

Mo Rooney
Strategic Commercial Interventions Division
9 December 2021

Cabinet Secretary for Finance and the Economy
Minister for Transport

Ferguson Marine (ferries 801 and 802) Progress Update: October 2021

Purpose: To update Ministers on progress towards the delivery of ferries 801 and 802, challenges, and next steps.

Headlines:

- The yard have produced a new delivery plan. SG, CMAL and the Fergusons team will conduct a detailed examination of the plan on 9th December.
- Objective information on progress towards delivery has improved, though the 'S curves' on pipe installation and hot work on 801 show work is behind schedule.
- Advice from CMAL is that progress on 801 remains slow to minimal. There is significant programme slippage and high level progress milestones have been missed. There continues to be out of sequence working.
- CMAL advise that progress is currently too slow to complete 801 in line with the current published cardinal date. CMAL also consider it unlikely that the yard will deliver the vessel within the published delivery window. However, the yard believe a mid-window delivery is still possible.
- Progress on 802 is slow but current expectation is that 802 could be delivered within the published delivery window.

Background

1. The Turnaround Director of Ferguson Marine wrote to the Net Zero, Energy and Transport Committee on 30th September to provide a quarterly update as requested in the Rural Economy and Connectivity Committee's report of 9 December 2020. The Turnaround Director's update confirmed the schedule for delivery of the vessels, with delivery of 801 remaining scheduled for July-Sept 2022 and 802 for April-July 2023. This confirmation was subject to 2 caveats around risks.

a. The successful implementation of the systems integration improvements is critical to the success of the ferries project and in providing predictive reporting on progress. If these improvements are not successfully implemented as planned this will present a risk to the planned delivery window for 801. The Board noted the significant challenge in concluding the systems integration.

b. Much of the equipment for the ferries has been installed since 2016 and may have deteriorated since then. Although surveys, remediation and replacement have taken place under Government ownership there is an unquantifiable risk that equipment problems may emerge during commissioning. The Board, management and the workforce are working hard to eliminate these risks and to ensure successful delivery of the vessels.

2. The next formal update to the Net Zero, Energy and Transport Committee is due by 24 December 2021.
3. The Chair of the Board of Directors of Ferguson Marine is aware of the content of this monthly performance update to you and is in agreement with the position presented.

Quality of reporting

4. As noted in previous monthly updates, the yard have implemented a Recovery Plan to improve the quality of progress reporting. The data gathering and validation element of the exercise completed on schedule at end September, with implementation of improvement initiatives completing in October, and benefits to be realised from November.
5. There have been some improvements to the yard's progress reporting. We anticipate improved planning systems, controls and monitoring will provide better objective data for future updates.

Overview

6. Progress in October remains slow and behind expectations. Given the limited level of progress achieved, CMAL continue to be of the view that it is difficult to see how Ferguson Marine can achieve the delivery of 801 in the delivery window. Fergusons Marine however maintain a level of confidence that delivery within the scheduled delivery window is achievable.
7. Attached at Annex A is the monthly report provided by CMAL to Strategic Commercial Interventions Division which details CMAL's evaluation of progress and days lost against the programme for delivery of the vessels.
8. As set in out in previous monthly progress reports, CMAL consider weaknesses in the planning of the build to remain a key issue, with out of sequence working a consequence of this. The FMPG Board does not share this view. The control and issuing of work packages was a key improvement initiative being delivered in October, with benefits to be realised from November.

Successes

9. Vessel 801 remains overweight but the level of anticipated overweight has fallen significantly to 5.15 tonnes overweight. Issues remain with the vessel's stability. The vessel passed all but one of the stability tests. CMAL and Fergusons are in discussion on this. Through the analysis, it has been established that FMEL did not install an essential damage stability cross-flooding pipe: this will require reinstatement.
10. The yard has begun the process of mapping out the commissioning phase of the build.

