

## RURAL ECONOMY AND CONNECTIVITY COMMITTEE

### INQUIRY INTO THE CONSTRUCTION AND PROCUREMENT OF FERRY VESSELS IN SCOTLAND

#### SUBMISSION FROM COMHAIRLE NAN EILEAN SIAR

#### **1. What are your views on the conclusions and recommendations of the programme review board with respect to delivering the most effective delivery programme for the completion of the two vessels, MV Glen Sannox (vessel 801) and vessel 802?**

The Comhairle welcomes the opportunity to respond to this inquiry given the importance of ferry connectivity to the Outer Hebrides, and the impact on communities in Harris and North Uist in particular as a result of the delay in completion of vessel 802.

The Ferguson Marine Programme Review Board report gives a comprehensive review of the current status of the vessels, and the level of action required to successfully deliver both vessels. The findings of the report are damning for all involved. The report provides an assessment of the current position, explains why delays and cost overruns have arisen, and identifies a substantial number of areas where project management and production controls will be improved to secure the delivery of the vessels.

However, of particular concern are the issues highlighted within the report which may impact further on target dates and budget for the delivery of the vessels. It is worrying to note that the final design for both vessels is still not in place, with the report stating that, 'The basic design...has still not achieved completion and approval...except in a small number of areas. This is several years behind schedule and has been a key cause of rework on the vessels.

Therefore, beyond the priority to deliver vessels 801 & 802, the conclusions of the Programme Review Board Report must lead to a fundamental, and independent, review of the future design and procurement of ferries in Scotland.

#### **2. What has been the impact of the repeated delays to completion of the contract to construct two hybrid ferries on the specific routes and island communities awaiting delivery and entry into service of these two vessels?**

The replacement for MV Hebrides on the Uig-Lochmaddy and the Lochmaddy-Tarbert routes will now not be delivered until Summer 2022 at the earliest, four years later than was expected.

Issues with ferry capacity and resilience have a direct impact on lives and businesses in our island communities. Growth from RET fare reductions on the inter-island services combined with strong growth in all services between the mainland have led to significant capacity constraints on a number of routes, including that proposed for vessel '802. Capacity challenges are greatest for visitors, local residents and businesses in the summer months when visitor numbers to our islands are at their highest and demand is at its highest. There is evidence of unmet demand on the Uig-Lochmaddy and the Lochmaddy-Tarbert routes, which would have been partially fulfilled had vessel 802 been deployed by the original 2018 target date.

The income that has been, and will continue to be, lost to our islands, particularly our tourism sector, due to this four year delay cannot be quantified.

The recent Outer Hebrides STAG appraisal highlighted significant timetabling and capacity issues on both of the routes in the Uig-Lochmaddy-Tarbert triangle and identified a requirement for 2 ferries to serve the routes, with the medium term recommendation of this being part-year in order to cope with Summer demand.

Given that it is now another 2 years at least until vessel 802 will be operational, other opportunities identified in the Outer Hebrides STAG in respect of the route need to be accelerated. Transport Scotland must support as many of the short-term improvements identified in a network plan for Outer Hebrides ferry services as soon as possible in order to have these in place for Summer 2020. A route map towards the options identified in the STAG appraisal for the short, medium and long term development of the Uig-Lochmaddy and Uig-Tarbert routes is required as a matter of urgency in order to enable a number of critical timetable and capacity issues to be addressed.

The future introduction of 802 to the route will offer a vehicle deck capacity increase of around 25% (carrying 116 cars compared to 90 on the MV Hebrides), alleviating capacity issues to some degree, but not comprehensively. A dedicated ferry on each of what are essentially two separate routes has been repeatedly called for by local stakeholders, yet the decision was taken to provide a relatively modest increase in capacity by ordering a single new ferry to continue the shared resource that has been in place for 55 years. This decision was made contrary to the views expressed by island stakeholders. The Comhairle's position on this has not changed and we believe the benefits of a dedicated ferry for Lochmaddy to Uig and a dedicated ferry for Tarbert to Uig must now be appraised in detail.

