

**This and the following 19 pages comprise Schedule 5 referred to in the
foregoing Contract between the Scottish Ministers and Serco Ltd
SCHEDULE 5 – PORTS AND HARBOURS LOGISTICS DELIVERY PLAN**

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Glossary of Terms

Term	Definition
AHB	Aberdeen Harbour Board
Bunkering	Fuelling of vessels
ISPS	International Ship and Port Facility Security Code
Lairage	A building where livestock are held in a rested state while in transit between receipt and loading to Livestock Cassette, and from Livestock Cassette to awaiting onward road transport.
LC	Livestock Cassette
LOP	Local Operating Procedures (integrated documented components of the Serco Management System)
LPA	Lerwick Port Authority
MCA	Maritime Coastguard Agency
NIFS	Northern Isles Ferry Service
OICHA	Orkney Island Council Harbour Authority
PAS	Passenger Access System
PMSC	Port Marine Safety Code
RoPax	Roll on, roll off passenger vessel
RoRo	Roll on, roll off freight vessel
SHT	Scrabster Harbour Trust
SMS	Serco Management System
SOP	Standard Operating Procedures (integrated documented components of the Serco Management System)
TOS	Terminal Operating System
TS	Transport Scotland
Tugmaster	Portside equipment used to lift and move freight trailers and other wheeled cargos, including livestock cassettes, to and from the vessel and around the freight marshalling area.
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
VMS	Vessel Management System

A4 Ports and Harbour Logistics

1. Executive Summary

1.1. Serco's Approach to the delivery of the Ports and Harbour Logistics Delivery Plan

The purpose of this Ports and Harbour Logistics Delivery Plan is to demonstrate our understanding of the objectives that Scottish Ministers have set for the operation of the Northern Isles Ferry Service, and to set out our approach and proposals with respect to Shoreside Facilities.

Our proposed Delivery Plan provides a comprehensive and robust approach to operating effectively at the Ports and Harbours, to ensure an efficient, reliable ferry service. We have outlined our steps for satisfying all statutory requirements and explain how we monitor our delivery against the requirements for this Plan.

Our Ports and Harbour Logistics Delivery Plan is mindful of Scottish Government's (SG) objectives:

- Be safe, sustainable and efficient
- Be responsive to local needs and appropriate to the requirements of those using them
- Contribute to sustainable economic growth on our islands and in our remote rural communities
- Be affordable at point of service and offer value for money for the Scottish Ministers
- Be resilient to social and commercial stresses

This Delivery Plan has been structured around the ITT Vol 2 – A4, with a section explaining about the challenges of Ports and Harbour Logistics Delivery Plan as a whole – relating to technical, logistical and management challenges. Then in relation to PH1 -Operations we have explained:

- Our Approach and methodology, utilising the best practice we have developed over the last six and a half years on which our proposals have been based
- Our Proposals for the new contract term

We have set out the proposals which will form part of the agreement between SG and Serco and show where there are areas of continuous improvement which will be targeted throughout the term of the new contract. The areas of continuous improvement may require TS, CMAL or third-party approvals, feasibility studies or business cases in order for them to be delivered, and thus are to be viewed as having the potential to be implemented.

We have not included any costs associated with the delivery of the objectives, but they can be found in the financial model. However, where there is a requirement for additional investment or resource, we have indicated this. We have provided suitable evidence to support the delivery of the requirements throughout the Plan.

This plan recognises that Port and Harbour logistics comprises activities that include technical maritime operations, customer service, the direct handling of customer assets and security. These are delivered across an extended operating day with activity polarised at discrete times, even in the middle of the night in Kirkwall. Flexibility and value are delivered through the use of a contracting model in which specialists provide resource working to documented and controlled procedures that form part of the Serco Management System (SMS).

Our proposals clearly define at each port who is responsible for each activity. Where these activities are within the control of Serco, we are accountable for their effective delivery and we have recognised that a very large part of the Port and Harbour logistics operation relates to the significant handling operation for freight and livestock movements, including operating the portside lairages. Ensuring bio-security and prevention of disease and infection control in the food supply chain is a critical and robustly documented process.

NorthLink is a customer of the Harbour Authorities and complies with the Port Marine Safety Code (PMSC) but only has direct ISPS security responsibility in the port at Aberdeen, for the secure area operated. At other ports, compliance with national and maritime security regulations are the responsibility of the Harbour Authority.

