

1. Email Chain

Deputy First Minister / Minister for Transport / POs,

As requested in the chain below, please find attached a sort briefing with annex relating the options for accelerated investment in ferries which were highlighted in discussion with Kevin Hobbs in the meeting of 27 July.

Happy to discuss or provide additional information as required.

Kind Regards,

[REDACTED]
[REDACTED]

From: REDACTED > On Behalf Of Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 29 July 2022 10:55

To: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery
<DFMCSCR@gov.scot>; Minister for Transport <MinisterFT@gov.scot>

Cc: Higgins K (Kate) <Kate.Higgins@gov.scot>; Pacitti F (Frances)

<Frances.Pacitti@transport.gov.scot>; REDACTED [REDACTED] [REDACTED]

[REDACTED] McFarlane J (John) (Special Adviser) <John.McFarlane@gov.scot>; [REDACTED]
[REDACTED] [REDACTED]

Subject: RE: 10:00 - 10:45 Meeting with CMAL [DFM/JG] **DFM request**

Hi [REDACTED]

Thanks for confirming.

The DFM has also requested a note of key people at Ferguson's CMAL and Calmac ahead of Tuesday's visit.

Grateful if this could be actioned and sent across for the same deadline.

Thank you very much

[REDACTED]

[REDACTED]

Deputy Private Secretary to the Deputy First Minister and Cabinet Secretary for Covid Recovery

[REDACTED] | DFMCSCR@gov.scot

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments. Scottish Ministers, Special Advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

Best,

[REDACTED]

[REDACTED]

Deputy Private Secretary to the Deputy First Minister and Cabinet Secretary for Covid Recovery

[REDACTED] | DFMCSCR@gov.scot

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From: [REDACTED]

Sent: 25 July 2022 16:22

To: Deputy First Minister and Cabinet Secretary for Covid Recovery <DFMCSCR@gov.scot>; Minister for Transport <MinisterFT@gov.scot>

Cc: Cabinet Secretary for Net Zero, Energy and Transport

<CabSecNetZET@gov.scot>; [REDACTED]; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; DG Net Zero <DGNetZero@gov.scot>; Higgins K (Kate) <Kate.Higgins@gov.scot>; [REDACTED]; Press Transport Scotland <media@transport.gov.scot>; Transport Scotland Directors <DLECONPTSD@transport.gov.scot>; Transport Scotland Media <DLECONPTSM@transport.gov.scot>; Pacitti F (Frances) <Frances.Pacitti@transport.gov.scot>; [REDACTED] [REDACTED] [REDACTED]

[REDACTED] [REDACTED] [REDACTED]

Subject: RE: 10:00 - 10:45 Meeting with CMAL [DFM/JG]

DFM / MfT POs,

As requested, please find attached a briefing for the meeting on Wednesday 27th July with CMAL CEO.

Also attached is the previous briefing dated 17 May for further background on vessel and port investment.

Happy to discuss any queries or requests for further information in advance.

Kind Regards,

[REDACTED]

[REDACTED]

From: [REDACTED] On Behalf Of Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 19 July 2022 15:59

To: [REDACTED]; Deputy First Minister and Cabinet Secretary for Covid Recovery <DFMCSCR@gov.scot>; Minister for Transport <MinisterFT@gov.scot>; Higgins K (Kate) <Kate.Higgins@gov.scot>; McFarlane J (John) (Special Adviser) <John.McFarlane@gov.scot>

Cc: [REDACTED] Pacitti F (Frances) <Frances.Pacitti@transport.gov.scot>; [REDACTED]

[REDACTED] [REDACTED]

Subject: RE: 10:00 - 10:45 Meeting with CMAL [DFM/JG]

Hi [REDACTED]

Happy to take steer from yourself, MFT PO and SpAds. If this agenda is agreeable to all then we will try to run it by DFM.

Thank you

[REDACTED]

[REDACTED]

Private Secretary/DFM

[REDACTED]

From: [REDACTED]

Sent: 19 July 2022 15:51

To: Deputy First Minister and Cabinet Secretary for Covid Recovery <DFMCSCR@gov.scot>; Minister for Transport <MinisterFT@gov.scot>; Higgins K (Kate) <Kate.Higgins@gov.scot>; McFarlane J (John) (Special Adviser) <John.McFarlane@gov.scot>

Cc: [REDACTED]

Pacitti F (Frances) <Frances.Pacitti@transport.gov.scot>; [REDACTED] [REDACTED]

[REDACTED]

Subject: RE: 10:00 - 10:45 Meeting with CMAL [DFM/JG]

DFM / MFT POs,

I am considering the potential agenda and related briefing for next week's planned meeting with CMAL. I was hoping that you could provide further guidance on the expected scope of discussion and whether the previous agenda/approach to briefing adopted for the recent meeting between Ms Forbes and CMAL would be appropriate or whether additional points or amended focus is required (see below and attached)?...

Agenda

1. *Welcome and Introductions.*
2. *Discussion on vessel investment and prioritisation:*
 - *Vessel Investment: current programme and future investment options (Annex D)*
 - *CMAL Assets (Vessels, Ports & Harbours) (Annex E)*
 - **If required** - *Project Neptune (Annex F)*
3. *Any other Business.*

Kate / John,

Any input or views from your perspectives would be welcome.

Happy to discuss.

