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Public Audit Committee  
Room T3.60  
The Scottish Parliament  
EDINBURGH  
EH99 1SP

By Email Only

Our ref: A41619965  
30 November 2022

**New vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802**

Thank you for your letter of 9 November 2022 setting out a series of requests following my evidence session with the Committee on 4 November.

I have highlighted within my response where the material provided now further expands on specific points referenced during my evidence session to the committee.

As I noted in my evidence session, these papers, where appropriate, have been redacted to remove material that may be considered commercially confidential or where it relates to legally privileged information. Names of officials below Senior Civil Service have also been removed in line with the normal convention.

Please see the responses to your specific questions below and requested documentation in the attached annexes.

**1) The briefing prepared for you by Scottish Government officials in advance of the preferred bidder announcement on 31 August 2015, as referred to at Column 11 of the Official Report;**

**See Annex A**

As I indicated in my evidence, the briefing from Transport Scotland, informed by input from CMAL, highlighted there were a number of issues still to be addressed to allow CMAL to award the contract at the point the preferred bidder was announced, including reference to the complexities around the guarantees.

This was not unusual in a contract at the preferred bidder stage. The briefing also notes there had been some movement in that area, but with some distance still to go to finalise this.

For the avoidance of doubt I would draw attention to a typing error in relation to the figure of £197m reference at the top of page 1 in annex A of that briefing rather than the correct figure of £97m used elsewhere.

**2) All email exchanges and any other items of correspondence regarding the 31 August preferred bidder announcement (including the proposal set out by special advisers and communications officials recommending that you make the announcement, as referred to at Column 10 of the Official Report);**

**See Annex B**

These documents mainly relate to the exchanges between Transport Scotland officials and Scottish Government officials. Officials have not been able to locate any written recommendation from special advisers or communications officials in this regard. This is not unusual and the announcement is likely to have been flagged as part of a routine discussion of upcoming events that may warrant ministerial attendance.

**3) The lessons that have been learned, and the actions that have been taken by the Scottish Government and Transport Scotland, to avoid the issues highlighted in the AGS' report occurring in the future**

Transport Scotland has made considerable improvement to the governance around new build vessels, even prior to the Rural Economy and Connectivity Committee and Audit Scotland reports. These include:

- Enhanced governance around vessel projects with dedicated project groups for projects and programmes.
- Strengthened processes around the development and approval of business cases.
- Improved focus on use of existing risk registers for each project or programme.
- Scrutiny and sign-off of all vessel and major port projects by Transport Scotland's investment decision-making board (chief executive and directors).
- Greater use of the independent gateway review process to provide assurance. This is an independent check carried out at the end of each phase of the project lifecycle and provides assurance that the project is viable or will remain viable before progressing to the next stage.
- Increased staff resources since 2015 to support the governance of projects.
- An update to the approval process, which now requires the accountable officer template to be completed and approved by the relevant Cabinet Secretary and the Cabinet Secretary for Finance.
- This process is required to approve funding for any increased running costs for new vessels.

However, Transport Scotland accept there is still further work to be done in terms of a strategic framework for the three organisations – Transport Scotland, CMAL and CalMac - which will help further define roles and responsibilities. This will progressed as part of Project Neptune.

In addition, CMAL has already made significant improvements to its processes, including:

- Confirming there will be a requirement for a full builder's refund guarantee for major vessel contracts;
- Undertaking increased financial due diligence on all contracts worth more than £500,000;
- Using a shipbroker to provide assurances on the yards bidding for vessels;
- Use of an independent panel member on vessel procurements;
- Use of naval architects to work alongside in house team on technical assessments.

**4) The minute or notes taken of the meeting held with the former director of the former organisation FMEL, Jim McColl on 31 May 2017.**

**See Annex C**

As noted in my evidence and my response to Craig Hoy MSP on compliance with the ministerial code, a special adviser was present at the meeting and the actions arising were relayed to officials following the meeting and clearly indicating the topics discussed. The relevant email is contained within the annex.

**5) Details of all occasions when the Cabinet discussed decisions taken by the Scottish Government in relation to the Ferguson Marine shipyard. For example, the preferred bidder announcement, the Voted Loan letter issued by Transport Scotland to Caledonian Maritime Assets Limited, the two Scottish Government loans worth a total of £45 million and the nationalisation of the shipyard. As part of the response, all Cabinet papers and minutes connected to issues arising at Ferguson Marine Engineering Limited are requested.**

Cabinet received a number of reports and updates related to Ferguson Marine, however no formal decisions were taken by Cabinet on these matters. The relevant minister approved Scottish Government decisions in relation to their respective areas of responsibility. This approach is not unusual for a construction project such as this.

**6) All email exchanges and any other items of correspondence regarding the launch of vessel 801 in November 2017 as referred to at Column 41 of the Official Report;**

**See Annex D**

I would note that the documents in the annex do not include some of the detail exchanged between officials and organisers of the event on administrative such as logistics or dietary requirement of attendees. This has been removed in the interests of providing as succinct and useful a response as possible, however, these can be supplied by Transport Scotland if required.

In particular, I would draw attention to the submission to my office of 23 May 2017 which confirms that the launch would have proceeded with or without my attendance as First Minister, with officials at one point suggesting an alternative may be sought.

**7) The briefing prepared for you by Scottish Government officials in advance of the launch of vessel 801 in November 2017, as referred to at Column 41 of the Official Report;**

**See Annex E**

Again, for completeness I would note that there are pages missing from the letters at Annex E and F as this is how they appeared in the original pack. The letters at Annex E however were published in full as part of the published material in 2019 and the letter at Annex F was shared with the RECC and available from Transport Scotland if needed. The attendance list and details of schools present has also been excluded but a redacted version can be shared if required.

**8) The cost to date to complete vessels 801 and 802, including the former turnaround director's salary and the cost of nationalisation**

On 23 March 2022, the Cabinet Secretary provided the Parliament with a breakdown of the costs associated with the completion of vessels 801 and 802. As the Cabinet Secretary confirmed, the cost to complete the build of the ferries from the point of public ownership rose from the £110.3m-to-£114.3m range (previously communicated to Parliament in December 2019) to a range of £119m-to-£123m. In March 2022, this brought the total direct project cost of delivering the vessels up to an estimated range of £202.3m-to-£206.3m, once contractual payments of £83.3m, made by CMAL to FMEL, prior to public ownership are included.

A copy of the letter is published on the Scottish Government website – [Ferguson Marine: costs associated with the completion of vessels 801 and 802 - gov.scot \(www.gov.scot\)](https://www.gov.scot/Information/2022/03/2022-03-23-ferries-801-802-costs-1)

On 23 September 2022, the CEO of Ferguson Marine submitted a business case for additional funding to complete vessels 801 and 802 to Scottish ministers. This was confirmed in correspondence to the Net Zero, Energy and Transport Committee on 28 September 2022. On the same day, the Deputy First Minister told Parliament the Government will interrogate the business case, with appropriate due diligence, to determine our response to the points it raises.

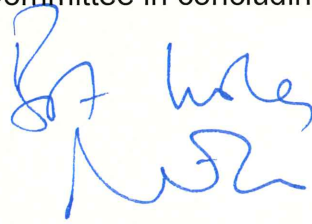
This work is ongoing and a decision will not be made until this scrutiny has been completed. We remain committed to financial transparency and will update Parliament in due course. If additional funding is appropriate, a request to amend the 2022-23 budget would be submitted to Parliament in the usual manner, allowing MSPs the chance to scrutinise this as part of the existing annual budget process.

In regard to the costs incurred by the turnaround director during his time in post, I refer you to a summary of fees on the Scottish Government website – [Information regarding Turnaround Director of Ferguson Marine: FOI release - gov.scot \(www.gov.scot\)](https://www.gov.scot/Information/2022/09/2022-09-23-ferries-801-802-costs-2)

Finally, the cost of nationalising Ferguson Marine is set out on the Scottish Government website – [Purchase of the Ferguson Marine shipyard in Port Glasgow \(Company\): FOI release - gov.scot \(www.gov.scot\)](https://www.gov.scot/Information/2022/09/2022-09-23-ferries-801-802-costs-3)

Please note that the Turnaround Directors costs are included in the costs associated with the completion of vessels 801 and 802, whereas the costs of nationalising Ferguson Marine are not.

I hope this information assists the Committee in concluding its inquiry.

A handwritten signature in blue ink, appearing to read 'Nicola Sturgeon', is positioned above the printed name.

**NICOLA STURGEON**

**MINISTERIAL ENGAGEMENT BRIEFING:  
FIRST MINISTER - NICOLA STURGEON MSP**

Copied to:

<i>Engagement Title</i>	Preferred Bidder announcement for two new 100m ferries
<i>Timing</i>	<b>Immediate</b>
<i>Organisation/Venue and full address including postcode</i>	Ferguson Marine Engineering Ltd (FMEL), Newark Works, Port Glasgow, Scotland, PA14 5NG
<i>Date and Time of Engagement</i>	Date(s): Monday 31 August 2015 Time(s): 10:00:1100
<i>Background/Purpose</i>	<b>Purpose/Invitation History:</b>  CMAL has appointed Ferguson Marine Engineering Ltd (FMEL), Port Glasgow as the Preferred Bidder for the construction of 2 new major ferries for the Clyde and Hebrides Ferry Services network. The contract value is £97m plus £9m CMAL project management costs.
<i>Relevance to Core Script</i>	Investment in Transport Infrastructure to support sustainable economic growth.
<i>Greeting Party and specific meeting point on arrival (if event is at a non SG Building)</i>	Drop-off at Ferguson main entrance where FM will be met and officials will be waiting. She will then be escorted upstairs to meet the Greeting Party: <ul style="list-style-type: none"><li>• Jim McColl, Owner of Ferguson Marine Engineering Ltd (FMEL)</li><li>• Keith Mitchell (FMEL) – Board Member</li><li>• Liam Campbell <b>Redacted</b> General Manager/ Chief Executive of the Port Glasgow yard.</li><li>• Tom Docherty, CMAL Chief Executive</li><li>• Andrew Duncan, Director of Vessels</li></ul>
<i>Specific entrance for Ministerial Car/parking arrangements</i>	<input checked="" type="checkbox"/> None – pull up at the main entrance, carparking available
<i>Venue contact Number</i>	<b>Redacted</b>
<i>Special Dress Requirements</i>	Business suit.
<i>Event Programme</i> <i>(for detail see <b>Annex C</b>)</i>	10.00 - <b>Ms Sturgeon arrives</b> and is met at the entrance and escorted upstairs to the offices to meet the Greeting Party (CMAL and FMEL)  10:20 – Short Tour and press announcement in

*Summary Page*

***Background of Procurement process***

*Redacted*  
*submission dated 20 August 2015*

*Scance note 21 August 2015*

*Transport Scotland Draft Press Release*

*CMAL's Draft Press Release*

*Attendees*

*Scottish shipbuilding and Ferguson Marine Engineering Ltd*

*Directions including map(s) Additional Information*

*Official Support*

the yard as well as meeting staff and apprentices. Another CMAL owned vessel the MV Catriona is currently being built so should provide a useful backdrop for photo opportunities. Media opportunities. Quotes from Ms Sturgeon.

11:00 – Depart

**Annex: A**

**Annex: B**

**Annex: C**

**Annex: D**

**Annex: E**

**Annex: F**

**Annex: G**

**Annex: H** Location map of FMEL

**Names:**

*Redacted* (TS Comms)  
Office *Redacted*  
Mobile *Redacted*

*Redacted*  
Communications: First Minister  
Mobile *Redacted*

*Redacted* (TS)  
Mobile *Redacted*

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constitution Interest	General Awareness
Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy			X		
Cabinet Secretary for Infrastructure, Investment and Cities			X		
Minister for Transport and Islands			X		

DG Enterprise, Environment and Innovation  
 PS/Transport Scotland  
 David Middleton, CE, Transport Scotland  
 Cabinet Secretariat  
 TS Directors

- Redacted TS Ferries
- Redacted TS Ferries
- Redacted TS Ports
- Redacted TS Ferries
- Redacted TS Ferries
- Redacted TS Ferries
- Redacted Islands Policy
- SG Industrial Shipbuilding Team
- Press Transport Scotland
- Redacted Press TS
- Redacted Press TS
- Redacted Press TS
- Redacted SG Press
- Redacted Special Adviser
- Redacted Special Adviser
- Redacted Special Adviser
- Redacted Special Adviser



## SUMMARY PAGE

### Purpose of event:

- CMAL has appointed Ferguson Marine Engineering Ltd (FMEL), Port Glasgow as the **preferred bidder** for the construction of 2 new major ferries for the Clyde and Hebrides network. The contract value is £197m plus approximately £9m CMAL project management costs.
- This investment is in line with the vessel replacement proposals set out in the Scottish Government's 2012 Ferries Plan.
- To reinforce the Scottish Government's commitments to:
  - Ferry services in Scotland
  - Shipbuilding on the Clyde and jobs in Inverclyde
  - Green technology

### Sensitivities/Next Steps : (Not all in public domain)

- Although this is a major milestone in the procurement process **there is still considerable work and negotiation to be undertaken until it reaches a stage where CMAL can take a decision to award the formal contract**. This includes complexities around the level of guarantees that FMEL can provide (although there has been some movement on this element – with some distance still to go).
- The profile of payments for the vessels has still to be agreed with the yard and is currently out of alignment with available Transport Scotland budget assumptions across the 3 year period. CMAL is working to resolve this. TS is in discussion with SG finance on the issue.
- The contract is currently at the 10 day standstill period. The earliest the contract can be awarded is after this timeframe but may take longer.
- The other 5 yards have all asked for feedback on why they have not proceeded. There is a continual risk of legal challenge given the scale of the award and the preferred bidder status being issued to a 'local' yard.

### Key Issues:

- This is a key milestone in the procurement of a shipbuilding contract awarded to Ferguson Marine Engineering Ltd (FMEL) for the construction of two new ferries following a competitive tendering exercise. The contract value is £97m (with additional CMAL management costs of around £9m);
- The vessels have been designed as 'dual-fuel' so they can operate on LNG and marine diesel. LNG is significantly cleaner and is being adopted increasingly by ferry operators in northern Europe largely in response to tighter sulphur regulations which will apply on the west coast from 2020.
- It is anticipated that the first vessel will be delivered in January 2018 and the second in March 2018. These ships are initially earmarked for the Ardrossan-Brodick route and the Uig Triangle although the final decision on vessel deployment rests with the operator and will be informed by further analysis of demand on all major routes
- The project will boost commercial shipbuilding on the Clyde.

## Lines to Take:

- This is an excellent result for Ferguson Marine Engineering Limited and I am delighted to name them as preferred tenderer for the contract to build two new ferries, the largest commercial vessels to be built on the Clyde since 2001.
- “This contract will see the 150-strong workforce retained and more staff taken on at the shipyard, underlining our commitment to creating the vital jobs needed to boost local economies and help stimulate growth across Scotland.
- This is an illustration of how the Scottish Government is making good on its commitment to create the vital jobs needed to boost local economies and to help stimulate sustainable growth across Scotland.
- “We are committed to supporting ferry users around Scotland by providing safe and reliable services, and this is the latest step to ensuring we have a fleet that continues to deliver for the communities that depend on it
- The Scottish Government is also, through CMAL, committed to leading the way in innovative ferry design and building for the future and we look forward to seeing the first vessel will be delivered in January 2018 and the second in March 2018.
- Should the contract be formally awarded it will be utilising Scotland’s world renowned engineering skills made famous on the banks of the Clyde. Safeguard existing jobs and secure new jobs, including apprenticeships.