Serco's depth and breadth of experience in supplier management underpins the relationship with our stevedore partners, where we take a 'one team' approach to delivery. In contracting we expect them to share our values of service excellence and comply with our best practice policies.

1.2. Key Improvements Proposed

Redacted

Overall management accountability, including safe working practices and operational efficiency will remain with Serco. Quality will be assured by taking a 'one team' approach and operating to documented processes which form part of Serco's overarching Management System.

Relationships are critical to the effective delivery of Ports and Harbour Logistics services. We will continue to be proactive in working with each Harbour Authority in support of their own requirements to meet their security obligations and development goals and to continue to ensure the operational needs of NorthLink and our own objectives are aligned.

We have identified a number of opportunities for improvement through the new contract that could deliver operational efficiency and improved customer experience. These have dependency on the Harbour Authorities or require further work to build a business case, and we will pursue these during the new contract term.

Redacted

2. Introduction

Our vision is to provide a safe and efficient service for NorthLink customers that is experienced as an effective operation integrating the vessel operation with the shoreside activities as a single offering. Our customers, be they passenger or freight, do not differentiate between Serco and its contractors or the different activities involved in getting them or their assets from the point of arrival at the origin port to leaving our care at the destination.

Serco's objective for the Ports and Harbour Logistics Delivery Plan is to set out the fundamental aspects of delivering the NorthLink service for passengers, freight and livestock. It describes:

- The challenges of operating the service and our approach to these challenges
- The proposed model of operation at each port
- Port responsibility matrix with detailed proposals for key logistical activities

Contract management, quality and accountability

- Continuous improvement

-

3. Understanding the Requirements

The NorthLink Ferries service is operated between ports that are owned and operated by other parties, in all cases Harbour Authorities. There are many activities and interfaces between the Harbour Authorities and NorthLink Ferries that are critical to an effective service. At Aberdeen, Lerwick, Kirkwall (Hatston) and Scrabster, NorthLink is one of many customers operating large vessels, whereas at Stromness, NorthLink is the primary 'large' vessel customer of the port.

An efficient port and harbour logistics operation at NorthLink is important for the customer experience, operational safety and providing value for money. We have captured the overall scope of activities and primary challenges as shown in Table 1:

Table 1: Assessment of the Challenges – Ports and Harbours

Redacted



4. Operations – PH1

4.1. Approach to Operations

4.1.1. Meeting the needs of a mixed customer base

We have approached this plan recognising the different types of operations and characteristics of NorthLink, which operates from five ports to meet the needs of a mixed customer base and with varying operational challenges, depending on sector and location. These characteristics include:

- **Diversity of services:** Redacted
- **Vessel operations:** Redacted
- **Customer facing activity:** Redacted
- **Freight handling:** Redacted
- **Livestock handling:** Redacted

4.1.2. Building on the success of the current contract

During Serco's successful tenure of NorthLink, we have transformed the service, we have improved the customer experience, addressed a wide range of operational inefficiencies that existed before, and reduced the year on year increases in subsidy with negligible additional value being delivered for customers. We achieved this by:

- **Contractor management:** We found port and harbour services to be competently delivered by the stevedore contractors when we took over NorthLink in 2012, but many processes and scopes of work had evolved over time and had been little documented or performance managed. Serco delivered stability with our stevedore partners by putting these services on a properly defined contract basis, benchmarking delivery and having regular reviews to assure good value and performance against agreed metrics. We now have clear lines of accountability and responsibility.
- **Portside facilities:** We found tired equipment and excessive wear and tear in areas of freight marshalling. Serco has invested in maintenance and repair or worked with the asset owners to replace and improve safety and operational infrastructure, to deliver a more effective service, providing greater resilience for freight customers.
- **Investment in critical equipment:** We inherited a 'Tugmaster' fleet that, while still functional, was driving up maintenance costs and beginning to import unreliability and availability issues into the service that materially impacted on the ability to handle freight efficiently. We made a case to Transport Scotland for new Tugmasters, negotiating a competitive deal with suppliers, using Serco's procurement expertise that resulted in considerable cost savings to TS. The entire Tugmaster fleet has now been renewed.

- **Unnecessary processes:** Serco implemented the Serco Management System and thoroughly reviewed operational and administrative processes. We found tasks being done 'because that's how it's always been done', despite little value being added for the business or customers. Serco introduced a culture of self-challenge to drive efficiency in shoreside operations.