[REDACTED]

[REDACTED]

-----Original Appointment-----

From: Minister for Transport <MinisterFT@gov.scot>

Sent: 19 July 2022 10:08

To: Minister for Transport; [REDACTED] Gilruth J (Jenny), MSP; McFarlane J (John) (Special Adviser); [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery; Pacitti F (Frances); [REDACTED] [REDACTED] Higgins K (Kate) [REDACTED]

Subject: FW: 10:00 - 10:45 Meeting with CMAL [DFM/JG]

When: 27 July 2022 10:00-10:45 (UTC+00:00) Dublin, Edinburgh, Lisbon, London.

Where: Teams (link enclosed)

-----Original Appointment-----

From: Minister for Transport <MinisterFT@gov.scot>

Sent: 18 July 2022 15:54

To: Minister for Transport; Gilruth J (Jenny), MSP; McFarlane J (John) (Special Adviser);

[REDACTED]

); Deputy First Minister and Cabinet Secretary for Covid Recovery; Pacitti F (Frances);

[REDACTED] [REDACTED] Higgins K (Kate); [REDACTED]

Subject: 10:00 - 10:45 Meeting with CMAL [DFM/JG]

When: 27 July 2022 10:00-10:45 (UTC+00:00) Dublin, Edinburgh, Lisbon, London.

Where: Teams (link enclosed)

Time agreed and link provided separately to Kevin Hobbs (CEO CMAL).

Please provide a joint briefing by **4pm on Monday 25th July**.

Guidance on doing so is available [here](#). All briefings should include an agenda, a short speaking note (when meeting with external stakeholders), and details of previous correspondence and engagements.

Unless otherwise stated, the Minister requires official support for all meetings and engagements. If this is an issue, please get in touch with Private Office as soon as possible.

Please note that minutes and action points should be taken by officials for all meetings (including those only with officials) and shared with the Minister/PO accordingly.

Please do not forward on this invite to any external stakeholders, Private Office will share the link directly with relevant parties.

2. Ministerial Briefing

Date and time	27 July 2022, Wednesday 10:00 – 10:45
Location	Virtual Meeting – MS Teams invites issued by PO
Key message	Planned and future vessel investment aims and options.
What	Virtual discussion.
Why	Follow up discussion to meeting held between Ms Forbes and CMAL CEO on 07 July 2022.
Who	Kevin Hobbs, CEO, Caledonian Maritime Assets Limited (CMAL).
Likely themes	<ul style="list-style-type: none"> • Investment • Planned and future vessel replacement programmes • Funding allocation
Media and communications	Private meeting – no media.
Supporting official	<p>Frances Pacitti, Director of Aviation, Maritime, Freight and Canals, Transport Scotland Tel: [REDACTED]</p> <p>[REDACTED]. Head of Ferries Contracts and Projects (AMFC) Transport Scotland Tel: [REDACTED].</p>
Attached documents	<p>Annex A: Agenda and Biographies Annex B: Introduction / Speaking Note Annex C: CMAL Background Annex D: Current Condition of the Ferry Network Annex E: Investment/Recent Investment/On-Going Projects Annex F: Emerging Opportunities Annex G: CMAL Assets (Vessels, Ports & Harbours) Annex H: Project Neptune Annex I: Draft Minutes of meeting with Ms Forbes, 7 July Annex J: (Out of Scope)</p> <p>ADDITIONAL INFORMATION FERRY SERVICE IMPROVEMENTS – VESSELS AND PORTS INVESTMENT – Briefing submission dated 17 May 2022 attached to email for further background / information.</p>

AGENDA AND BIOGRAPHIES

Start – 10:00

Agenda

1. Welcome and Introductions.
2. Discussion on vessel investment and prioritisation:
 - Vessel Investment: current programme and future investment options
 - CMAL Assets (Vessels, Ports & Harbours)
 - If required - Project Neptune
3. Next Steps.
4. Any other Business

Finish – 10:45

Caledonian Maritime Assets Limited - Key Personnel Biographies

Kevin Hobbs – Chief Executive Officer



Kevin joined Caledonian Maritime Assets Limited in April 2016, bringing 30 years' experience in the port, maritime logistics and shipping industries.

As director at Port of Milford Haven, a leading UK port which handles over 30 million tonnes of cargo annually, Kevin was responsible for commercial and operational management.

Between 2008 and 2011, Kevin worked as a specialist consultant, providing expert advice to maritime and shipping clients, including Dublin Port Company, Peel Ports and Stena Line.

In 1996, Kevin founded Seatruck Ferries Group, an Irish Sea ferry service specialising in freight, which he guided from start-up to a profitable business. As CEO and Managing Director, he oversaw an investment portfolio of eight new build freight ferries and five pre-owned ferries.

INTRODUCTION/SPEAKING NOTE

1. This is a follow up discussion with the CEO of CMAL (Kevin Hobbs). The meeting has been arranged to provide an opportunity to discuss key issues relating to planned and future options for vessel investment in Scotland's ferries network.