**3. What actions can be taken, in particular with respect to improved contract management processes, to ensure future contracts of this type are delivered a) on time; and b) on budget?**

A history of community views being ignored has led to many of the capacity issues affecting ferry travel today. That local voices have been ignored in shaping ferry services is evident and, coupled with the lack of devolved senior management within island communities, has led to poorly informed strategic and operational decision making.

Lessons need to be learnt and a different approach taken to putting new vessels into operation in a cost effective and timely manner. Ferguson Marine Engineering Ltd allege that significant changes were made to the specification and design of the vessels by CMAL along the way. If that is true, it seems that these changes in specification were not insignificant and went beyond what would be expected in a design and build contract, and that these change issues were dealt with poorly by both sides, with increasingly difficult and terse relationships developing across the piece.

From the outset, a clear and tight specification and design brief is required in order to ensure that vessels can be delivered in a timely fashion and are fit for purpose.

#### **4. What key challenges need to be addressed in procuring new vessels to support Scotland's ferry network and how might these be overcome?**

While this protracted situation has played out, the rest of the fleet serving Scottish islands has continued to age. Delays in delivery of the vessels have had a knock on effect across the network, where there has been limited progress in making decisions around commissioning new ferries despite evidence of need across a number of routes. It is important that efforts are taken to accelerate procurement of new vessels, coupled with more flexible and responsive deployment of vessels within the network.

The current situation has arisen in a context where the views of island stakeholders have been repeatedly ignored by the Network Strategy Group made up of CMAL, Transport Scotland and Caledonian MacBrayne. There is a disconnect between the interests and concerns of those organisations represented on the Network Strategy Group and island stakeholders, and there is a need to re-examine respective roles, relationships and where decision making lies.

In Ireland, lifeline transport connectivity is secured through the Department of Rural and Community Development, rather than the Department of Transport and Tourism. A similar approach, with a new Government Department based in the Highlands and Islands, would bring air and ferry service development and specification closer to island communities, and ensure that these services are more responsive to the needs of island communities.

#### **5. How might the experience of the procurement and fulfilment of the current hybrid ferries contract inform the development of an updated Ferries Plan?**

The priority in the Ferries Plan should be to address replacement of ageing ferries through the production of a vessel replacement plan to ensure the fleet is brought up to standard.

Moving forward, it is critical that decisions are taken with regard to the views of the island communities and their representatives, and in involving these views at a design and specification stage. The concern of island communities is to have fit for purpose ferries that meet their needs in respect of timetabling, reliability and capacity. It is unfortunate that in this case, these straightforward aspirations appear to have been ignored by decision makers.

These issues need to be addressed in advance of an updated Ferries Plan and it would be in the best interests of all stakeholders if this matter was subject to an Independent Review which could identify a new way forward.

#### **6. What are the likely implications of the Scottish Government's decision to take Ferguson Marine Engineering Ltd. into public ownership for the fulfilment of the current contract and the award of future contracts for the construction of new ferries?**

We welcome the commitment of the Scottish Government to intervene in this matter in order to secure the completion of the vessels. From the Comhairle's perspective the primary consideration should be forward planning of a supply of the vessels required to serve our island communities and it is hoped that the Scottish Government's interest in Ferguson Marine at operational level will not detract from what should be the Scottish Government's primary strategic objectives.

**7. What impact is the United Kingdom's departure from the European Union likely to have on the future award of new ferry construction contracts, in particular as regards ongoing compliance with applicable rules on state aid and competitive tendering?**

The departure of UK from the EU may allow an opportunity to focus ferry development and delivery on the needs of communities and offer greater flexibility and an acceleration in the timeline for new vessel deployment, albeit existing procurement law is unlikely to change radically for the foreseeable future.