

ITT STAGE – SEPTEMBER 2021



We spoke earlier.

CMAL has been undertaking a rigorous assessment of the SPDS submissions made by a total of 11 ship yards regarding the next major vessel/s which is being built primarily for the Islay route.

The process is transparent and rigidly follows the Scottish Procurement Rules and Regulations

We have a number of assessment criteria

- Technical
- Financial
- Refund Guarantees
- Builder competency and build slot availability

This is all being finalised in preparation for an announcement no later than midday on Monday 13th September 2021.

We have a total of 4 ship yards that are to be asked to complete an “Invitation to Tender” (ITT).

We are unable to provide the names at this time due to confidentiality but there are the following countries involved

- 2 Turkish Companies who build in Turkey
- 1 Dutch Company who build in Romania
- 1 Polish Company who build in Poland.

Best Regards,
Leis gach deagh dhùrachd,

Kevin Hobbs
Chief Executive Officer
Árd-oifigear

Caledonian Maritime Assets Limited | Stóras Mara Cailleannach Eta
Municipal Buildings
Fore St
Port Glasgow
PA14 5EQ

[Redacted] – See Annex A

Good afternoon Mr Matheson / Mr Dey,

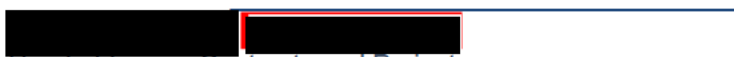
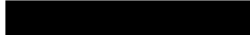
Please find attached a briefing with associated draft Accountable Officer Template relating to procurement of additional major vessels for your review and comment / approval.

You will note that this briefing and AO submission does not commit additional costs at this point, it seek approval for CMAL to proceed to ITT on the basis of two vessels. A further AO template would be submitted early in 2022 once the ITT process has been completed and costs are confirmed. We are however looking for Ministers and AO copy list colleagues to note and be aware of the approach to procuring both vessels at the same time - and the associated benefits and pressures that this brings. A second vessel would need to be procured anyway to replace one of the remaining 5 major vessels that will be outwith normal life expiry over the construction period. The RDEL pressures will be refined in the Approach to Budgeting exercise accordingly.

I appreciate the timescales are very tight on this request for approval and have therefore copied CabSec Finance and DFM for expediency. Given the strategic importance and scale of this investment we are also circulating it more widely for awareness. While we have requested response by close today we are seeking to extend this to early Monday with agreement from CMAL.

Happy to discuss and/or provide further information as required.

Kind Regards,


Head of Ferries Contracts and Projects


[Redacted] – See Annex 2

OFFICIAL – SENSITIVE

From: [REDACTED] **On Behalf Of** Cabinet Secretary for Net Zero, Energy and Transport

Sent: 06 September 2021 16:55

To: Cabinet Secretariat inbox <[REDACTED]>

Cc: Cabinet Secretary for Net Zero, Energy and Transport <[REDACTED]>; Pacitti F (Frances) <[REDACTED]>

[REDACTED]
Minister for Transport <MinisterFT@gov.scot>;
[REDACTED]

Subject: SCANCE CLEARED - Islay Vessel Scance

Importance: High

Cabinet Secretariat Team,

Apologies for the delay in sending. Please see attached written SCANCE that has been cleared by Mr Matheson.

Many thanks

[REDACTED]

[REDACTED] Private Secretary to Cabinet Secretary for Net Zero, Energy and Transport – Michael Matheson
Scottish Government | St Andrews's House, Regent Road, Edinburgh, EH1 3DG |
[REDACTED] | Email: [REDACTED]

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[REDACTED],

As discussed – submission attached along with SCANCE note providing background.

Apologies for coming to you so late on this.

CMAL are drafting a press release which I will forward on once received.

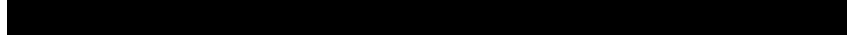
FMPG lines are being handled by SIAD/SG colleagues.

Thanks

[REDACTED]

[REDACTED] | Vessels Projects | Ferries Unit

Aviation, Maritime, Freight and Canals | Transport Scotland



My current working pattern and core hours are Monday to Wednesday and Friday, 8am – 5pm.



[Redacted] – See Annex 1

OFFICIAL – SENSITIVE

From: [REDACTED] >
Sent: 10 September 2021 12:46
To: Cabinet Secretary for Net Zero, Energy and Transport [REDACTED]; Minister for Transport <MinisterFT@gov.scot>
Cc: Cabinet Secretary for Finance and Economy [REDACTED]; Deputy First Minister and Cabinet Secretary for Covid Recovery <[REDACTED]>; Cabinet Secretary for Rural Affairs and Islands <[REDACTED]>; Chalmers D (Danny) <[REDACTED]>; Chief Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <[REDACTED]>; DG Economy <[REDACTED]>; Economy Covid-19 Hub <BESTCovidHub@gov.scot>; [REDACTED] Press Transport Scotland <media@transport.gov.scot>; Transport Scotland Directors [REDACTED]; Transport Scotland Media <DLECONPTSM@transport.gov.scot>; TS Corporate Correspondence Support Team <TSS@transport.gov.scot>; [REDACTED] Chief Financial Officer <cfo@gov.scot>; [REDACTED] First Minister <firstminister@gov.scot>; Permanent Secretary <PermanentSecretary@gov.scot>
Subject: Islay Vessel - Ministerial Update Briefing and AOT – Urgent

Good afternoon Mr Matheson / Mr Dey,

Please find attached a briefing with associated draft Accountable Officer Template relating to procurement of additional major vessels for your review and comment / approval.

You will note that this briefing and AO submission does not commit additional costs at this point, it seek approval for CMAL to proceed to ITT on the basis of two vessels. A further AO template would be submitted early in 2022 once the ITT process has been completed and costs are confirmed. We are however looking for Ministers and AO copy list colleagues to note and be aware of the approach to procuring both vessels at the same time - and the associated benefits and pressures that this brings. A second vessel would need to be procured anyway to replace one of the remaining 5 major vessels that will be out with normal life expiry over the construction period. The RDEL pressures will be refined in the Approach to Budgeting exercise accordingly.

I appreciate the timescales are very tight on this request for approval and have therefore copied CabSec Finance and DFM for expediency. Given the strategic importance and scale of this investment we are also circulating it more widely for awareness. While we have requested response by close today we are seeking to extend this to early Monday with agreement from CMAL.

Happy to discuss and/or provide further information as required.

Kind Regards,

[REDACTED]
Head of Ferries Contracts and Projects



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

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

Sent: 13 September 2021 14:45

To: [REDACTED] Cabinet Secretary for Finance and Economy <[REDACTED]>; Deputy First Minister and Cabinet Secretary for Covid Recovery <[REDACTED]>

Cc: Cabinet Secretary for Rural Affairs and Islands <[REDACTED]>; [REDACTED] Chief Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <[REDACTED]>; DG Economy <DGEconomy@gov.scot>; Economy Covid-19 Hub <BESTCovidHub@gov.scot>; [REDACTED] Press Transport Scotland <media@transport.gov.scot>; Transport Scotland Directors <[REDACTED]>; Transport Scotland Media <[REDACTED]>; TS Corporate Correspondence Support Team <TSS@transport.gov.scot>;

[REDACTED] Chief Financial Officer <cfo@gov.scot>; [REDACTED] First Minister <firstminister@gov.scot>; Permanent Secretary <PermanentSecretary@gov.scot>; Cabinet Secretary for Net Zero, Energy and Transport <[REDACTED]>; Minister for Transport <MinisterFT@gov.scot>

Subject: RE: Islay Vessel - Ministerial Update Briefing and AOT - Urgent

Hi [REDACTED],

The DFM is content to approve this.

Thanks

[REDACTED]

From: [REDACTED] >

Sent: 13 September 2021 11:45

To: Cabinet Secretary for Finance and Economy <[REDACTED]>; Deputy First Minister and Cabinet Secretary for Covid Recovery <[REDACTED]>

Cc: Cabinet Secretary for Rural Affairs and Islands <CabSecRAI@gov.scot>; Chalmers D (Danny) <[REDACTED]> Chief Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <[REDACTED]>; DG Economy <DGEconomy@gov.scot>; Economy Covid-19 Hub <BESTCovidHub@gov.scot>; [REDACTED] Press Transport Scotland <media@transport.gov.scot>;

Transport Scotland Directors <[REDACTED]> Transport Scotland Media
>; TS Corporate Correspondence Support Team
<TSS@transport.gov.scot>

[REDACTED]
First Minister <firstminister@gov.scot>; Permanent Secretary
<PermanentSecretary@gov.scot>; Cabinet Secretary for Net Zero, Energy and Transport
>; Minister for Transport <MinisterFT@gov.scot>

Subject: RE: Islay Vessel - Ministerial Update Briefing and AOT - Urgent

[REDACTED]
Thank you for the positive response from Ms Forbes, much appreciated.

DFM Office,

We have started to agree a news release etc. with CMAL based on the two vessel
ITT for issue early tomorrow and would be grateful for your approval to proceed on
this basis, as noted in the briefing and AOT.

Happy to discuss and/or provide further information as required.

Kind Regards,

[REDACTED]
From: [REDACTED] > On Behalf Of Cabinet Secretary for Finance
and Economy

Sent: 10 September 2021 17:42

To: [REDACTED] >; Cabinet Secretary for Net Zero, Energy
and Transport <[REDACTED]>; Minister for Transport <MinisterFT@gov.scot>

Cc: Cabinet Secretary for Finance and Economy <[REDACTED]>; Deputy First Minister and
Cabinet Secretary for Covid Recovery <DFMCSCR@gov.scot>; Cabinet Secretary for Rural Affairs and
Islands <[REDACTED]>; [REDACTED] Chief
Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy
<CommunicationsFinance&Economy@gov.scot>; DG Economy <[REDACTED]>; Economy
Covid-19 Hub <BESTCovidHub@gov.scot> [REDACTED]; [REDACTED]

[REDACTED] Press Transport Scotland <media@transport.gov.scot>;
Transport Scotland Directors <[REDACTED]>; Transport Scotland Media
<[REDACTED]>; TS Corporate Correspondence Support Team
<TSS@transport.gov.scot>

[REDACTED] Chief
Financial Officer <cfo@gov>

[REDACTED] First Minister <firstminister@gov.scot>; Permanent Secretary
<PermanentSecretary@gov.scot>

Subject: RE: Islay Vessel - Ministerial Update Briefing and AOT - Urgent

[REDACTED],

Please see the below response from Ms Forbes:

Thank you for the note. I am content to move to invitation to tender stage for two vessels and note the risk that the procurement process may need to restart should cost estimates for the two vessels come in substantially higher. I am also content to approve this on the basis that no spend is committed until a full business case and AO template is approved and that costs are considered as part of the resource spending review and within capital budgets.