Bullet point speaking notes:

- Thank you for accepting the invitation to meet today. This is a follow up to the meeting held with Ms Forbes on 07 July 2022 and will hopefully give us the opportunity to discuss planned and future vessel investment in our ferry networks and next steps.
- I would like to personally thank you for the work you do to deliver Scottish Minister's priorities and objectives.
- I appreciate and acknowledge that over the past few years, the issues, scrutiny and publicity around the delivery of vessels 801 and 802 have been particularly challenging. We welcome the work of CMAL in continuing to represent and protect Ministers interests in this area – and more importantly the work being undertaken to support the yard in the delivery of the two vessels.
- But I recognise that the challenges facing the ferries network extend beyond Fergusons and those two vessels.
- Ferry services to our islands remain a key concern for Scottish Government Ministers and the communities that are served by lifeline ferries. It is essential that we [CMAL, DML and Transport Scotland] work together in responding to this challenge.
- I would like to invite your reflections on the current state of ferry services in Scotland, current vessel projects and future investment options to bolster and enhance our ferry services. Your feedback will inform our priorities going forward. I am interested to hear more about your key priorities and challenges, and how we can support you.

Concluding remarks: for close of meeting

1. Thank you for taking the time to meet with me today, I have found the discussion on current vessel projects and future investment opportunities very informative.

CMAL BACKGROUND

1. Caledonian Maritime Assets Limited (CMAL) owns ferries, ports and harbours and infrastructure necessary for vital ferry services serving the west coast of Scotland, the Clyde Estuary, and the Northern Isles. They are wholly owned by the Scottish Government with Scottish Ministers as the sole shareholder. CMAL is classified as a public corporation and was formed as a new corporate entity in 2006, when assets were separated from operational services performed by David MacBrayne and its subsidiaries. CMAL has a proud and long standing heritage as part of Scotland's maritime history. Under the auspices of Project Neptune, Ministers are currently considering the corporate structures of the organisations delivering lifeline ferry services in Scotland.
2. The sponsorship relationship for CMAL is managed through the Aviation, Maritime, Freight and Canals division within Transport Scotland. The governance relies on strong working relationships between key individuals at Transport Scotland and CMAL which allows for active discussion on risk and alignment of strategic priorities.
3. CMAL has updated its three-year corporate plan to 31 March 2025. The document outlines key achievements over the past year, and details key business priorities and deliverables going forward. The plan summarises, planned projects over the next seven years to include the financial year from March 2024. **The Corporate Plan can be accessed [here](#).**

ANNEX D

CURRENT CONDITION OF THE FERRY NETWORK

1. The average age of the CHFS / NIFS fleet of vessels is around 24 years. The general consensus (advised by CMAL and supported by other industry stakeholders) is that, in general terms, the maximum age of a vessel for use in our waters should be around 30 years. That would mean that the average age of the fleet should be around 15 years, with investment in or two new vessels every year. This investment in vessels has not happened, with the ageing fleet now leading to issues with reliability and obsolescence of some equipment, meaning that maintenance and repairs become more time consuming and costly.
2. Since the introduction of Road Equivalent Tariff (RET) fares between 2008 and 2015, patronage on the ferry network has increased year on year. To meet demand, the number of sailings and the number of routes operated has increased. Every vessel in the fleet is fully utilised, with there being no 'spare' capacity or relief vessels to support resilience in the event of a vessel outage as a consequence of planned or reactive maintenance work. The lack of resilience leads to criticisms that our ferry services are not resilient.
3. The recommended strategy for the ferry network would be to allocate sufficient funding to enable the average age of the fleet to be reduced to around 15 years. This should include standardisation of key components (the hull form cannot be standardised given varying maritime conditions across the network, but standardisation of internal components would deliver efficiency in the maintenance regime). This should also include measures to improve the environmental performance of our fleet, through more efficient hull formation and flexibility to change fuel types as cleaner alternatives to marine gas oil become available.
4. The total level of investment in ports and vessels required over the next ten years or so is currently estimated at around [REDACTED]. This should be seen as the first part of a longer term strategy, with the specific deployment pattern and dependent upon the phasing of investment. Ideally, a smooth investment profile would reduce future peaks. Investment is also required in shore side infrastructure to maintain the assets in a safe condition.
5. As an interim measure, it is recommended that the number of major vessels in the CHFS fleet be increased from 10 to 12, with one vessel being retained for resilience (ie, it would not enter timetabled service or be dedicated to a particular route, but would be available to respond to vessel outages to provide improved reliability and resilience across the network).

ANNEX E

INVESTMENT/RECENT INVESTMENT/CURRENT PROJECTS

Investment Strategy

1. CMAL support Ministers in the delivery of £580 million of investment in infrastructure to support island connectivity. CMAL leads on a number of the vessel and infrastructure projects as the procuring authority, with appropriate input from relevant ferry operators (CalMac or Serco NorthLink) along with Transport Scotland.
2. Not all of the £580 million existing commitment is for new vessels and infrastructure.
[REDACTED]
3. Figure 1 below shows those investments which have been delivered in blue; those which are committed and/or funded as part of IIP in green; those which are not yet committed but have partial funding through IIP in yellow; and those which we know are required in the coming years but for which there is presently no funding in red. The projects are described in subsequent paragraphs. To note the funding for completion of MV Glen Sannox and Hull 802 sits separately and is not included in the overview.

Figure 1 – Priority Projects Overview

RECENTLY DELIVERED OR ONGOING INVESTMENTS (shown blue on Figure 1)

CDEL for Maintenance, Life Extension, and other ferries related support

4. This includes maintenance and life extension works ongoing through the annual drydocking of existing vessels on the CHFS and NIFS network as well contributions to significant pension deficits. Up to **[REDACTED]**, allocated over the 5 year IIP period.