From: **Redacted**  
Transport Scotland Ferries Unit  
20 August 2015

Cabinet Secretary for Infrastructure Investment and Cities

## **VESSEL REPLACEMENT – PROCUREMENT OF 2 NEW MAJOR VESSELS**

### **Purpose**

1. In the absence of the Minister for Transport and Islands on leave, your approval is sought for CMAL to award shipbuilding contracts of a total cost of £110m for 2 new major ferries for the CHFS network to Ferguson Marine Engineering Ltd (FMEL).

### **Priority**

2. **Urgent.** Given procurement deadlines, Caledonian Maritime Assets Ltd (CMAL) are required to issue a notification of contract award letter to FMEL, and 'Alcatel' letters to the 5 unsuccessful bidders no than Monday 31 August – after that date the tenders will no longer be valid: the original 3 month validity period has already been extended for 2 months with the agreement of all the bidders. Subject to consideration by the CMAL Board on Tuesday 25 August and feedback from CalMac Ferries Ltd, Ministerial approval in principle is sought by **Thursday 27 August**.

### **Background**

3. The Vessel Replacement & Deployment Plan 2014 (VRDP), approved by Mr Mackay on 14 July (and to be published shortly) set out the case for the procurement of 2 new major vessels for the Clyde & Hebrides Ferry Service (CHFS) network. On the basis of the initial analytical work behind the VRDP, and the indicative vessel replacement proposals set out in the 2012 Ferries Plan, you announced the start of the procurement process for these 2 new vessels by CMAL on 15 October 2014.

4. Following consideration of Pre-Qualification Questionnaire responses, CMAL issued Invitations to Tender to the following shipyards on 10 December 2014:

**Redacted**

### **Tender evaluation**

5. 7 tenders from these 6 shipyards were submitted by the deadline of 31 March 2015. After detailed consideration of the quality and costs submissions by the CMAL vessels team, with technical input from CalMac Ferries Ltd, the CMAL executive team are recommending the award of the contracts to FMEL.

6. It was made clear to tenderers that the quality/price ratio for assessment of proposals was 50:50. FMEL was the highest quality bid received but also the highest price. Taken together, the FMEL tender achieved the highest overall evaluation score.

7. Although CMAL are responsible for vessel procurement, under the tripartite arrangements in place CalMac have been consulted extensively at technical level to achieve their endorsement of the detailed specification and designs which will form part of the shipbuilding contract. Intensive exchanges between CMAL and CalMac on the one hand and CMAL and FMEL on the other have resolved the vast majority of the issues identified by CalMac. CalMac are currently carrying out a final review of documentation, due to complete on 25 August.

8. On the basis of discussions at the project steering group today, we anticipate that CalMac will not be in a position to fully endorse the shipbuilding documentation by the required deadline. However, under agreed procedures this does not prevent CMAL from awarding the contract and further efforts will be undertaken during the detailed design of the vessel by FMEL to address any outstanding points. These issues largely concern the access of the vessels to the various ports that they may serve during their working lives and the potential requirement for modifications at some ports. However, on the basis of the information available to us at this point, the risk of major infrastructure requirements to accommodate these vessels – such as those at Stornoway and Ullapool to accommodate the MV Loch Seaforth – is considered to be low. That said, the CHFS port infrastructure as a whole, which was largely designed for a very different size and type of vessel – requires ongoing investment in order to continue to support safe and reliable ferry services which can meet the growing demand for travel to and from the islands.

9. The vessels have been designed as 'dual-fuel' so they can operate on LNG and marine diesel. LNG is significantly cleaner and is being adopted increasingly by ferry operators in northern Europe largely in response to tighter sulphur regulations which will apply on the west coast from 2020. LNG brings some logistics challenges, which CalMac are looking into, and may require some additional fuelling infrastructure. The benefit of 'dual-fuel' is that the vessels can be run on conventional fuel if there is any interruption in LNG supply. When the initial business case for this project was drawn up, the forecast price of LNG compared to marine diesel made a compelling case for its adoption. Since then, the fall in oil prices has, at this point in time, removed the price benefit of LNG; however, historically gas prices follow oil prices and over the long-term we would expect a financial as well as an environmental benefit from using gas.

### **Delivery timetable**

10. Under the draft contracts, the first vessel will be delivered in January 2018 and the second in March 2018, subject to final clarification and permissible delays. As previously announced, these ships are earmarked for Ardrossan-Brodick and the Uig Triangle although the final decision on vessel deployment rests with the operator and will be informed by further analysis of demand on all major routes.

### **Financial issues**

11. The contract value is £101m plus £9m CMAL project management costs which equates to £110m in total. This is higher than the £80m included in the VRDP – which will be updated prior to publication – and the revised estimate of £90m included in CMAL's 3-year Corporate Plan, which has already been published.

12. This capital funding commitment will fall over 3 financial years to 2017-18 and has been submitted to Scottish Government Finance for consideration. The cost in 2015-16 can be covered from within the capital allocation to the Ferries Budget. The cost in 2016-17 will however require an increased capital allocation of around £20m.

13. Capital funding will be provided by loans from Transport Scotland to CMAL, repaid with interest over an agreed period, usually 25 years. An initial business case was drawn up by CalMac to inform the recommendation to initiate the procurement by CMAL. This is currently being updated to reflect the increased capital cost. Over the estimated 30-year lifetime of these ships, the capital cost represents a small share of overall costs.

### **Presentational issues**

14. Subject to Ministerial approval and the clearance by SG Finance of the in-year and future funding commitments, CMAL will formally offer the contract to FMEL on 31 August which will be confirmed following the statutory 10 day standstill period. An initial announcement can be made to coincide with the formal offer, in agreement with the shipyard, rather than waiting for the 10 days.

15. Given the significance of the award in respect of Scottish Government investment in the ferry fleet, retention and creation of jobs at a resurgent Ferguson shipyard and the scale of the costs, we will work with Press TS colleagues and CMAL to ensure maximum positive publicity from this significant announcement. We will ask Press TS to lead on a Communications Plan.

16. It would be appropriate for Mr Mackay as Minister for Transport and Islands to lead on this announcement, highlighting the benefits to the islands as well as the jobs and training opportunities in Inverclyde.

17. As with any procurement, a legal challenge from one of the unsuccessful shipyards cannot be discounted. CMAL have not identified any particular risks in this regard and, in any case, are confident that any challenge can be defended. That said, the relationship between Scottish Ministers and Ferguson's owner is well known.

### **Recommendation**

18. We recommend that you approve the award of the two shipbuilding contracts by CMAL to Ferguson Marine Engineering Ltd.

Redacted

Transport Scotland Ferries Unit

Redacted

20 August 2015

## SCANCE NOTE

**VESSEL REPLACEMENT – PROCUREMENT OF 2 NEW MAJOR VESSELS**

CMAL will shortly award a shipbuilding contract for 2 new major ferries for the CHFS network to Ferguson Marine Engineering Ltd (FMEL), Port Glasgow. The contract value is £101m plus £9m CMAL project management costs which equates to £110m in total. Caledonian Maritime Assets Ltd (CMAL) are required to issue a notification of contract award letter to FMEL, and 'Alcatel' letters to the 5 unsuccessful bidders no later than Monday 31 August 2015 – after this date the tenders will no longer be valid: the original 3 month validity period has already been extended for 2 months with the agreement of all the bidders involved. 7 tenders from 6 shipyards were submitted by the deadline of 31 March 2015. After detailed consideration of the quality and costs submissions by the CMAL vessels team, with technical input from CalMac Ferries Ltd, the CMAL executive team are recommending the award of the contracts to FMEL.

The vessels have been designed as 'dual-fuel' so they can operate on LNG and marine diesel. LNG is significantly cleaner and is being adopted increasingly by ferry operators in northern Europe largely in response to tighter sulphur regulations which will apply on the west coast from 2020.

Under the draft contracts, the first vessel will be delivered in January 2018 and the second in March 2018, subject to final clarification and permissible delays. As previously announced, these ships are earmarked for the Ardrossan-Brodick route and the Uig Triangle although the final decision on vessel deployment rests with the operator and will be informed by further analysis of demand on all major routes.

This is higher than the £80m included in the Vessel Replacement and Deployment Plan – which will be updated prior to publication – and the revised estimate of £90m included in CMAL's 3-year Corporate Plan, which has already been published.

Subject to Ministerial approval and the clearance by Scottish Government Finance of the in-year and future funding commitments, CMAL will formally offer the contract to FMEL on 31 August 2015 which will be confirmed following the statutory 10 day standstill period. An initial announcement can be made to coincide with the formal offer, in agreement with the shipyard, rather than waiting for the 10 days.

- Following the conclusion of the vessel procurement exercise, which is in line with the vessel replacement proposals set out in the 2012 Ferries Plan, CMAL will shortly award a shipbuilding contract for 2 new major ferries for the CHFS network to Ferguson Marine Engineering Ltd (FMEL), Port Glasgow. The contract value is £101m plus £9m CMAL project management costs which equates to £110m in total. This announcement will be made by CMAL by the end of the month.
- 6 shipyards submitted bids by the procurement deadline of 31 March 2015. After detailed consideration of the quality and costs submissions by the CMAL vessels team, with technical input from CalMac Ferries Ltd, the CMAL Executive Team have reached a decision on the future contracts.
- CMAL will shortly formally offer the contract to Ferguson Maritime Engineering Ltd, Port Glasgow on 31 August 2015. This will be confirmed following the statutory 10 day standstill period.
- The vessels have been designed as 'dual-fuel' so they can operate on LNG and marine diesel. LNG is significantly cleaner and is being adopted increasingly by ferry operators in northern Europe largely in response to tighter sulphur regulations which will apply on the west coast from 2020.
- It is anticipated that the first vessel will be delivered in January 2018 and the second in March 2018. As previously announced, these ships are earmarked for the Ardrossan-Brodick route and the Uig Triangle although the final decision on vessel deployment rests with the operator and will be informed by further analysis of demand on all major routes.
- **This remains a "live" procurement until 31 August and therefore the identity of the winning bidder is commercially sensitive, though we are aware of media speculation. For that reason I would be grateful if this news is not circulated any further than is strictly necessary to avoid undermining the award of this important contract to Ferguson Maritime Engineering Ltd.**

## **Ferry deal set to create new jobs**

### **Ferguson named preferred tenderer for new £97m vessels contract**

First Minister Nicola Sturgeon has confirmed Ferguson Marine Engineering Limited (FMEL) as the preferred tenderer for the contract to build two ferries for the Caledonian Maritime Assets Ltd's (CMAL) fleet.

Once finalised, the new £97m contract will create new jobs at the shipyard and secure employment for the existing workforce of around 150 people, providing a boost for shipbuilding on the Clyde and the local economy.

Ms Sturgeon said:

“This is an excellent result for Ferguson Marine Engineering Limited and I am delighted to name them as preferred tenderer for the contract to build two new ferries, the largest commercial vessels to be built on the Clyde since 2001.

“This contract will see the 150-strong workforce retained and more staff taken on at the shipyard, underlining our commitment to creating the vital jobs needed to boost local economies and help stimulate growth across Scotland.

“The Scottish Government is committed to supporting ferry users around Scotland by providing safe and reliable services, and this is the latest step to ensuring we have a fleet that continues to deliver for the communities that depend on it.”

Transport Minister Derek Mackay added:

“Today’s announcement proves that Scottish shipbuilding can succeed in a competitive market, with the FMEL team submitting the highest quality bid that offered best value for money.

“The vessels themselves will be ‘dual-fuel ferries’, allowing them to use cleaner fuel and future-proofing them for the advent of tighter regulations around sulphur emissions, ensuring they will be able to benefit the communities that need them for decades to come.”

Erik Østergaard, Chair of CMAL, said:

“I am delighted that we are able to name FMEL as the preferred tenderer for this contract and be in a position to enter discussions with them on the final terms and conditions. Subject to agreement on all points, we hope to be in a position to finalise the award of the contract later in September.

“We have undertaken a complex process of technical evaluation to ensure the new vessels will meet CalMac Ferries Ltd’s rigorous requirements on capacity, speed, draft and dual fuel capabilities, including the ability to operate to a wide number of harbours and routes over their lifetime. We are confident that the specification from FMEL can deliver on all of these conditions.

“We have worked with the team at Ferguson’s on the build of previous vessels for our fleet and most recently on our three smaller hybrid ferries and we look forward to continuing this successful relationship.”

CMAL, on behalf of Scottish Ministers, intends to award the contract to FMEL following a rigorous procurement process. CMAL will confirm the contract award in due course, subject to agreement on final terms and conditions.

FMEL will undertake the detailed design and construction work of new vessels, as well as their testing, equipping, launching and delivery.

The new ferries will be ‘dual-fuel’ vessels so they can operate on liquefied natural gas (LNG) and marine diesel. LNG is significantly cleaner and has been adopted by ferry operators in Northern Europe in response to tighter emissions regulations.

The first ferry is expected to be delivered in early 2018, with the second vessel following a few months later.

## **Background**

It is CMAL’s intention to award the contract to FMEL following the required 10-day standstill period and subject to agreement on final terms and conditions between FMEL and CMAL over the next few weeks.

The ships are designed to carry 127 cars or 16 HGV’s or a combination of and up to 1000 passengers.

From an efficiency and emissions perspective they are designed to operate on either marine diesel or LNG, where benefit will be gained by a marked reduction in CO2 and sulphur and nitreous oxides emissions.

The new ferries are earmarked for the Ardrossan-Brodick and the Uig Triangle routes, although the final decision on vessel deployment rests with the current operator, CalMac Ferries Ltd, and will be informed by further analysis of demand on all major routes. The vessels they replace will be cascaded throughout the network, with no further details available at this time.

## **Contact**

Redacted





## **Caledonian Maritime Assets Limited announces Scottish shipbuilder as preferred tenderer for two large ferries contract**

**31 August 2015**

Caledonian Maritime Assets Limited (CMAL) has announced Ferguson Marine Engineering Ltd (FMEL), Port Glasgow, Scotland is the preferred tenderer for the £97million contract to build two large dual fuel ferries for the Clyde and Hebrides Ferry Service (CHFS).

The contract once finally negotiated and entered into, will provide a boost for commercial shipbuilding on the Clyde and follows the shipyard's successful build of the world's first two sea-going passenger and vehicle roll-on roll-off ferries to incorporate a low-carbon hybrid system of diesel electric and battery power. The third hybrid ferry is scheduled to launch in December 2015.

The contracts, when signed between CMAL and FMEL, will see two 100 metre ferries built at Port Glasgow, which can accommodate 127 cars or 16 HGV's or a combination of both and up to 1000 passengers. Care has been taken with the specification to ensure a high level of passenger comfort and ease of accessibility to all areas. The ships will be capable of operating across a range of drafts and speeds to meet the precise requirements of the current operator, CalMac Ferries Ltd, and will be able to service a wide range of ports and routes without significant redevelopment over their expected 30 year plus lifespan.