Kind regards,

[REDACTED]

[REDACTED]

Deputy Private Secretary to Cabinet Secretary for Finance and Economy – [REDACTED]
The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG

[REDACTED] | E: [REDACTED]

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From: [REDACTED] >

Sent: 10 September 2021 16:13

To: Cabinet Secretary for Net Zero, Energy and Transport <[REDACTED]>; Minister for Transport <MinisterFT@gov.scot>

Cc: Cabinet Secretary for Finance and Economy <[REDACTED]>; Deputy First Minister and Cabinet Secretary for Covid Recovery <DFMCSCR@gov.scot>; Cabinet Secretary for Rural Affairs and Islands <[REDACTED]>; Chief Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; DG Economy <[REDACTED]>; Economy Covid-19 Hub <BESTCovidHub@gov.scot>; [REDACTED]; [REDACTED]

[REDACTED] Press Transport Scotland <media@transport.gov.scot>; Transport Scotland Directors <[REDACTED]>; Transport Scotland Media <[REDACTED]>; TS Corporate Correspondence Support Team <TSS@transport.gov.scot>; [REDACTED]

[REDACTED]; Chief Financial Officer <[REDACTED]>

[REDACTED] First Minister <firstminister@gov.scot>; Permanent Secretary <PermanentSecretary@gov.scot>

Subject: RE: Islay Vessel - Ministerial Update Briefing and AOT - Urgent

[REDACTED],

OFFICIAL – SENSITIVE

Thank you for the prompt and positive response on behalf of Mr Matheson and Mr Dey, much appreciated.

CabSec Finance / DFM,

Grateful for your consideration and comment / approval on the approach set out in the Briefing and draft AOT.

Happy to discuss and provide further information as required.

Kind Regards,

[Redacted]

From: [Redacted] > On Behalf Of Cabinet Secretary for Net Zero, Energy and Transport
Sent: 10 September 2021 15:20
To: [Redacted]; Cabinet Secretary for Net Zero, Energy and Transport <[Redacted]>; Minister for Transport <MinisterFT@gov.scot>
Cc: Cabinet Secretary for Finance and Economy <[Redacted]>; Deputy First Minister and Cabinet Secretary for Covid Recovery <[Redacted]>; Cabinet Secretary for Rural Affairs and Islands <[Redacted]>; [Redacted]; Chief Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; DG Economy <DGEconomy@gov.scot>; Economy Covid-19 Hub <BESTCovidHub@gov.scot>; [Redacted]; [Redacted]; Press Transport Scotland <media@transport.gov.scot>; Transport Scotland Directors <[Redacted]>; Transport Scotland Media <[Redacted]>; TS Corporate Correspondence Support Team <TSS@transport.gov.scot>; [Redacted]; [Redacted]; Chief Financial Officer <cfo@gov.scot>; [Redacted]; [Redacted]; First Minister <firstminister@gov.scot>; Permanent Secretary <PermanentSecretary@gov.scot>
Subject: RE: Islay Vessel - Ministerial Update Briefing and AOT - Urgent

Hi [Redacted],

Mr Matheson has asked for Mr Dey to clear on his behalf given the tight deadline.

I can confirm that Mr Dey is content with the recommendations and to clear on behalf of Cab Sec.

Many thanks,

[Redacted] | Deputy Private Secretary to Cabinet Secretary for Net Zero, Energy and Transport – Michael Matheson
Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG | Tel: [Redacted]
[Redacted] | Email: [Redacted]

awareness. While we have requested response by close today we are seeking to extend this to early Monday with agreement from CMAL.

Happy to discuss and/or provide further information as required.

Kind Regards,

[Redacted]
Head of Ferries Contracts and Projects
[Redacted]

[Redacted] – See Annex 1

Thanks [Redacted]

I have inserted the following comment into the attached version of the AO template.

I am content, noting that no spend will be committed until a full business case and subsequent AO template is approved. I also note the risk that the procurement process may need to restart should cost estimates for the two vessels come in substantially higher.

Regards

[Redacted]

From: [Redacted] >
Sent: 09 September 2021 18:48
To: [Redacted]
Chief Financial Officer
Cc: [Redacted]
Pacitti F (Frances) <Frances.Pacitti@transport.gov.scot>
Subject: RE: Islay Vessel - Ministerial Update Briefing and AOT

Adding [Redacted] CFO mailbox.

[Redacted]

[Redacted]
Director of Finance and Corporate Services
Transport Scotland

I am currently working from home Monday to Friday. I do have young children at home during this time so will endeavour to reply to emails and calls as soon as possible.



Transport Scotland, the national transport agency
Còmhdaill Alba, buidheann nàiseanta na còmhdaill

From: [REDACTED]
Sent: 09 September 2021 17:25
To: [REDACTED]
Cc: [REDACTED];
[REDACTED] <[REDACTED]>;
Pacitti F (Frances) <[REDACTED]>;
Twyman K (Kerry) <[REDACTED]>;
[REDACTED]
Subject: FW: Islay Vessel - Ministerial Update Briefing and AOT
Importance: High

Good Afternoon,

Please find attached a briefing with associated draft Accountable Officer Template relating to procurement of additional major vessels for your review and comment / approval.

You will note that this briefing and AO submission does not commit additional costs at this point, it seeks approval for CMAL to proceed to ITT on the basis of two vessels. A further AO template would be submitted early in 2022 once the ITT process has been completed.

Apologies in advance for the tight timescales, but a prompt response to this AO submission would greatly be appreciated to allow us to meet the deadline of providing instruction to CMAL by close of business on Friday 10th September 2021.

Happy to discuss and/or provide further information as required.

Kind Regards,

[REDACTED]

[REDACTED]
Finance Business Partner (Aviation, Maritime, Freight & Canals)
Finance
FCS Directorate

[REDACTED]
transport.gov.scot

Transport Scotland, Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF



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

*Our logo may not display properly on some computer systems

From: Brannen R (Roy) <[REDACTED]> On Behalf Of Chief Executive Transport Scotland

Sent: 09 September 2021 15:36

[REDACTED]; Chief Executive Transport Scotland

<ceo@transport.gov.scot>; Twyman K (Kerry) <[REDACTED]>

Cc: Pacitti F (Frances) <[REDACTED]>

[REDACTED]
[REDACTED]
[REDACTED] Chief Financial Officer <[REDACTED]>

Subject: RE: Islay Vessel - Ministerial Update Briefing and AOT

Importance: High

Thanks [REDACTED] and for the follow up call. Having reviewed, and with confirmation that Cmal has checked the robustness of the procurement process moving from 1 +1 to 2 at the ITT stage, I am content for this AO template to be considered by CFO before it proceeds to Ministers in accordance with the new AO template process.

R

Roy Brannen
Chief Executive

Chief Executive Office | Transport Scotland

[REDACTED]
Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF

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From: [REDACTED] >

Sent: 08 September 2021 18:21

To: Chief Executive Transport Scotland <ceo@transport.gov.scot>

Cc: Pacitti F (Frances) <[REDACTED]>

[REDACTED]
[REDACTED]

Subject: Islay Vessel - Ministerial Update Briefing and AOT

Good evening Roy,

Please find attached a draft Ministerial briefing with associated Accountable Officer Template for your review and comment / approval.

TS and SG Finance colleagues are currently reviewing and will provide comment in due course.

You will note that this briefing and AO submission does not commit additional costs at this point, it allows us to proceed to ITT on the basis of two vessels. A further AO template would be submitted early in 2022 once the ITT process has been completed.

Happy to discuss.

Kind Regards,



[Redacted] – See Annex 1

Hello,

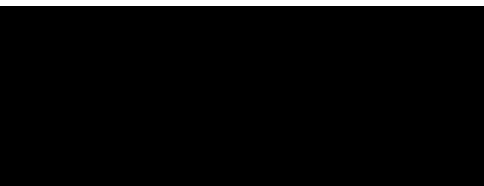
Apologies for the delay in sending this over, please find the note of the IDM outcome for Islay Vessel 2 - TSIDM21-002.


Kind regards



Business Manager
Chief Executive Office

Please note I am currently working from home but I am contactable via Microsoft Teams
Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF



From:  >
Sent: 13 September 2021 11:12

To: [REDACTED] >
Subject: FW: New Islay Vessel FBC Proposed Timeline

[REDACTED]

See below and attached for info.

[REDACTED]

[REDACTED]

Project Manager | Infrastructure Branch
Aviation, Maritime, Freight and Canals

[REDACTED]

I normally work Monday to Friday, between 8am and 4pm



From: [REDACTED]

To: [REDACTED]

Cc: [REDACTED]

Subject: RE: New Islay Vessel FBC Proposed Timeline

Hi [REDACTED]

Thanks for providing dates. All looks good to us and I have updated the project plan to include these (see attached). I have included a 3rd engagement session with dates TBC. We can discuss at our next working group meeting on the 2nd Nov the best timing and approach for this.

I will circulate the updated plan with the wider working group.

Best Regards,

[REDACTED]

From: [REDACTED] >

Sent: 13 September 2021 10:47

To: [REDACTED] >

Subject: New Islay Vessel FBC Proposed Timeline

[REDACTED]

As discussed over the phone on Friday. Below is a proposed timeline for the new Islay vessel(s) FBC for IDM review.

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FBC will be worked up over the coming months and should be 95% completed by start of December 2021 with the only outstanding information being the confirmation of shipyards vessel building costs, expected to be finalised and received by 18 February 2022 (your estimate).

Another thing to consider is when do we slot in another webinar to ensure we maintain our robust community engagement prior to contract award. Not sure if it needs to be a live webinar, but a presentation one at the very least I would suspect. We can discuss further at a later date.

- Shipyard Actual Vessels costs finalised – 18 February 2022
- Gateway Review 3 – 22/23/24 February 2022
- Draft FBC submitted to Fran/Chris 25 February 2022 then circulated wider W/C 28 February 2022
- Submission of FBC to TSS 8 March 2022
- IDM Review FBC – 15 March 2022
- Ministerial Clearance / Comms Development – 15 – 22 March 2022
- Contract Award 29/30 March 2022

Let me know if of any suggested changes/additions/amendments.

Kind Regards

[Redacted]

[Redacted]

From: [Redacted] >

Sent: 14 September 2021 12:43

To: [Redacted]

Cc: [Redacted] >

Subject: Islay ITT

Dear All

We have now issued the ITT on PCS.

Letters were emailed today at 12:00 to the successful shipyards and to the shipyards who have been unsuccessful.

A huge thanks to everyone, a big step forward.

Best Regards, [Redacted]

[Redacted]

Caledonian Maritime Assets Limited
Municipal Buildings
Fore St

Port Glasgow
PA14 5EQ

[Redacted] – See Annex 3

Thanks [Redacted]

See attached latest draft attached which is with FMQ Team for early sight...

[Redacted]

From: [Redacted] >
Sent: 14 September 2021 12:12
To: Higgins K (Kate) [Redacted] Cabinet Secretary for Finance and Economy
<[Redacted] Minister for Transport <MinisterFT@gov.scot>;
[Redacted]
Cc: Press Transport Scotland <media@transport.gov.scot>; Communications Finance & Economy
<CommunicationsFinance&Economy@gov.scot>; Pacitti F (Frances)
<[Redacted]>;
[Redacted] >;
Chief Executive Transport Scotland <ceo@transport.gov.scot>; DG Economy
<[Redacted]>;
[Redacted] >
Subject: RE: Islay vessel procurement - draft NR for clearance

Thanks Kate,

I will confirm with CMAL this is ready for issue.

Attached is a draft FMQ note, which should be of use as a starter for answering any queries on the back of this announcement.

Officials from our ferries team may have additional Q&A and specifics around Fergusons should be available via the SG SIAD team.