4.1.3. Our approach to the new contract

We have analysed the ITT requirements and our understanding of success in the current contract to devise the approach for the new contract, which includes a combination of in-house and external partner expertise, working together as one team. This builds on the success of the current Serco contract:

- Positive working relationships with Harbour Authorities
- Effective processes, procedures and audit
- Thorough and professional contract management of partners

4.1.3.1. Positive working relationships with Harbour Authorities

Serco has established very good operational relationships with Harbour Authorities in the current contract and holds quarterly operational meetings with each. These will continue in the new contract. These meetings are used to monitor overall performance, critique recent challenges and identify and explore opportunities for improvement and for sharing forward operational, maintenance or development plans. As a permanent user of each port, NorthLink has a full role in supporting the Harbour Authorities' own operational, development and risk activities. These include contingency, resilience and response planning to mitigate potential events like oil spills, accident or port closure.

4.1.3.2. Effective processes, procedures and audit

The NorthLink operation includes the lease of buildings from the Harbour Authorities which are used for customer terminals, office and administrative functions including a customer contact centre, stores for vessel spares and lairage facilities for livestock handling. At Aberdeen, the freight, lairage and vehicle marshalling areas are leased as dedicated space for exclusive use of the service. We will comply with the terms of these leases.

A summary of our quality management system that applies to NorthLink activities is shown in Figure 1.

Redacted

Figure 1: Serco Management System

The physical delivery of shore-side services is through contracted stevedore partners who provide manpower and expertise in portside handling operations under the direction and coordination of Serco, working to our documented Operating Procedures. These Local Operating Procedures (LOPs) and Standard Operating Procedures (SOPs) are numbered components within the overall Serco Management System (SMS). LOPs and SOPs are regularly reviewed to ensure they reflect changes to operation or regulation, process improvement, escalation routes, contacts or if any additional clarity is identified in work instruction. Redacted

- Redacted

Meeting our security requirements

The NorthLink service is required to operate under the International Ship and Port Facility Security (ISPS) code. As vessel operator, Serco has obligations under this code to provide security on the vessels, and for security provision at Aberdeen where the service operates from, and has control over a Port Facility within the wider Aberdeen Harbour. Security is currently provided under contract by Maritime Protection Services (MPS). ISPS port security requirements at Hatston, Lerwick, Scrabster and Stromness are met by the relevant harbour authorities in accordance with ISPS.

4.1.3.3. Working with our sub-contractors – building on our successful approach

We will continue the use of sub-contractors where applicable. Redacted

Explicit responsibilities are tabulated in the port responsibility matrix included in section 4.2.2.

4.1.3.4. Maintaining high standard of customer facing roles

Customer facing roles, including the staffing of port offices, retailing of tickets and providing front line customer service, are all areas that directly represent the NorthLink service to customers. Delivery Plan A6 CCA1 outlines our plans to go the 'extra nautical mile'. How NorthLink presents itself to customers and the ability to directly receive feedback into the business are important reasons that these functions are delivered by Serco staff.

Redacted

4.1.4. Serco's NorthLink journey to date

4.2. Proposals for Operations

4.2.1.1. Lease arrangements

In the new contract, we will continue to retain overall management accountability for port and logistics services delivered through our partners. We also have management responsibility for the procurement of services for the vessels, which allows us to benchmark and closely manage the quality, cost and performance of our supply chain. This includes the delivery of bunkers (for vessel fuel) via road tanker, onboard consumables, removal of wastes, supply and storage of spares. Our procurement and supply chain and supplier management model includes assessment of sub-contractors and the flow through of our Terms and Conditions to ensure a consistent quality and performance standard.

4.2.1.2. Working with our Stevedore partners to deliver a flexible resource

The current model of contracted service providers for port and harbour logistics is appropriate for the delivery of efficient services, especially at the island ports. Activity in Aberdeen, Kirkwall and Lerwick peaks for a short period before the vessel arrives and until passengers and freight are discharged or embarked at either end of the day (and very late in the evening when the vessels call into Kirkwall). Outside of these times, there is an extended period where demand for shore-side resource is much lower. This requires a flexible and responsive solution that can be delivered cost efficiently.

