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14 February 2019

Kevin Hobbs, CEO
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Municipal Buildings
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Dear Kevin

Thank you for your emailed letter dated 14 January 2019 relating to the planned delivery dates of the two ships under construction in our yard.

As you must be aware, it is not possible for us to determine when these ships will be delivered to the CalMac fleet until such time as we have confidence that there will be no more:

- Changes instructed to the works;
- CMAL interference in the design process; and
- CMAL delay in providing necessary approvals.

In addition, the knock on effects of many of the previous delaying events are still not fully understood. For example, our claim document submitted on 20 December 2018 makes it clear that it is not yet possible to accurately identify the finish date of certain delays in window 3 for Hull 801. If you are in the position to draw a line under such and formally commit to no more changes, interference and delayed approvals, then we can finally start to properly programme when the ships are likely to be finished and measure progress against such a programme. Until that happens, you are in sole control of the timing.

Since we started this project to design and build two first in class dual fuel ships, you have demanded multiple changes to the design of them, and these changes keep coming. Our claim document provides extensive detail in that regard. The significant additional costs, which will be borne by tax payers, now means that CalMac – which is essentially your customer – could have had four new ferries for the cost of the two sitting in our yard. That must be deeply frustrating for CalMac and the Scottish Government, who both wrongly and directly take the brunt of criticism, relating to the age and reliability of a fleet of ships that is wholly managed by you.

For the record, significant changes to these ships include the decision to change the engine size (having waited 6 months to decide what engine you wanted), the design of the propellers, the addition of a ducktail, the relocation of LNG bunker stations, Mooring systems, the layout of passenger areas, the relocation of pillars, the increasing number of sewage zones, more than 300 changes to the accommodation areas and an increase in the number of pipe spools from 4500 to 9200. These are



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significant changes to the design which collectively amount to an increasingly complex finalising of the project. In short, we are now trying to piece together a ship, the insides of which no one could have planned for.

It is my view that this whole sorry affair could have been avoided if CMAL had spent time pre-ITT on satisfactorily developing the concept of these ships and fixing its requirements. It is also surely in the public interest now for you to explain that these dual fuel, high technology ferries will almost certainly run on MGO (Marine Grade Oil) and not LNG. It is questionable whether the technology will be utilised as intended because of the short crossings in which they will be used. Accordingly, we now know that there will be an increased methane slip which could be significantly worse for the environment than those ships currently in service. Additionally, CMAL have missed the opportunity to use 801 and 802 as the start of a much needed and economically sensible standardisation programme for the ferry fleet, showing a lack of clear fleet strategy and understanding of operational economics and efficiencies.

We plan to raise these matters directly with Transport Scotland and Scottish Ministers. We are working hard on the rebirth of Scottish Shipbuilding after generations of decline. Our order book is an exciting one. We are now the global leader in zero-emission marine hydrogen technology, working on a dual fuel installation for one of the Orkney Islands passenger ferries and the world's first zero emission ferry, using hydrogen fuel cells, with fuel harvested from renewables. We are also playing a key role in the UK National Shipbuilding Strategy and are currently in 2 of the 3 remaining consortia bidding to build type 31e frigates for the Royal Navy.

These are all great successes for our yard and the 400 strong workforce, which is a proud one. Therefore, we are no longer willing to allow our growing reputation as an innovative and productive yard to be undermined by the repeated failings of CMAL and we certainly will not put up with the bullying of the men and women who are working hard to make Ferguson Marine a competitive force in world shipbuilding. As you know, we had to remove one of your team from our yard due to the aggressive manner in which he made his (CMAL's) demands to my team.

I'm sorry I can't be more positive but this is a situation entirely of CMAL's making and only you or your team can bring it to a resolution. By agreeing to fund the increased costs you have caused us to incur by the end of March 2019 and by committing to no more changes, interference or delayed approvals on the part of CMAL, you will allow us to properly programme the works and provide clarity on expected delivery dates in order to avoid any disruption to the 2020 season. Failure to reach such agreement will only lead to further delays and make accurate programming impossible. Scotland's travelling public, its tax payers and many tourists who enjoy visiting our Islands deserve much better.


Yours sincerely


Gerry Marshall, CEO
Ferguson Marine Engineering Limited

cc.

First Minister - 

Transport Minister - 

Liz Ditchburn, DG Economy - 

Roy Brannen, CEO Transport Scotland 