[Redacted]

[Redacted]

Communications Manager

Transport Scotland

[REDACTED]

From: [REDACTED] <[REDACTED]>
Sent: 14 September 2021 12:03
To: [REDACTED] >; Cabinet Secretary for Finance and Economy <[REDACTED]>; Minister for Transport <MinisterFT@gov.scot>; [REDACTED]
Cc: Press Transport Scotland <media@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; Pacitti F (Frances)

[REDACTED] >;

Chief Executive Transport Scotland <ceo@transport.gov.scot>; DG Economy <[REDACTED]>
<[REDACTED]>
>

Subject: RE: Islay vessel procurement - draft NR for clearance

Perfect thanks [REDACTED]

Do we also have Q and A to handle queries re the Fergusons bid from “this” side of things I e CMAL?

[REDACTED]
Rural Affairs, Islands and Transport
[REDACTED]

Please continue to follow the public health guidance on coronavirus at <https://www.nhsinform.scot/coronavirus>
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From: [REDACTED] >
Sent: 14 September 2021 11:51
To: [REDACTED] Cabinet Secretary for Finance and Economy <[REDACTED]>; Minister for Transport <MinisterFT@gov.scot>; [REDACTED]
Cc: Press Transport Scotland <media@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; Pacitti F (Frances)
<[REDACTED]>

[Redacted]
[Redacted];

Chief Executive Transport Scotland <ceo@transport.gov.scot>; DG Economy

<[Redacted]>
[Redacted]
>

Subject: RE: Islay vessel procurement - draft NR for clearance
Importance: High

Hi Kate,

Following your feedback please find a revised version of the news release attached for your comment/clearance please.

Thanks, [Redacted]

[Redacted]
Communications Manager
Transport Scotland

[Redacted]

From: Higgins K (Kate) <[Redacted]>
Sent: 14 September 2021 11:08
To: Dunlop M (Mark) <[Redacted]>; Cabinet Secretary for Finance and Economy <[Redacted]>; Minister for Transport <MinisterFT@gov.scot>; [Redacted]
Cc: Press Transport Scotland <media@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; Pacitti F (Frances)

[Redacted]
[Redacted];

Chief Executive Transport Scotland <ceo@transport.gov.scot>; DG Economy

[Redacted]
[Redacted]
Cabinet
Secretary for Net Zero, Energy and Transport
[Redacted]
>

Subject: RE: Islay vessel procurement - draft NR for clearance

[Redacted]

We have now elevated the news that none of the shipyards going through to the next stage are in Scotland – can we put the focus of the release back onto the 2 vessels rather than 1 and include the info about the shipyards as a note to editor so that we focus on what we want to try and get reported here?

Thanks

Kate Higgins
Special Advisor to the First Minister
Rural Affairs, Islands and Transport
[REDACTED]

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From [REDACTED]
Sent: 14 September 2021 10:50
To: Cabinet Secretary for Finance and Economy <[REDACTED]>; [REDACTED]
[REDACTED] Minister for Transport <MinisterFT@gov.scot>;
[REDACTED]
Cc: Press Transport Scotland <media@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; Pacitti F (Frances) <[REDACTED]>;
[REDACTED];
Chief Executive Transport Scotland <ceo@transport.gov.scot>; DG Economy <[REDACTED]>;
[REDACTED]; Cabinet Secretary for Net Zero, Energy and Transport <[REDACTED]>;
[REDACTED]>
Subject: RE: Islay vessel procurement - draft NR for clearance

Hello all,

I'm just picking this up from Ryan who is off today, apologies for the delay I have had problems with SCOTS so far this morning.

Following comments from Ms Forbes last night, which Ryan responded to below, can I ask for any further comment/clearance on the attached draft please?

Welcome this as soon as is possible please – the aim is to issue around 12:30 after the formal communications to the shipyards are sent out at noon.

Economy <CommunicationsFinance&Economy@gov.scot>; "Pacitti F (Frances)"

[Redacted]

Chief Executive Transport Scotland

<ceo@transport.gov.scot>; DG Economy

[Redacted]

; "Cabinet Secretary for Net Zero, Energy and Transport" <

[Redacted]

Subject: RE: Islay vessel procurement - draft NR for clearance

Ms Forbes has queried if FM has been sighted on this? She understands it is not for her to lead on, but just wanted to check.

Many thanks,

[Redacted]

[Redacted]

Private Secretary to Cabinet Secretary for Finance and the Economy – Kate Forbes

Scottish Government | Riaghaltas na h-Alba | 4N.11 | St Andrew's House | Regent Road | Edinburgh | EH1 3DG

Tel/Fòn: [Redacted]

Email /Post-d: [Redacted]



Please see Ms. Forbes [Ministerial preferences](#) which may be of assistance to you when preparing a speech, briefing, PQs, submissions or correspondence.

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

From: [Redacted] >

Sent: 13 September 2021 21:27

To: [REDACTED]; Minister for Transport
<MinisterFT@gov.scot>; Cabinet Secretary for Finance and Economy <[REDACTED]>
[REDACTED]
Cc: Press Transport Scotland <media@transport.gov.scot>; Communications Finance & Economy
<CommunicationsFinance&Economy@gov.scot>; Pacitti F (Frances)

[REDACTED];

Chief Executive Transport Scotland <ceo@transport.gov.scot>; DG Economy
<[REDACTED]>
[REDACTED]
Cabinet Secretary for Net Zero, Energy and Transport
[REDACTED]

Subject: RE: Islay vessel procurement - draft NR for clearance

Adding [REDACTED]

Thanks [REDACTED]

Sent with BlackBerry Work
(www.blackberry.com)

From: [REDACTED]
Date: Monday, 13 Sep 2021, 8:09 pm
To: Minister for Transport <MinisterFT@gov.scot>, Cabinet Secretary for Finance and Economy
<[REDACTED]>
Cc: Press Transport Scotland <media@transport.gov.scot>, Communications Finance & Economy
<CommunicationsFinance&Economy@gov.scot>, Pacitti F (Frances)

[REDACTED]
Chief Executive Transport Scotland
<ceo@transport.gov.scot>, DG Economy <[REDACTED]>
[REDACTED]
>, Cabinet Secretary for Net Zero, Energy and Transport

Subject: Islay vessel procurement - draft NR for clearance

Good evening POs for Mr Dey and Ms Forbes,

Please find an e-mail to sight both the Minister and Cab Sec on the proposed comms around the latest developments in the Islay ferry procurement exercise.

Attached is the proposed news release from CMAL. They would issue the release shortly after the formal communications to the shipyards are sent out tomorrow at noon.

The names of the successful shipyards have been included, as they will be ultimately be in the public domain (they will be named in the letters to all the shipyards that expressed interest in the contract).

The lines below would be held by SG comms for any reactive media queries about Fergusons' interests. I understand these have already been shown to Ministers in a submission last week, but I've copied them again below for ease of reference:

A SG spokesperson said:

“While it is disappointing that Ferguson Marine have been unsuccessful on this occasion, we are fully committed to supporting the yard to secure a suitable future, including a pipeline of future work, to help protect jobs and commercial shipbuilding on the Clyde. Scottish Government stands firm on our commitment to the vessels, the workforce and the yard at Ferguson.”

Background info:

- In line with normal procurement processes, Scottish Government ministers had no role in influencing successful bids.

Ferguson Marine's comms team have also worked up reactive media lines of their own for any queries, copied below:

Clearly, this is a disappointing outcome for the shipyard. We have worked hard to put forward a robust case for selection for the first stage of this tender process. However, we recognise CMAL runs a rigorous, fair and competitive procurement process and we respect the decision. We will take relevant learnings on board to inform other bids.

Scotland's public sector ferries will, of course, continue to be future business targets for the shipyard, but they are not the sole focus. We believe there is a significant opportunity for contracts and business growth in the build of complex vessels in the 40 to 100m range, which includes offshore patrol vessels and service operation vessels. We are actively pursuing opportunities of this nature, which exist in Scotland and around the world, and we remain highly focused on completion of the dual fuel ferry project, which is a top priority for the shipyard.

We have some time in the morning, so can send any comments to CMAL on the news release if needs be. It would be helpful to have any views by 10am tomorrow in order to feed them back.

Thanks,



[REDACTED]
Strategic Communications Manager
Transport Scotland

February 2022

From: Pacitti F (Frances)
Sent: 16 February 2022 09:43

To: [REDACTED]

Cc: [REDACTED]

Subject: RE: Islay Vessels

Thanks for this. Some comments on the attached. A really clear submission, for which thanks.

The key decisions for us are on 2 x voted loans and RDEL implications. Can we say more about the voted loans please? Specifically, what is the profile of spend, what are the conditions of draw down and are we satisfied that they are appropriate (to pick up on AS criticisms that spend not linked to quality or progress) and what is timing/ risk profile of repayment?

Thanks,

Fran

From: [REDACTED] >
Sent: 15 February 2022 17:34
To: Pacitti F (Frances) [REDACTED]
[REDACTED] >

Subject: RE: Islay Vessels

Thanks Fran,

Points on the Exec Summary are duly noted and will be addressed.

Can I just check if you had a chance to review the IDM paper and AOT elements (attached again for ease of reference), which I think go some way to addressing the question on what the ask is of IDM.

Kind Regards,

[Redacted]
[Redacted]

From: Pacitti F (Frances) [Redacted]
Sent: 15 February 2022 17:26

To: [Redacted]
[Redacted]
[Redacted]
[Redacted]

Subject: RE: Islay Vessels

Thanks very much [Redacted]

As ever, I am grateful to you and the team for all of the work that has gone into this.

This is too long – the exec summary runs to 37 pages. You need to find a way to bring some focus to the question being put to the IDMB please. You need a reminder of what the project is about, but much of this repeats what has already been agreed at earlier stages and could be taken out, or put in an annex of key dates and decisions leading to this point. Otherwise we invite a discussion on those questions that have already been settled.

What is the question? (You talk about two business cases which confused me a bit – I thought we had IDMB approval for two vessels already?) Isn't this just about approval of funding to allow contract award? In which case, let's avoid the mistakes of 801/ 802 and be crisp in setting that out. TS has not evaluated tenders – we should set out CMAL's evaluation and the steps that we have taken to obtain assurance on that procurement process, being clear about whose judgement is being exercised on which questions.

I would expect to see more around the funding mechanism please – affordability? contract mechanisms to ensure that draw down of funds linked to quality (reflecting on audit Scotland feedback from 801 and 802)? Will it be a voted loan? How and when will repayment be made? Assurance on value? As project sponsor, are we satisfied that this project aligns with our investment priorities and why? We have all of the info, but need to present it more clearly please.

It needs a read through for typos – still a few errant words etc that I am sure will be picked up in the final clean draft.

Could I please see the revised draft? Appreciate the timescales to which we are working, so will prioritise my review when it comes through.

Thanks

Fran

[Redacted] – See Annex 1

From: [REDACTED] >

Sent: 15 February 2022 14:03

To: Pacitti F (Frances) <[REDACTED]>

Cc: [REDACTED]

Subject: Islay Vessels

Hi Fran,

Please find attached the executive summary and IDM paper for the Islay Vessels.

