

News release

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Multiple failings have led to delays and cost overruns which continue to obstruct delivery of island ferries

Major problems remain unresolved at the shipyard constructing two lifeline ferries for Scottish islands. More than two years after the Scottish Government took over control of the shipyard, significant operational failures still need to be fully resolved and further remedial work on the vessels continues to be uncovered.

The project to deliver Vessels 801 and 802 for the Clyde and Hebrides has been beset with delays and spiralling costs. The ferries are now almost four years late, with no certainty on when they will be complete. The total cost of the project is currently estimated to be at least £240 million, around two and a half times the original contract price. These issues have frustrated island communities and weakened resilience across Scotland's ferry network.

Scottish ministers approved the contract award to Ferguson Marine Engineering Limited (FMEL) in October 2015, despite significant risks caused by FMEL's inability to provide mandatory refund guarantees and the severe misgivings of Caledonian Maritime Assets Limited (CMAL). There is insufficient evidence to explain why Scottish ministers made this decision.

As the project progressed, delays, costs, and a contract dispute between CMAL and FMEL, escalated. Despite CMAL and the Scottish Government intervening to support the project, FMEL entered administration in August 2019, with the Scottish Government bringing the shipyard into public ownership.

Stephen Boyle, Auditor General for Scotland, said: "The failure to deliver these two ferries, on time and on budget, exposes a multitude of failings. A lack of transparent decision-making, a lack of project oversight, and no clear understanding of what significant sums of public money have achieved. And crucially, communities still don't have the lifeline ferries they were promised years ago.

"The focus now must be on overcoming significant challenges at the shipyard and completing the vessels as quickly as possible. Thoughts must then turn to learning lessons to prevent a repeat of problems on future new vessel projects and other public sector infrastructure projects."

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Notes to Editor:

1. This audit looks at the initial and new arrangements to deliver vessels 801 and 802. Audit work focuses on events after Scottish ministers announced FMEL as the preferred bidder in August 2015. We did not audit any aspects of the procurement process before this point, but we have provided information about the arrangements for context. We did not review the adequacy of the vessel designs or look at CalMac's role in determining the vessels' type and requirements.
2. Exhibit one of this report shows a detailed timeline of the procurement and build of vessels 801 and 802.

3. Further details about the specifics of the contract, including the builder's refund guarantee and the contractual responsibilities of CMAL and FMEL are detailed in Appendices two and three.
4. [Our 2017 audit of Scotland's ferry services](#) looked at Transport Scotland's spending on ferry services to determine whether it is value for money and whether Transport Scotland has an evidence-based strategy for the long-term investment in ferry services and assets
5. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk
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