To ensure the new vessels can operate in the demanding conditions of the west coast of Scotland, the winning design from FMEL incorporates a high level of in-built backup capability to improve reliability and ability. From an efficiency and emissions perspective, they are designed to operate on either marine gas oil or liquefied natural gas (LNG), where benefits will be gained by a marked reduction in CO<sub>2</sub> and sulphur and nitreous oxides emissions.

The ship will be capable of operating at speeds of up to 16.5 knots and will be fitted with three bow thrusters to provide a high level of manoeuvrability in adverse weather conditions.

FMEL will undertake the detailed design and construction work of new vessels, as well as their testing, equipping, launching and delivery. It is anticipated that the first vessel will enter service early in 2018, with the second following a few months later. It is likely that the first ship will initially serve on the Ardrossan to Arran route, using the new port facilities being built at Brodick. The second vessel is slated for the Uig Triangle.

Tom Docherty, CEO at CMAL commented:

“This project provides a fantastic commercial opportunity for Scottish shipbuilding and we are delighted to announce FMEL as the preferred tenderer for this contract. We have worked closely with colleagues at CalMac Ferries Ltd to ensure that the design of these ferries follows their requirements that are based on future demand both on the initially identified routes and across the network, as well as their desire for an LNG powered ferry, which helps to future proof the vessel.

“CMAL is committed to leading the way in innovative and greener ferry design and this dual fuel ferry is further proof of that. When fully operating on LNG, these ferries will greatly contribute to Scotland’s ambitious climate change targets.

“Subject to agreement on all final contractual elements with FMEL, we hope to be in a position to finalise the award of the contract in September.”

Commenting at the official announcement today (31 August) at FMEL Shipyard in Port Glasgow, First Minister, Nicola Sturgeon said:

“This is an excellent result for Ferguson Marine Engineering Limited and I am delighted to name them as preferred tenderer for the contract to build two new ferries, the largest commercial vessels to be built on the Clyde since 2001. Today’s announcement proves that Scottish shipbuilding can succeed in a competitive market, with the FMEL team submitting the highest quality bid that offered best value for money.

“This contract will see the 150-strong workforce retained and more staff taken on at the shipyard, underlining our commitment to creating the vital jobs needed to boost local economies and help stimulate growth across Scotland. The Scottish Government is committed to supporting ferry users around Scotland by providing safe and reliable services, and this is the latest step to ensuring we have a fleet that continues to deliver for the communities that depend on it.”

ENDS

**Media contact:**

Christina Kelly, Managing Director, Golley Slater

Redacted

Redacted

**Notes to Editors**

1. CMAL is a publicly owned company with Scottish Ministers as the sole shareholder

2. Once the 10 day stand still period and final and detailed contract negotiations are completed, CMAL, on behalf of Scottish Ministers, intends to award to the contract to FMEL following a rigorous procurement process.
3. Further details and a timeline for development will be issued once the details of the contract have been finalised, hopefully in September 2015.
4. CMAL own property at piers and harbours at more than 24 locations throughout Scotland and is embarking on a programme of investment and improvements, which will create better facilities.
5. In addition to its pier and harbour facilities, CMAL owns 31 ferries and lease one further ferry. All 32 vessels are leased to CalMac Ferries Ltd for use on ferry services on the Clyde and Hebrides.
6. For more information about CMAL visit: [www.cmassets.co.uk](http://www.cmassets.co.uk)

*Attendees***Jim McColl OBE**  
**Chairman and CEO of Clyde Blowers Capital**

Jim McColl left school at 16 to take up an engineering apprenticeship with Weir Pumps of Cathcart, Glasgow. After gaining City & Guilds certificates at lower and higher level, he gained a BSc Degree in Technology and Business Studies at Strathclyde University. He returned to Weir Pumps in 1978, studying for the next three years for an MBA. Joined Diamond Power Speciality Ltd in 1981, an engineering company supplying equipment to the power industry worldwide; during his tenure he studied part time for a Master's degree in International Accounting and Finance. Head hunted by Coopers & Lybrand, in 1985 he became a consultant, working with companies in financial difficulties that needed guidance. In 1986 he left Coopers to become a self-employed "company doctor", during which he made money through two successful turnarounds resulting in his purchase of Clyde Blowers PLC; going onto acquiring six of the 7 competitors. Over the past 10 years Clyde Blowers has developed into a truly global portfolio of 83 Companies in 27 different countries, employing 5,000 people around the world, with an annual turnover in excess of £1.4 billion. Ferguson Shipbuilders was bought in 2014 after which was renamed to Ferguson Marine Engineering Ltd. He was appointed Officer of the Order of the British Empire (OBE) in the 2001. Has been awarded two honorary doctorates, by Napier University and Glasgow University.

**Liam Campbell General Manager/ Chief Executive of Ferguson Marine Ltd**

Liam was appointed in April 2015 – to present. He gained a honours degree in naval architecture and offshore engineering at Strathclyde University and has worked for a number of shipping companies in Norway, Korea, China the middle east and Holland.

**Tom Docherty**  
**Chief Executive Officer**

Tom Docherty was appointed Chief Executive Officer in April 2014. He is a marine engineer and has held a number of senior management positions within the maritime industry. Mr Docherty was Managing Director at Red Funnel and has experience working in ferries, towage and salvage vessels and the ports industry. His early career saw him operate at a senior level in the oil industry, including manager of the marine terminal at Fawley, Esso's largest marine terminal in Europe.

**Andrew Duncan**  
**Director of Vessels**

Andrew Duncan was appointed Director of Vessels in June 2007. Andrew has extensive experience in the Merchant Navy and had risen to the rank of Chief Engineer before working ashore with the Northern Lighthouse Board latterly in charge of the new build programme.

## **SCOTTISH SHIPBUILDING AND FERGUSON MARINE ENGINEERING LTD**

Scottish shipbuilding employment in 1979 was around 35,000 (Source: Scottish Economic Bulletin Number 57, September 1998). From 1993 to 2013 there was a 36% fall in those employed in shipbuilding from 11,100 to 7,100. (Please note that these figures are from two separate employment series: this may impact on data due to methodology differences between sources.)

Within the industry, Ferguson Marine Engineering Ltd (FMEL) is the last remaining commercial shipbuilder in Scotland with around 80 employees in Port Glasgow. The business was initially established in 1903 and is now part of the Clyde Blowers Capital Group, the new owners have a stated intention to grow the business to up to 300 employees in around 2 years. The other key players in the sector are BAE Systems (Scotstoun and Govan) and Babcock Marine (Rosyth), both involved in naval shipbuilding, between them employing around 4,300.

### **Ferguson Shipbuilders**

From 1995 until going into administration in August 2014, Ferguson Shipbuilders was controlled by Holland House Electrical (essentially the Dunnet family). Clyde Blowers Capital acquired the business on 10 September 2014. The change in ownership followed a period of uncertainty at Fergusons at the end of 2013 as it neared completion of a project to deliver the second hybrid ferry (MV Lochinvar) for Caledonian Maritime Assets Limited (CMAL). Officials from Transport Scotland, Scottish Enterprise and across the Scottish Government had worked with CMAL and Fergusons to alleviate this pressure by agreeing to a contract variation, securing delivery of the MV Lochinvar. Shortly thereafter, and with continuing cash-flow pressures and no prospect of a trade sale as a going concern, administrators were appointed on 15 August 2014.

### **Engagement**

Ministers and officials were actively engaged with the company, particularly as financial pressures increased. Prior to this a number of Ministers (including Alex Neil, Stewart Stevenson and Fergus Ewing) had all made separate visits to the yard at various times during 2011-13, and during the development and commissioning of the hybrid ferries: indeed Ms Sturgeon, as DFM, launched the first hybrid ferry (MV Hallaig).

Immediately upon the appointment of Administrators in August 2014 Mr Swinney announced that he was convening a taskforce with the aim of retaining a functioning shipyard and re-employing as many of the Fergusons staff as possible. This included Mr Swinney; Mr Brown; representatives from Inverclyde Council, including the leader of the Council and its Chief Executive; the administrators, KPMG; PACE; DWP; Scottish Enterprise; Scottish Government; CSEU; local shop stewards; the local MP and 3 MSPs. The Taskforce met in Greenock 4 times between 18 August 2014 and 15 September 2014.

As First Minister, Alex Salmond spoke and met with Fergusons shop stewards several times to assure them that the Scottish Government was doing all it could to secure the future of the yard. He also visited the yard three times during the uncertainty, including on 10 October 2014 when he welcomed the purchase by Clyde

Blowers Capital and the award of a third hybrid ferry contract by CMAL. This secured all 77 jobs that were at risk with the new owners offering employment to all of the affected workers.

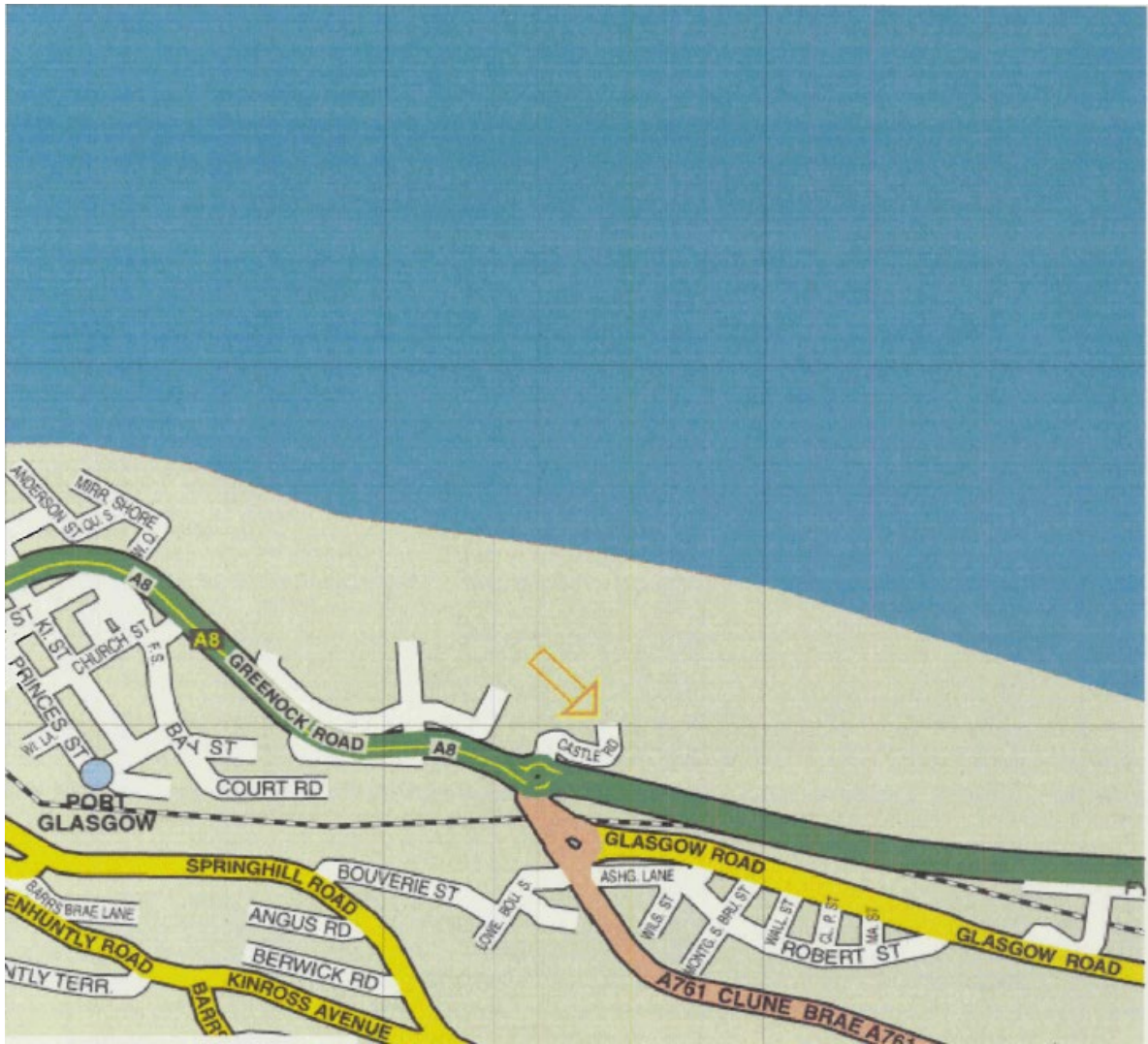
### **Ferguson Marine Engineering Ltd – future plans**

Following the purchase of Ferguson Shipbuilders by Clyde Blowers Capital the company name was changed to Ferguson Marine Engineering. CBC has a long and successful track record of directly managing and delivering operational improvement in its portfolio companies. This facilitates a high level of advisory and operational input into, and alongside, the portfolio companies. CBC is an active investor with real operational investment in its businesses. The company is led by Founder, Chairman and Chief Executive, Jim McColl and includes investment and operational executives, lawyers, a tax director and finance executives.

There was media coverage on 25 February 2015 around Mr McColl's plans for expanding Ferguson Marine Engineering, where he noted that he was looking at possible sites, including BAE System's site at Govan. Mr McColl has big ambitions for Ferguson Marine Engineering, but the site in Port Glasgow is limited in size with no real options for expansion. There have not been any formal approaches from Mr McColl about the idea of Fergusons taking over the Govan yard and news articles made clear that he was considering a range of options, also naming the Steel Engineering site in Renfrew as a possible location.

Although BAE Systems has not made any announcement about its future structure on the Clyde there is a general awareness that the company favours a single site approach at Scotstoun. The Govan yard is currently building the final three blocks of the Prince of Wales aircraft carrier, and has also started work on three OPVs: this work is expected to keep the yard busy until 2018, so whatever the outcome of BAE's current review the site would not be available until that date. Scottish Enterprise has started internal work around potential alternative uses for the site, as has BAE Systems and Fergusons is another possibility to be included in that work.