[REDACTED] has kindly drafted the first version of the IDM paper and both [REDACTED] and myself have been mainly focussing on the executive summary.

Both documents are still being developed and contain numerous comments in tracked changes as well as highlighted sections within the main body, (just turn these off whilst reviewing and you can either add your own comments in the side bar or in the main body). The intention is to insert the executive summary in to Annex A of the IDM paper as well as at the start of the FBC (not attached).

We are still awaiting a paper from CalMac on updated operating costs / forecasted generated revenue, we are hoping to receive this prior to Friday for insertion in the various documents.

In relation to CMAL, I spoke with [REDACTED] last Wednesday 9th February whilst he and colleagues were travelling from Romanian to Poland for another shipyard assessment. He stipulated that we won't receive any information on vessels cost, bidders or any associated criteria feedback until COP this Friday (18th Feb), this was previously agreed with CMAL given the very constrained timeline. [REDACTED] will then work on the relevant sections of the FBC (Commercial, Financial and Management) over the course of the weekend and have these sections ready along with our own (Strategic, Social Economic) for final review on Monday 21st February.

These have to be submitted to TSS the following day on Tuesday 22nd February which in turn will also help facilitate the financial conversation with [REDACTED] yourself and others around the project on Wednesday 23rd February @ 10am.

Unfortunately we find ourselves once again in an extremely tight and pressured timeline, through no individuals fault. I have discussed this with CalMac in detail, given they would like time to review the various documents, however they are appreciative of the situation, therefore hopefully you shouldn't receive any emails concerning this?

I hope the attached provides you with a sense of confidence, helping you endorse the project when it goes before the board to consider.

I would also like to highlight the efforts others have made in getting us to this stage, which has been no easy feat.

I'm happy to discuss further with you or if you have any immediate questions or concerns. I look forward to your feedback and comments hopefully tomorrow if possible?

Many Thanks,

[REDACTED]

[REDACTED]

Project Manager

[REDACTED]

From: [REDACTED]

Sent: 23 February 2022 14:12

To: TS Corporate Governance Team [REDACTED]

Cc: Pacitti F (Frances) [REDACTED]

[REDACTED]

Subject: Islay Vessels AOT/ FBC

Importance: High

Transport Scotland Secretariat / TS Directors,

Following approval of the Islay Vessel OBC in June 2021, please find attached an IDM Action Officer Template paper for your consideration along with the Final Business Case which is embedded within Annex A and accessible via the eRDM link.

There is a dedicated meeting slot on 1 March 2022 at SMT to provide the opportunity to discuss and clarify any points you may have, both CMAL and CalMac colleagues will also be in attendance.

If you have any questions or queries in relation to the AOT or FBC, please do not hesitate to contact [REDACTED] or myself.

Kind Regards,

[REDACTED]

[REDACTED]

2nd March 2022

From: [REDACTED]

Sent: 02 March 2022 16:37

To: Pacitti F (Frances) [REDACTED]

Cc: [REDACTED]

[REDACTED]
Subject: FW: Islay Vessels - DRAFT Ministerial Submission

Good Afternoon Fran, hope all is well.

See attached the latest version of the Ministerial submission for the Islay vessels for your review and comment (if you have the time).

The AOT (Annex B) is currently with SG Finance / CFO colleagues and I'll chase for an update tomorrow morning if I've not heard anything before then. The hope is that we can get CFO sign off on the AOT and then a quick turnaround from Hugh which will allow us to issue the final version of the attached by close tomorrow.

I also intend to issue a PDF of the presentation we gave to IDMB in the email to Ministers for further background along with an offer to discuss.

Happy to discuss.

[REDACTED]

From: Pacitti F (Frances)

Sent: 03 March 2022 12:42

To: [REDACTED]

Cc: [REDACTED]

Subject: RE: Islay Vessels - DRAFT Ministerial Submission

Thanks [REDACTED] – I have only looked at the first few pages given time constraints. But on the basis that this mirrors the detail in the IDMB paper and FBC which have been subject to extensive scrutiny and discussion, I am content. A couple of minor changes suggested on the attached (typos, explaining acronyms).

Thanks again to you and the team for the all of the work to get us to this stage. Well done.

Fran

From: [REDACTED] >

Sent: 02 March 2022 07:38

To: Chief Financial Officer <[REDACTED]>

Cc: [REDACTED]

Subject: New Islay Vessels - Accountable Officer Template

Good Morning [REDACTED] / CFO Team, hope all is well.

The Final Business Case for the purchase of two new vessels and associated port infrastructure works on the Islay routes was approved by the Transport Scotland Investment Decision Making Board yesterday. We are now preparing the submission to Minister for Transport and Cabinet Secretaries (NetZET and Finance) which will seek approval to award a contract to the preferred shipyard this financial year and progress the work required to deliver the port infrastructure.

As part of the submission package we will include an update briefing with recommendation to proceed and the related Accountable Officer Template for approval. Please find attached the AOT for your review and comment/approval before final sign off by TS CEO. We are seeking to submit the briefing to Ministers this week to allow time for approvals and to complete actions on the contract award, including initial payment, this financial year. A response at your earliest convenience would be much appreciated.

Happy to provide further information and discuss any queries.

Kind Regards,

[Redacted]

[Redacted] – See Annex 1

Hi [Redacted],

Below is the CFO response and attached is the updated template reflecting these comments.

Thanks,

[Redacted]

Thank you for the email and for the well-developed value for money assessment contained in the AO template. The operational improvements associated with the new vessels have been set-out very clearly and demonstrates a value for money case for this investment. As colleagues are aware, we face significant affordability challenges in future years that are being considered as part of the ongoing Spending Review process. I am content to approve the proposed spend on the basis that:

- *The capital funding requirements for both the purchase and port infrastructure improvements are to be met and prioritised from existing budgets and existing intended allocations as per the Capital Spending Review.*
- *The resource funding requirements for 2024-25 and beyond are met from future year budget allocations. I understand these costs may require a reprioritisation of future projects which should be fully considered through the Spending Review process.*

3rd March 2022

[Redacted] – See Annex 1

From: [Redacted] >
Sent: 03 March 2022 17:40
To: Chief Executive Transport Scotland <ceo@transport.gov.scot>
Cc: TS Corporate Governance Team <[Redacted]>
[Redacted] >
Subject: Islay Ferries - Accountable Officer Template

Good Evening Hugh,

Please find attached an updated Accountable Officer Template which is currently being reviewed by SG Finance colleagues prior to being approved / signed by CFO (hopefully later today or tomorrow).

This requires your approval prior to issue to Ms Gilruth / Mr Matheson / Ms Forbes as part of the wider Islay submission.

As noted in the IDM meeting earlier this week, I'm looking to get this issued as soon as possible so a response at your earliest convenience would be much appreciated.

Happy to discuss and/or provide additional information as required.

Kind Regards,

[Redacted]

From: [Redacted] >
Sent: 04 March 2022 16:53
To: [Redacted] >; Chief Executive Transport Scotland <ceo@transport.gov.scot>
Cc: TS Corporate Governance Team <[Redacted]>
[Redacted] <Pacitti F (Frances)>
[Redacted] <Twyman K (Kerry)>
Subject: RE: Islay Ferries - Accountable Officer Template

Thanks Hugh. Given wider recent interest in ferries pressures we will include FM and DFM in the submission too.

[Redacted]

From: [Redacted] >
Sent: 04 March 2022 16:49
To: Chief Executive Transport Scotland <ceo@transport.gov.scot>
Cc: TS Corporate Governance Team <[Redacted]>
[Redacted] >; Pacitti F
(Frances) <[Redacted]>; Twyman K (Kerry)
<[Redacted]>
Subject: RE: Islay Ferries - Accountable Officer Template

Thanks Hugh, much appreciated.

CFO comments will indeed be copied across word for word.

I will issue the full briefing and AOT package to Minister now.

Kind Regards,

[Redacted]

From: Gillies H (Hugh) <[Redacted]> On Behalf Of Chief Executive Transport Scotland
Sent: 04 March 2022 16:46
To: [Redacted] >; Chief Executive Transport Scotland <ceo@transport.gov.scot>
Cc: TS Corporate Governance Team <[Redacted]>
[Redacted] >; Pacitti F
(Frances) <[Redacted]> Twyman K (Kerry)
<[Redacted]>
Subject: RE: Islay Ferries - Accountable Officer Template

[Redacted]

Content to approve on the basis that the CFO comments are imported into the template as supplied by them

Regards

Hugh

4th March 2022

[Redacted] – See Annex 1



From: [Redacted] >
Sent: 04 March 2022 17:02
To: Minister for Transport <MinisterFT@gov.scot>; Cabinet Secretary for Net Zero, Energy and Transport <[Redacted]>; Cabinet Secretary for Finance and Economy <[Redacted]>
Cc: First Minister <firstminister@gov.scot>; Deputy First Minister and Cabinet Secretary for Covid Recovery <[Redacted]>; Cabinet Secretary for Rural Affairs and Islands <[Redacted]>; Chief Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; DG Net Zero <[Redacted]>; Economy Covid-19 Hub <BESTCovidHub@gov.scot>; <[Redacted]>; <[Redacted]>; Press Transport Scotland <media@transport.gov.scot>; Transport Scotland Directors <DLECONPTSD@transport.gov.scot>; Transport Scotland Media <DLECONPTSM@transport.gov.scot>; Chief Financial Officer <[Redacted]>; Director of Budget and Public Spending <[Redacted]>



Subject: FOR APPROVAL - COMMERCIAL SENSITIVE - TS Ferries - Islay Vessels and Ports - 04 March 2022

Ms Gilruth / Mr Matheson / Ms Forbes,

FOR REVIEW AND APPROVAL

Please find attached a Ministerial briefing including Accountable Officer Template which seeks approval of funding for two new vessels for the Islay routes and associated port works. A response by close on Tuesday 08 March would be much appreciated to allow CMAL to complete vessel contract award actions this financial year.

I also attach a copy of the presentation which was used at Transport Scotland Investment Decision Making Board as additional background.

Happy to discuss and/or provide further information as required.

Kind Regards,



OFFICIAL – SENSITIVE

From: [REDACTED] > On Behalf Of Minister for Transport
Sent: 08 March 2022 10:58
To: Cabinet Secretary for Finance and Economy <[REDACTED]>; Minister for Transport <MinisterFT@gov.scot>; Cabinet Secretary for Net Zero, Energy and Transport <[REDACTED]>
Cc: First Minister <firstminister@gov.scot>; Deputy First Minister and Cabinet Secretary for Covid Recovery <[REDACTED]>; Cabinet Secretary for Rural Affairs and Islands <[REDACTED]>; Chief Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; DG Net Zero <[REDACTED]>; Economy Covid-19 Hub <BESTCovidHub@gov.scot>; <[REDACTED]>; <[REDACTED]>; Press Transport Scotland <media@transport.gov.scot>; Transport Scotland Directors <[REDACTED]>; Transport Scotland Media <[REDACTED]>; Chief Financial Officer <cfo@gov.scot>; Director of Budget and Public Spending <[REDACTED]>

Subject: RE: FOR APPROVAL - COMMERCIAL SENSITIVE - TS Ferries - Islay Vessels and Ports - 04 March 2022

Hi [REDACTED]

Ms Gilruth has expressed some concerns about the optics of awarding to a country outwith the UK, and particularly Scotland, given ownership of an existing shipyard. The Minister would be interested in views of Ms Forbes and Mr Matheson on this.