Purchase of MV Utne (now MV Loch Frisa)

5. The vessel was acquired on the second hand market in 2021 for a cost of c.**£10 million** including necessary works completed in Dales, Leith. The vessel arrived in Oban in June for further sea and berthing trials and crew familiarisation before entry into service in July.
6. This is the first vessel to be bought second hand since the NIFS freight and passenger vessels in 2018. The vessel is currently being progressively phased into the Craignure - Oban timetable, in tandem with MV Coruisk, while MV Isle of Mull continues to operate its normal timetable.

COMMITTED INVESTMENTS (shown green on Figure 1)

Skye Triangle

7. Works are under way at the three ports which form the Skye Triangle services: Tarbert, Uig, Lochamddy. Works are required to replace and improve infrastructure to enable deployment of larger vessels in the coming years, including Hull 802 which is currently intended for the routes from 2024.
8. Tarbert (Harris) is a CMAL owned port and marine works are nearing completion. Lochamaddy (North Uist) is owned by western isles council (CNES) and works are well underway. Uig (Skye) is owned by The Highland Council (THC) and works began in early 2022 with a required port closure planned for October 2022 to March 2023. The total cost of works at the three ports is around **[REDACTED]**.

Arran Services – Port Infrastructure

9. Works to upgrade Ardrossan harbour, which is owned by Peel Ports Group, are required to enable deployment of MV Glen Sannox. Discussion around funding, project and commercial risks are ongoing with Peel Ports and North Ayrshire Council. The project has recently moved to early tender stage and updated cost estimates indicate a total of around **[REDACTED]**, may be required with the split between the partners still to be discussed/agreed..
10. Works to allow a temporary move of the Arran service to Troon, while the port at Ardrossan is closed for around two years, are largely complete and landside works are expected to be complete before end 2022.

MV Sannox / Hull 802

11. As noted previously the costs relating to completion of MV Glen Sannox and Hull 802 sit separately to the IIP £580 million commitment.

12. Fergusons' CEO and Board of Directors have reiterated their confidence in the revised schedule sent to Net Zero, Energy & Transport Committee in March 2022. The schedule indicates a delivery range for **801 of March-May 2023**, and for **802 of October-December 2023**. The revised schedule was developed with support from CMAL who have also provided assurance that the revised dates are achievable.

13. SG officials are working closely with Fergusons to review assumptions behind the revised cost and schedule and how spend aligns to the vessels' delivery. A vital element that underpins the revised cost and schedule that remains in development is a profile of costs between now and delivery of 801/802 against key programme milestones. Ferguson Marine, are working to provide further assurance to Ministers and the Scottish Parliament on the revised schedule and cost. SG officials and CMAL are working closely with Ferguson Marine to test and review the assumptions behind the numbers. The next update to the NZET Committee is due at the end of this month (**June 2022**).

14. As the Cabinet Secretary confirmed in the Chamber on 23 March 2022, the cost to complete the build of the ferries from the point of public ownership has risen from the £110.3m-to-£114.3m range (previously communicated to Parliament in December 2019) to a range of **£119m-to-£123m**. This brings 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 taken into account.

15. Fergusons has raised the profile of CMAL's 'Owners Observation Reports' since the secondment of a senior CMAL representative into the yard's senior team. FMPG and CMAL are now jointly treating them as a 'snagging and defect list', which is typical of any large construction or shipbuilding project.

16. Solutions to the OORs are expected progressively, without delays or impacts on the programmes.

Islay Services

17. CMAL has worked with Transport Scotland and CalMac to develop the new Islay vessels project and on 11 March 2022 CMAL announced the preferred bidder to build the two new major vessels. CMAL, as Procurement Authority, awarded the contract to the Cemre Marin Endustri shipyard in Turkey.

18. The new vessels will bring an almost 40% increase vehicle and freight capacity on the Islay routes, a reduction in emissions and improve the resilience of the wider fleet.

19. The first vessel is expected to be delivered by October 2024 and will enter service following sea trials and crew familiarisation. The second vessel will follow in early 2025.

20. The overall cost of the vessels and related port infrastructure works, including project management and delivery costs, will be around **£130m** (around **£105m** related to vessels and **£25m** related to ports). A further **£20M** is also required for wider upgrade of the Port Ellen shore side port and marshalling areas bringing the total investment on the route to **£150 million**.

PROJECTS WHICH ARE NOT YET COMMITTED AND ONLY PARTIALLY FUNDED (shown in yellow on Figure 1)

Commented [LP(1)]: Don't believe split is publically known – check with Mark H

Commented [AT2R1]: Marks has cleared

Gourock Ferry Terminal Works

21. Works are required to life expired infrastructure at the port at Gourock which is owned by CMAL. Gourock connects Dunoon and Kilcreggan passenger services to the rail network and also acts as an alternative mainland port for other Clyde services including Bute (Wymess Bay) and Arran (Ardrossan) in case of emergency. The scope of the project is being refined and site investigation works are ongoing to refine the potential costs. The cost range at present is [REDACTED]

Small Vessel Replacement Programme

22. SVRP Phase 1 and 2 including associated harbour and infrastructure works is estimated to cost [REDACTED]

23. Phase 1 [REDACTED] is for 7 vessels and associated infrastructure works and is still in concept design phase with 2 variants for the routes for which they are intended (15 car capacity and 25 car capacity) – intention remains that they are all electric with back up diesel generators for resilience.

