

CMAL CEO RESPONSE TO FERRY INQUIRY

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Statement from CMAL's chief executive, Kevin Hobbs, in response to evidence heard at the [Rural Economy and Connectivity \(REC\) Committee](#) on Wednesday 5th February.

Kevin Hobbs, chief executive, Caledonian Maritime Assets Limited (CMAL) said:

“We look forward to our opportunity to speak to the REC committee later this month to address serious inaccuracies that have been heard so far. In particular, we will address issues around what are being referred to as “design changes” and the mediation and arbitration process.

“The previous senior management team at the shipyard failed to understand what the dual fuel ferry contracts required and they failed to deliver. The management team got the specification requirements wrong many, many times and resulting mistakes had to be rectified. The shipyard began building at risk – cutting and fabricating steel and building sections without sign-off by CMAL, the Maritime Coastguard Agency (MCA) and the classification society, Lloyds. Therefore, work had to be re-done. The bulbous bow, which was the focus of much discussion at the inquiry, was rejected by class prior to the vessel launch because it didn't meet the Lloyds Register Classification standards in manufacturing tolerance. It was rejected by the Lloyds Surveyor employed by the shipyard. The consequence of this is that, in post-launch dry dock, it will have to be replaced in order to meet the required tolerances of manufacture. To say it was re-built because it was “ugly” is ridiculous.

“We did everything we could to assist the shipyard within the terms of the contract. The contract includes terms for mediation and resolution, however there was no contractual or technical basis for the compensation claim submitted by FMEL, and the terms of mediation put forward by FMEL were outside the contract. They wanted us to negotiate on a commercial basis. As a public body and custodians of taxpayer's money, we are in no position to enter non-contractual negotiations, and to make unsubstantiated, ex-gratia payments.

“The initial claim in July 2017 of £17.5m rose to £66m by August 2018, none of which was backed technically or contractually. As a consequence, CMAL was advised by our legal representation to follow any face-to-face meeting with a letter – in other words, on pre-litigation footing. FMEL did not react well because they knew all along that any claim had no merit in the contract and could not be defended. They seemed to believe that CMAL would capitulate under pressure. We could not and did not.

“All CMAL ever wanted to do was deliver two vessels to island communities. We are deeply saddened and frustrated with the current situation, however our primary aim remains to deliver two vessels to island communities. We will work closely with the new Fergusons team to make this happen as quickly as possible.”