Secondly, the Minister has asked whether it is possible for officials to provide more detail on the design of the ships in terms of the tender?

Lastly, Ms Gilruth is concerned around the timescales here. Given past experiences with 801/802, can officials confirm that reporting timescales and updates on progress are built in to the contract?

Many thanks,

[REDACTED] | Deputy Private Secretary to the Minister for Transport – Jenny Gilruth
The Scottish Government | St Andrew's House, Edinburgh, EH1 3DG
Email: MinisterFT@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

Vessel Design

CMAL's initial design specification for the vessels has been developed following extensive consultation through the business case process with input from CalMac as operator and Island groups and businesses as users. The Ferry Communities Board has cited this as an example of how engagement on future vessel procurement should be undertaken.

The vessels will carry up to 100 standard cars and 450 passengers. The hull form and drive train has been designed to be around 30% more fuel efficient than the largest of the existing vessels on the route (MV Finlaggan). Shore power ability will mean that the vessels can be plugged in when berthed overnight, providing significant air quality and noise benefits around the ports. The vessel has also been designed as far as possible to allow future proofing to allow incorporation of emerging low carbon technology to be incorporated in the future (e.g. increased battery efficiency). The attached powerpoint slide shows an image of the design as envisaged.

Contract Management / Timescales

As noted in the briefing, CMAL's procurement process has been informed by significant learning from previous experience and input from expert external advisors. In particular to ensure that the chosen yard has the track record and the resources and equipment to deliver the vessels in line with the programme. This is also reflected in the resourcing profile agreed with the yard to enable it to place early orders for equipment with long lead in times.

The contract will be managed closely in terms of price and delivery timescales with CMAL on-site staff and regular reporting. Close attention is being placed on ensuring an achievable set of milestones have been developed and will be reflected in the Cardinal Date Programme. We believe that as much as possible has been done at this stage of the process to ensure delivery timescales are robust.

Kind Regards,

[Redacted]

From: [Redacted] > On Behalf Of Minister for Transport
Sent: 08 March 2022 10:58
To: Cabinet Secretary for Finance and Economy <[Redacted]>
[Redacted] Minister for Transport <MinisterFT@gov.scot>; Cabinet Secretary for Net Zero, Energy and Transport <[Redacted]>
Cc: First Minister <firstminister@gov.scot>; Deputy First Minister and Cabinet Secretary for Covid Recovery <[Redacted]>; Cabinet Secretary for Rural Affairs and Islands <[Redacted]>; Chief Executive Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; DG Net Zero <DGNetZero@gov.scot>; Economy Covid-19 Hub <BESTCovidHub@gov.scot>; [Redacted] <[Redacted]>; Press Transport Scotland <media@transport.gov.scot>;

Transport Scotland Directors <[REDACTED]> Transport Scotland Media
<[REDACTED]> Chief Financial Officer <[REDACTED]> Director of Budget and
Public Spending <[REDACTED]>

Subject: RE: FOR APPROVAL - COMMERCIAL SENSITIVE - TS Ferries - Islay Vessels and Ports - 04
March 2022

Hi [REDACTED]

Ms Gilruth has expressed some concerns about the optics of awarding to a country
outwith the UK, and particularly Scotland, given ownership of an existing shipyard.
The Minister would be interested in views of Ms Forbes and Mr Matheson on this.

Secondly, the Minister has asked whether it is possible for officials to provide more
detail on the design of the ships in terms of the tender?

Lastly, Ms Gilruth is concerned around the timescales here. Given past experiences
with 801/802, can officials confirm that reporting timescales and updates on progress
are built in to the contract?

Many thanks,
[REDACTED]

[REDACTED] | Deputy Private Secretary to the Minister for Transport – Jenny
Gilruth
The Scottish Government | St Andrew's House, Edinburgh, EH1 3DG

From: [REDACTED] > On Behalf Of Minister for Transport

Sent: 10 March 2022 13:30

To: [REDACTED] >; Minister for Transport
<MinisterFT@gov.scot>; Cabinet Secretary for Finance and Economy <CabSecFE@gov.scot>; Cabinet
Secretary for Net Zero, Energy and Transport <[REDACTED]>

Cc: First Minister <firstminister@gov.scot>; Deputy First Minister and Cabinet Secretary for Covid
Recovery <[REDACTED]> Cabinet Secretary for Rural Affairs and Islands

[REDACTED] >; Chief Executive
Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy
<CommunicationsFinance&Economy@gov.scot>; DG Net Zero <[REDACTED]> Economy
Covid-19 Hub <BESTCovidHub@gov.scot>; [REDACTED]

[REDACTED] >; Press Transport Scotland <media@transport.gov.scot>;
Transport Scotland Directors <[REDACTED]> Transport Scotland Media
<[REDACTED]> Chief Financial Officer <cfo@gov.scot>; Director of Budget and
Public Spending <[REDACTED]>

[REDACTED]

Subject: RE: FOR APPROVAL - COMMERCIAL SENSITIVE - TS Ferries - Islay Vessels and Ports - 04 March 2022

Hi [REDACTED]

Thanks for below.

Having provided below comments, Ms Gilruth is content with the recommendations.

As discussed with Cab Sec PO, I understand that Cab Sec is also content to approve.

Many thanks,

[REDACTED] | Deputy Private Secretary to the Minister for Transport – Jenny Gilruth
The Scottish Government | St Andrew's House, Edinburgh, EH1 3DG

From: [REDACTED] On Behalf Of Cabinet Secretary for Net Zero, Energy and Transport

Sent: 10 March 2022 13:38

To: Minister for Transport <MinisterFT@gov.scot>; [REDACTED]
[REDACTED]; Cabinet Secretary for Finance and Economy
Cabinet Secretary for Net Zero, Energy and Transport

Cc: First Minister <firstminister@gov.scot>; Deputy First Minister and Cabinet Secretary for Covid Recovery <[REDACTED]> Cabinet Secretary for Rural Affairs and Islands

[REDACTED] Executive
Transport Scotland <ceo@transport.gov.scot>; Communications Finance & Economy <CommunicationsFinance&Economy@gov.scot>; DG Net Zero <[REDACTED]> Economy
Covid-19 Hub <BESTCovidHub@gov.scot>; [REDACTED]
[REDACTED] Press Transport Scotland <media@transport.gov.scot>;
Transport Scotland Directors <[REDACTED]> Transport Scotland Media
<[REDACTED]> Chief Financial Officer <cfo@gov.scot>; Director of Budget and
Public Spending <[REDACTED]>

[REDACTED]

Subject: RE: FOR APPROVAL - COMMERCIAL SENSITIVE - TS Ferries - Islay Vessels and Ports - 04
March 2022

[REDACTED],

To confirm Mr Matheson is also content to approve this.

Thanks

[REDACTED]

[REDACTED]
Ferries Contracts and Projects
Transport Scotland - AMFC Directorate
[REDACTED]

04 March 2022

**TO: MINISTER FOR TRANSPORT
CABINET SECRETARY FOR NET ZERO, ENERGY AND TRANSPORT
CABINET SECRETARY FOR FINANCE AND ECONOMY**

**ISLAY FERRY IMPROVEMENTS – VESSELS CONTRACT & ACCOUNTABLE OFFICER TEMPLATE
DECISION**

PURPOSE

1. To provide an update on the procurement undertaken by Caledonian Maritime Assets Ltd. (CMAL) for two new major vessels for Islay routes and its' intention to award a contract to the preferred shipyard.
2. To seek approval on the funding of the two new vessels by way of voted loan from Transport Scotland to CMAL at a cost of up to £105 million.
3. To seek agreement for CMAL to progress associated port enabling works at Kennacraig, Port Askaig, Port Ellen and Colonsay to accommodate the new vessels at a cost of £25 million.
4. To seek agreement of the capital and resource costs set out in the Accountable Officer Template.
5. To seek comment / agreement on the initial Transport Scotland press release which is intended to be issued on 11 March when CMAL issue standstill letters to the successful and unsuccessful shipyards.

PRIORITY - Urgent

6. A response is requested by close on Tuesday 08 March to allow CMAL to complete administration and inform bidders of the tender outcome on 11 March.

BACKGROUND

7. Transport Scotland and Scottish Government recognise that the ongoing disruption to residents and businesses on our islands caused by breakdowns and vessel repairs on the Clyde and

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Hebrides network is unacceptable. These lifeline services play a critical role in supporting the economic, social and cultural development of remote and island communities.

8. Transport Scotland continues to work closely with CalMac Ferries Ltd. (CFL) and CMAL to resolve these often complex issues as efficiently as possible and to bring greater resilience across the network.
9. However, it is clear that the age profile of the fleet means that new tonnage is required. The Scottish Government announced investment of at least £580 million in ports and vessels to support and improve Scotland's ferry services, as part of the wider Infrastructure Investment Plan, on 4 February 2021. New vessels entering the fleet will be procured and owned on behalf of Scottish Ministers by CMAL, who would act as procuring authority. The vessels will be funded by way of voted loan from Transport Scotland to CMAL.
10. The Islay vessel project was initiated to consider options for replacing one of the two vessels currently serving the routes, namely the life expired MV Hebridean Isles which is approaching 40 years old. The key challenges for communities served by the Islay routes are reliability and capacity of these vessels.
11. There has been previous criticism that community views are not taken into account in the decision making process. The Islay Ferry Committee have been a key stakeholder and engaged throughout the process of developing this vessel specification and wider programme. Their involvement has been welcomed and the Ferry Community Board has highlighted this approach as a model that should be adopted moving forward.
12. The Outline Business Case for the Islay vessel replacement, recommending one new 98.4 metre vessel and associated port infrastructure, was approved by TS IDMB in June 2021. CMAL undertook a rigorous assessment of the Single Procurement Documents Scotland (SPDS) submissions made by a total of eleven shipyards and narrowed this down to four who passed all criteria to reach next stage as part of a two stage restricted process.
13. The review of the first stage submissions and further consideration of network wide resilience and fleet replacement pressures, the project team presented updated information on costs, potential benefits and longer term implications for the CHFS network of confirming one or two vessels of the same specification within the Invitation to Tender (ITT). In September 2021 Transport Scotland Investment Decision Making Board and Ministers agreed that CMAL should continue with the procurement process, confirming two vessels within the ITT.
14. Compliant tenders were received from all four short listed yards, providing confidence around the feasibility of the project, and CMAL have identified a preferred bidder.
15. On 01 March 2022 the Transport Scotland Investment Decision Making Board considered the Final Business Case for the two new vessels and associated port works and approved the recommendations put forward by the project team as set out below.
 - **Agree** the provision of £105 million voted loan to CMAL to fund the two vessels, (subject to finalisation of contracts and Ministerial approval);
 - **Agree** that work on the associated ports should progress at a capital cost of around £25 million (subject to Ministerial approval);

[REDACTED]

FINAL BUSINESS CASE – OVERVIEW

- 16. Extracts from the executive summary of the Final Business Case (FBC) are provided in Annex A.
- 17. Transport Scotland Ferries team have worked with colleagues in Transport Strategy and Analysis, Finance and with CMAL and CFL (as owners and operators) to complete the FBC.
- 18. **Capital Costs** of the two new vessels from the preferred bidder is up to £105M, including CMAL and CFL project costs and delivery to Scottish waters. Port infrastructure costs are estimated at £25M. These are in line with previous costs reported at OBC stage. As three of the ports are owned by CMAL and the works at Colonsay (an Argyll and Bute Council owned port) are limited to around £2.2M there is no resulting revenue increase from the port works element.