24. Current delivery dates, subject to procurement process and funding approval, are for the first vessel to be delivered in 2025 with a further 2 vessels each year till 2028.

25. SVRP Phase 2 will follow on from Phase 1 and hopes to address the replacement of the “Sound Route” Vessels. [REDACTED]

REQUIRED INVESTMENT FOR WHICH NO FUNDING ALLOCATION (shown in red on Figure 1)

Gourock / Dunoon / Kilcreggan vessel replacement programme

26. The project to consider the long-term vessel requirements of the Gourock to Dunoon and Gourock to Kilcreggan ferry services is well underway.

27. The project includes new passenger only vessels (potentially up to 3 vessels) and necessary harbour upgrades at Dunoon and Kilcreggan a cost of around [REDACTED].

28. Vessel procurement to commence, subject to IDM and Ministerial approval later this year (Quarter 4 2022) with first vessel delivery anticipated Quarter 2 / 3 2025.

Mallaig / Lochboisdale and Armadale

29. Mallaig/Lochboisdale vessel replacement project has been formally initiated and working group formed. First public meeting recorded and on the CMAL website project page. Estimated vessel costs +[REDACTED], with upgraded harbour infrastructure necessary to accommodate new vessel / provide resilience of [REDACTED].

30. Improvement works at Armadale and Gasay ports could bring the over costs for improvements on these routes to [REDACTED] in total.

Oban / Craignure (Mull)

Commented [LP(3)]: As above

31. Project to identify replacement tonnage for the Oban-Craignure service due to the current vessel, MV Isle of Mull, approaching operational life expiry has commenced. The Strategic Business Case (SBC) was approved in June 2022.

32. The new vessel project [REDACTED] coincides with the redevelopment of the Craignure pier project, currently led by Argyll and Bute Council. It is unlikely that the new vessel would enter service prior to the completion of the works at Craignure.

33. Interim options for vessel deployment may impact the timeframes for delivery including the release of existing vessels following their delivery and bedding in of the new Islay vessels in 2024/25 and any potential second hand tonnage sourced in the interim.

34. Further work to deliver a full upgrade of the port at Oban in the longer term could add around [REDACTED] to the overall route improvement costs.

NIFS Freighters

35. CMAL appointed naval architects Leadship in October 2019 to carry out vessel feasibility studies and concept designs. The concept design phase will be completed later this year. As the project progresses, engagement events will be held that will allow stakeholders the opportunity to contribute to the outcome of the project.

36. Current estimates for project delivery are [REDACTED] for 2 freight vessels with the potential option for freighter plus design allowing for additional passenger capacity on vessels to be switched on during busy periods on the routes as necessary - delivery scheduled out with the current IIP period.

ANNEX F

EMERGING OPPORTUNITIES

1. The last item indicated in Figure 1 notes potential investments to add to the fleet through purchase of second hand tonnage and / or through accelerated investment in vessel replacements. An overview of current considerations is provided below.

SECOND-HAND TONNAGE

2. CMAL continue to source the second hand tonnage market and have been reviewing a further passenger vessels recently.
3. The MV Arrow, sister vessel of the current NIFS freighters, will be coming onto the second hand tonnage market later this year. The acquisition of this vessel would help alleviate freight capacity issues on both the NIFS and CHFS networks. Officials are preparing advice on rationale and option to purchase. Officials will continue to liaise with CMAL and Serco NorthLink on the potential purchase of the vessel, anticipated later this year at a cost of [REDACTED].
4. Two further REDACTED passenger and vehicle vessels are currently being reviewed by CMAL/CalMac and updates will be provided to Ministers when further detail is available. Potential cost range around [REDACTED] for purchase and modifications should the vessels be acceptable to CMAL/CalMac.
5. There have been ongoing calls for MV Pentalina to be bought and deployed. The vessel was considered for possible time charter (crewed by Pentland ferries) in 2021 but was withdrawn from availability by its owner before the formal agreement was signed. MV Pentalina is owned by Pentland Ferries and is currently deployed on their route between Gills Bay (mainland) and St Margaret's Hope (Orkney) due to ongoing repairs to their main vessel, MV Alfred, following a recent grounding. [REDACTED]

ICP / ACCELERATION / ADDITIONAL ISLAY VESSELS

6. The potential to focus additional investment in ferry networks over the next ten years, to around 2032, has been discussed between TS with CMAL.
7. Further potential investment which could make the most of potential efficiencies in procurement, similar to Islay vessels, and make provision for additional tonnage from the second hand vessel market is indicated below;
 - Additional second hand tonnage (2022/23 to 2024/25) [REDACTED].
 - MV Arrow purchase & potential vessels for Skye Triangle
 - Resilience on CHFS / NIFS networks and replacing older vessels
 - Managing/staggering future years investment
 - Four new build major CHFS vessels by 2030 [REDACTED].
 - Accelerating fleet replacement, improving resilience, standardising
 - Reducing carbon and other emissions

8. Taken together, the IIP commitment and the accelerated investment outlined above would suggest that, over the next ten years or so, up to [REDACTED] capital funding (which includes the circa [REDACTED] balance of the IIP commitment from 2022/23 onwards) would bring the overall strategic investment in ferries infrastructure back on track and beyond 2032 a more sustainable programme could be developed by TS and CMAL.

9. The indicative profile of suggested accelerated investment would require around [REDACTED], in addition to the current IIP commitment within 2021/22 to 2025/26 and around [REDACTED], from 2026/27 to 2031/32.

