

# Port Phillip Ferries Market-led Proposal

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## Project Summary

September 2017

This summary should not be relied upon to completely describe the rights and obligations in respect of the Project, which are governed by the State Funding Agreement and associated documents. The State Funding Agreement is available at [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au)

## Introduction

In June 2017, the Victorian Government entered into an agreement with The Little Group (trading as Port Phillip Ferries) to support an exclusive three year trial of a new ferry service between Portarlington and the Docklands (Victoria Harbour).

This Project Summary provides information about the Port Phillip Ferry service and is divided into two parts. The first part provides an overview of the project, including the rationale for delivery as a market-led proposal and the second part details the key commercial features of the project.

## Part One: Project overview

### Project outcomes

In January 2016, Port Phillip Ferries submitted a market-led proposal (proposal) under the Market-led Proposals Guideline (Guideline) for a three year trial of a new ferry service between Portarlington and the Docklands.

The trial will provide the first regular passenger ferry service operating from Portarlington to Melbourne. The trial will also provide additional travel options for visitors to the Bellarine Peninsula and will encourage both Melbourne, interstate and overseas visitors to visit the various Bellarine Peninsula attractions, thereby helping to support the local Bellarine economy. The ferry service will be operated by Port Phillip Ferries supported by up to \$5.04 million (GST exclusive) in Government funding over the next three years to facilitate the trial.

Port Phillip Ferries will operate two return services per day between Portarlington and the Docklands from Monday to Sunday and public holidays. Port Phillip Ferries will use a vessel to deliver the service with capacity to seat around 400 passengers safely and in comfort. Port Phillip Ferries has committed to achieving key service levels relating to reliability and punctuality.

Port Phillip Ferries has commenced operation of the service. Key public sector organisations involved in the project are detailed in the Governance and Probity requirements section.

### Market-led Proposal rationale and assessment process

The proposal was assessed by Government in accordance with the five stage process detailed in the Guideline.

**Table 1 Assessment timetable**

Date	Stage/Milestone
January 2016	Proposal submitted
May 2016	Stage one assessment completed, concluding that the proposal should progress to stage two of the Guideline.
October 2016	Stage two assessment completed, concluding that the proposal should progress to a simultaneous stage three and four assessment under the Guideline.
June 2017	Simultaneous stage three and four assessment completed, concluding that the proposal should progress to stage five of the Guideline.
June 2017	Stage five completed and contract awarded.

#### Stage one assessment

Preliminary assessment of proposals – a preliminary assessment was undertaken by the Department of Treasury and Finance (DTF) to determine whether the proposal had the potential to meet the Guideline criteria. The stage one assessment concluded that the proposal should progress to stage two to enable confirmation of service need.

#### Stage two assessment

Strategic assessment, interim due diligence and recommendation – a stage two assessment was undertaken by DTF, in conjunction with the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and the Department of Environment, Land, Water and Planning (DELWP). Government approved progressing the proposal to a simultaneous stage three and four assessment through an exclusive negotiation on the basis that the proposal has the potential to provide value for money, deliver benefits for Victoria, is feasible and capable of being delivered and has unique aspects at a level enabling progression under the Guideline.

### Simultaneous stage three and four assessment

Detailed due diligence, investment case, procurement preparation, negotiation and final offer – as part of the simultaneous stage three and four assessment, a Project Steering Committee was established with representatives from DTF, Department of Premier and Cabinet (DPC), Public Transport Victoria (PTV) and DELWP. Government approved the proposal progressing to stage five on the basis that the proposed three year exclusive trial will provide Government with the opportunity to confirm the viability (or otherwise) of a direct ferry service from Portarlington to the Docklands.