**Manufacturing and Construction Team  
March 2015**



Ferguson Marine Engineering Ltd (FMEL), Newark Works,  
Port Glasgow, Scotland, PA14 5NG



## Caledonian Maritime Assets Limited

### Potential questions on Dual Fuel ferries announcement

#### **Fit at port**

**Will they fit all 15 ports and harbours identified by the Minister without any major work needing done to these pier/harbour etc or will they only fit after modifications? (PQQ stating minor modifications only to all identified ports).**

*Over their lifetime of 30 years, the ships will potentially be required to access 15 harbours across the network. We know they will initially operate on the Uig Triangle and Ardrossan-Brodick routes during their first few years of service. Therefore, any modifications required will not be necessary at all 15 harbours when they enter service.*

*The ferries will be designed to use existing berths without significant redevelopment and we are currently working with the various harbour and port owners and authorities at the initial five ports the ferries will serve to investigate what infrastructure modifications may be required. CMAL owns the harbours at Tarbert and Brodick and we are conducting our own assessments at these ports. This work is ongoing, but we expect the main areas that could require some modification are the passenger access systems, bollards and fendering.*

*Brodick will be rebuilt over the next two years and funds are currently earmarked in CMAL's Ten Year Plan for future refurbishment of Tarbert Harris.*

**What do you consider to be 'minimal modification' and what does this mean (ball park) in terms of time and cost?**

*We are currently working with the various harbour and port owners and authorities at the initial five ports the ferries will serve to investigate what modifications may be required. CMAL owns the harbours at Tarbert and*





*Brodick and we are conducting our own assessments at these ports. This work is ongoing, but we expect the main areas that could require some modification are the passenger access systems, bollards and fendering. Each port is different and any work that may be required is likely to vary in scale and nature, so it's not possible at this stage to estimate time and costs.*

**Will there need to be any works at the ports they will initially serve and who will pay for this work on the three that are not CMAL owned?**

*We are currently working with the various harbour and port owners and authorities at the initial five ports the ferries will serve to investigate what modifications may be required. CMAL owns the harbours at Tarbert and Brodick and we are conducting our own assessments at these ports. The investment required is part of our discussions with harbour and port owner. Some of the work at our own harbours and ports is covered by our ongoing harbour upgrade and maintenance programme.*

**Are the works currently being undertaken in Brodick factoring in the needs of the new vessel to ensure that the new ferry can be accommodated with no further works needed?**

*Yes the new facilities will easily accommodate the new vessels at all states of the tide.*

**What is needed at Tarbert to accommodate the new ferries – are the existing PAS, linkspan and fenders adequate to accommodate a ferry of this size and draft?**

*We are currently assessing any modifications needed at Tarbert, some of which may be covered as part of our ongoing harbour upgrade and maintenance programme currently scheduled for some time between 2016 and 2020 depending on other priorities*



## Dual fuel

**Why have you gone with an “innovative” dual fuelled spec rather than a cheaper, traditional marine diesel model?**

*The original specification from the operator was for an LNG-fuelled ferry, which we altered to dual fuel because LNG supply is not currently readily available in Scotland.*

*In addition, CMAL is committed to leading the way in innovative and greener ferry design.*

*When fully operating on LNG, these ferries will help Scotland meet our ambitious climate change targets. From an efficiency and emissions perspective, they are designed to operate on either marine gas oil or liquefied natural gas (LNG), where benefits will be gained by a marked reduction in CO2 and sulphur and nitreous oxides emission.*

**What specifically are the emissions savings that can be guaranteed by this expensive, largely untested design?**

*When fully operating on LNG, these ferries will help Scotland meet our ambitious climate change targets. From an efficiency and emissions perspective, they are designed to operate on either marine gas oil or liquefied natural gas (LNG), where benefits will be gained by approx. 20% reduction in CO2 and virtually full reduction in sulphur and nitreous oxides emission. The technology is not new. There are about 60 LNG vessels currently in operation and around a further 60 on order globally.*

**How much extra is the future-proofing for LNG adding to the cost of the basic build?**

*We estimate it to be less than 4% of the project but should we say choose to refit this in the future it would be prohibitively expensive. It therefor makes sense to future proof the ferries and build it in now as it will come. This is the same pattern experienced in Scandinavia and now many ferries run on LNG*



**Why are you building an LNG ferry when there is currently no supply or storage in Scotland?**

*The original specification from the operator was for an LNG-fuelled ferry, which we altered to dual fuel because LNG supply is not currently readily available in Scotland. Currently, LNG can be transported to Scotland from England. It is for the operator to consider the cost and emissions benefit ratio and decide how best to fuel the ferries. To start with, they can run on marine gas until LNG is widely available. This is the same approach that other countries have taken to introduce LNG fuelled ferries. For example, in Norway, every car ferry is LNG, but the supply structure wasn't always available.*

**Ferry design**

**Why have you specified 100m length as this restricts their usage on a number of routes, including Islay and Mull?**

*An independent demand led analysis was conducted for each of the communities served by the CHFS. This enabled forecasting of the future needs for passenger capacity and vehicle deck capacity on each route.*

*Transport Scotland, CMAL and CFL are considering the longer term redeployment of one of the new vessels to service the Islay route, subject to modifications to the Islay route ports to accommodate a vessel of this size.*

**Can you give more information on the detailed demand led analysis/modelling carried out to decide that 100m was the appropriate length for the carrying capacity on 15 routes?**

*Independent consultants were commissioned to estimate the demand for each of the communities served by CHFS routes. This included traffic from passengers, cars, coaches and commercial vehicles and covered the period from 2014 to 2039. The demand estimates were fed into a model designed for this exercise to ensure all routes were analysed on a consistent basis. This enabled forecasting of the future needs for passenger capacity and vehicle deck capacity on each route.*



**Do you have any plans to develop a standard specification for future ferry procurement to ensure maximum usability and that new vessels fit every one of your 24 ports?**

*There are no plans to develop a standard specification for ferry procurement. A number of factors need to be considered when designing a specification for new ferries, including community and route demand.*

*A standard specification may not allow us to take advantage of innovations in maritime engineering and tends to lead to too many compromises.*

### **Vessel deployment/replacement**

**How imperative is it to consider maximum flexibility of vessel deployment when commissioning new ships? What protocols do you follow in terms of ship design and port modifications to factor this in?**

*The two new ships will be capable of operating to a large number of ports, we plan up to 15. Whilst flexibility is an advantage there is also a need to conduct a cost benefit analysis as it clearly costs money to make sure a ship is capable of being able to operate to a large number of ports and routes.*

**Who decides when a vessel is replaced or decommissioned – TS, CMAL or CalMac – who takes the lead?**

*It is part of CMAL's role to procure replacement vessels. Transport Scotland works with both CMAL and CalMac to develop a programme of ship retentions, cascades through the network, acquisitions and disposals of redundant ferries to deliver the Scottish Ferry Services: Ferries Plan in the timescales set out by the Scottish Government.*

*A tripartite Vessel Replacement and Deployment Steering Group involving the three organisations was established to review the Ferries Plan outcomes and provide a suitable implementation programme that meets the plan requirements.*



**Which should come first – the need for a vessel on a route or commission a vessel and then decide where she should sail?**

*The two have to work in tandem. The Ferries Plan published in 2012 provides a basis for the shape of all of Scotland's ferry services until 2022 and beyond as vessels have a 30 year design life. It underpins the Vessel Replacement and Deployment Plan that provides a framework for deciding which vessels can operate on the various routes around the network, depending on the capacity needs. CalMac Ferries operate a fleet of 10 major vessels and 21 non-major vessels in the delivery passenger and vehicle services in the Clyde and Hebrides and ultimately it is for the operator of the service to decide how fleet vessels are deployed.*

*The Vessel Replacement and Deployment Plan (VRDP) is intended to complement the Ferries Plan by also considering historical and projected customer demand and the on-going provision of capacity to meet that demand.*

*Independent consultants prepared an estimate of demand for each of the communities served by CalMac based on passengers, cars, coaches and commercial vehicles, covering the period 2014 to 2039. This information is being used in a model to predict future needs for passenger vehicle deck capacity to inform our vessel deployment and replacement strategy in conjunction with the operator, CalMac and Transport Scotland.*

**Is there an assured budget for vessel replacement – investment currently seems ad hoc and even political (e.g. third hybrid for FMEL right before SIR that still has no route assigned to it so could be argued isn't needed at this time)?**

*CMAL own a fleet of vessels funded by the Scottish Government. The Scottish Government fund the capital cost of vessels through voted loans to CMAL and also through an ongoing operational cost for charter within the subsidy currently paid to CalMac. CalMac pay CMAL for the lease of the vessels and that money, together with harbour access charges is used by CMAL to repay the loans to the Scottish Government. It is also used to fund maintenance, small*



*scale capital projects, pension liabilities, general running costs and to build up a contribution for the larger capital spends. One vessel, the Loch Seaforth, is financed through an operating lease financing arrangement with Lloyds Banking Group.*

*We work closely with the current operator, CalMac Ferries Ltd and Transport Scotland on a vessel replacement plan to make recommendations on what is needed to service the current and future needs of the fleet.*

*Specific questions about the budget for future vessels should be addressed to the Scottish Government.*

**In over eight years of SNP government, only four vessels have been commissioned for the CHFS fleet (with another two out to tender) and some would say that the decisions have been political to quieten angry voices on the islands rather than operational. The previous Lab/Lib government commissioned six in eight years, with an additional two commissioned right before devolution. Do you think this shows a markedly different attitude from the SNP, who seem happy to have an ageing fleet, frequently stricken with mechanical and technical failures and service outages? How can you change their attitudes?**

*Ferries are an essential part of Scotland's transport network and the SNP Government commissioned the first ever comprehensive review of ferry services in Scotland in 2008, culminating in the Ferries Plan, which sets out strategic guidance for the provision of ferry services in Scotland over the next 10 years. It was published in December 2012 and we have been working closely with colleagues at Transport Scotland and the operator, CalMac Ferries Ltd on the Vessel Deployment and Replacement Plan which forecasts that a further four new major vessels will need to be procured in the period to 2025, subject to funding availability. This will introduce new vessels serving Islay, Mull, Arran, the Western Isles and other communities; enable the achievement of the Ferries*



*Plan; respond to forecast demand; and increase reliability by reducing the average age of the fleet.*

*Following these orders for the two dual fuel ferries, designs will be developed for a variety of further replacement vessels maintaining a focus on safety, comfort, reliability, efficiency and effectiveness.*

### **Contract award**

**Why has the cost of the contract risen so much – Keith Brown valued the contract at around £60 million in October 2014?**

*No value for the contract has previously been given, as it was determined through the procurement process and subject to commercial negotiation. The final value reflects the specification of the FMEL tender, which was the highest quality bid and offered the best value for money.*

**Why did you decide on a 50/50 technical/price split – will this not just drive down quality in the design and build to ensure that it is all done as cheaply as possible?**

*The 50/50 weighting was designed to ensure that we procure two vessels which are of the highest quality, meeting a specification that will future proof the ships and for a price that offers best value to the public purse. We are confident that the bid from FMEL will deliver on both quality and price, as has been the case with previous vessels from the yard, including our hybrid ferries.*

**Was the unusual 50/50 split on price and technical scoring to ensure that FMEL had the best chance of success?**

*The 50/50 weighting was designed to ensure that we procure two vessels which are of the highest quality, meeting a specification that will future proof the ships and for a price that offers best value to the public purse.*



**Have you awarded the contract to FMEL because SG/TS told you to do for publicity generating potential/keeping jobs in Scotland rather than on the grounds of cost and operational efficiency?**

*No. We have undertaken a rigorous procurement process over the course of this year with the six shipyards shortlisted for this contract and the FMEL scored highest and so they have been awarded the contract. We worked closely with colleagues at CalMac Ferries Ltd to ensure that the design of the ferries follows their requirements and they were involved in assessing that the tenders met with their specific needs, however CMAL undertook the final evaluation and informed TS and SG of our decision.*

*Scottish Ministers then confirmed that funds were available to announce the preferred tenderer and we will now finalise all details and award the contract in due course.*

**Is the FMEL bid definitely the vessel design that best meets the operator's original specification?**

*Yes*

**Will the new jobs all go to local people?**

*It is for FMEL to decide the mix of skills and experienced needed to build the ferries to our specification and where to recruit their staff.*

***Reliability of ferries***

**Are their issues with vessel reliability due to the ageing fleet that CMAL owns? Do you expect the operator to cope with old ships where parts are difficult to source and take the flak from customers when the ferries are cancelled?**

*To deliver the Ferries Plan in the timescales set out by the Scottish Government, Transport Scotland has been working with CMAL and CalMac to develop a programme of vessel retentions, cascades, acquisitions and disposals. The Ferries Plan included an outline proposed Vessel Replacement Programme as well as a proposed programme of Port and Harbour Works.*





*The Vessel Replacement Deployment Plan forecasts that a further four new major vessels will need to be procured in the period to 2025, subject to funding availability. This will introduce new vessels serving Islay, Mull, Arran, the Western Isles and other communities; enable the achievement of the Ferries Plan; respond to forecast demand; and increase reliability by reducing the average age of the fleet.*

### **Ports and harbours**

**Should CMAL own all of the ports and harbours served by the CHFS contract, especially busy ports like Ardrossan and Dunoon? If so, how much would it cost to buy the outstanding ports and who would pay? Is this a goal of TS?**

*At CMAL we aim to provide efficient, cost effective and safe harbours and associated port infrastructure for operators, communities and users in and around Scotland.*

*The Ferries Plan included an outline proposed Vessel Replacement Programme as well as a proposed programme of Port and Harbour Works.*

**How much would it cost to bring all ports up to spec to be served by one efficient ferry design (in terms of fuel, speed, and passenger/vehicle numbers)?**

*This is not practical given the wide range of ports and requirements and certainly not feasible in the short term. A longer term plan of careful replacement and cascade of ferries is the most sensible approach.*

**From:** Redacted  
**To:** Redacted Redacted  
**Cc:** Redacted  
**Subject:** Re: Todays Progress with Shipyard B  
**Date:** 31 August 2015 07:38:25

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Hi Red

Thanks for picking this up this morning and in my absence last week.

I should be in the office by 0830 so can make the calls.

Red - if you and/or Red are in the office earlier, could you dig out phone numbers for Red Redacted? I am not sure of the contact at Highland these days (Redacted somebody?) - Redacted or Red may know. Also I'll speak to someone at Inverclyde given Port Glasgow interest. I am not sure who their CE or relevant director is these days - could you find out and get phone details? My former contact was Redacted but he was more recently heading up Regeneration Inverclyde (and I will probably call him as well).

Red - are our Industry Directorate and SE colleagues in the loop?

Redacted

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**From:** Redacted  
**Sent:** Friday, August 28, 2015 05:47 PM GMT Standard Time  
**To:** Redacted  
**Cc:** Redacted  
**Subject:** FW: Todays Progress with Shipyard B

Redacted,

You'll no doubt have caught up with this but I'm away down to PG as official support for the announcement. Are you able to make the calls to the relevant folk beforehand? The announcement is likely to be about 10 but the folk in the yard are being informed earlier (probably about 8.30 so it may leak out slightly before then).

I'm sure Redacted and Redacted could assist if time is an issue.

Hope you enjoyed your leave!

Redacted

Redacted

**Head of Ports and Harbours**

Redacted

Tel - Redacted  
Mob - Redacted

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**From:** Redacted  
**Sent:** 27 August 2015 17:17  
**To:** Redacted  
**Cc:** Redacted; Redacted Nicholls J (John) (TRANS)  
**Subject:** RE: Today's Progress with Shipyard B

Redacted

One final thought before I disappear – as a matter of courtesy it would probably be helpful if someone “back at the ranch” were to do a phone round on Monday morning to tip off the key senior officials in the local authorities with an interest to alert them to this news. That could happen 15-20 minutes before the NR issues. As a starter for ten I would suggest the following;

- Redacted CNES,
- Redacted NAC
- [name?], HC

And possibly also;

- Redacted

Thanks  
Redacted

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**From:** Redacted  
**Sent:** 27 August 2015 16:32  
**To:** Redacted  
**Subject:** Re: Today's Progress with Shipyard B

Thanks Redacted

Enjoy your leave!

Red

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**From:** Redacted  
**Sent:** Thursday, August 27, 2015 04:11 PM  
**To:** Redacted  
**Cc:** Redacted  
**Subject:** RE: Today's Progress with Shipyard B

Redacted

We spoke and I confirmed I was content with the draft NR.