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
24. **Key Benefits** include;
- 38% increase in car/vehicle capacity on the routes, enabling growth in island economies.
 - Significant additional freight deadweight capacity, moving the need for potential overnight freight sailings to mid2030s based on current estimates, while futureproofing for this option in the longer term.
 - Reduced vessel emissions – New vessels are over 30% more fuel efficient than the largest of the existing vessels, MV Finlaggan.
 - Increased reliability / resilience – new vessels replacing existing ones approaching 40 years old
 - Improved port infrastructure at Kennacraig, Port Ellen, Port Askaig and Colonsay (including accessibility benefits and shore power provision)
 - Reflects Community benefits and asks as part of the engagement process.
25. **Fit with Policy** of the overall project has been assessed and found to be strong in terms of helping achieve the NTS Vision and Priorities and delivering the commitments set out in IIP. STPR2 Stage 2 has recently been published for consultation and Recommendation 24 proposes 'Ferry vessel renewal and replacement and progressive decarbonisation' to address the needs of rural and island communities by improving the resilience, reliability, capacity and accessibility of ferries.
26. **Risks and Uncertainties** relating to the new vessels are limited by the open tender process, robust review of tenders by CMAL and full refund guarantee provisions. Related port infrastructure risks around ongoing design and costs will be monitored and reported by CMAL as the contracts progress.
27. **Monitoring and Evaluation** will be undertaken during the build process (largely around cost and timescales) and following deployment to measure how the intended benefits have been realised and also to consider if any lessons can be learned for future vessel and infrastructure projects.

TENDER REVIEW – OVERVIEW

28. The four shipyards invited to tender at the second stage were:
- Cemre Marin Endustri A.S (Turkey)
 - Damen Shipyards Gorinchem B.V (Holland)
 - Remontowa Shipbuilding S.A. (Poland)
 - Sefine Denizcilik Tersanecilik Turizm San. Ve Tic. A.S (Turkey)
29. Detailed Invitation to Tender documents were issued to the tenderers via the PCS-Tender e-sourcing website with a response deadline of 06 December 2021.

30. CMAL have completed a robust review of the four tenders, with updated processes in response to previous reviews including;
- Employing a shipbroker to advise who understands the current market
 - Enhanced the level of questioning in SPDS particularly around finance, refunds and technical abilities.
 - Procurement team analysing finances supported by an independent chartered accountant (MMCA).
 - Tender assessment panel members (including CMAL CEO, CMAL Director of Vessels and CMAL Director of Finance) analysing and questioning bidding shipyards on -
 - Refund guarantees
 - Performance of shipyards (supported by Clarksons)
 - Technical abilities (supported by Woodbank Marine)
 - Technical abilities (supported by Navalue)
 - Site visits conducted at ITT stage

31. An overview of the financial and quality scores of the tenders is provided below;

Bidder	Total Price	Price Score	Quality Score	Overall score	Ranking
Shipyards 1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	1
Shipyards 2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	2
Shipyards 3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	3
Shipyards 4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	4

Summary of Proposals

32. The above base vessel fixed costs for the preferred tenderer (Shipyards 1) require addition of refund guarantee costs (2%), allowance for contract variations (3%), provision of tools/spares and CMAL and CFL project costs. The total estimated capitalised cost for IDM purposes is up to £105M.
33. At the time of writing tender clarifications are ongoing with the top ranked tenderer to confirm details of the Guaranteed Refund requirements, which we expect to be finalised shortly. Therefore no yard names have been provided against tender scores or prices at this stage.

PROPRIETY

34. CMAL are the procuring authority and will follow all required legislation and appropriate guidance in completing the process. The robust tendering and assessment process undertaken by CMAL with appropriate advice from specialist legal, commercial and technical advisors gives comfort on the approach to identifying the preferred shipyard. For the Shipbuilding Contract, the Baltic and International Maritime Council (BIMCO) "NEWBUILDCON" International Standard Shipbuilding contract will be used.



OFFICIAL – SENSITIVE

36. A gateway review process has been ongoing throughout the project. The recently completed Gateway 3 review found that the project is progressing well and that the procurement of the two vessels has received viable tenders within the affordability envelope. The review team noted that the vessel procurement project could be judged as Green if viewed in isolation with the overall project, including associated port infrastructure works, viewed as Green/Amber.

AFFORDABILITY

37. Transport Scotland budgets as part of the wider Infrastructure Investment Plan, February 2021. Scottish Government announcement of investment of at least £580 million in ports and vessels to support and improve Scotland's ferry services over the five years from 2021 to 2026.
38. The capital investment and revenue costs associated with this project are included within the figures submitted by Transport Scotland for consideration as part of the ongoing Strategic Approach to Budgeting and Capital Spending Review process. Ongoing RDEL costs will be part of future CHFS franchise contracts. However, as budget discussions are still ongoing the decision is being requested in advance of settlement. It is recognised that by committing to this project we also commit to incurring the potential increased resource costs and therefore any budgetary pressures are likely to require colleagues to undertake a reprioritisation of other future projects.

VALUE FOR MONEY

39. The tendering process for the new vessels and for the future port works is being undertaken through open procedure and in line with relevant legislation and guidance to ensure competitive prices and drive value for money. The overall project is considered necessary to provide appropriate capacity for one of the busiest routes on the CHFS network and reduce the overall age of the fleet and therefore improve reliability by replacing vessels approaching 40 years' service with new tonnage.

ACCOUNTABLE OFFICER TEMPLATE

40. A completed Accountable Officer Template which captures all of the capital and revenue costs indicated in the briefing and FBC is provided in **Annex B**.
41. As part of the response to this briefing we request approval from Minister for Transport, Cab Sec Net Zero, Energy and Transport and Cab Sec Finance.
42. Approval by 08 March will allow a contract to be secured for two vessels before the end of March 2022.

SENSITIVITIES AND HANDLING

43. It is expected that information on the preferred bidder will become public following communication from CMAL on 11 March when letters to successful and unsuccessful bidders are issued. There will be keen interest from island communities and businesses, most notably Islay but also from across the network, in any announcements or updated information on the vessel procurement. There is also expected to be significant press and political interest.

OFFICIAL – SENSITIVE

44. CMAL has undertaken a rigorous assessment of the tenders made by a total of four ship yards, all from outwith the UK.
45. There will sensitivity of a yard securing the next two major vessels out with the UK, however it should be noted there remains a significant pipeline of major and smaller vessels to be delivered over the next decade and beyond, providing the opportunity for future work. There will also be opportunities in the Local Authority vessel replacements in due course.
46. It is important that this information remains confidential until all of the yards have been informed.
47. Out with the business case work on the routes there have been speculative indications and statements made around a potential private operator providing a freight service for Islay. The detail of these potential services has never been confirmed and no formal proposal has ever come forward. Decisions on the improvements to the Islay routes set out within this briefing should not be put on hold due to these speculative options. In any event we would expect the private services (if they ever come forward) to co-exist or be made compatible with working alongside our lifeline services.
48. A draft initial press release for issue on 11 March is being developed and will be issued for approval in due course. Further communications and potential Ministerial announcement will be agreed for 21 March, when the ten day standstill period ends.

GEOPOLITICAL ISSUES

49. Questions around the ongoing situation in Ukraine and potential impact on the new vessels contract were raised at the TS IDMB. Queries around the potential location of the shipyards and their associated supply chains were asked. CMAL have indicated that the preferred bidder (based on price and quality) is located in Turkey and has the lowest risk of all of the four bidders due to where the yard is situated (on the Mediterranean sea). All yards involved in the bidding have historically relied on steel sourced from Ukraine, but can seek alternatives in other markets). The ongoing situation will be monitored and any related contract issues managed throughout the build.

IMPROVEMENTS IN PROCUREMENT PROCESSES AND REFUND GUARANTEE

50. There have been significant improvement in the development and procurement of vessel projects since the project to deliver MV Glen Sannox and Hull 802.
51. This includes increased use of the Gateway Review process noted earlier, but also the use of an independent assessor in the tender review. CMAL has also employed the services of a shipbroker (Clarksons) to provide further assurance and background on the track record of the yards bidding for the work.
52. Most importantly, it should be noted that the entire contract will be backed by a 100% Refund Guarantee that secures the investment at all stages up until the vessels is handed over at completion. [REDACTED]

DECISIONS REQUIRED FROM MINISTERS

53. The Minister for Transport, Cabinet Secretary for Net Zero, Energy and Transport and Cabinet Secretary for Finance and Economy are invited to:
- Note the updates on the Islay vessels procurement process and associated port projects;
 - Approve the funding of the two new vessels by way of voted loan from Transport Scotland to CMAL at a cost of up to £105 million;
 - Agree that work on the associated ports should progress at a capital cost of around £25M;
 - Agree the capital and resource costs set out within the Accountable Officer Template (Annex B);

[REDACTED]
 Ferries Contracts and Projects
 Transport Scotland - AMFC Directorate
 [REDACTED]

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Cabinet Secretary for Rural Affairs and Islands			X		
First Minister					X
Deputy First Minister					X

Transport Scotland Ministerial Submissions list
 Chief Financial Officer
 Director of Budget and Public Spending
 [REDACTED]



Islay Vessel Final Business Case – Executive Summary

Introduction

The Islay vessel project was initiated to consider options for replacing one of the two vessels currently serving Islay, namely the life expired MV Hebridean Isles. The key challenges for communities served by the Islay routes are reliability and capacity of vessels.

The project team included Transport Scotland Ferries Unit, Caledonian Maritime Assets Ltd and CalMac Ferries Limited.

The Outline Business Case, recommending one new 98.4 metre vessel and associated port infrastructure, was approved by TS IDMB in June 2021. Further to consideration of network wide resilience and fleet replacement pressures, the project team presented updated information on costs, potential benefits and longer-term implications for the CHFS network of confirming one or two vessels within the Invitation to Tender (ITT). In September 2021 TS IDMB and Ministers agreed that CMAL should continue with the procurement process, confirming two vessels within the ITT.

Strategic Case

The strategic context of the project, in terms of problems and opportunities, has changed since the SBC and OBC were initially completed, with the rationale for intervention becoming more acute due to continued deterioration of the network reliability and resilience and increasing costs of repairs to existing vessels. While the Covid pandemic has temporarily reduced demand on the routes, the future forecasts continue to show significant potential growth in ferry trips on the routes. The objectives identified remain valid but have been expanded to consider the wider fleet replacement benefits of a two vessel option, rather than focus on replacing an individual vessel (MV Hebridean Isles) on the Islay routes.

The preferred option of purchasing two new vessels will satisfy the objectives of the original study as well as provide further benefit to the overall objectives of the Scottish Government. Key stakeholders, including the local communities served by the routes have been kept informed of progress since the extensive engagement undertaken as part of the SBC and maintain a strong positive support for the preferred option.

