

FERGUSONS / ISLAY VESSELS PROCUREMENT

14 Sept: CMAL confirms four non-UK shipyards are invited to tender for contract to build 2 Islay ferries. Four firms are from Turkey(x2), Poland and Romania. The contract is due to be awarded in March 2022 with an estimated c£100m value.

We have been clear with Ferguson's management – get the yard into shape

- We have set out two priorities for the yard's management – finish building the two ferries currently under construction and get the yard into shape to compete for new work.
- Those two priorities are clear but it is obvious to all that it will take time for the yard to be in a position to compete successfully. Pretending otherwise would be ignoring the reality and that will not help to get the yard back into shape.

It is only by getting the yard back into shape that they will win contracts

- Completing vessels 801 (Glen Sannox) and 802 is rightly the focus of efforts just now but Ferguson's are right to also bid for new contracts – learning from the bidding is part of the process of recovery
- Clearly, we are disappointed that they have not progressed to the next stage of the Islay Ferry procurement but bidding gives a measure of where the yard has reached and how far it still has to travel.
- They are pursuing a range of other contracts including offshore patrol and service operation vessels and we all want them to succeed but the best way to secure the yard's future order book is to make the yard efficient, competitive and to win contracts on merit.

By getting into shape, they can compete for 7 new vessels in the pipeline

- Given the scale of our £580m investment programme for ferries and ferry infrastructure, there will be future opportunities for the yard.
- These include up to 7 new ships under phase 1 of the Small Vessel Replacement Programme and work on new vessels for the Gourock to Dunoon and Kilcreggan services.

We saved the yard before and will not allow its detractors to drag it down

- In 2005, when the yard faced closure because of the inaction of Jack McConnell's Labour government, we joined with Labour rebels to demand the yard was saved.
- In 2014, when the yard again faced closure, it was this SNP government that helped save it, rescuing more than 300 jobs.
- There are now almost 500 permanent and temporary staff at Fergusons, and while we will, of course, hold the management to account, we will not allow opponents to drag the yard down.
- We will stand by Ferguson's, the workers and the community and return to yard to competitiveness.

Direct-award of THESE vessels is not legal but are looking at future contracts

- Procurement constraints mean that a direct award of the Islay ferry contract to the Ferguson's yard for ferries would not be legal.
- Indeed, when I asked Jack McConnell back in 2005 to direct award contracts to Ferguson's he said the exact same thing.
- Direct award of contracts is only possible in strictly limited circumstances under UK public procurement rules.
- Breaching these rules could lead to legal challenge costing the taxpayer and causing delay. So, we have to be careful but we are looking at future contract from public agencies and whether any might be legally open to direct awards. No decision has yet been taken.

We have extended the Islay contract – that's good news for island residents

- The contract has been extended to build two new ferries for Islay – underlining this government's commitment to invest £580m over the next five years to improve vital infrastructure, bring new vessels into service and support Scotland's island communities.
- The new vessels will replace the MV Hebridean Isles and allow for the cascading of the newer MV Finlaggan, both of which currently serve the Islay route.
- Our approach will accelerate the new ferries into the fleet, **allowing a second vessel to be deployed 12 months sooner than previously planned** and provide greater public value – saving around £3m to £5m compared to ordering two vessels under separate contracts.

And the new vessels will increase capacity and reduce energy use

- The new vessels will provide nearly 40% additional car capacity and over 60% increase in HGV capacity compared to the current vessels on the route.
- The new vessels have significantly lower energy requirements – around 30% reduction in emissions, daily energy fuel when compared to the current MV Finlaggan service.
- They will be designed with a clear focus on freight and future needs, including overnight freight services if required, with sufficient passenger accommodation to meet an anticipated increase in passenger demand.

BACKGROUND

PROCUREMENT APPROACH

Caledonian Maritime Assets Limited (CMAL) issued an open tender for the vessels and received interest from shipyards around the world.

- The vessels are being procured by Caledonian Maritime Assets Limited, who are following procurement rules – ensuring quality, value for money and the timely delivery of vessels to serve our island communities.
- **In line with normal procurement rules, Scottish Government ministers had no role in the process or in assessing the bids.**
- A total of 35 organisations expressed interest and 11 yards provided formal submissions at the first stage of the procurement exercise, including two from the UK.
- CMAL carried out a robust assessment of eleven technical and financial submissions.
- Four shipyards (from Romania, Poland and two from Turkey) have met the initial criteria and are now being asked to put forward their bids for the contract.
- Each shipyard will submit their technical and commercial proposals for the design and construction of the two vessels. Each submission will be rigorously assessed against quality, technical and commercial criteria.
- The contract is expected to be awarded by the end of March 2022.
- The vessels are likely to enter service around 2024/25.