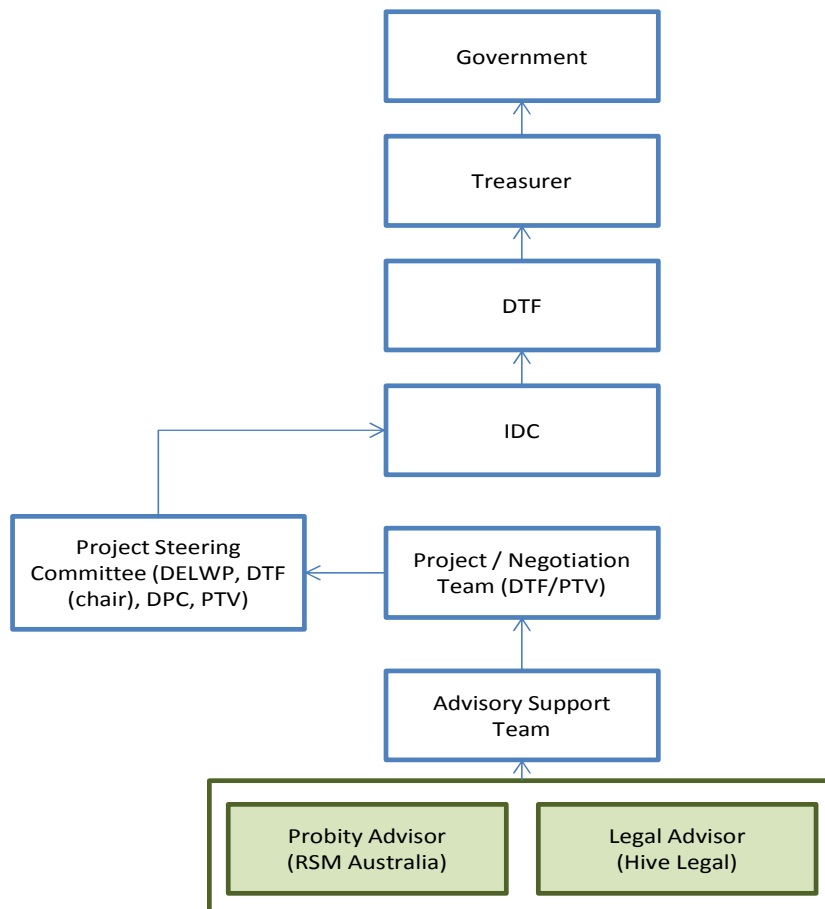
### Stage five assessment

Award contract – a three year State Funding Agreement (SFA) was executed between PTV and Port Phillip Ferries on 27 June 2017 to deliver the Portarlington to Docklands ferry passenger service.

### **Governance and Probity requirements**

DTF led the assessment of the proposal through stages one and two, in consultation with key Government Departments and agencies. The negotiation and assessment for stages three and four was also led by DTF in close conjunction with DELWP, PTV and DPC. DTF (with input from PTV as appropriate) was responsible for undertaking the due diligence requirements to support the stage three and four assessment, providing support to both the Project / Negotiation team and the Project Steering Committee as required. The stage three and four assessment was assisted by an advisory support team, including probity (RSM Australia) and legal advisors (Hive Legal). The Project / Negotiation team reported to the Project Steering Committee. The Project Steering Committee had oversight of the negotiations and reported through DTF to the Interdepartmental Committee (IDC) overseeing market-led proposal assessments. The governance arrangements used as part of the simultaneous stage three and four assessment are outlined below.

**Figure 1 Governance Structure**



**Table 2 Accountabilities and Responsibilities**

Role	Accountability / Responsibilities
Government	<ul style="list-style-type: none"> <li>Government approval to proceed or not proceed to the next stage of the market-led proposal process</li> </ul>
Interdepartmental Committee (IDC)	<ul style="list-style-type: none"> <li>Oversee and implement the market-led proposal process</li> <li>Review the stage three and four assessment and recommend as appropriate</li> </ul>
Project Steering Committee	<ul style="list-style-type: none"> <li>Oversee, direct and provide advice to the Project / Negotiation Team consistent with the assessment and negotiation parameters</li> <li>Brief the IDC as required, including recommending the stage three and four work plan and assessment criteria</li> <li>Review relevant reports and advice, including any agreement</li> <li>Ensure all stakeholder considerations and issues are canvassed and addressed</li> <li>Provide advice on financial analysis and on the financial viability assessment</li> <li>Endorse the probity plan</li> </ul>
Project / Negotiation Team	<ul style="list-style-type: none"> <li>Establish user needs and project requirements</li> <li>Coordinate project development activities to support the assessment and negotiation process</li> <li>Undertake direct negotiations with the proponent in accordance with the parameters agreed to by the Project Steering Committee</li> <li>Provide briefings as required to all stakeholders</li> <li>Document the assessment progress and outcomes</li> <li>Provide advice and recommendations to the Steering Committee</li> <li>Develop alternative strategies in the event negotiations do not meet agreed parameters</li> </ul>
Advisory Support Team (Probity and Legal Advisor)	Provide specialist advice to the Project / Negotiation Team as needed to support the assessment requirements under the Guideline

Probity Plans were in place for stages three and four to guide the project governance and decision making processes. A copy of the stage three and four Probity Plan can be found at [www.dtf.vic.gov.au/Infrastructure-Delivery/Market-led-proposals/Projects](http://www.dtf.vic.gov.au/Infrastructure-Delivery/Market-led-proposals/Projects).

RSM Australia, probity advisor for stage three and four, has reported on the simultaneous stage three and four assessment process and has confirmed that the stage three and four assessment was conducted in accordance with the prepared probity framework. The project assessment process complies with accepted probity principles and the guidelines provided by the Victorian Government Purchasing Board and the Guideline. RSM Australia also reported positively on the key probity principles of fairness and impartiality, consistency and transparency of process, security and confidentiality and accountability.

