance with local, national and European procurement regulations. Ultimately by ensuring value for money and securing the quality of service, the Councils can use their limited funds wisely to support the ferry service for as long as possible. The adoption of a proper procurement process to demonstrate best value is also important to ensure continued political support for the service. Finally, if there is the potential to secure any service vessel enhancements at affordable rates, then it is also hoped that passenger satisfaction can increase with the potential to attract greater patronage which will help to make the ferry more commercially viable and reduce the subsidy required.

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## Introduction

iTransfer (Innovative Transport Solutions for Fjords, Estuaries and Rivers) aims to make ferry transport more freely accessible and sustainable, and encourage more people to travel by water. In areas in the North Sea Region (NSR) there are opportunities to replace existing vehicle routes with passenger ferries as a viable alternative. Travelling by ferry is more sustainable, easier and quicker. It can also provide lifeline services to remote communities.

The aim of the project activity was to prepare for and conduct a full procurement for a passenger ferry service. The existing service was subsidised by Kent County Council (KCC) and Thurrock Council as it was considered a socially necessary service, providing access to employment, education and leisure. However it had never been tendered before as until recently the incumbent operator had sole access to the only available pontoon, preventing competition.

The iTransfer funding has enabled Kent County Council to learn from project partners, particularly those in the ferry industry and other public sector authorities with experience of tendering such services. By attending transnational workshops and developing links with partners, KCC has gained knowledge and expert advice on best practice. The funding has also brought in the help of a consultant specialising in this field, to provide advice for constructing the tender documents.

## Background/challenge

This activity was carried out to ensure the Councils subsidising the ferry service were receiving value for money, and to secure a quality of service for passengers using it. The Councils have not previously been able to tender the service as the incumbent owned the only available pontoon for the ferry to use. Now GBC have built the town pier pontoon, any operator is able to run a ferry service from Tilbury, and KCC and Thurrock are able to tender the service.

The success of the activity would be determined by the completion of the procurement process, with the new operation being awarded to the successful bidder. Ultimately by ensuring value for money and securing the quality of service, the Councils can use their limited funds wisely to support the ferry service for as long as possible. The adoption of a proper procurement process to demonstrate best value is also important to ensure continued political support for the service. Finally, if there is the potential to secure any service vessel enhancements at affordable rates, then it is also hoped that passenger satisfaction can increase with the potential to attract greater patronage which will help to make the ferry more commercially viable and reduce the subsidy required.

## Activity, method

Throughout the project KCC worked closely with Gravesham Borough Council and in particular, Sestran, who applied their experience in ferry tendering to help KCC formulate the tender documents. Sestran also put the Council in contact with their legal partners Dundass and Wilson who assisted to ensure that documents and the terms and conditions of contract

were sound and legally enforceable. Engagement with operators provided insight into what they would consider an appealing tender and potentially bid to operate. The full tender specification can be found in the Appendices. The financial restrictions on both Councils determined that like for like service levels were specified but the approach invited proposals from bidders for vessel and service enhancements. The assessment criteria identified a weighting of 75% price, 25% quality to try to strike a balance between affordability and possible enhancements. The quality aspect asked for the mobilisation plan of the operator, the plan for a better standard of customer service and enhanced environmental and accessibility standards for the vessel.

The wide range of transnational partners brought varied experience and expertise to the project. Partners were able to share experiences and advise on best practice, suggesting options for the tendering of a passenger service. KCC also worked with the Port of London Authority to gauge the feasibility of a joint ferry for passengers and pilots. This was initially viewed as a potentially economic way to share existing resource operating in the same area of the river but ultimately was not possible owing to concerns about the potential conflict between demands and issues regarding the tupeing of and different skill sets of staff. This process did also include the progressing of a feasibility study into possibility of commissioning a vessel which could accommodate the demands of being both a pilot boat and a passenger ferry. This has been provided to the project.