Commented [LP(4)]: As above

ANNEX G

CMAL ASSETS

Clyde & Hebrides

Vessel	Year entered service	Anticipated service (life expiry)	Owner	Type	Primary route (Summer)	Primary route (Winter)
Isle of Cumbrae	1977	2024	CMAL	Non-major	Tarbert – Portavadie	Relief cover
Isle of Arran	1984	2023	CMAL	Major	Ardrossan-Brodick / Campbeltown	Relief cover
Hebridean Isles	1985	2024	CMAL	Major	Islay	Islay / Relief cover
Loch Linnhe	1986	2024	CMAL	Non-major	Spare	Relief cover
Loch Riddon	1986	2025	CMAL	Non-major	Cumbrae	Relief cover
Loch Striven	1986	2025	CMAL	Non-major	Lismore	Lismore
Loch Ranza	1987	2026	CMAL	Non-major	Gigha	Gigha
Isle of Mull	1988	2026	CMAL	Major	Oban-Craignure	Oban-Craignure
Lord of the Isles	1989	2027	CMAL	Major	Mallaig – Armadale / Lochboisdale	Mallaig – Oban / Lochboisdale
Loch Dunvegan	1991	2026	CMAL	Non-major	Colintraive-Rhubodach	Colintraive- - Rhubodach
Loch Fyne	1991	2027	CMAL	Non-major	Mallaig Armadale	Relief cover
Loch Buie	1992	2027	CMAL	Non-major	Iona	Iona
Loch Tarbet	1992	2028	CMAL	Non-major	Tobermory - Kilchoan	Tobermory - Kilchoan
Caledonian Isles	1993	2028	CMAL	Major	Ardrossan - Brodick	Ardrossan - Brodick
Isle of Lewis	1995	2029	CMAL	Major	Oban-Castlebay	Oban-Castlebay
Loch Bhrosda	1996	2028	CMAL	Non-major	Spare	Relief cover
Loch Alainn	1997	2029	CMAL	Non-major	Sound of Barra	Sound of Barra
Lochnevis	2000	2030	CMAL	Non-major	Small Isles	Small Isles Mallaig - Armadale
Clansman	1998	2030	CMAL	Major	Oban – Coll / Tiree / Colonsay	Oban – Coll / Tiree / Colonsay
Hebrides	2001	2031	CMAL	Major	Uig – Tabert / Lochmaddy	Uig – Tabert / Lochmaddy
Loch Portain	2003	2033	CMAL	Non-major	Sound of Harris	Sound of Harris
Coruisk	2003	2033	CMAL	Non-major	Oban – Craignure	Relief cover
Bute	2005	2035	CMAL	Non-major	Wemyss Bay - Rothesay	Wemyss Bay - Rothesay
Loch Shira	2007	2037	CMAL	Non-major	Cumbrae	Cumbrae
Argyle	2008	2038	CMAL	Non-major	Wemyss Bay - Rothesay	Wemyss Bay - Rothesay

AliCat	2000	2025	DML	Passenger	Gourock-Dunoon	Gourock-Dunoon
Argyll Flyer	2001	2026	DML	Passenger	Gourock-Dunoon	Gourock-Dunoon
Chieftain	2007	2032	CMS	Passenger	Gourock-Kilcreggan	Gourock-Kilcreggan
Finlaggan	2011	2041	CMAL	Major	Islay	Islay
Hallaig	2013	2043	CMAL	Non-major	Raasay	Raasay
Loch Seaforth	2014	2044	CMAL	Major	Stornoway – Ullapool	Stornoway – Ullapool
Lochinvar	2014	2044	CMAL	Non-major	Fishnish Lochaline -	Fishnish Lochaline -
Catriona	2016	2046	CMAL	Non-major	Claonaig Lochranza -	Tabert Lochranza / Portavadie -
Carvorra	2017	2047	CMAL	Non-major	Kerrera	Kerrera

List of Ports – Clyde & Hebrides

Port	Location	Owner	Type
Ardmhor	Barra	CNES	Slip
Ardrossan	North Ayrshire	Peel Ports	Linkspan
Armadale	Sleat, Skye	CMAL	Linkspan
Berneray	Bernerary	CNES	Slip
Brodick	Arran	CMAL	Linkspan
Bull Hole	Mull	CMAL	Overnight berth
Campbeltown	Kintyre	ABC	Linkspan
Canna	Canna	NTS	Slip
Castlebay	Barra	CMAL	Linkspan
Claonaig	Arran	CMAL	Slip
Colintraive	Argyll	CMAL	Slip
Coll	Coll	CMAL	Linkspan
Colonsay	Colonsay	CMAL	Linkspan
Craignure	Mull	ABC	Linkspan
Cumbræ	Cumbræ	CMAL	Slip
Dunoon	Cowal, Argyll	ABC	Linkspan
Eigg	Eigg	THC	Slip
Eriskay	Eriskay	CNES	Slip
Fionnphort	Mull	ABC	Slip
Fishnish	Mull	CMAL	Slip
Gallanach	Nr Oban, Argyll	CMAL	Slip
Gigha	Gigha	ABC	Slip
Gigha berth	Gigha	ABC	Overnight berth
Gourock	Inverclyde	CMAL	Linkspan, Boat steps
Iona	Iona	ABC	Slip
Kennacraig	Kintyre	CMAL	Linkspan
Kerrera	Kerrera	CMAL	Slip
Kilchoan	Ardnamurchan	CMAL	Slip
Kilcreggan	Rosneath, Argyll	ABC	Slip

