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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.

[Out of scope of the request]

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



Jim McColl
Founder, Chairman & CEO

Minister for Transport and the Islands
Humza Yousaf MSP



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09 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 to the 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.

Transport Scotland are also preparing proactive and reactive communications to coincide with the issue of my letter and will be liaising with your and CMAL's press officers.

I am copying this letter to Erik Ostergaard, Chair of CMAL.

Best wishes,
H. Yousaf
HUMZA YOUSAF

This is formal notice under section 17(1) of FOISA (information not held) that the Scottish Government does not hold information you have requested. The Scottish Government does not have the information you have asked for because Caledonian Maritime Assets Ltd rather than Transport Scotland is responsible for the procurement of the two Dual fuel LNG vessels that are currently being constructed at Ferguson Marine Engineering Ltd's shipyard.

Email TS / SG officials to Ministers dated 2 March 2017**Subject: Jim McColl meeting with Keith Brown and Humza Yousaf 2 March 2017**

PS/ Ministers (an action for PS / Mr Yousaf below)

This is to record the main points of this morning's meeting insofar as they related to ferries.

Contract 801/802 : contract status

- Mr Yousaf asked about CMAL's assessment that delivery could be 6-7 months late. Mr McColl said he was "astounded" by that assessment and assured Ministers that he had great confidence that the first vessel would be launched on schedule in August this year and delivered in May 2018 as per the contract. He accepted that the 75% fabrication milestone would slip (April 2017) but that FMEL would regain lost time. There was a lot of activity ongoing at the yard which was not visible to CMAL. FMEL had engaged a new project manager and was setting up a "war room" to drive the project, and he expected to be able to provide CMAL with assurance on timescales in a fortnight's time.
- It was noted that the build quality so far was good, and that CMAL and FMEL had established a good working relationship. Noting the novel nature of the build, Mr McColl indicated that he understood that it had sometimes taken CMAL a while to answer technical queries from the yard, and that that may have impacted on current slippages to milestones.
- Mr Brown noted the need to expand the narrative around FMEL in public communications – 350 jobs, shipbuilding renaissance on the Clyde, leading edge technology etc.
- Action: Mr Yousaf to meet with CMAL in a fortnight for an update on progress. PS/Mr Yousaf to take forward please.

[Redacted under Section 33(1)(b) – commercial interests]

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[Out of scope of the request]

E mail SG official to SG / SE officials dated 18 July 2017**Subject: Note of meeting with Jim McColl**

[Redacted under Section 33(1)(b) – commercial interests]

E mail SG official to SE officials and Minister dated 19 July 2017

Subject: Note of meeting with Jim McColl

Summary points that I can talk the Cab Sec through:

[Redacted Section 30(b)(ii) – free and frank exchange of views for the purposes of deliberation]

[Redacted under Section 33(1)(b) – commercial interests]

Summary of meeting – 19 July 2017 between Derek Mackay, Cabinet Secretary for Finance and the Constitution, Clyde Blowers Capital representative, TS official and a Scottish Enterprise official

[Redacted under Section 33(1)(b) – commercial interests]