

Mo Rooney
Strategic Commercial Interventions Division
3 November 2021

Cabinet Secretary for Finance and the Economy
Minister for Transport

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

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

Headlines:

- Objective information on progress towards delivery of the vessels remains limited, though several objective measures are in place as an output of the Board's Recovery Plan, with full deployment in the course of November.
- 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 some 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.
- Implementation of improvement initiatives has progressed in October and we anticipate objective data will be available for the next monthly update to Ministers at end Nov/beginning Dec. This should improve our objective understanding of build progress and productivity.
- 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. Whilst no objective data demonstrating progress against the plan for delivery of the vessels was available from Ferguson Marine to inform this update, we anticipate improved planning systems, controls and monitoring will provide objective data for the next update at end Nov/beginning Dec.

Overview

6. Progress in September 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 (formerly Strategic Industrial Assets Division) which details CMAL's evaluation of days lost against the programme for delivery of the vessels. The improved planning and progress information which Ferguson Marine expect to be available in the coming weeks should enable us to provide you with a clear picture of the Ferguson Marine evaluation of progress against the programme from next month.

8. As set in out in previous monthly progress reports to you, weaknesses in the planning of the build remain a key issue, as is out of sequence working. An example highlighted by CMAL is the consoles shipped on to the bridge. [redacted]

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 by 17.5 tonnes overweight (from 42.8 tonnes) to 25.3 tonnes overweight.
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. An “S curve” of actual against planned pipework should be available next month.
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. An “S curve” of actual against planned cable installation should be available next month.
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 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. The CMAL Board visited the Ferguson Marine site on 19th Oct 2021 for a tour of the yard and vessels.
15. As agreed with the Cabinet Secretary regular meetings between Economy Ministers and Ferguson Marine management are now 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. CMAL has offered to meet with the Cabinet Secretary to discuss CMAL’s views on the future of the yard. Given the Cabinet Secretary’s possible role in any future ferries procurement exercise by CMAL, the agenda for any meeting would be framed such as to ensure that the conversation remained within the confines of propriety. Alternatively, The Cabinet Secretary may wish to offer the meeting to the Minister for Business, Trade, Tourism and Enterprise.

Board commentary on progress, challenges and next steps

17. Good progress has been maintained on delivery of the Recovery Plan. Objective measures for key activities are now available and will be populated and tracked going forward.
18. Three FMPG Non-Executive Directors with shipbuilding experience attended the yard on 5th October to review the status of 801. A detailed walkover of the ship

was completed with the 801 Project Manager and 801 Ship Manager. The Non-Executives reported that the vessel status exceeded their expectations and, whilst a number of challenges remain, feel able to support programme delivery as published (July-September 2022). A repeat visit is scheduled for early December when progress will be benchmarked against the October visit.

19. Progress has been made on identification of a preferred candidate for the CEO position. The Chair is opening negotiations with the preferred candidate on employment terms, including the remuneration package outlined to the Cabinet Secretary in their conversation on 27 Oct.

20. Subject to the satisfactory conclusion of recruitment discussions, the individual is expected to be available to commence the role in mid-January 2022. The Board would plan to extend Tim Hair's contract beyond its current 31 Dec 2021 conclusion on a monthly basis to allow for handover. **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

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

- Full implementation of Recovery Plan outputs.
- Commencement of objective metrics reporting, which will feed in to our update to Ministers next month.
- Finalisation of the vessels commissioning plan.
- Completion of assessment of vessel stability. Calculations work is ongoing.

22. CMAL have requested that the 'ducktail' (large steel appendage to bow planned on vessel 802) not be fitted, ahead of decisions by Ministers on planned deployment of the vessel. The 'ducktail' makes the vessel more or less suitable for deployment on particular routes. Transport Scotland colleagues will be submitting advice to Transport Ministers on the deployment of vessel 802 which will determine whether or not the 'ducktail' will be fitted to vessel 802 in the coming weeks. Fitting is currently scheduled to take place in around 2 weeks. Confirmation of whether or not the fitting of the 'ducktail' should proceed will be provided to the yard when vessel deployment decisions have been made.

Conclusion

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

24. The Cabinet Secretary is asked to confirm whether she would like to accept CMAL's proposal of a meeting, offer this to the Minister for Business, Trade, Tourism and Enterprise, or decline (para 16).

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			X		
Minister for Transport			X		
Minister for Business, Trade, Tourism and Enterprise					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]

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