For the benefit of copyees I confirm that the FMEL contact is Liam Campbell Redacted who is the General Manager/ Chief Executive of the Port Glasgow Redacted yard.

Tomorrow afternoon Redacted will liaise with CMAL to confirm that the letter appointing them as Preferred Bidder has issued. Redacted can then speak to Liam Campbell direct and/or Spads speak to JM's office. I would suggest both approaches.

Thanks

Redacted

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**From:** Redacted  
**Sent:** 27 August 2015 15:17  
**To:** Redacted  
**Cc:** Redacted  
**Subject:** RE: Today's Progress with Shipyard B

That's useful, thanks. I'll maybe hold off sharing until we have a finalised number – just in case.

R  
e

Redacted | Communications: First Minister  
Media manager  
Scottish Government, St Andrew's House  
Redacted  
[www.scotland.gov.uk](http://www.scotland.gov.uk) | @ScotGov

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**From:** Redacted  
**Sent:** 27 August 2015 15:17  
**To:** Redacted  
**Cc:** Redacted  
**Subject:** RE: Today's Progress with Shipyard B

Many thanks Redacted  
d

From a conversation with Redacted at CMAL this morning the £97 million quoted is not yet a final number. Apparently negotiations / fine tuning are on-going today but position should be clarified shortly. We should perhaps highlight that the number has still to be finalised on sharing with spads.

Cheers

Reda  
cted

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**From:** Redacted  
**Sent:** 27 August 2015 15:01  
**To:** Redacted  
**Cc:** Redacted  
**Subject:** RE: Today's Progress with Shipyard B

This version has been cleared by CMAL. Any further comments before I send to spads for their clearance?

Spads stand ready to speak to JM's office. Will we get a heads up tomorrow when they know?

Redact  
ed

Redacted | Communications: First Minister  
Media manager  
Scottish Government, St Andrew's House

Redacted  
Redacted

[www.scotland.gov.uk](http://www.scotland.gov.uk) | @ScotGov

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**From:** Redacted  
**Sent:** 27 August 2015 13:08  
**To:** Redacted  
**Cc:** Redacted  
**Subject:** RE: Today's Progress with Shipyard B

Redacted  
ed

Fine by me!

Thanks  
Redacted

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**From:** Redacted  
**Sent:** 27 August 2015 12:59  
**To:** Redacted  
**Cc:** Redacted  
**Subject:** RE: Today's Progress with Shipyard B

All,

This is where we are with the release (still draft form). This is with CMAL at the moment.

## Ferry deal set to create new jobs

### Ferguson named preferred tenderer for new £97m vessels contract

First Minister Nicola Sturgeon has confirmed Ferguson Marine Engineering Limited (FMEL) as the preferred tenderer for the contract to build two 100-metre long ferries for the Caledonian Maritime Assets Ltd's (CMAL) fleet.

Once finalised, the new £97m contract will create new jobs at the Clyde shipyard and secure employment for the existing workforce of around 150 people, providing a boost for shipbuilding on the Clyde and the local economy.

Ms Sturgeon said:

“This is an excellent result for Ferguson Marine Engineering Limited and I am delighted to name them as preferred tenderer for the contract to build two new ferries, the largest commercial vessels to be built on the Clyde since 2001.

“Today’s announcement proves that Scottish shipbuilding can succeed in a competitive market, with the FMEL team submitting the highest quality bid that offered best value for money.

“This contract will see the 150-strong workforce retained and more staff taken on at the shipyard, underlining our commitment to creating the vital jobs needed to boost local economies

and help stimulate growth across Scotland.

“The Scottish Government is committed to supporting ferry users around Scotland by providing safe and reliable services, and this is the latest step to ensuring we have a fleet that continues to deliver for the communities that depend on it.”

CMAL, on behalf of Scottish Ministers, intends to award the contract to FMEL following a rigorous procurement process. CMAL will confirm the contract award in due course, subject to agreement on final terms and conditions.

FMEL will undertake the detailed design and construction work of new vessels, as well as their testing, equipping, launching and delivery.

The new ferries will be ‘dual-fuel’ vessels so they can operate on liquefied natural gas (LNG) and marine diesel. LNG is significantly cleaner and has been adopted by ferry operators in Northern Europe in response to tighter emissions regulations.

The first ferry is expected to be delivered in early 2018, with the second vessel following a few months later.

Erik Østergaard, Chair of CMAL, said:

“I am delighted that we are able to name FMEL as the preferred tenderer for this contract and be in a position to enter discussions with them on the final terms and conditions. Subject to agreement on all points, we hope to be in a position to finalise the award of the contract later in September.

“We have undertaken a complex process of technical evaluation to ensure the new vessels will meet CalMac Ferries Ltd’s rigorous requirements on capacity, speed, draft and dual fuel capabilities, including the ability to operate to a wide number of harbours and routes over their lifetime. We are confident that the specification from FMEL can deliver on all of these conditions.

“We have worked with the team at Ferguson’s on the build of previous vessels for our fleet and most recently on our three smaller hybrid ferries and we look forward to continuing this successful relationship.”

## **Background**

It is CMAL’s intention to award the contract to FMEL following the required 10-day standstill period and subject to agreement on final terms and conditions between FMEL and CMAL over the next few weeks.

The ships are designed to carry 127 cars or 16 HGV’s or a combination of and up to 1000 passengers.

From an efficiency and emissions perspective they are designed to operate on either marine gas oil or LNG, where benefit will be gained by a marked reduction in CO2 and sulphur and nitreous oxides emissions.

The new ferries are earmarked for the Ardrossan-Brodick and the Uig Triangle routes, although the final decision on vessel deployment rests with the current operator, CalMac Ferries Ltd, and

will be informed by further analysis of demand on all major routes. The vessels they replace will be cascaded throughout the network, with no further details available at this time.

## Contact

Redacted

Redacted | Communications: First Minister

Media manager

Scottish Government, St Andrew's House

e: Redacted

t: Redacted m: Redacted

[www.scotland.gov.uk](http://www.scotland.gov.uk) | @ScotGov

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**From:** Redacted  
**To:** [First Minister](#); [Cabinet Secretary for Infrastructure, Investment and Cities](#); [Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy](#); [Minister for Transport and Islands](#)  
**Cc:** [DG Enterprise, Environment & Innovation](#); [PS/Transport Scotland](#); [Middleton DF \(David\)](#); [Cabinet Secretariat inbox](#); [Transport Scotland Directors](#); Redacted Redacted  
Redacted  
**Subject:** Ferguson Marine Engineering - Ferries - Preferred Bidder Announcement  
**Date:** 28 August 2015 17:24:19  
**Attachments:** [FM Briefing - Two new vessels at FMEL Shipyard - 28 August 2015.doc](#)  
[QA on LNG ferry suggested answers V3.doc](#)

---

PS/FM

Please find a briefing pack attached for the announcement to be made at Fergusons on Monday. As you will be aware the logistics have been pulled together at relatively short notice so there may be some final revisions on Monday morning. Transport Scotland, Comms and V&E colleagues will be on site from around 8.30 on Monday to confirm arrangements and will advise of any last minute changes that may occur.

The briefing pack does not contain a formal speaking note (as I believe had been advised earlier) but the lines to take are an adapted version of the press release so could be used if required. I have also attached a copy of the Q&A prepared by CMAL who will be on hand to answer any specific or technical questions if required – although it is not anticipated that this will be necessary. I would however draw the First Ministers attention to the Sensitivities/Next Steps section in Annex A for her awareness (it stresses that there is considerable negotiation to be undertaken over the next few weeks before the formal contract award can be considered).

Hopefully everything is covered in the brief although I will be available on BB over the weekend if anything urgent comes up (although you may have to leave a message as I am likely to be out of signal for short periods of time).

Have a good weekend.

Regards

Redacted

Redacted

**Head of Ports and Harbours**

2F North, Victoria Quay

EDINBURGH

EH6 6 QQ

Tel – Redacted

Mob – Redacted

**From:** Redacted  
**To:** Redacted  
**Cc:** Redacted  
**Subject:** BRIEFING PACK - Preferred Bidder announcement - Two new 100M Vessels at FMEL Shipyard  
**Date:** 26 August 2015 10:56:41

Redacted  
acted  
Redacted  
cted  
Redacted  
cted

I return the draft briefing pack with my suggested changes included. I have also added in Redacted suggested additions.  
ed

I have spoken to Redacted in the SG Press Team and she is going to have a look at it and offer any updates once she has further information on the visit arrangements

We will likely need to finalise this on Thursday afternoon.

Separately, Redacted suggested that someone from TS, Redacted is probably best placed speaks to FMEL on Friday afternoon, at a time to coincide with CMAL delivering the Preferred Bidder letter, to inform them of the intention of FM to visit on Monday morning.

Thanks

Redacted

---

**From:** Redacted  
**Sent:** 24 August 2015 16:14  
**To:** Redacted  
**Subject:** BRIEFING PACK CONTRACT AWARD OF TWO NEW 100M VESSELS AT FMEL SHIPYARD

Redacted

Red

Red

Rough framework of briefing pack for the forthcoming announcement by CMAL.

Needs a bit more refining.

Regards

Red

**From:** Redacted On Behalf Of DG Economy

**Sent:** 31 May 2017 11:06

**To:** Nicholls J (John) (TRANS)

**Cc:** Maxwell S (Stewart) (Special Adviser); McAllister C (Colin); Lloyd E (Elizabeth); Director of Financial Management; PS/Transport Scotland; R Redacted Permanent Secretary; Redacted Brannen R (Roy); DG Economy; Redacted First Minister; Deputy First Minister and Cabinet Secretary for Education and Skills; Cabinet Secretary for Finance and the Constitution; Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for the Rural Economy and Connectivity; Minister for Transport and the Islands; Lord Advocate

**Subject:** RE: IMMEDIATE: meeting with Jim MColl

**Importance:** High

John

Following FM's meeting this morning she has asked for further information on the following:

- Briefing on the surety bond, including how it was detailed in the tender information, how it was accounted for at the point of contract award and how it has evolved since.
- The legal advice regarding any further changes to the contract arrangements.

I think this information largely exists already but very helpful if you could pull it together, particularly the legal advice which I think is spread across different submissions and email exchanges. Grateful if you could also reflect the view the Lord Advocate gave on 12 May as part of this as well.

Can you please get a draft for Liz to consider by 4pm today?

Thanks

Redacted

Redacted

DG Economy and DG Finance | Scottish Government | Redacted

**From:** Redacted on behalf of [First Minister](#)  
**To:** Redacted [First Minister](#)  
**Cc:** [Cabinet Secretary for the Rural Economy and Connectivity](#); [Cabinet Secretary for Finance and the Constitution](#); [Cabinet Secretary for Economy, Jobs and Fair Work](#); [Minister for Transport and the Islands](#); [Redacted Visits and Events](#); [FM Policy Team Mailbox](#); [Communications First Minister](#); [Permanent Secretary](#); [DG Economy](#); [PS/Transport Scotland](#); [Brannen R \(Roy\)](#); [Transport Scotland Directors](#); Redacted  
**Subject:** RE: FOR CLEARANCE: News Release - FM quote - Launch of MV Glen Sannox - 21 November, 2017  
**Date:** 17 November 2017 15:26:00  
**Attachments:** Redacted

---

Redacted

Amendments from FM attached, otherwise content. Grateful if this could please be checked before it issues.

Regards

Redacted

DPS/First Minister of Scotland

---

**From:** Redacted  
**Sent:** 17 November 2017 13:30  
**To:** First Minister  
**Cc:** [Cabinet Secretary for the Rural Economy and Connectivity](#); [Cabinet Secretary for Finance and the Constitution](#); [Cabinet Secretary for Economy, Jobs and Fair Work](#); [Minister for Transport and the Islands](#); [Redacted Visits and Events](#); [FM Policy Team Mailbox](#); [Communications First Minister](#); [Permanent Secretary](#); [DG Economy](#); [PS/Transport Scotland](#); [Brannen R \(Roy\)](#); [Transport Scotland Directors](#); Redacted  
**Subject:** FOR CLEARANCE: News Release - FM quote - Launch of MV Glen Sannox - 21 November, 2017

PO

## Ferry launch – 22 November - Ferguson Marine Engineering Ltd

I have attached a news release that will be issued on Tuesday to coincide with the launch of the MV Glen Sannox.

Redacted

Is the First Minister content with the quote drafted in her name?

Redacted

Redacted

Redacted

Communications First Minister, International and Brexit

The Scottish Government

Redacted or Redacted

**From:** Redacted  
**To:** [Nicholls J \(John\) \(TRANS\)](#); Redacted  
**Cc:** Redacted  
**Subject:** Fw: Events - Planning - Launch of MV Glen Sannox - Operational Note  
**Date:** 17 November 2017 14:46:43  
**Attachments:** Redacted

---

Sent from my BlackBerry 10 smartphone.

---

**From:** Redacted  
**Sent:** Friday, 17 November 2017 13:46  
**To:** First Minister; Redacted  
**Cc:** Redacted  
**Subject:** Events - Planning - Launch of MV Glen Sannox - Operational Note

---

All

Please find attached the draft operational note for Tuesdays ferry launch.

Many thanks

Redacted | **Visits and Events Manager** | Office of the First Minister of Scotland |  
Scottish Government | 5th Floor, St Andrew's House, Regent Road, Edinburgh, EH1  
3DG | Mob: Redacted [visitsandevents@gov.scot](mailto:visitsandevents@gov.scot)



## First Minister

<b>Event:</b>	LAUNCH of MV GLEN SANNOX	
<b>Date:</b>	Tuesday 21 November 2017	
<b>Time:</b>	13:15 – 14:45	
<b>Venue Contact:</b>	Redacted	Redacted
<b>Venue:</b>	Ferguson Marine Engineering Ltd Castle Road Port Glasgow PA14 5NG	
<b>SG Contacts:</b>	Redacted	Redacted
	Redacted	Redacted
	Private Secretary	Mobile Number
	Roy Brannen	Redacted
	John Nicholls	Redacted
	Redacted	Redacted
<b>Version:</b>	Draft	
<b>Dress Code:</b>	Business Attire	
<b>Media Opp:</b>	FM Comms to advise	
<b>Event Description:</b>	First Minister will Launch the first of two 100 meter dual-fuel Ferries.  Minister for Transport and the Islands will also be in attendance.	
<b>Driver Details:</b>	N/A	
<b>Drop Off/ Pick Up:</b>	Inside main gates in front of main building	

**Redacted** to receive 10 minute call on **Redacted**

## **Programme:**

### **13:15**

First Minister arrives and is met by Jim McColl OBE, Chairman and CEO of Clyde Blowers Capital

First Minister and Jim will join the other VIPS in the reception area of the main building.

### **13:20**

First Minister and VIPS are escorted to the Launch Platform.

Launch Party take their seats.

### **13:30**

Gerry Marshall, CEO Ferguson Marine Engineering Ltd will deliver a short welcome.

### **13:35**

Gerry will invite Jim McColl to say a few words.

### **13:37**

Gerry thanks Jim and invites Minister for Transport and the Islands to say a few words

### **13:40**

Gerry thanks the Minister and invites **Redacted** **Redacted** to bless the ship.