The Scrabster-Stromness service shares similar characteristics, particularly during the low season where there is no middle sailing. Activity is polarised to either end of the day, with relatively little activity shore-side between times.

We will continue to deliver value through our Stevedore partners, who are able to flex the manpower resource up and down as demand dictates, Redacted

Redacted

To fulfil this activity, a core complement of Serco staff and stevedore colleagues will be rostered, and regularly reviewed, to assure that adequate resources are in place for the activity needed.

4.2.2. Port responsibility matrix with detailed proposals for key logistical activities

Table 2 captures the specific ITT as well as integral port and harbour logistics for NorthLink, summarised in three categories:

- Harbour operations undertaken by ferry operator directly
- Harbour operations undertaken by ferry operator using contracted stevedoring service provider
- Harbour operations undertaken by Harbour Authority

The Operations Director and Customer Services Director share management responsibility for these activities.

Table 2: Critical port and harbour logistic activities (Please note where the service is N/A, no role owner has been identified)

Harbour Authority	Aberdeen Harbour Board (AHB)	Lerwick Port Authority (LPA)	Orkney Islands Council Harbour Authority (OICHA)		Scrabster Harbour Trust (SHT)
Harbour	Aberdeen	Lerwick	Kirkwall (Hatston)	Stromness	Scrabster
Harbour Operations undertaken by Ferry Operator Directly					

Redacted

Harbour Authority	Aberdeen Harbour Board (AHB)	Lerwick Port Authority (LPA)	Orkney Islands Council Harbour Authority (OICHA)		Scrabster Harbour Trust (SHT)
Harbour	Aberdeen	Lerwick	Kirkwall (Hatston)	Stromness	Scrabster

Redacted

Harbour Authority	Aberdeen Harbour Board (AHB)	Lerwick Port Authority (LPA)	Orkney Islands Council Harbour Authority (OICHA)	Scrabster Harbour Trust (SHT)	
Harbour	Aberdeen	Lerwick	Kirkwall (Hatston)	Stromness	Scrabster

Redacted

Redacted	Serco	Serco	Serco	Serco	Serco
<p>All ticket offices will be staffed by Serco staff. Operating hours will be:</p> <p>Aberdeen Terminal: 06:45-17:00 (19:00 when later sailings in timetable)</p> <p>Kirkwall Hatston Terminal: 20:00-23:45 (or until vessel departs) Closed on days where there is no Kirkwall vessel call.</p> <p>Kirkwall Kiln Corner Booking Office:</p> <p>Lerwick Terminal: 07:30-17:30 (19:00 when later sailings in timetable)</p> <p>Scrabster Terminal: Mon-Fri: 07:15-08:45, 11:00-13:15 (if middle sailing in timetable), 17:00-19:00. Sat/Sun: 10:00-12:00, 17:00-19:00</p> <p>Stromness Travel Centre: Mon-Fri: 05:30-16:45, 20:15-23:45 Sat-Sun: 07:30-16:45, 20:15-23:45</p> <p>Redacted</p>					

Redacted

Harbour Authority	Aberdeen Harbour Board (AHB)	Lerwick Port Authority (LPA)	Orkney Islands Council Harbour Authority (OICHA)		Scrabster Harbour Trust (SHT)
Harbour	Aberdeen	Lerwick	Kirkwall (Hatston)	Stromness	Scrabster

Redacted

Harbour Authority	Aberdeen Harbour Board (AHB)	Lerwick Port Authority (LPA)	Orkney Islands Council Harbour Authority (OICHA)		Scrabster Harbour Trust (SHT)
Harbour	Aberdeen	Lerwick	Kirkwall (Hatston)	Stromness	Scrabster

Redacted

4.2.2.1. Critical activities at ports and harbours

In addition to the tabulated responsibilities the NorthLink service includes other critical freight and livestock activities, as shown in Table 3. These activities are the responsibility of the Freight Manager.