Largs	North Ayrshire	CMAL	Slip
Leverburgh	Harris	CNES	Slip
Lismore	Lismore	ABC	Slip
Lochaline	Morven, Argyll	CMAL	Slip
Lochboisdale	South Uist	CMAL	Linkspan
Lochmaddy	North Uist	CNES	Linkspan
Lochranza	Kintyre	CMAL	Slip
Mallaig	Mallaig	MHA	Linkspan
Muck	Muck		Slip
Oban	Oban	CMAL	Linkspan, Slip
Otternish	Bernerary	CNES	Overnight berth
Port Askaig	Islay	ABC	Linkspan, Slip
Port Ellen	Islay	CMAL	Linkspan
Portavadie	Argyll	CMAL	Slip
Raasay	Raasay	THC	Slip
Rhubodach		CMAL	Slip
Rothesay	Bute	ABC	Linkspan
Rum	Rum		Slip
Sconser	Skye	THC	Slip
Stornoway	Lewis	SPA	Linkspan
Tarbert, Harris	Harris	CMAL	Linkspan
Tarbert, Loch Fyne	Kintyre	TLFHA	Slip
Tayinloan	Kintyre	ABC	Slip
Tiree	Tiree	CMAL	Linkspan
Tobermory	Mull	CMAL	Slip
Uig	Skye	THC	Linkspan
Ullapool	Ullapool	UHT	Linkspan
Wemyss Bay	Inverclyde	CMAL	Linkspan

ANNEX H

PROJECT NEPTUNE

5. Project Neptune is an independent review of governance arrangements for Scottish Government lifeline ferry services and will present a framework consisting of a range of options to the overarching objective of effective, efficient and economic delivery of lifeline ferry services. The aim of the review is to deliver an enhanced passenger experience and support local island economies.

[REDACTED]

The Reports

4. The Ernst and Young report comprises two parts. Part 1, which addresses **Governance, Internal Controls and Value for Money**. This provides recommendations in relation to the current shareholding and governance structures, to be implemented as interim improvements pending more detailed analysis of options for longer term reform. This does not identify any red flags, but does reflect our existing understanding of current areas for improvement. The three principal areas identified are;

- The absence of an overarching governance framework between Transport Scotland, CMAL and DML;
- The absence of a comprehensive approach to long term planning; and
- The existence of cultures and behaviours which may hamper effective working relationships

5. Part 2 of the report addresses the **Strategic Framework and Options for the CHFS Network**, 11 options were considered, with a recommendation to further explore options including the introduction of a regulator and the assimilation of CMAL and DML (model of integration to be determined following further analysis). The 11 options are;

- Regulator or Commissioner
- Regulated asset Base
- TS/CMAL assimilation
- CMAL/CFL integration
- CMAL/DML integration
- CMAL assets privatised
- CFL does not bid for CHFS
- DML cease focus on non-core activities
- Local authorities procure ferry services
- Local authorities procure ferry services including vessels
- TS Manage major routes and local routes passed to Local Authorities

6. CMAL have been engaged with the process and attended meetings alongside Tripartite partners in 2021 and have seen an early version of the report in August 2021 which has not changed substantially since that time. [REDACTED] **Less focus was previously placed on the Governance elements of the report and some issues such as culture and behaviour (within the tripartite) will need to be addressed.**

Top lines

- The Minister for Transport has given an assurance in Parliament that the report will be published in full and is currently liaising with officials about doing so as quickly as possible. We recognise the need for transparency on this as we are working towards a publication in the near future.
- “Project Neptune” potentially offers options for structural changes to how we deliver some elements of our ferry services and we will now consider those options along with the relevant Audit Scotland recommendations.
- Scottish Ministers have already ruled out privatisation and have no plans to split up the CalMac Ferries network.
- This is a complex piece of work and will require further engagement with all key stakeholders to ensure the most efficient and best value arrangement for future governance structures to deliver our key lifeline ferry services and a careful consideration is required before making any further decisions. We are committed to further engagement with key stakeholders on those options.
- Transport Scotland, Caledonian Maritime Assets Limited (CMAL) and David MacBrayne Limited (DML) are committed to and are engaging in this work.

NOTE OF MEETING - DRAFT

**Cabinet Secretary for Finance and Economy meeting Caledonian Maritime Assets Limited (CMAL)
Chief Executive Officer.**

07 July 2022, 1330 to 1400, MS Teams

Attendees

- Cabinet Secretary for Finance and Economy – Kate Forbes
- CMAL CEO – Kevin Hobbs
- Kate Higgins, Special Adviser
- [REDACTED].
- [REDACTED].
- [REDACTED]
- Cabinet Secretaries Private Office support

