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Ardrossan Task Force members  
Via email.

Your ref: TF/PP/A44820341  
15 August 2023

Dear Members

## **Ardrossan Harbour Re-Development Project – notification of decision to pause procurement**

At the previous Ardrossan Task Force meeting on 22 March 2023 the project partners were asked to expedite the tender design work and progress to procurement. An indicative programme prepared by Peel Ports Group was shared indicating construction starting Spring 2024 and delivery by Spring 2026 on the basis of a successful procurement stage, contract award, contractor mobilisation, agreement of legal and commercial arrangements and funding approval.

Whilst recognising the excellent work by partners to bring matters forward quickly, the process of finalising the tender design and documents has highlighted some inherent financial and project risks that remain a challenge for the main funding partners. I am pleased to note the significant progress that has been made on the legal and commercial arrangements but there is significant uncertainty that remains with regards construction risks and cost

The scope of the works has expanded significantly since the 2017 decision, broadening to include technically challenging and costly berth realignment marine works to better accommodate the new vessels and improve service reliability and resilience. It was accepted that the ferry service would not operate from Ardrossan during construction resulting in the upgrade and investment by Scottish Ministers to the port at Troon to provide a temporary facility.

There are also some concerns that the project scope may need to be further expanded to include some additional/ essential works such as: strengthening/replacement of the Winton Pier/ Irish berth knuckle, the inclusion of an on shore power supply and dredging to

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accommodate other vessels in the fleet - none of which has previously been costed. On top of this the global escalation of construction costs has compounded matters resulting in Scottish Government's contribution doubling since the initial estimate.

Based on recent procurement experience of the market, there is a strong risk tenders could come back significantly higher than the pre-tender estimate and with a design and build form of contract, which allocates ground and weather risks to the contractor, the probability is increased.

It is fully recognised that the rising costs represent a significant challenge for funding partners. Given the significant changes to key assumptions and previous costings it is prudent and good governance to pause to obtain an updated cost estimate and refreshed business case to support the project in challenging financial circumstances. The business work case will reassess the project scope and options to enable funding partners to confirm their respective positions. An agreed funding package between all partners is essential to enable the improvements to be delivered. Transport Scotland will be appointing consultants shortly to undertake this independent review of costs.

Transport Scotland officials will undertake the work over the coming months including reviewing operational costs, socio economic impacts. resilience and reliability and will continue to work with the project partners in parallel on the legal and commercial arrangements. The frequency of the Task Force meetings during this time will be amended to fit with updates on key outcomes.

I fully appreciate this is disappointing news and the frustration it will cause. The decision to pause procurement is regrettable but necessary and I would like to thank all partners for getting us to the current position.

I would like to assure you that the Scottish Government remains committed to ensuring the Arran ferry service is fit for the future and that we will continue to engage closely with the community. I would also like to stress that there will be no final decision on investment until the outcome of the business case review is reported to the Task Force, expected around November 2023.

Yours sincerely



**FIONA HYSLOP**

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