Table 3: Critical activities at ports and harbours

Harbour Authority	Aberdeen Harbour Board (AHB)	Lerwick Port Authority (LPA)	Orkney Islands Council Harbour Authority (OICHA)		Scrabster Harbour Trust (SHT)
Harbour	Aberdeen	Lerwick	Kirkwall (Hatston)	Stromness	Scrabster

Freight Check-in Redacted

Harbour Authority	Aberdeen Harbour Board (AHB)	Lerwick Port Authority (LPA)	Orkney Islands Council Harbour Authority (OICHA)		Scrabster Harbour Trust (SHT)
Harbour	Aberdeen	Lerwick	Kirkwall (Hatston)	Stromness	Scrabster
Lairage management and operation	Redacted				
Operation and maintenance of tugmaster fleet					
Management of Livestock Cassette fleet					

4.2.3. Security and ISPS

4.2.3.1. Bringing security in-house to ensure high standards of service

Redacted

We will continue to maintain the close links between customer service and security staff. Joint tasks are shown below:

- Manning left luggage operations, where customers can drop their bags, have them shipped on the vehicle deck and collected at the destination port
- Issuing tickets to passenger vehicles arriving for sailings
- Marshalling passenger vehicles in the car marshalling lanes
- Collecting passenger vehicle tickets at the point of boarding the vessel

The security aspect of these functions are modest and relate to general awareness and performing documented checks and processes to ensure customer compliance with our Terms and Conditions of Carriage.

4.2.4. Contract management

4.2.4.1. Using Serco's Group standards

Serco's contracting model is a proven and effective means of managing a diverse and often specialist range of deliverable services where flexibility is required. Serco's approach to procurement and supply chain management, including contractor and supplier management is codified in Serco's Group Standards Redacted This framework provides the basis for how Serco engages with and gets the best from suppliers.

4.2.4.2. Negotiating best value for the new contracts

Redacted

This will provide the opportunity for stevedores to offer value to the contract in terms of flexibility and to support investment in their resources to improve quality and performance. In the new contracts we will reaffirm the requirements of our partners to comply with Serco's group standards on Health and Safety, Equality and Diversity and Business Conduct and Ethics.

The process of re-contracting will enable Serco to conduct benchmarking to assure ourselves that we are getting good value – assessed on the basis of price, performance and quality. We will also conduct an operational-level gap analysis to validate what the contract terms say should be delivered against what both Serco and the contractor are actually delivering. This is a process designed to capture scope creep. This will be done formally in mobilisation, as a process step to reaching new contract agreement with the stevedores.

We expect that through conducting the contract management discipline Redacted

there will be no gaps identified.

4.2.4.3. Ensuring best practice legislation is included in our contracts

Learning and best practice from across Serco's portfolio of businesses allows us to refine our own policies and expectations for inclusion as standard contract terms applied to all new supplier contracts. Among the specific enhancements that will form part of our next stevedore and Harbour Authority contracts will be:

- Modern Slavery Act
- Anti-Bribery and Corruption
- Living Wage compliance (this is included in all NorthLink supplier contracts today)
- Compliance with data protection and GDPR

We recognise that our contracted partners provide expertise and bring wider experience to the business. Our regular operations, contract and performance reviews will be conducted such that

opportunities for contractor suggestions about service, quality or process improvements can be explored. If these are demonstrated to be effective, they will be incorporated as updates into Serco's Local Operating Procedures (LOPs).

4.2.5. Proposed improvements to be developed with Harbour Authorities and Stevedores

We are in continuous engagement with the Harbour Authorities and our stevedore partners. We have identified the following areas for ongoing work to achieve performance improvement in areas where our partners have control:

4.2.5.1. Aberdeen improvements

In the new contract, we will work with Aberdeen Harbour Board to:

Redacted

4.2.5.2. Lerwick improvements

We will work with Lerwick Port Authority to:

Redacted

4.2.5.3. Orkney Improvements

We will work with Orkney Island Council Harbour Authority to:

Redacted

4.2.5.4. Scrabster

We will work with Scrabster Harbour Trust to:

Redacted

Our full investment in ports is detailed in Delivery Plan A3-PF1 Ferry Terminals.

4.2.5.5. Digital transformation of engagement and processes

In the new contract we will seek to use technology to improve how we interact with our customers and how internal processes are streamlined. We will evaluate two opportunities through a feasibility study and move forward if a viable business case can be proven:

Redacted

Redacted

Northern Isles Ferry Service

Table 4: Summary of Proposals for Ports and Harbour Logistics

Proposals	Timing and duration	Responsibility	Stakeholders involved	Assumptions/dependencies	Method for measuring results
Bring customer-facing security in-house	Consultation commenced during mobilisation. Implemented by Redacted	HR Manager	MPS (Current security provider)	All staff transfer to NorthLink	Successful transfer resulting in zero employment tribunals as a result.