Socio- Economic Case

Revisiting the appraisal of STAG and wider socioeconomic criteria as part of the FBC work has confirmed that the identified problems still exist and that the preferred option will offer a suitable solution and value for money. The preferred option of purchasing two new 98.4 metre vessels under the one contract and progressing related port enabling work has been identified as the optimum means of improving the Islay routes and contributing more to the SG's Purpose and Objectives by providing wider network benefits around reliability and resilience.

The improved reliability, additional vehicle capacity, greater efficiency and improved customer experience which will be provided by the new vessels and the related cascades meets the objectives of the original study and the consideration of wider benefits.

Commercial Case

CMAL, as procuring authority, have undertaken a robust procurement in line with relevant legislation and guidance. The robust tendering and assessment process included appropriate advice from specialist legal, commercial and technical advisors and has led to the identification of preferred shipyard. For the

Shipbuilding Contract, the Baltic and International Maritime Council (BIMCO) "NEWBUILDCON" International Standard Shipbuilding contract will be used.

Financial Case

A full financial appraisal of the preferred option has been carried out, based on resource accounting and budgeting principles, including information on funding, budgeting over the life of the project and scheme cash flow. The project's affordability has been considered against capital budgets and short, medium and longer term resource implications.

Subject to agreement with IDM and Ministers, voted loans of up to £105M to cover all costs relating to procurement of vessels would be made from TS to CMAL in the normal manner. CMAL will include a full refund guarantee in the contract with the appointed shipyard and make robust arrangements to protect the investment over the course of the construction and delivery phase.

Subject to completion of appropriate design and planning, capital grants of £25M, including appropriate optimism bias, will be made for the enabling port works and these will be closely managed by CMAL as the works progress.

Management Case

The vessel element of the project has been progressed to award of contract stage and management plans, outlining the framework for managing risk, benefit realisation, post-project evaluation and the project as a whole have been developed. Within the risk management framework all options available for risk mitigation throughout the course of construction and delivery will be considered. Suitable allowances have been made for remote and on site supervision.

A risk register for the vessels element and each of the port works will be drawn up to identify which party is responsible for each risk and these will also be combined to understand and manage the overall programme as a whole. A Benefits Realisation approach will also be developed as the projects progress to maximise positive outcomes and so that lessons learnt can be recorded and used on future vessel and port projects of this kind.

Summary Recommendations

The project team considers that a robust case has been made for purchase of two new vessels for the Islay routes and that a contract should be placed with the preferred tenderer in March 2022.

Accountable Officers, when reviewing requests should continue to consider if the key tests of: Powers of Intervention, Regulatory of Expenditure, Propriety, Value for Money and Feasibility (i.e. financial sustainability) are satisfied

Policy Questions

The nature of the request (e.g. recruitment of staff, new infrastructure, IT system changes, etc.), and the aims, and objectives the proposals will support:

This AOT requests agreement of funding for Caledonian Maritime Assets Ltd. (CMAL) purchase of two new ferries for Islay routes, associated port works costs and future net additional operating costs. Total capital costs for two new vessels from the preferred bidder is up to £105 million (including CMAL and CFL project costs and delivery to Scottish waters), associated capital costs for port works are £25 million

Figures quoted for vessels are expected to be fixed once the contact is agreed. Port infrastructure costs will remain under review as design and delivery progresses and operational costs are subject to review and may vary depending on a number of factors including market prices for materials, labour and fuel costs etc.

Transport Scotland and Scottish Government recognise that the ongoing disruption to residents and businesses on our islands caused by breakdowns and vessel repairs on the Clyde and Hebrides network is unacceptable. These lifeline services play a critical role in supporting the economic, social and cultural development of remote and island communities. Transport Scotland continues to work closely with CalMac Ferries Ltd and CMAL to resolve these often complex issues as efficiently as possible and to bring greater resilience across the network.

The Scottish Government announced investment of at least £580 million in ports and vessels to support and improve Scotland's ferry services over the next five years, as part of the wider Infrastructure Investment Plan, on 4 February 2021.

How does this link to your directorate strategy as informed by the National Performance Framework and other Government Priorities:

Scotland's ferry networks provide essential connections to our island and other remote communities. The Scottish Government's five-year Infrastructure Investment Plan (IIP), published in February 2021 set out;

"Building on our successive Vessel Replacement and Deployment Plans (VRDP) we will produce and maintain a long-term plan and investment programme for new ferries and development at ports to improve resilience, reliability, capacity, and accessibility, increase standardisation, and reduce emissions to meet the needs of island communities supported by investment of at least £580 million during the next five years as well as completing two new ferries for the Isle of Arran and the Uig Triangle."

Full deployment of the fleet during peak summer periods since 2016, growing demands across the year and an ageing vessel profile are increasing the risk and impact of breakdowns on residents, services and businesses in these fragile areas.

Eight of the ten major vessels, serving the busiest and most demanding routes on the Clyde and Hebrides Ferry Service (CHFS) network, have reached or will reach normal life expiry (around 30 years depending on vessel design and type of use) within the next ten years. This is leading to increasing maintenance and operational costs, increased breakdowns and lengthier, more disruptive vessel outages.

The situation has been further compounded by the delayed delivery of replacement vessels 801 (MV Glen Sannox) and Hull 802 which were originally due to be delivered in 2018, but are now expected around Winter 2022/23 and Spring/Summer 2023.

An additional budget allocation of £4 million CDEL is currently provided annually, over and above the subsidy provided to operate the CHFS contract to CalMac/CMAL. This has been agreed to mitigate against major breakdowns and service disruption caused by technical/obsolescence issues with the aging fleet.

The current Vessel Replacement and Deployment Plan (VRDP) indicates that MV Isle of Arran (39 years old) and the MV Hebridean Isles (37 years old) are expected to become surplus to requirement for scheduled CHFS services once MV Glen Sannox, Hull 802 (both currently under construction) and the new Islay vessels have been delivered.

Consideration regarding disposal of assets across the network is on-going. Beyond that, the following six major vessels are scheduled for replacement due to normal working life expiry in successive years from 2026:

- MV Isle of Mull - in service since 1988 – expected life expiry 2026
- MV Lord of the Isles - in service since 1989 – expected life expiry 2027

- MV Caledonian Isles – in service since 1993 – expected life expiry 2028
- MV Isle of Lewis - in service since 1995 – expected life expiry 2029
- MV Clansman - in service since 1998 – expected life expiry 2030
- MV Hebrides -in service since 2001 – expected life expiry 2031

A sustained investment programme in the coming decade to replace these major vessels, is therefore required and has been drawn up. It will bring with it significant resilience benefits to the network as a whole as well as individual routes. Also, the full commitment of the major vessel fleet has left the network vulnerable to any single vessel failure.

Is this issue unique to Scotland, compared to the rest of the UK, if so explain why this is the case:

The operation of the lifeline ferry network with Scotland is a devolved matter. The Scottish Government, through Transport Scotland, manage two ferry franchises, the Northern Isles Ferry Services (NIFS) and Clyde and Hebrides Ferry Services (CHFS). As with other vessels, the proposed new Islay vessels would be owned by CMAL and operated as part of the CHFS network.

What would be the impact if this activity was not taken forward:

As noted previously, Transport Scotland and Scottish Government recognise that the ongoing disruption to residents and businesses on our islands caused by breakdowns and vessel repairs on the Clyde and Hebrides network is unacceptable.

In CHFS contract year five (October 2020 to September 2021) 538 scheduled major vessel sailings were cancelled as a result of technical issues. 69 Of these cancellations were on the Islay route with MV Hebridean Isles accounting for 58 of these. Over 12% of MV Hebridean Isles' 813 scheduled sailings were cancelled in total (all reasons including weather, port and Covid) with significant impacts on connectivity for the communities and businesses served. These figures and the related impact on remote and island communities are expected to increase in frequency and severity as the major vessel fleet continues to get older and replacement parts become harder and more expensive to source.

If this action is delayed then the procurement will need to be restarted and procurement and delivery of the much needed vessels will likely be pushed back from 2024/25 to 2025/26. Given the current and future demands for vessels and related resources, prices for the vessels may well increase as a result of delay.

The further delay to adding new vessels to the fleet will exacerbate pressures on the existing fleet with maintenance and repair costs increasing. Disruption around the network would also be expected to continue and increase as ageing vessels continue to be used leading to impacts on Island and rural economies.

Are there other options available to take forward this action and have these been fully considered and compared?:

The Outline Business Case for the Islay vessel replacement was approved by Transport Scotland IDM in June 2021. This followed Transport Scotland STAG/Business Case/IDM Guidance to understand the problems and opportunities and, develop objectives and assess a range of service delivery options for the Islay routes.

The original Islay Vessel replacement Outline Business Case considered options for new vessels and concluded that a single vessel with related harbour infrastructure costs would be appropriate, while noting that a second vessel could bring additional benefits. Further analysis of Islay route capacity, CHFS fleet reliability and resilience and wider cascade opportunities has been undertaken. The option of confirming only one vessel within the ITT was considered but due to wider network pressures and the urgent need to accelerate the fleet replacement programme the two vessel option was agreed with TS IDMB and Ministers in September 2021.

It should be noted that any other actions to bring additional major vessel in to the fleet would further delay the fleet replacement programme with the associated impacts on networks and the island communities and businesses they serve. The procurement of two vessels as part of the current process therefore presents a positive option to bring much needed progress.

If already taken forward, why this needed an urgent response and what would have been the impact on the proposal/proposed mitigating action if this was delayed:

Not already taken forward.

What budgetary and legislative powers will be used to undertake the activity? (eg is the spend covered under the budget act and legislative powers of the Scottish Parliament). Please contact SGLD and finance for advice

CMAL are the procuring authority and will follow all required legislation and appropriate guidance in completing the process.



Do you consider the spend to be novel or contentious? If so please contact your Finance Business Partner for advice

The spend is not novel but may be considered contentious. The order for the vessels will be placed out with Scotland / UK.

Areas of government the costs will impact (e.g. Directorate / Local Government / Public Body) :

Transport Scotland budgets as part of the wider Infrastructure Investment Plan, February 2021. Scottish Government announcement of investment of at least £580 million in ports and vessels to support and improve Scotland's ferry services over the five years from 2021 to 2026.

Overall, do you consider this spend to be value for money?

- How will value for money be assessed for this projects (i.e. the plans for monitoring evaluation by assessing performance against SMART objectives and the National Performance Framework for example).
- If other options might achieve the objective at lower costs note the additional benefits gained from the selected option
- Consider the impact of risk in the project and how it affects your value for money assessment

Although primary driven by asset life expiry, new vessels for the major vessel fleet would provide a number of benefits at the network level and would contribute to meeting a number of the objectives of the IIP, particularly:

- improving resilience
- improving capacity
- standardisation

All of these objectives will be carefully monitored as the vessels enter service and will be fed back in to the consideration of further fleet replacement across the wider network in future years.

In addition to the network performance benefits, vessel specific aspects will also be monitored, including:

- fuel/energy consumption
- running costs
- passenger satisfaction

TEMPLATE CONTINUES ON NEXT PAGE

What reprioritisation and mitigating options/actions have been explored in advance of this proposal to manage or absorb the request, including cutting costs and, reprioritising existing staff and budgets:

The option of not renewing or delaying the renewal of the fleet has been considered but it would ultimately lead to vessels being taken out of service with direct and significant impacts on island and remote communities. Enhanced maintenance/resilience spend is already in place and being used to keep the exiting vessel running beyond normal life expiry of 30 years.