Difficulties

11. A significant amount of hot work and pipe work remains to be started.
12. Work on the electrical installation continues at a slow pace. CMAL estimate around 150-200km of various electrical cables remain to be installed on the vessel. Electrical cable installation is on the critical path for the vessel build.
13. CMAL reports that issues remain with the quality of work undertaken, which may impact on the through life maintenance of the vessels. Outstanding Owners Observation Reports (OORs) remain to be resolved, though FMPG and CMAL agree that the process of managing OORs has improved.

Stakeholder relationships and engagement

14. Both Ferguson Marine and CMAL continue to report their current relationship as positive. At the initiative of CMAL, a meeting between the Ferguson Marine and CMAL Boards is in preparation. CMAL has requested senior official level SG involvement in that meeting. Initial plans for this to take place w/b 13th Dec have fallen through; the meeting will be scheduled for January.
15. As agreed with the Cabinet Secretary, regular meetings between Economy Ministers and Ferguson Marine management are now well-established and the process of a short written report from Ferguson Marine for discussion at the meeting appears to be working well for all parties.
16. The Cabinet Secretary met on 1st December with CMAL to discuss their views on the future of the yard, and the yard's trades unions on 25th November to discuss progress in the turnaround of the yard.

Board commentary on progress, challenges and next steps

17. The Board's Recovery Plan activities have been completed and benefits are now being realised. Objective measures for key activities are now available to the Board and will be populated and tracked going forward.
18. Three Non-Executive Directors with shipbuilding experience attended the yard on 7th December to review the status of 801. The Non-Executives reported that, whilst a number of challenges remain, it is still appropriate to support, and focus towards, the programme delivery as published (July-September 2022). In respect of the delivery date for vessel 801 of 31st August 2022, they expressed an 80% confidence level in that particular date.
19. The appointment of a new Planning Manager is seen by the Board to have delivered a notable and significant improvement. The Non-Executive Directors have spent time with the senior executives for Operations [redacted] Engineering [redacted] and Programme [redacted] and note confidence in their ability. Significant effort is ongoing (via these senior executives) to improve worksite direct supervision. Opportunities to improve worksite housekeeping were noted by the Non-Executive Directors who visited the yard on 7th December.

20. Further work is required to establish the status of, and recovery contingency on, cable pulling and pipework installation. This will be addressed by the FMPG Board in their meeting on 16th December.

21. The previously reported preferred candidate for the CEO role has been successfully recruited and is scheduled to take up position on 1st February 2022. Tim Hair will leave the business on 11th February 2022 after a short handover period. **Copyees should be aware that information on the CEO recruitment remains confidential and should not be shared beyond the copylist of this submission.**

Next steps

22. In terms of next steps, Ferguson Marine's priorities are:

- Full implementation of Recovery Plan outputs.
- A detailed scrutiny between SG, CMAL and the Fergusons team of the new delivery plan.
- A FMPG Board review of a report from the Non-Executive Directors involved in the 7th December visit, and 'deep dive' of progress on 801.
- Finalisation of the vessels commissioning plan.
- Completion of assessment of vessel stability.

23. CMAL have requested that the 802 'ducktail' (planned large steel appendage to bow) not be fitted, ahead of decisions by Ministers on planned deployment of the vessel. Transport Scotland colleagues have indicated the deployment of the vessel (which will determine whether or not the 'ducktail' is required) will not now be settled until the spending review in January 2022.

Conclusion

24. Ministers are asked to note the content of this update, the slow pace of progress, and planned next steps.

25. If the Minister for Transport would like to discuss this update with officials, we would of course be happy to.

Mo Rooney
Strategic Industrial Assets Division

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Cabinet Secretary for Finance and Economy Minister for Transport Minister for Business, Trade, Tourism and Enterprise			X X		X

DG Economy Chief Executive Transport Scotland Reuben Aitken Mo Rooney
--

[redacted]
[redacted]
[redacted]
[redacted]
Frances Pacitti
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]

ANNEX A – CMAL MONTHLY UPDATE ON PROGRESS TOWARDS DELIVERY OF 801 AND 801 (separate PDF document)