### **13:45**

Gerry thanks **Redacted** and invites First Minister to say a few words and name the Ship.

First Minister moves to the fixed mic on the Launch Platform.

### **13:46**

First Minister pushes the button to Launch the ship.

Gerry leads the "Three cheers for Glen Sannox"

**13:50**

First Minister will present a painting to Captain Redacted

First Minister returns to her seat.

**13:55**

Redacted flower Girl will present flowers to the Lady Sponsor.

**14:00**

Gerry will thank everyone for coming.

Formal launch ceremony.

**14:05**

First Minister and Minister for Transport and the Islands have the opportunity to engage with local schoolchildren, shipyard workers and apprentices.

**14:30**

First Minister will undertake media bids.

**14:45**

First Minister departs

**EVENT ENDS**

**From:** Redacted  
**To:** First Minister; Minister for Transport and the Islands  
**Cc:** Cabinet Secretary for the Rural Economy and Connectivity; Cabinet Secretary for Economy, Jobs and Fair Work; Press Transport Scotland; Redacted PS/Transport Scotland; Redacted  
Redacted Brannen R (Roy); Nicholls J (John) (TRANS); Redacted  
Redacted); Transport Scotland Directors; Redacted); Communications  
Economy; DG Economy  
**Subject:** Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 21 November 2017  
**Date:** 13 October 2017 09:58:28  
**Attachments:** [image001.jpg](#)  
[image002.jpg](#)  
[image003.png](#)  
[801 ORDER OF EVENTS FOR THE DAYupdated version.docx](#)

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Redacted

Following our recent discussions the Programme for the launch of the MV Glen Sannox on 21 November 2017 has been adjusted to suit the First Minister's availability, (Arrival for 1:15pm – leave 2:45pm)

Redacted

Please see the attached Programme – is it possible to alter the times in Mr Yousaf's diary to suit this event?

Regards

Redacted

---

Redacted  
**Ferries Unit – Aviation, Maritime, Freight & Canals**  
Transport Scotland | Area 2F-North | Victoria Quay | Edinburgh | EH6 6QQ  
Redacted  
E-mail: Redacted  
For agency and travel information visit our [website](#)

---

**a**

Transport Scotland, the national transport agency  
*Còmhdhail Alba, buidheann nàiseanta na còmhdhail*

---

**From:** Redacted **On Behalf Of** Minister for Transport and the Islands  
**Sent:** 11 October 2017 10:39  
**To:** Redacted Minister for Transport and the Islands  
**Cc:** Nicholls J (John) (TRANS); Redacted First Minister; Redacted  
**Subject:** RE: Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 21 November 2017

Re

We still have it in the dairy, but we only have an hour held from 14:30- 15:30 as the Minister may have to return to Parliament to vote

Redacted

Private Secretary to the Minister for Transport and the Islands

Redacted

Redacted

[transportminister@gov.scot](mailto:transportminister@gov.scot)

---

**From:** Redacted

**Sent:** 11 October 2017 09:44

**To:** Minister for Transport and the Islands

**Cc:** Nicholls J (John) (TRANS); Redacted First Minister; Redacted

**Subject:** Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 21 November 2017

Redacted

d

To be aware that we are liaising with CMAL / FMEL (the shipyard) regarding the timings for the launch. I assume that this date is still in the Minister's diary to attend the launch. It looks like the First Minister will only be available for an hour or so and it would be good if Humza Yousaf was available for the full launch programme.

Please advise position.

Regards

Red

acted

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Redacted

**Ferries Unit – Aviation, Maritime, Freight & Canals**

Transport Scotland | Area 2F-North | Victoria Quay | Edinburgh | EH6 6QQ

Redacted

E-mail: Redacted

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**a**

Transport Scotland, the national transport agency  
*Còmhhdhail Alba, buidheann nàiseanta na còmhhdhail*

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**From:** Redacted **On Behalf Of** First Minister

**Sent:** 10 October 2017 12:07

**To:** First Minister; Redacted

**Cc:** Redacted Nicholls J (John) (TRANS); Redacted

**Subject:** RE: Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 21 November 2017

Redacted

I think we can make this work on the basis of a 14:00 approx launch?

We would probably have an hour max on the ground, less if the launch is to be later. Is there more specific detail you can give me?

Thanks

Redacted

**Deputy Private Secretary**  
**Private Office to the First Minister**

5<sup>th</sup> Floor | St Andrew's House | Regent Road | Edinburgh | EH1 3DG | T: Redacted



---

**From:** Redacted **On Behalf Of** First Minister  
**Sent:** 04 October 2017 17:01  
**To:** Redacted First Minister  
**Cc:** Redacted Nicholls J (John) (TRANS); Redacted  
**Subject:** RE: Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 21 November 2017

Hopefully early next week – and I'm fairly positive it will be a favourable outcome

Redacted

**Deputy Private Secretary**  
**Private Office to the First Minister**

5<sup>th</sup> Floor | St Andrew's House | Regent Road | Edinburgh | EH1 3DG | T: Redacted



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**From:** Redacted  
**Sent:** 04 October 2017 16:48  
**To:** First Minister  
**Cc:** Redacted Nicholls J (John) (TRANS); Redacted  
**Subject:** RE: Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 21 November 2017

Thanks Redacted

No particular pressure on this at the moment though naturally the sooner we know, the sooner we try to line up another star turn if FM cannot make it.

Are you able to give any indication of when you'll be in a position to confirm?

Thanks

Redacted

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**From:** Redacted **On Behalf Of** First Minister  
**Sent:** 04 October 2017 09:59

**To:** Redacted First Minister; Minister for Transport and the Islands; Cabinet Secretary for the Rural Economy and Connectivity  
**Cc:** Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for Finance and the Constitution; DG Economy; Press Transport Scotland Redacted  
PS/Transport Scotland; Redacted; Redacted  
; Redacted; Branredn R (Roy);  
Nicholls J (John) (TRANS); Redacted); Transport  
Scotland Directors; Visits and Events; Communications Economy  
**Subject:** RE: Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 21 November 2017

Re

Just to say this hasn't fallen off our radar – we are just waiting to see how a couple of other things bottom out before being able to confirm the FM's attendance.

Thanks for bearing with us.

Red

Redacted

**Deputy Private Secretary**  
**Private Office to the First Minister**

5<sup>th</sup> Floor | St Andrew's House | Regent Road | Edinburgh | EH1 3DG | T: Redacted



---

**From:** Redacted  
**Sent:** 26 September 2017 08:07  
**To:** First Minister; Minister for Transport and the Islands; Cabinet Secretary for the Rural Economy and Connectivity  
**Cc:** Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for Finance and the Constitution; DG Economy; Press Transport Scotland Redacted  
PS/Transport Scotland; Redacted; Redacted  
; Redacted; Branredn R (Roy);  
Nicholls J (John) (TRANS); Redacted); Transport  
Scotland Directors; Visits and Events; Communications Economy  
**Subject:** Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 21 November 2017

Re  
dac

As you may be aware CMAL and FMEL have rescheduled the launch date of the new ferry "MV Glenn Sannox" from 21 September to 21 November 2017.

I would be grateful if you can advise if the First Minister is available to undertake the launch of the new vessel on 21 November 2017. We can liaise further regarding the timings but it is likely to be around 2pmish subject to the timings of high tide .

Regards

Red  
acte

Redacted

**Ferries Unit – Aviation, Maritime, Freight & Canals**

Transport Scotland | Area 2F-North | Victoria Quay | Edinburgh | EH6 6QQ

Redacted

E-mail: Redacted

For agency and travel information visit our [website](#)

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**a**

Transport Scotland, the national transport agency  
*Còmhdhail Alba, buidheann nàiseanta na còmhdhail*

---

**From:** Redacted **On Behalf Of** First Minister

**Sent:** 24 July 2017 13:22

**To:** Minister for Transport and the Islands; Redacted Cabinet Secretary for the Rural Economy and Connectivity

**Cc:** Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for Finance and the Constitution; DG Economy; Press Transport Scotland; Redacted PS/Transport Scotland; Redacted Redact

BarredR (Roy);  
Nicholls J (John) (TRANS); Redacted Transport

Scotland Directors; Visits and Events; Communications Economy

**Subject:** RE: Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 24 August 2017

Hi Red

FM is unable to attend on the dates provided so best if Mr Yousaf is able to attend on her behalf.

Many thanks,

Re

Redacted

**Diary Secretary to the First Minister**

5<sup>th</sup> Floor | St Andrew's House | Regent Road | Edinburgh | EH1 3DG | T: Redacted | M:

Redacted

FM-logo



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**From:** Redacted **On Behalf Of** Minister for Transport and the Islands



**Sent:** 17 July 2017 22:42

**To:** Redacted Minister for Transport and the Islands; Cabinet Secretary for the Rural Economy and Connectivity

**Cc:** Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for Finance and the Constitution; DG Economy; Press Transport Scotland; Redacted; PS/Transport Scotland; Redacted

Brannen R (Roy);  
Nicholls J (John) (TRANS); Redacted Transport  
Scotland Directors; Visits and Events; Communications Economy

**Subject:** RE: Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 24 August 2017

**Re**

If none of the dates suit FM, Mr Yousaf is available either on the Wednesday or Thursday only.

Thanks

Redacted

Interim Private Secretary to the Minister for Transport and the Islands

Redacted

Redacted

[transportminister@gov.scot](mailto:transportminister@gov.scot)

---

**From:** Redacted

**Sent:** 13 July 2017 11:45

**To:** Minister for Transport and the Islands; Cabinet Secretary for the Rural Economy and Connectivity

**Cc:** Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for Finance and the Constitution; DG Economy; Press Transport Scotland; Redacted; PS/Transport Scotland; Redacted

Brannen R (Roy); Nicholls J (John) (TRANS); Redacted  
Transport Scotland Directors; Visits and Events; Communications Economy

**Subject:** Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 24 August 2017

Redacted

Just a short note to advise that at a meeting yesterday between Jim McColl, Liz Ditchburn, Roy Brannen and Redacted it was stated by Jim McColl that the proposed launch date of the Mv Glen Sannox was likely to be delayed.

Today, we have now received confirmation from Ferguson Marine Engineering Ltd (FMEL) via CMAL that this is the case.

The alternative dates put forward by FMEL are as follows:-

Wednesday 20th September 1:50pm

Thursday 21st September 2:27pm

Friday 22nd September 3:02pm

FMEL are limited to these options due to the need to launch at the monthly high tide.

We will be shortly advising the First Minister's office of the rescheduling of the launch date and to confirm a new date with her office.

Regards

Red  
acte

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Redacted

**Ferries Unit – Aviation, Maritime, Freight & Canals**

Transport Scotland | Area 2F-North | Victoria Quay | Edinburgh | EH6 6QQ

Redacted

E-mail: Redacted

For agency and travel information visit our [website](#)

---

**a**

Transport Scotland, the national transport agency  
*Còmhdhail Alba, buidheann nàiseanta na còmhdhail*

---

**From:** Redacted **On Behalf Of** First Minister

**Sent:** 31 May 2017 09:46

**To:** Redacted First Minister

**Cc:** Cabinet Secretary for the Rural Economy and Connectivity; Minister for Transport and the Islands; Communications Economy; DG Economy; Press Transport Scotland; Redacted

Redacted PS/Transport Scotland; TRANS : TD A, M, FandC Ferries Finance and Sponsorship; Redacted

; Brannen R (Roy); Nicholls J (John) (TRANS); Redacted; Higgins K (Kate); Transport Scotland Directors; Visits and Events

**Subject:** Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 24 August 2017 first Minister content to launch vessel 31 may2017

Hi Redacted

FM is content to launch the vessel on 24<sup>th</sup> August.

Many thanks,

Re

Redacted

**Diary Secretary to the First Minister**

5<sup>th</sup> Floor | St Andrew's House | Regent Road | Edinburgh | EH1 3DG | T: Redacted | M:

Redacted

FM-logo



---

**From:** Redacted  
**Sent:** 23 May 2017 09:39  
**To:** First Minister  
**Cc:** Cabinet Secretary for the Rural Economy and Connectivity; Minister for Transport and the Islands; Communications Economy; DG Economy; Press Transport Scotland; Redacted; PS/Transport Scotland; TRANS : TD A, M, FandC Ferries Finance and Sponsorship; Redacted; Brannen R (Roy); Nicholls J (John) (TRANS); Redacted; Transport Scotland Directors  
**Subject:** Launch of the first dual fuel 100 metre ferry at Ferguson Marine Engineering Ltd - 24 August 2017

First Minister

## **LAUNCH OF THE FIRST DUAL FUEL 100 METRE FERRY AT FERGUSON MARINE ENGINEERING LTD, PORT GLASGOW – 24 AUGUST 2017**

### **Purpose**

The purpose of this note is to ask if the First Minister is available to undertake the launch of the first of two dual fuel 100 metre CalMac ferries that are being constructed by Ferguson Marine Engineering Ltd (FMEL), Port Glasgow.

### **Launch date**

The scheduled launch date is 2:50 pm on Thursday 24 August 2017. This date falls within Parliamentary Recess so undertaking the launch should not be an issue. This time and date is fixed however, with a high tide needed for a successful launch. If this is not the case then the First Minister may be available for the launch of the second vessel which is currently planned for 17 November 2017.

### **Launch ceremony**

Conventionally ships are launched by women and it is rare for any one individual to launch more than one ship. We are aware that the First Minister, as the then Deputy First Minister, launched the MV Hallaig on 17 December 2012 at Port Glasgow. However, there have been exceptions to both these traditions and, whilst we would not expect Caledonian Maritime assets Ltd (CMAL) or Ferguson Marine Engineering Ltd (FMEL) to be rigid on the matter. It is possible that the First Minister undertaking a second ship launch within 5 years might attract some negative comment from “traditionalists”.

Mr Yousaf has indicated that he wishes to attend the launch and we would aim to ensure that he has a part in the launch ceremony, given his portfolio responsibilities, including the opportunity for a short speech.

### **Investment in Shipbuilding**

We see that undertaking the launch is an ideal opportunity for the First Minister to reinforce the Scottish Government's commitments not only to ferry services in Scotland but to shipbuilding on the Clyde and safeguarding and developing jobs and apprenticeships in and around the Inverclyde area. The Scottish Government is supporting the 2 new vessels to the value of £97m. There is also an environmental angle: the new vessels are 'dual-fuel' so will be the first UK ferries to be able to operate on liquefied natural gas (LNG) as well as conventional marine diesel. LNG is significantly cleaner and has been adopted by a number of ferry operators in Northern Europe in response to tighter air quality emissions regulations.

### **Media coverage**

We would expect national (Scottish, UK) media (TV, radio, press) coverage. For example, the MV Hallaig launch featured on the ITV as well as STV evening news.

### **Alternative Personalities**

We are also liaising with **Redacted** and Sports Policy colleagues to identify a suitable Scottish Olympian, Paralympian or Commonwealth Games participant to undertake the launch if the First Minister is not available to undertake the launch.

### **Conclusion**

The First Minister is asked to:-

- Advise if she is available and willing to undertake the launch of the first vessel on 24 August 2017.