CMAL continue to search the world shipping markets for suitable second hand vessels but these are scarce and would not be of the design required to fit the major vessel fleet.

What are the longer-term financial implications of this request, and how will these be funded from the business area (e.g. if funding increase in staffing how will recurring staff costs be met in future years)

The capital investment is allowed for in current Transport Scotland financial planning and ongoing RDEL costs will be part of future CHFS franchise contracts.

Transport Scotland budgets for new vessels and port work were announced as part of the wider Infrastructure Investment Plan, February 2021. Scottish Government announcement of investment of at least £580 million in ports and vessels to support and improve Scotland's ferry services over the five years from 2021 to 2026.

The capital investment and revenue costs associated with this project are included within the figures submitted by Transport Scotland for consideration as part of the ongoing Strategic Approach to Budgeting and Capital Spending Review process. However, as budget discussion are still ongoing the decision is being requested in advance of settlement. It is recognised that by committing to this project we also commit to incurring the potential increased resource costs and therefore any budgetary pressures are likely to require colleagues to undertake a reprioritisation of other future projects.

Ongoing RDEL costs will be part of future CHFS franchise contracts. The estimates of RDEL impacts will be refined as the vessels approach delivery and it is expected that the overall impact will be lower than included at this stage due to refinement of estimates, consideration of wider interactions with other projects / deployment options and updates on revised revenue from farebox income.

What timeframe does this commitment cover (eg what date will the spend commence and when is it expected to end to the nearest month)

The capital build costs will be from this financial year (2021/22) to 2024/25 assuming an order for two vessels is placed in March 2022. The vessel spend profile of 30%, 20%, 30%, 20% is intended to minimise risks of delay in ordering/securing key build items and machinery, provide certainty to the shipyard and incentivise delivery. The contract will also include a full refund guarantee.

The operational costs for the vessels will be an ongoing part of the CHFS franchise. While the current contract is due to end in September 2024, future contracts would take on the operational and related charter costs for the new vessels.

What are the impacts on the tax system of this request – whether that be devolved taxation or tax powers reserved to the UK Government? If none, please explain why. If unsure please contact the Tax Division for advice.

N/A

Procurement

When approval for the proposed expenditure is needed by, with reference to when the funds need to be committed by, and the contractual arrangements for committing them (including what discussions you have had with procurement).

Agreement to proceed is requested in early March 2022 to allow for Ministerial clearances and initial payments for the vessels to be made to CMAL this financial year (FY/2021/22).

CMAL have confirmed more robust metrics have been undertaken in the current procurement process following lessons learned in previous vessel build projects. These being:

- Employing a shipbroker to advise who understands the current market
- Enhanced the level of questioning in SPDS particularly around finance, refunds and technical abilities.
- Procurement team analysing finances supported by an independent chartered accountant (MMCA).
- Tender assessment panel members (including CMAL CEO, CMAL Director of Vessels and CMAL Director of Finance) analysing and questioning bidding shipyards on: -
 - Refund guarantees,
 - Performance of shipyards supported by Clarksons

- Technical abilities supported by Woodbank Marine
- Technical abilities supported by Navalue
- Site visits conducted at ITT stage

The costs of the vessels would be kept under close scrutiny throughout the procurement and contract delivery process. The strong interest from shipyards around the world brings with it some confidence that a competitive price for both vessels will be achieved.

Procurement reviewed by: [REDACTED]	Date: 22/02/2022	Comments: TS Procurement are satisfied with the approach on the understanding that CMAL are the procuring authority and will follow all required legislation and appropriate guidance in completing the process.
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Legal

Any legal risks arising from the proposed spending and confirmation that these have been considered by SGLD:

CMAL are the procuring authority and will follow all required legislation and appropriate guidance in completing the process. [REDACTED]

Legal reviewed by: [REDACTED] [REDACTED]	Date: 22/02/2022 22/02/2022	Comments: [REDACTED] MAL's independent legal advice for the project is being provided by Addleshaw Goddard LLP.
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HR

Any decisions with regards to staffing resource must considered in the context of resourcing policy and your workforce/resource planning, take into account recurring future year costs, and involve HR Business Partners.

If the activity involves new staffing resource has consideration been given to all other options – such as resource becoming available through re-prioritisation or multifunctioning staff within and across Directorates:

N/A

Subsidy Control (formally State Aid Unit)

Any risks arising from the proposed spending and confirmation that these have been considered by the State Aid Unit:

N/A – Open tender.

Subsidy Control Unit reviewed by:

[Redacted]

Date:

21/02/2022

Comments:

As stated this is an open procurement exercise, and therefore no subsidy control issues present.

SG Finance – CFO considerations:

The above business case has been reviewed by SG Finance who highlight the below comments:

[Redacted]

OFFICIAL - SENSITIVE

The operational improvements associated with the new vessels has been set-out very clearly and demonstrates a value for money case for this investment. As colleagues are aware, we face significant affordability challenges in future years that are being considered as part of the ongoing Resource Spending Review process. I am content to approve the proposed spend on the basis that:

- The capital funding requirements for both the purchase and port infrastructure improvements are to be met and prioritised from existing budgets and existing intended allocations as per the Capital Spending Review.
- The resource funding requirements for 2024-25 and beyond are met from future year budget allocations. I understand these costs may require a reprioritisation of future projects which should be fully considered through the Spending Review process.

CFO signed:



Date:

4 Mar 2022

Comments:

As Above

Declaration

The above business case is judged as the best course of action to mitigate priority costs. All efforts have been made to resource activity from within current staffing and budgets, and options to acquire resource from other areas of the Scottish Government have been fully exhausted before requesting further resource.

	Signed	Date
Transport Scotland Chief Executive	Hugh Gillies	4 Mar 2022

AOT ANNEX B: List of challenge questions and answers

Directorate	Question Raised and by whom	Answer

SCANCE Contribution

Cleared contributions must be with Cabinet Secretariat by 1pm on Mondays, (unless an extension has been agreed):

Send to your Cabinet Secretary and Cabinet Secretariat Inbox

CMAL expect shortly to announce the four yards to be issued with an Invitation to Tender to proceed to the next stage in procurement of the new Islay vessel (funded through the £580m set out in the Infrastructure Investment Plan). This is not yet in the public domain and the yards will not be informed until midday on Monday at the latest.

The decision has still to be confirmed by the CMAL Board on Wednesday. CMAL is the procuring authority and neither Ministers nor officials have a role in the process. It is also likely that this procurement will involve a second vessel of the same design – this is widely known and welcomed by island communities. Formal announcement will be agreed with CMAL. 11 Yards bid in total. Unsuccessful yards will be offered detailed feedback.

Speaking Note

A copy of this should be sent to Cabinet Secretariat when complete

Send to your Cabinet Secretary and Cabinet Secretariat Inbox

- Cabinet will be aware that we are in the process of procuring new vessels for the lifeline ferry network utilising the £580m in the Infrastructure Investment Plan.
- We expect CMAL to confirm the yards that will be invited to submit tenders for the new Islay vessel later this week or by midday on Monday at the latest. This will follow confirmation of a paper to its Board on Wednesday. CMAL is the procuring authority and neither Ministers nor TS officials have any role in the process.
- CMAL has been undertaking a rigorous assessment of the SPDS (Single Procurement Documents Scotland) submissions made by a total of 11 ship yards regarding the next major vessel/s which is being built primarily for the Islay route.
- CMAL have narrowed this down to a total of 4 ship yards that are to be asked to complete an “Invitation to Tender” (ITT). They cannot confirm the names of the 4 yards, but understand that these are all out with the UK. Confidentially, we understand that Fergusons Marine Port Glasgow had put in a SPD submission. All unsuccessful yards will receive detailed feedback on how they performed in the process.
- None of this is currently in the public domain and it is important that this remains confidential until all of the yards have been informed. We will agree wider Comms with CMAL across the week.

Further Background

The process is transparent and rigidly follows the Scottish Procurement Rules and Regulations

OFFICIAL - SENSITIVE

There are a number of assessment criteria including Technical, Financial, Refund Guarantees, Builder competency and build slot availability

Name of Official:



Extension Number:



FMQ – ISLAY VESSELS PROCUREMENT

ISSUE: 14 Sept – Islay Vessels Procurement – CMAL issue of Invitation to Tender for two new major vessels for the Clyde and Hebrides Ferry Services fleet. Expect related media around the announcement and the four shipyards which have been invited to tender - all are from outwith the UK.

TOP LINES

This Invitation To Tender (ITT) demonstrates the Scottish Government’s commitment to investing £580 million over the next five years to improve infrastructure, bring new vessels into service and support our island communities.

- We know the fleet operating on the Clyde and Hebrides network needs replacements, so we are extending the procurement and inviting shipyards to tender for two vessels at the same time.
- This approach will help accelerate new ferries into the fleet and save the public purse money.
- Work on vessel requirements has involved close engagement with a number of stakeholders, most notably the community on Islay.

PROCUREMENT APPROACH

CMAL issued an open tender for the vessels and received interest from shipyards around the world.

- 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 will now be 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 and is estimated to be worth around £100m.
- The vessels are likely to enter service around 2024/25.

VESSEL DEPLOYMENT

The deployment of the vessels on the Islay route will provide benefits to Islay and across the wider network.

- The Islay route is already one of the busiest services for freight on the Clyde and Hebrides network, and the incoming ferries will support the island’s vital economic activity.
- 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.

- Final plans for the deployment and resulting cascade of the vessels in the fleet will be progressed over the coming years to deliver efficient and resilient use of the assets across the network.

FERGUSON MARINE IMPLICATIONS

While it is disappointing that Ferguson Marine have been unsuccessful on this occasion, we are fully committed to supporting the yard.

- Efforts continue to secure a suitable future, including a pipeline of future work, to help protect jobs and commercial shipbuilding on the Clyde.
- Scottish Government stands firm on our commitment to the vessels, the workforce and the yard at Ferguson.
- In line with normal procurement processes, Scottish Government ministers had no role in assessing the bids.
- Given our investment programme for ferries, there will be future opportunities for the yard in building new vessels to serve our islands.

This Government will always back the shipbuilding industry in Scotland.

- The Scottish Government stands firm on its commitment to the completion of vessels 801 and 802, the Ferguson's workforce and the yard.
- Our efforts saved Ferguson Marine from closure, rescued more than 300 jobs, ensured that the two vessels under construction will be completed and secured a future for the yard.
- We continue to work with the yard to do everything we can to ensure that the vessels enter service as quickly as possible, to deliver the service improvements upon which our island communities depend.
- There are no plans for Ferguson Marine to merge with another entity.

The yard is rightly turning its attention to winning the next contracts.

- The decision of which contracts to bid for is for the board and management at the yard, not the Scottish Government. SG can make the yard aware of contracts but does not influence what is bid for.
- We realise the yard will need to win new contracts beyond the completion of the two ferries and that is exactly what the management team and Board of Directors are pursuing.
- Longer term decisions around ownership of the yard will depend upon a number of factors including how the yard's future order book evolves.