### Stakeholder engagement process

In accordance with the Guideline, the following stakeholders were consulted throughout the assessment process:

- DPC;
- DELWP;
- DEDJTR; and
- PTV.

Port Phillip Ferries also consulted with various local stakeholder groups during the assessment process including:

- Bellarine Safe Harbour and Ferry Committee;
- Committee for Bellarine;
- Portarlington Business Association;
- Geelong City Council;
- Bellarine Bayside;
- Parks Victoria and Places Victoria;
- City of Melbourne;
- Portarlington Business Development Association; and
- City of Melbourne Docklands Community Forum.

Port Phillip Ferries also gained insight into the potential opportunities for the proposed ferry service through a preliminary run of the ferry service, funded by The Little Group, over the 2016-17 summer period.

### **Investment rationale and benefits**

The Government will provide a maximum of up to \$5.04 million in funding to support the ferry trial over the next three years. The potential benefits of the trial were assessed by DTF in consultation with PTV, DEDJTR, DPC and DELWP and include:

- opportunities to provide additional travel options for tourists during the busy summer months when tourism increases substantially across the Bellarine Peninsula;
- encouraging both Melbourne, interstate and overseas visitors to visit the various Bellarine attractions, driving a number of employment in the Bellarine Peninsula;
- providing unique opportunities to work with Bellarine business communities to promote and build overnight stay opportunities; and
- providing the first regular passenger ferry service to Melbourne operating from the new purpose built Portarlington safe harbour.

### **State Funding Agreement milestones**

The agreement was executed on 27 June 2017 and will expire after three years, unless terminated by agreement. During the agreement period, Port Phillip Ferries will be required to provide PTV with:

- regular reports including details of the services provided, patronage, financial results and service level performance;
- customer satisfaction surveys; and
- annual reports on the company's financial position.

## **Part Two: Key commercial features**

The key commercial features of the SFA are outlined below.

### **Parties to the State Funding Agreement**

The key parties to the SFA agreement are PTV and Port Phillip Ferries.

### **Contractual relationships**

The SFA includes a range of key provisions including:

- capping Government funding at a total of \$5.04 million over the proposed three year exclusive trial period;
- committing Port Phillip Ferries to run the trial for the full three years, unless terminated earlier; and
- termination of the service, in the event that Port Phillip Ferries fails to meet its obligations.

## **General obligations of Port Phillip Ferries and performance measures**

Port Phillip Ferries obligations, under the SFA, are designed to ensure that the Government funding is appropriately used and that the ferry passenger service provided is of a high standard. Port Phillip Ferries obligations under the SFA include:

- committing to key service levels including reliability, punctuality, customer satisfaction and implementing a back-up plan, in the event that ferry operations are unexpectedly disrupted mid service;
- reporting to PTV including details of services provided, patronage, financial and service level performance;
- securing insurance under appropriate policies; and
- obtaining Government approval should it wish to change the timetable or vary fares beyond agreed limits.

## **Government costs and service payments**

As noted above, the SFA requires the State, through PTV, make monthly payments to Port Phillip Ferries over the three year trial up to a maximum of \$5.04 million, subject to it meeting its SFA obligations.

## **State rights at expiry of the State Funding Agreement**

The State's key rights at expiry of the SFA include:

- PTV may appoint another operator to provide the equivalent of some or all of the passenger services after the three year term has ended, including via a competitive tender;
- if another party is allocated the rights to operate the ferry service at the end of the trial, there are provisions enabling the transfer of Designated Assets to another operator; and
- PTV may, at its absolute discretion, elect to extend the term of the SFA by up to six months.

## **Process for Government modification of services / facility**

If Port Phillip Ferries intends to deploy acquire or build new assets in connection with the ferry service it must advise PTV. If PTV believes the new assets are material to the operation of the service, the assets could be determined to be Designated Assets for the purposes of transferring the assets to any future operator of the ferry service.

## **Audit and inspection rights of the State**

The SFA includes contractual rights for the State to conduct an audit of the ferry service for the purpose of monitoring and assessing Port Phillip Ferries performance of its obligations under the SFA.

## **Useful references**

Information about the Market-led Proposals process can be found at:

[www.dtf.vic.gov.au/Infrastructure-Delivery/Market-led-proposals](http://www.dtf.vic.gov.au/Infrastructure-Delivery/Market-led-proposals)

The Public Transport Victoria website:

[www.ptv.vic.gov.au](http://www.ptv.vic.gov.au)

The Port Phillip Ferries website:

[www.portphillipferries.com.au](http://www.portphillipferries.com.au)