**Redacted**

**Redacted**

**Ferries Unit – Aviation, Maritime, Freight & Canals**

Transport Scotland | Area 2F-North | Victoria Quay | Edinburgh | EH6 6QQ

**Redacted**

E-mail: **Redacted**

For agency and travel information visit our [website](#)

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Transport Scotland, the national transport agency  
Còmhdhail Alba, buidheann nàiseanta na còmhdhail



## BRIEFING FOR THE FIRST MINISTER

### LAUNCH of MV GLEN SANNOX

21 November 2017

<b>Key message</b>	Key milestone in the delivery of new, innovative CalMac ferry by the revived Ferguson's shipyard
<b>What</b>	Launch of the first of two 100 metre dual-fuel ferries
<b>Why</b>	For the First Minister to undertake the launch of the first of two dual fuel 100 metre CalMac ferries that are being constructed by Ferguson Marine Engineering Ltd (FMEL), Port Glasgow
<b>Who</b>	First Minister Humza Yousaf, Minister for Transport and the Islands Jim McColl, Chair, Clyde Blowers Capital Gerry Marshall, CEO, Ferguson Marine Engineering Ltd Erik Ostergaard, Chair, Caledonian Maritime Assets Ltd See Programme (Annex A) for other participants in the launch.
<b>Where</b>	Ferguson Marine Engineering Ltd Port Glasgow
<b>When</b>	Tuesday 21 November 2017 13:15 to 14:45 hours
<b>Likely themes</b>	- key milestone in the delivery of a new CalMac ferry - investment by Clyde Blowers in Ferguson Marine Engineering Ltd having brought the shipyard out of administration in 2015 - supporting and creating jobs and apprenticeships in Inverclyde - first UK ferry to be able to run on cleaner Liquefied Natural Gas (LNG)
<b>Media</b>	Comms FM will advise
<b>Supporting officials</b>	Roy Brannen, Redacted John Nicholls, Redacted Redacted
<b>Attached documents</b>	Annex A - Programme Annex B - Background Note Annex C - Sensitivities Annex D - Letter from Jim McColl to Humza Yousaf regarding delivery dates of the new vessels Annex E - Reply Mr Yousaf to Mr McColl Annex F - Mr Yousaf letter to Rural Economy and Connectivity Committee Annex G - Audit Scotland – report on Ferries Services

	Annex H - Ferries Procurement Policy Review Annex I - Speaking Notes [to be added] Annex J - Attendees Annex K - Schools Attending Annex L - Biographies
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**PROGRAMME**

FERGUSON MARINE ENGINEERING LTD (FMEL)

12.45 pm Guests arrive at Yard. Invited VIP guests directed towards office block for light refreshments.

Launch Party Guests shown to Board Room.

**1.15 pm First Minister arrives and joins the Launch Party**

1.20 pm VIP Guests proceed to Yard.

**1.25 pm Launch Party proceeds to Launch Platform.**

1.30 pm Gerry Marshall (FMEL) – few words of welcome and introduction of:

- The Reverend [Redacted] and her husband [Redacted]
- Flower Girl [Redacted] daughter of Apprentice Draughtsman, [Redacted]
- and school children from: - 7 local primary and high schools (see Annex K)

Gerry Marshall – some information about the vessel.

Invites Jim McColl to speak.

1.35 pm Jim McColl says a few words.

Gerry Marshall invites Humza Yousaf, Transport Minister for Highland and Islands, to speak.

Transport Minister, Humza Yousaf says a few words.

1.40 pm Gerry Marshall invites [Redacted] to bless the ship.

1.45 pm Gerry thanks [Redacted] and invites **First Minister** to name the ship.

**First Minister 5 Min speech**

**First Minister steps forward and says: -**



**“I name this Ship, Glen Sannox. May God bless her and all who sail in her.”**

**First Minister hits the button**, the bottle smashes and the ship slides down the slipway.

Gerry Marshall leads the “Three Cheers for Glen Sannox”.

First Minister gift to Captain:

**First Minister presents the Captain of Glen Sannox (Captain [Redacted] with a gift for the ship.**

This is an original watercolour painting of Arran that will be provided by CMAL on the day.

**Lady Sponsor is presented with flowers by Flower Girl, [Redacted]**

Gerry Marshall thanks everyone for coming along and bids them farewell.

*This concludes the formal launch ceremony*

**There should then be opportunity for First Minister and Mr Yousaf to:**

- **Talk to the local schoolchildren, shipyard workers and apprentices, other members of the public and members of the VIP party**
- **Carry out media interviews and photographs**

**2.45 pm First Minister leaves**

Invited guests make their way to the post-launch reception.

## **BACKGROUND NOTE**

### **Purpose of event:**

- Launch ceremony of the vessel to be named as the MV Glen Sannox.
- Reinforces the Scottish Government's commitments to:
  - Ferry services in Scotland
  - Shipbuilding on the Clyde and jobs in Inverclyde
  - Innovative and environmentally-friendly technology
- To maximise positive coverage of the first of two 100 metre dual fuel ferry that will become part of the CalMac fleet serving the Clyde and Hebrides Ferry Services.

### **Key Issues:**

- The dual fuel ferries project has boosted commercial shipbuilding on the Clyde. The contract not only secured the existing jobs in the Port Glasgow and Inverclyde area, but created some additional supporting employment opportunities. In addition, Ferguson Marine Engineering Ltd Shipbuilders have created a number of new apprenticeships directly as a result of this contract.
- This project reinforces Scotland's leading role in innovative green technology and will help reduce emissions from ferries.
- The new ferries will be cleaner, quieter and cheaper to operate and maintain than ever before. It demonstrates the vast economic potential of developing green technology and moving to a low carbon economy.

### **Lines to Take:**

- Recognise the contribution of Ferguson Marine Engineering Ltd to Scottish shipbuilding and Inverclyde economy;
- Scottish Government is, through CMAL, committed to leading the way in innovative ferry design and building for the future with the first of these dual fuel vessels being launched today 21 November 2017;
- The development of these modern ferries in Scotland will see the introduction of more sustainable vessels, capable of carrying more vehicles, benefiting the communities that rely on them and helping to contribute to the Scottish Government's purpose of sustainable economic growth.

## Background

1. The two new ferries are being designed for use by CalMac on the CHFS network and are earmarked for initial deployment to Arran and the Uig-Tarbert-Lochmaddy services, subject to final review by CalMac, CMAL and Transport Scotland. The vessels they replace will be cascaded throughout the CHFS network or retired.
2. FMEL are undertaking the detailed design and construction work of the new vessels in Scotland, as well as their testing, equipping, launching and delivery. The contract has boosted commercial shipbuilding on the Clyde and follows the shipyard's delivery of the three hybrid ferries (MV Hallaig, MV Lochivar and the MV Catriona). All these three vessels are now deployed on the CHFS ferry service network.
3. The 100 metre 'dual-fuel' ferries are designed to carry 127 cars or 16 HGVs or a combination of both and up to 1,000 passengers. The ships will be capable of operating across a range of drafts and speeds to meet the requirements of the current operator, CalMac Ferries Ltd, to service a wide range of ports and routes. The ferries will be 'dual-fuel' vessels so they can operate on liquefied natural gas (LNG) and marine diesel. LNG is significantly cleaner and has been adopted by ferry operators in Northern Europe in response to tighter emissions regulations. Benefits will be gained by a marked reduction in CO2 and sulphur and nitreous oxides emissions.

## Current Issues and Sensitivities

4. There are a number of current sensitivities which might be raised by either the media or Jim McColl. See Annex C for details

### In the public domain (media)

- delays to delivery

### Not in the public domain (Jim McColl)

- FMEL's financial position, in particular:
  - FMEL claim for £17 million in contract price variations from CMAL
  - Redacted
  - Redacted

## SENSITIVITIES

### Delays to delivery of the vessels

- On Friday 3 November, the Minister for Transport and the Islands met with the FMEL team, led by Jim McColl, and Caledonian Maritime Assets Ltd (CMAL), the contracting authority for these shipbuilding contracts. Transport Scotland officials were also present.
- The purpose of the meeting was:
  - to reach a collective understanding of likely delivery dates of the vessels given reported delays, including the postponement of the launch of 801 from August to November 2017;
  - to identify any means of recovering slippage; and
  - to agree a joint handling plan.
- The meeting was constructive and short-term actions proposed by Mr Yousaf were undertaken. This handling plan was approved by FM.
- On Monday 6 November, Jim McColl wrote to Mr Yousaf to advise that the delivery window has been put back from summer 2018 to winter 2018/19. See Annex D.
- FMEL are targeting delivery on 20 October 2018 (4 months later than originally scheduled) but there is sufficient risk to achieving that date to avoid putting it into the public domain and dealing with a potential further delay at a later date.
- External peer review is going to be commissioned to review the build programme, in line with best practice from other major infrastructure projects
- Mr Yousaf replied to Mr McColl on Thursday 9 November. See Annex E.
- Mr Yousaf wrote (see Annex F), on the back of Mr McColl's letter, to the Rural Economy and Connectivity Committee on Thursday 9 November to advise them of the revised delivery timescale whilst also highlighting the very positive aspects of this project in terms of jobs and apprenticeships, shipbuilding on the Clyde, innovative design, and improved ferries for island communities.
- Reactive communications were prepared and the news was released in advance to the Greenock Telegraph and appeared (page 4) in their weekly edition on Friday 10 November.

- This has not (at time of writing) been published by other media but we have received today an approach from the Arran Banner and provided the approved lines.
- Mr Yousaf has said that he will engage systematically with the REC committee during the remainder of the shipbuilding contracts and we will encourage FMEL to be more proactive in promoting these projects and their own work in reviving the shipyard.
- Vessel 802 has also been delayed in order to focus on 801 and we will return to this once 801 has been launched. FMEL's assessment is that delivery of 802 will be in May 2019, ten months after the contracted date of July 2018. We will continue to constructively challenge FMEL to better this, utilising the external peer review mentioned above and any assistance which CMAL or Transport Scotland can provide. It was agreed at today's meeting that the handling plan above should focus on 801 at this stage.

**[REDACTED]**

### **Contract price variations and mediation**

FMEL have previously submitted a claim for £17.5m of contract price variations to CMAL. CMAL's view is that on the basis of the evidence provided only a very small amount of this is justified. There are contractual processes for dealing such claims: one of these is mediation which FMEL have invoked. A mediator has been agreed by CMAL and FMEL although at time of writing the process itself had yet to get underway. If mediation fails to resolve the issues then the next contractual process would be arbitration.

Mr McColl has previously requested SG/TS involvement in the mediation. This would be inappropriate. Mediation needs to be between the contracting parties. The mediator is there to ensure independence, which seems to be Mr McColl's concern.

We would encourage FMEL to pursue these processes speedily as it is in everyone's interest to see this matter resolved.

[REDACTED]

### **Business outlook**

Scottish Enterprise have provided positive updates from FMEL since the appointment of Gerry Marshall as CEO in February 2017. Gerry has triaged the business and identified 3 immediate priorities which they are working with SE to address over the next 3 – 6 months:

- a. Leadership Training
- b. Efficiencies
- c. Organisation Behaviour/Culture

FMEL have also made a series of recent hires at senior management level. They are:

- a) [redacted] recruited from [redacted] Head of Sales
- b) [redacted] , Head of Quality
- c) [redacted], Head of Production

**Redacted** is starting on Monday 6 November with the other new hires due to start in January. They will bring a greater depth of experience to the senior team and, importantly, bolster capacity to win new orders.

### **Future orders**

Presently there are no new orders for vessels. FMEL are bidding for work and two of the new hires are expected to play a major role in business development, e.g. in securing orders for MoD work where FMEL are hopeful that the MoD's new shipbuilding strategy, with its emphasis on modular construction, will provide opportunities. A pipeline of orders will need to be in place soon to ensure FMEL can achieve the cash flow they require in early 2018 and beyond.

Funding for future CMAL orders remains on hold pending a Ministerial meeting between Mr Mackay, Mr Ewing and Mr Yousaf on 23 November.

TS and Scottish Enterprise are supporting the FMEL-led "HySeas" consortium (which includes CMAL) looking to build the world's first hydrogen ro-ro ferry. A bid for substantial EU technical development funding was submitted on 18 October, result expected around March 2018.

FMEL remain keen to pursue fleet replacement opportunities with Orkney and Shetland island councils; however these remain stalled pending conclusion of "fair funding" discussions with Ministers. A meeting of the council leaders with Mr Mackay on 16

November.

**[REDACTED]**

**Letter from Jim McColl to Humza Yousaf regarding delivery dates of the new vessels**





Clyde Blowers Capital IM LLP  
3 Redwood Crescent  
Peel Park  
East Kilbride  
G74 5PA

T: **Redacted**  
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[www.clydeblowers-capital.com](http://www.clydeblowers-capital.com)

6 November 2017

**PRIVATE & CONFIDENTIAL**

by email

Minister for Transport and the Islands

Dear Minister

As previously published, Ferguson Marine Engineering Limited (FMEL) was successfully awarded the contracts to construct and deliver the two dual fuel ferries for Caledonian Maritime Assets Limited (CMAL), which will be first in class for Scotland and indeed in the UK.

As the first ferries in the UK capable of being run on liquefied natural gas (LNG) and marine gas oil, not only has this been an extremely exciting and ambitious project for both FMEL and CMAL, but it has been an extremely complex one as well. Whilst FMEL and CMAL continue to work closely together on the highly challenging engineering issues arising from the unique nature of the dual fuel ferry project, the result of these unforeseeable challenges will result in a delay to the previously announced dates that the two ferries would enter into service. However, the experience and knowledge gained during this project will be of enormous benefit to the competitiveness of Scottish shipbuilding in the future as technology continues to develop to meet tightening clean energy legislation.

The first ferry, named MV Glen Sannox, originally estimated for delivery in Summer 2018 will now be delivered in Winter 2018 / 2019. We are in the process of finalising the revised delivery date for the second ferry which I will advise you of as soon as we have an agreed date.

Over the past 3 years we have invested c.£25m in the business which we bought out of administration with only 7 employees. Today we have a total of 360 employed at the yard including 37 apprentices and 92 contractors. Most of our investment has been focussed on rebuilding the yard into a modern, competitive, highly productive facility with the goal of being the technology leaders in Clean Energy Propulsion Systems within a modern efficient shipyard.

Whilst building these first ferries in the UK capable of being run on Liquefied Natural Gas (LNG) and Marine Gas Oils, we are also working on a project to build the first ferry powered by Hydrogen Fuel Cell Technology combining traditional shipbuilding experience with leading edge science and engineering.

The socio-economic impact and prosperity that is being created by the investment in Port Glasgow, one of the most deprived areas in Scotland, is immense. Hundreds of well-paid professional, technical and highly skilled jobs have been created and further investment is



planned next year to establish an industry leading ship repair and maintenance facility creating more new high quality job opportunities.

We have been able to attract a highly qualified team of individuals from some of the best talent in the industry and through our very active apprentice training scheme we are developing these skills in our young people to ensure that we are well prepared for the future.

We are disappointed by the delays caused by the challenges presented by the specification of these vessels. However, the foresight shown by The Scottish Government to pursue a low carbon future in the ferry sector provides Scottish industry with an excellent platform to establish a leading position in low carbon marine technology globally.

