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Convener,
Rural Economy and Connectivity Committee,
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The Scottish Parliament
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14 August 2020

Dear Edward,

Inquiry into the construction and procurement of ferry vessels in Scotland

Many thanks for your update of 30 June 2020 regarding progress in adapting the Committee's working arrangements in response to the COVID-19 emergency and your setting out the next steps for your own evidence sessions. I commend the Committee for its efforts to ensure business continuity during a period that has been most challenging for Parliament as a whole and those serving on the Committee, and believe that Parliament has shown itself to be adaptable and resilient in the face of such a challenge.

As discussed, I am of course happy to accept the invitation to attend on the morning of Wednesday 26th August and will be pleased to engage with the Committee in its work. I understand that Ms Hyslop, Cabinet Secretary for Economy, Fair Work and Culture will also attend on this date and is happy to do so.

In recognition of the time which has elapsed since the first Committee session, I instructed officials to prepare a written statement on behalf of Scottish Ministers. I hope that this will be of assistance to Committee members in their consideration of the various issues which have been discussed to date in evidence you have received to date. The written statement has been provided alongside this letter.

By way of interim update on the specific issues that you have highlighted:

Vessels 801 and 802

You have requested a general update on progress towards fulfilling the hybrid ferries contract awarded to Ferguson Marine and for information on the impact the COVID-19 pandemic has had on the planned timetable and anticipated costs of completing the two vessels.

Design work had continued throughout the pandemic and Ferguson Marine resumed outdoor work with physical distancing in the week commencing 8 June. Ferguson Marine has since been implementing further restart phases, taking account of updated Scottish Government guidance. Trade Unions at the yard are a key partner in this work, given that the health and safety of the workforce is paramount, and I warmly welcome their involvement.

The Cabinet Secretary for Economy, Fair Work and Culture has asked Tim Hair, Turnaround Director of Ferguson Marine, to provide an updated report on cost and programme for vessels 801 and 802 to reflect the impact of COVID 19. The updated report will be finalised once a full assessment of the impact of lockdown has been made. It is not anticipated that this technical report will be available by the deadline you requested of 14 August.

In line with our commitment to transparency we will of course keep Parliament and the REC Committee updated and we will proactively publish a copy of the report in due course, once received.

Ms Hyslop will be able to answer any questions in relation to Ferguson Marine, including the progress under the contracts, when she provides evidence on 26 August.

Vessel Replacement & Deployment Plan (VRDP)

You have asked for an update on the preparation and publication of an updated Vessel Replacement and Deployment Plan. A draft report covering the Clyde and Hebrides network was circulated to stakeholders including Ferry Stakeholder Groups, relevant local authorities, regional transport partnerships and trades unions in June 2019. A number of comments were received which have been considered within the subsequent drafting together with the outputs of Scottish Transport Appraisal Guidelines (STAG) studies of ferry services to, from and within the Outer Hebrides and of Mallaig/Armadale port options. This report is now substantially complete, however the process has been paused in recent months due to the need to focus efforts on responding to the Covid-19 emergency.

The report includes route by route capacity utilisation forecasts based on 2018 carryings figures. However these traffic growth forecasts were based on economic forecasts undertaken pre-COVID-19 and it is too soon to provide meaningful patronage estimates relating to the impact which the current crisis will have on demand and future growth.

The look and content of the final VRDP output may therefore differ from previous published reports. However, it will continue to focus on addressing asset life, reliability and emissions as key areas where we wish to see progress and, clearly, these are matters of great interest to the Committee and to stakeholders, too. The current draft VRDP Report identifies a proposed pipeline of vessel and harbour projects which are now being initiated.

Island Connectivity Plan (ICP)

The Scottish Government produced the first comprehensive Ferries Plan in 2012, based on the needs of communities, following the Ferries Review. This Plan is due to be replaced by the end of 2022. Initial work has begun on the successor, but it will take a wider focus on connectivity of islands communities, too.

Therefore, this document, which we are referring to as the Islands Connectivity Plan, will differ from the current Ferries Plan and will be developed within the policy context provided by the recently published National Transport Strategy and National Islands Plan, which are themselves aligned to the Scottish Government's Purpose and National Outcomes.

It will be closely linked to the emerging Strategic Transport Projects Review, in order to consider island connectivity more broadly having regard to aviation, ferries and fixed links for connecting and onward travel. It will also reflect the Scottish Government's commitments to achieve net carbon neutrality by setting out pathways towards zero/low emission vessels and services and it will also need to reflect the needs for integration with other modes of transport and the context of the need for ambitious decarbonisation of the transport sector. That policy development is underway.

The ICP will also set out our future policy on fares. The latest RET evaluation report has now been finalised and a copy of the report has been shared with the working group members, for feedback prior to publication. However, the publication of the report has been put on hold due to the priorities focussing on managing COVID-19 related issues.

I will be happy to answer any questions in relation to ferries procurement or ferries policy, including the VRDP and the Island Connectivity Plan, when I provide evidence on 26 August.

Thanks you again for enabling an early opportunity to discuss matters which are of importance to me and I hope the written statement that has been prepared will also be of assistance to Members and the Committee's clerks.

Kind regards



PAUL WHEELHOUSE