KCC also hosted the Ferry Tendering Workshop in Canterbury in October 2012. This opportunity allowed partners to share experiences and for KCC and Sustran to feedback on progress with the tender. David Joyner, Transport and Safety Policy Manager at KCC gave an introduction to public transport in Kent. Steve Pay, Transport Integration Manager at KCC then gave a presentation on the local bus tendering and the dynamic purchasing model used at KCC. Ian Mathie from partner Sustran gave an update on the Tilbury to Gravesend tender and Captain Peter Steen from the Port of London Authority (PLA) spoke about the PLA's operations at Tilbury.

## Results

The project has seen the successful formation of a full set of documents relating to the Invitation to Tender that will facilitate future procurement exercises and will also form the basis of future contracts. This is a significant development for KCC owing to its lack of expertise with respect to marine transport.

A bi-product of the process has also been the formation of very positive relationships both within and outside of project partners. This will offer future support for KCC and is viewed as helpful for the Council with respect to future activity in relation to the ferry.

The Gravesend to Tilbury ferry service was put out to tender in spring 2014. Unfortunately it received no compliant bids and the current contract has been extended pending a new procurement exercise. Some valuable lessons have been learnt, mainly in terms of managing the procurement process in respect to timescales and market engagement. Further engagement with operators and other stakeholders will also be sought to understand

whether there are different approaches to the service provision and financial models that restricted interest in the contract. It is currently intended to re-issue in autumn 2014.

The Ferry Tendering Workshop in Canterbury in October 2012 contributed to the project's KPIs. KCC also funded the printed brochures which were distributed at the Gravesend Town Pier Inauguration event. These brochures promoted the iTransfer project to elected Members, local authority officers and members of the public.

## Recommendations or conclusions

Recommendations to other local authorities tendering a passenger ferry service:

- Conduct extensive engagement with the market and potential operators. Be clear what your requirements are and the likely terms of the tender and seek feedback on whether this would be appealing to an operator and attract a bid.
- Put time aside to warm up the market before the formal tender process commences.
- Ensure the bidding period is sufficiently long for operators to prepare and submit their bid.
- Offer assistance to operators with submitting a bid, particularly those with no experience of such a process and who may in reality be relatively unknowledgeable in terms of use of Invitation to Tender.
- Ensure the length of contract is long enough for operators to justify their investment, particularly if they are required to secure a vessel. 4 years was not found to be long enough to attract a number of operators.
- Consider the possibility of providing a vessel or equivalent capital funding as part of the tender. Consider whether this initial outlay is a challenge for small and medium enterprises.
- Ensure that the tender is advertised extensively, particularly in industry magazines which have a large audience. An OJEU notice is not enough.
- It is considered that in general, ferry operators tend to run at the higher end of the market than is seen in the bus industry.
- They appear to have more of a strategic approach to considering opportunities and want to understand the longer term potential for the service in respect of its future development and where it fits with the strategic aspirations of the tendering body.
- It is also felt that a greater proportion of the ferry operator market is only interested in providing more "stella" services using higher specified and greener vessels.
- In summary, there appears to be less appetite amongst ferry operators to secure short term contracts on relatively small margins which is not a trait of the bus industry.
- This represents a real challenge to this project where there is neither a large group of potential operators neither is there the level of funding that is seemingly needed to attract some bidders.

Partners and organisations can benefit from this work. They can use the tender documents supplied in the Appendices, and adapt them to suit themselves bearing in mind the recommendations made above.



## Future work or wider impacts

The tendering of the passenger ferry service will ensure value for money and a quality of service for passengers. The ability to generate competition alongside the formation of a more robust contract will provide the Councils with greater control over levels of service and provide greater sanctions in the event that they are dissatisfied with performance.

Ultimately the ability to secure future contracts through a competitive tender service is considered vital to ensuring the continuation of the ferry in the longer term. Only through this process can Council officers get political support for the ferry which will then be better seen as offering value for money. By ensuring best value and potentially securing a better level and quality of service, the Councils can use their limited funds wisely to support the ferry service for as long as possible. It is hoped that any increase in quality would generate a subsequent increase in levels of passenger satisfaction and attract greater patronage which will help to make the ferry more commercially viable and reduce the subsidy required.

iTransfer is part funded by the North Sea Region programme, part of the EU Inter-regional (Interreg) initiative. Investing in the future by working together for a sustainable and competitive region, Interreg is financed through the European Regional Development Fund (ERDF).