Meeting Notes

- Cab Sec noted previous advice from officials and asked KH for clarification and update on potential quick wins for vessel investment due to ongoing concern around reliability / resilience of the fleet.
- Kevin Hobbs (KH) gave an overview on current committed/planned projects including;
 - Recent purchase and deployment of MV Loch Frisa – [REDACTED]. vessel and modification works
 - 2x Islay Vessel contracts [REDACTED]. vessel costs only
 - SVRP Phase 1 (up to 7 vessels) – partially funded.
 - SVRP Phase 2 (3 loch class vessels) – not currently funded.
 - Gourock Dunoon Kilcreggan – 2 or 3 passenger only vessels depending on needs based assessment to be undertaken.
 - CMAL led/owned port enabling/major infrastructure works [REDACTED]
- KH noted that designing and building new major vessels takes time - current contracted Islay Class vessel 1 to be delivered 2024 and vessel 2 2025.
- Opportunity may be available if funding is available for a further two Islay Class vessels to be delivered in 2025/26 at a cost of circa [REDACTED]. A shortened business case and procurement process would still need to be undertaken. KH noted that accelerating this option would bring tangible benefit for fleet. [REDACTED]
- Cab Sec asked officials to review previous briefings on how the above options have been communicated to date.
- KH noted that a number of projects were unfunded and/or outwith the current IIP period. KH continued that ideally Small Vessel Replacement Programme (Phase 1 and 2), NIFS freighters and LoTI (Mallaig-Lochboisdale vessel) should be fully funded.
- KH gave an update on 2nd hand tonnage options being actively investigated. CMAL continue to investigate the market with 600 vessels surveyed but only one bought under KH tenure. Options to significantly break up/alleviate pressure on major fleet replacement programme should options below be considered for purchase;
 - MV Arrow [REDACTED]. – Available March/April 2023 but may be secured in advance - Sister vessel to NIFS freighters would bring resilience and increased capacity to both NIFS & CHFS routes – work being conducted by TS officials with CMAL input. Submission and AOT being prepared.

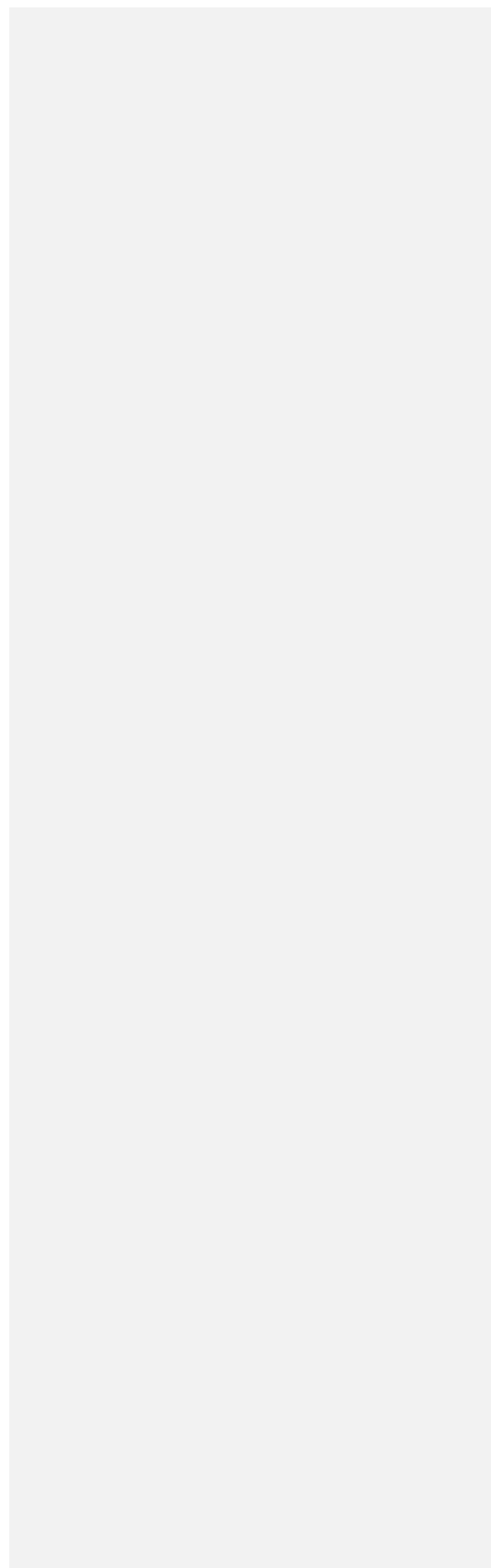
- CMAL investigating two vehicle and passenger vessels from ([REDACTED]). – Available Q1 2023 and Q3 2023 – Gap analysis to be conducted. CalMac engagement to occur.
- Cab Sec asked KH how working relations were with FMPG and how construction of MV Glen Sannox / Hull 802 was progressing. KH confirmed that relations were positive and that new CEO and secondment of CMAL staff to FMPG had helped yard to refocus. Confident of scheduled dates for delivery. Good conversations on getting yard commercially productive to allow for future work.
- Cab Sec thanked KH for time on call and discussion. Cab Sec reiterated that funding was not currently available however it may be possible back smart moves on credible and realistic options to alleviate pressures on ferries.

Actions:

- TS officials to review previous advice submitted to Ministers regarding opportunities to accelerate funding to improve vessel delivery for Scotland's ferry networks.
- TS officials to continue to liaise with CMAL on opportunities/challenges/dependencies for pursuing vessel investments in the short term (2x additional Islay Class vessels, MV Arrow, 2x [REDACTED] second hand vessels & any other opportunities) and present to Ministers as appropriate.

Out of Scope

Annex J



Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constituent Interest	General Awareness
Cabinet Secretary for Net Zero, Energy and Transport			X		
TS Ministerial Submission List [REDACTED]. [REDACTED]. [REDACTED]. [REDACTED].					