Yours sincerely

**Redacted**

Jim McColl  
Founder, Chairman & CEO

## Reply Mr Yousaf to Mr McColl

Minister for Transport and the Islands  
Humza Yousaf MSP



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

T: **Redacted**  
E: scottish.ministers@gov.scot

Jim McColl  
Clyde Blowers Capital IM LLP  
3 Redwood Crescent  
Peel Park  
East Kilbride  
G74 5PA

9 November 2017

Dear Jim,

Thank you for your letter of 6 November 2017 following up our constructive meeting on 3 November.

As we discussed, I am content to lead on this for the Scottish Government and look to you, as well as colleagues in CBC, FMEL, CMAL and CalMac, to support that and to work together in making progress with these shipbuilding projects, avoiding any further delays and exploring any options for recovering time.

We agreed that it would be appropriate, and in line with industry best practice, to arrange for a third party peer review of the production programme. We will need to agree the terms of reference for this and I propose that my officials in Transport Scotland liaise with Gerry Marshall and his team at FMEL to agree these. We are looking at potential candidates for this role and I would equally welcome any suggestions you have.

As you will appreciate it is vital to keep the Parliament updated on progress of the two vessels and I will therefore be writing the to Rural Economy and Connectivity Committee in that regard.

In my letter to the Committee, I have also suggested that they consider inviting you, and senior representatives of CBC, FMEL and CMAL (as appropriate) to future discussions of progress with the vessels. I am already scheduled to meet the Committee on 22 November for a general session on a range of matters within my Transport and Islands portfolio, and I expect that Members will take the opportunity to question me on the content of my and your letters.

5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU  
www.gov.scot



## Mr Yousaf letter to Rural Economy and Connectivity Committee

Minister for Transport and the Islands  
Humza Yousaf MSP



T: [Redacted]  
E: scottish.ministers@gov.scot

Convenor Rural Economy and Connectivity  
Committee  
Scottish Parliament  
EDINBURGH  
EH99 1SP

6<sup>th</sup> November 2017

Dear Convenor,

### New Ferries for the Clyde and Hebrides – Progress

In October 2015, Caledonian Maritime Assets Ltd (CMAL) placed orders for 2 new major vessels for the CalMac fleet with Ferguson Marine Engineering Ltd (FMEL). The shipyard had been brought back into business following its purchase by Clyde Blowers Capital (CBC) the previous year.

I have visited the shipyard now on a number of occasions and seen the impressive developments that are taking place alongside the construction of the ships. If Committee members have not already done so then I would encourage them to visit the yard, either individually or as a Committee, to see this positive story of the regeneration of the commercial shipbuilding industry on the Clyde for themselves.

These will be the first ferries operating in the UK that are designed to use cleaner Liquefied Natural Gas (LNG) fuel. The project is ambitious and complex, giving rise to some challenging engineering issues for FMEL and CMAL.

I have been in regular contact with CMAL and with the Chair of CBC, Jim McColl, concerning the progress of the two vessels. Last Friday I met with Mr McColl along with representatives of CBC, FMEL, CMAL and Transport Scotland to discuss delivery dates. Following that meeting, Mr McColl wrote to me (see attached letter) explaining that the delivery of the first vessel, to be named the MV Glen Sannox when she is launched on 21 November, is now expected to be during winter 2018-19.

Clearly it is disappointing that the new vessels will not be delivered in summer 2018 as FMEL originally planned. However, we should view this slippage in the wider context of the efforts that the workers and management at FMEL have made to construct two innovative vessels in parallel with the investment that has taken place to modernise the shipyard. CBC has made substantial investments in the shipyard since taking it over in 2014 to upgrade the facility; this includes fabrication halls, craneage, slipways, office and staff welfare facilities.

5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU  
www.gov.scot



## Audit Scotland – Ferries Services

**Issue:** Audit Scotland published their performance audit of Transport Scotland’s ferry services on 19 October 2017. The key findings and recommendations are:

- A doubling of spending since 2007 but passenger numbers only up 0.3%
- Need for a long-term strategy as future spending requirements not fully known;
- Criticised some aspects of the recent Clyde & Hebrides (CHFS) procurement. TS officials engaged with AS throughout but consider that criticism of the CHFS procurement is misplaced.

### **Top Lines:**

- I welcome this Audit Scotland report. It confirms that ferry services are performing well. My priority is to ensure the continued provision of safe, efficient and reliable ferry services to the communities which rely on them.
- Audit Scotland report that ferry operators are performing well and that customers are generally happy. This is to the credit of staff and crew. In 2016, 5.7 million people and 1.4 million cars were carried on 158,000 sailings. Excluding weather-related cancellations and delays, 99.7% of those services sailed and 99.6% were on time.
- Our ferry services are iconic transport links that make a significant contribution to the social, cultural and economic well-being of our islands and Scotland as a whole.
- Making sure our ferry services continue to support the communities they serve, as well as delivering best value for taxpayer’s money, will always remain at the heart of our ferry operations.

### **We have invested over £1 billion in our ferry services since 2007**

We have introduced new routes. We have cut fares for CalMac customers and will shortly be doing the same for Orkney and Shetland.

We have tackled under-investment in ships and harbours particularly on the Clyde and Hebrides network. We have added 7 new ferries, at a cost of over £117m, to the CalMac fleet.

Ferguson Marine Engineering Ltd are currently building two 100 metre dual fuel ferries, worth a further £97 million.

We have provided substantial financial support to a number of significant port infrastructure projects including those at Stornoway, Ullapool and Brodick.

All of our investment is subject to strict financial control and management.

We have done this despite the pressure on public finances. Our contracts push the operators to improve efficiency but not at the cost of essential services

### **Investment has halted falling passenger numbers which are now rising rapidly**

Passenger numbers across the ferry network fell in 2008/09 following the credit crunch. In addition, around 3.5% (200,000) of total ferry passengers were lost when the Gourock-Dunoon service changed from vehicle-passenger to passenger only.

The rollout of RET fares has avoided the risk of further decline.

In the first full year of RET (2016), passenger numbers across the Clyde and Hebrides services increased by 9% and cars by 16%. We expect further growth in coming years on CalMac services and also on services to Orkney and Shetland when lower fares are introduced next year.

RET and investment in services and infrastructure has a cost. But the alternative is to risk a return to decline and depopulation in our islands – something that this Government will not tolerate.

In evaluation studies of RET, businesses cite increased turnover and residents report enhanced social, economic and cultural opportunities.

### **We have a clear forward plans and are keeping those updated**

This Scottish Government produced the first comprehensive Ferries Plan, based on the needs of communities. This set out our plans to 2022.

Audit Scotland recognise that significant progress has been made its delivery. We have published plans for vessel replacement.

We have undertaken an in-depth appraisal of the services to Orkney and Shetland. We are starting a similar appraisal for the Outer Hebrides.

We intend to bring all of this work together into a single, costed strategy document.

### **The Northern Isles are not discriminated against**

There was substantial investment in Northern Isles vessels and infrastructure in the previous decade. We are committed to those services and will be investing more by reducing fares next year.

### **We don't recognise Audit Scotland's criticisms of the Clyde & Hebrides procurement**

The procurement of the Clyde and Hebrides contract was a success. CalMac's winning bid contains 350 commitments to improve services.

The procurement team has also picked up Scottish and UK awards from procurement industry experts at Scottish and UK levels.

As always, we will learn lessons for the future.

**The report does not affect the timing of our Procurement Policy Review**

The emerging findings report of the Procurement Policy Review is due to be published in the autumn.

The report will outline that the Teckal exemption could be applied to our ferry services. Further consideration of State aid rules is needed before we can determine whether it would be possible to make a direct award to an in-house operator.

Whilst not prejudging the outcome, this Government would be minded to provide ferry services through an in-house operator – subject to wider policy and value-for-money implications, and crucially, the views of affected communities.

Redacted

**TS, Head of Ferries Unit**

## Ferries Procurement – Teckal Policy Review

### Issue:

- Ferry procurement is governed by the Maritime Cabotage Regulation, State aid rules and Public Contracts (Scotland) Regulations 2015.
- Following a response received from the EC, The Minister for Transport and the Islands made a statement to Parliament on 2 February 2017 announcing that he would oversee a policy review into the legal, policy and financial implications relevant to the future procurement of ferry services.
- Tendering of the Gourock Dunoon ferry service contract was paused and the current contract extended from June 2017 to March 2018. The implications for the Northern Isles ferry services contract (due to expire April 2018) would be considered and it was noted that the Clyde and Hebrides contract is currently being provided by an in-house provider and is secure until September 2024.
- On 20 July 2017 an Inspired PQ was issued, a news release was published and the Minister wrote to the REC Committee and other key stakeholders updating them on progress - noting that we had concluded that a direct award to a Teckal compliant body would be compatible with the Maritime Cabotage Regulation, but that this would require a review of David MacBrayne Ltd and its operating companies to ensure compliance with strict control and function tests.
- The 20 July update also made clear that more detailed consideration of State aid rules is now required – benchmarking any proposed in-house operator against a number of comparator operating companies in the ferry sector.
- The review of David MacBrayne Ltd and the more detailed consideration of State aid would result in the timeline for the policy review being extended beyond the Autumn period. The Minister’s statement also made clear that a progress report would be published in Autumn 2017, setting out emerging findings of the policy review, and implications for the current GDFS and NIFS contracts.

### Top Lines:

Our ferry services are iconic transport links that play a vital role in the economic and cultural life of our island and remote communities, and they make a significant contribution to Scotland’s social and economic well-being. Ensuring the continued provision of safe, efficient and reliable ferry services to the communities which rely on them is a priority for this government.

Since my announcement about the procurement policy review on 2 February, officials have met with counterparts from the European Commission, undertaken a series of meetings with a range of stakeholders across the Clyde and Hebrides (including Gourock – Dunoon) and Northern Isles ferry networks and considered legal and policy implications related to the application of the Teckal exemption and State aid rules.

We have been able to conclude that a direct award of an operating contract to a Teckal compliant body would be compatible with the Maritime Cabotage Regulation. We still



need to review David MacBrayne Ltd. and its operating companies to establish what changes are required to ensure that they are fully compliant with the strict control and functions tests in place for the Teckal exemption.

It will also be necessary to undertake more detailed consideration of State aid rules before determining whether it would be possible to make a direct award to an in-house operator. This will involve benchmarking any in-house provider against a number of comparator operating companies in the ferry sector to ensure that compensation for delivering the public service obligation does not exceed the cost of a typical, well-run and adequately equipped undertaking.

Whilst not pre-judging the outcome, should the review conclude that it would be possible to apply the Teckal exemption and meet State aid rules then we would be minded to provide ferry services through an in-house operator, taking account of the communities they serve.

Initial sounding from stakeholders is that there is more local support for an in-house provider for the Clyde and Hebrides network, whilst in the Northern Isles there is a more neutral stance or a preference for tendering.

**Redacted** TS, Ferries Procurement

**Speaking Notes**

To be inserted by Redacted FMPO

**Annex J - Invitation List** – removed

**Annex K – School Attendee List** – removed

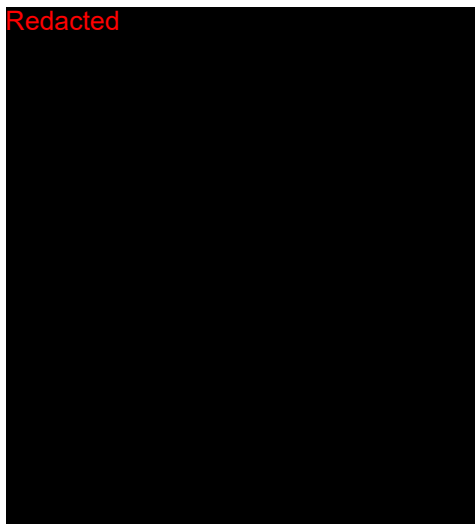
**PEN PICTURES OF KEY ATTENDEES****Jim McColl OBE****Chairman and CEO of Clyde Blowers Capital**

Jim McColl left school at 16 to take up an engineering apprenticeship with Weir Pumps of Cathcart, Glasgow. After gaining City & Guilds certificates at lower and higher level, he gained a BSc Degree in Technology and Business Studies at Strathclyde University. He returned to Weir Pumps in 1978, studying for the next three years for an MBA. Joined Diamond Power Speciality Ltd in 1981, an engineering company supplying equipment to the power industry worldwide; during his tenure he studied part time for a Master's degree in International Accounting and Finance. Head hunted by Coopers & Lybrand, in 1985 he became a consultant, working with companies in financial difficulties that needed guidance. In 1986 he left Coopers to become a self-employed "company doctor", during which he made money through two successful turnarounds resulting in his purchase of Clyde Blowers PLC; going onto acquiring six of the 7 competitors. Over the past 10 years Clyde Blowers has developed into a truly global portfolio of 83 Companies in 27 different countries, employing 5,000 people around the world, with an annual turnover in excess of £1.4 billion. Ferguson Shipbuilders was bought in 2014 after which was renamed to Ferguson Marine Engineering Ltd. He was appointed Officer of the Order of the British Empire (OBE) in the 2001. Has been awarded two honorary doctorates, by Napier University and Glasgow University.



**Gerry Marshall**  
**Chief Executive Officer, Ferguson Marine Engineering Ltd**

Gerry joined Ferguson Marine as CEO in March 2017 bringing with him over 30 years experience in engineering and manufacturing. He is a commercially astute business leader with a wealth of international leadership experience driving business transformation, commercial turnarounds and change management strategies to fundamentally impact growth and returns. With exceptional financial acumen and knowledge of LEAN manufacturing, Gerry expertly identifies new business opportunities whilst simultaneously implementing people, process and technology change management initiatives to improve business health and support commercial growth. Gerry is an inspirational and influential leader who uses effective thought leadership, sector expertise, people management and cultural understanding to design and execute high impact transformational strategies. Prior to working with Ferguson Marine, Gerry held executive roles for UK and global organisations such as David Brown Gears (DBG) Systems Ltd, Clyde Union Pumps, and the Wood Group.



**Master, CalMac Ferries Ltd**

Captain **Redacted** has been with the Company since 1991 in various positions. He has been a Master since May 2007, taking up duties on MV Caledonian Isles in December 2007 until the present.



Erik Østergaard

Chair of CMAL

Erik Østergaard was appointed to the Board as a Non-Executive Director in November 2006 and became the Chair of the Board in April 2014. He is Chief Executive Officer of the Trade and Employers Organisation, Danish Transport and Logistics, comprising 2,100 Danish transport and logistics member companies. His career has involved over 30 years in various senior management roles in the shipping, ferry operations and transport industries. In 2004, he was bestowed the Knight's Cross of the Order of Dannebrog by the Danish Queen.



Kevin Hobbs

Chief Executive Officer

Kevin Hobbs was appointed in April 2016. He owned a port, marine logistics and shipping consultancy, and has held a number of senior management positions during his 25 year career the maritime industry. Kevin was Director at the UK's third biggest port, Milford Haven port, and was responsible for all operations at Pembroke Port and Milford Docks. His early career saw him operate at a senior level, founding Seatruck Ferries, and provided

consultancy and interim management to clients in the UK and Ireland. Kevin has experience working with both vessels and ports.