



T: 0300 244 4000
E: scottish.ministers@gov.scot

Convenor Rural Economy and Connectivity
Committee
Scottish Parliament
EDINBURGH
EH99 1SP

6th November 2017

Dear Convenor,

New Ferries for the Clyde and Hebrides – Progress

In October 2015, Caledonian Maritime Assets Ltd (CMAL) placed orders for 2 new major vessels for the CalMac fleet with Ferguson Marine Engineering Ltd (FMEL). The shipyard had been brought back into business following its purchase by Clyde Blowers Capital (CBC) the previous year.

I have visited the shipyard now on a number of occasions and seen the impressive developments that are taking place alongside the construction of the ships. If Committee members have not already done so then I would encourage them to visit the yard, either individually or as a Committee, to see this positive story of the regeneration of the commercial shipbuilding industry on the Clyde for themselves.

These will be the first ferries operating in the UK that are designed to use cleaner Liquefied Natural Gas (LNG) fuel. The project is ambitious and complex, giving rise to some challenging engineering issues for FMEL and CMAL.

I have been in regular contact with CMAL and with the Chair of CBC, Jim McColl, concerning the progress of the two vessels. Last Friday I met with Mr McColl along with representatives of CBC, FMEL, CMAL and Transport Scotland to discuss delivery dates. Following that meeting, Mr McColl wrote to me (see attached letter) explaining that the delivery of the first vessel, to be named the MV Glen Sannox when she is launched on 21 November, is now expected to be during winter 2018-19.

Clearly it is disappointing that the new vessels will not be delivered in summer 2018 as FMEL originally planned. However, we should view this slippage in the wider context of the efforts that the workers and management at FMEL have made to construct two innovative vessels in parallel with the investment that has taken place to modernise the shipyard. CBC has made substantial investments in the shipyard since taking it over in 2014 to upgrade the facility; this includes fabrication halls, craneage, slipways, office and staff welfare facilities.



The scale of the necessary investment has, unsurprisingly, made day to day operations at the yard more complicated, impacting on the delivery of key milestones for the vessels. The positive news is that the shipyard is now fit for purpose for the completion of the new vessels and the delivery of future projects.

I recognise that this news will be disappointing, however, I can reassure the Committee that I will be working with CalMac to ensure that there is no reduction in service as a result.

I have agreed with FMEL and CMAL that, in line with good practice on other major infrastructure projects, a third party peer review will be undertaken by one or more industry experts. This will explore whether any slippage can be recovered and seek more specific delivery dates for the two vessels.

I would be pleased to discuss this project further with the Committee when I attend on 22 November and will keep the Committee informed of progress. The Committee may want to consider inviting Mr McColl and senior CBC, FMEL and CMAL representatives, along with myself, to future sessions to discuss progress with these vessels.

Best wishes,

H. Yousaf

HUMZA YOUSAF



Clyde Blowers Capital IM LLP
3 Redwood Crescent
Peel Park
East Kilbride
G74 5PA

T: + 44 (0) 1355 575000
F: + 44 (0) 1355 579600
E: info@clydeblowers.co.uk
www.clydeblowerscapital.com

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by email

Minister for Transport and the Islands

Dear Minister

As previously published, Ferguson Marine Engineering Limited (FMEL) was successfully awarded the contracts to construct and deliver the two dual fuel ferries for Caledonian Maritime Assets Limited (CMAL), which will be first in class for Scotland and indeed in the UK.

As the first ferries in the UK capable of being run on liquefied natural gas (LNG) and marine gas oil, not only has this been an extremely exciting and ambitious project for both FMEL and CMAL, but it has been an extremely complex one as well. Whilst FMEL and CMAL continue to work closely together on the highly challenging engineering issues arising from the unique nature of the dual fuel ferry project, the result of these unforeseeable challenges will result in a delay to the previously announced dates that the two ferries would enter into service. However, the experience and knowledge gained during this project will be of enormous benefit to the competitiveness of Scottish shipbuilding in the future as technology continues to develop to meet tightening clean energy legislation.

The first ferry, named MV Glen Sannox, originally estimated for delivery in Summer 2018 will now be delivered in Winter 2018 / 2019. We are in the process of finalising the revised delivery date for the second ferry which I will advise you of as soon as we have an agreed date.

Over the past 3 years we have invested c.£25m in the business which we bought out of administration with only 7 employees. Today we have a total of 360 employed at the yard including 37 apprentices and 92 contractors. Most of our investment has been focussed on rebuilding the yard into a modern, competitive, highly productive facility with the goal of being the technology leaders in Clean Energy Propulsion Systems within a modern efficient shipyard.

Whilst building these first ferries in the UK capable of being run on Liquefied Natural Gas (LNG) and Marine Gas Oils, we are also working on a project to build the first ferry powered by Hydrogen Fuel Cell Technology combining traditional shipbuilding experience with leading edge science and engineering.

The socio-economic impact and prosperity that is being created by the investment in Port Glasgow, one of the most deprived areas in Scotland, is immense. Hundreds of well-paid professional, technical and highly skilled jobs have been created and further investment is



planned next year to establish an industry leading ship repair and maintenance facility creating more new high quality job opportunities.

We have been able to attract a highly qualified team of individuals from some of the best talent in the industry and through our very active apprentice training scheme we are developing these skills in our young people to ensure that we are well prepared for the future.

We are disappointed by the delays caused by the challenges presented by the specification of these vessels. However, the foresight shown by The Scottish Government to pursue a low carbon future in the ferry sector provides Scottish industry with an excellent platform to establish a leading position in low carbon marine technology globally.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jim McColl', with a horizontal line underneath.

Jim McColl
Founder, Chairman & CEO