

Kate Hall  
**Strategic Commercial Assets Division**  
14 September 2022

Deputy First Minister and Cabinet Secretary for Covid Recovery  
Minister for Business, Trade, Tourism, and Enterprise  
Minister for Transport

## **Ferguson Marine - Ferries 801 and 802 - Progress Update: July 2022**

### **Purpose:**

1. The purpose of this submission is to update Ministers on progress towards the delivery of ferries 801 and 802 based on the July reports from both FMPG and CMAL.
2. Ministers should note that these reports were prepared by CMAL and FMPG in July and some information will have been superseded given the build has continued to progress since that time. The commentary therefore reflects the information in the July report to ensure a clear public record and chronology.

### **Headlines:**

- CMAL are of the view that there are significant challenges around the projected completion dates and there has been slippage in the commissioning programme for Glen Sannox. CMAL note that unless the action plans to recover this slippage are very effective; cost and scheduling targets are unlikely to be achievable in line with the current date constraints.
- Timely completion of the remaining electrical installation and closeout of design gap issues remain the leading indicators in the critical path analysis.
- FMPG received a revised plan from <sup>[redacted]</sup> around the cable installation. After review the plan was deemed unacceptable and a revised plan has been requested.
- Late cable installation remains a significant risk to the project and must be monitored accordingly. Completion rate in the July report is at 26%, versus a target of 65%.
- 801 is due to return from dry dock at the start of August.
- CMAL is of the opinion that the risks to the vessel not satisfying the deadweight design requirements set out in the building specification are significant.
- FMPG and CMAL are engaging frequently and openly. Challenges exist but they are being openly addressed.
- There continues to be significant risk to the costs of project as the level of un-programmed work remains undefined, and unquantifiable at this stage.

### **Background**

3. This monthly update reflects on the progress towards the delivery of vessels 801, and 802 made in July 2022. Officials met with CMAL on 17 August to discuss progress made on the vessels in July.

4. The Chair of the Board of Directors of Ferguson Marine is aware of the content of this monthly performance update and is in agreement with the position presented.

### **Overview of progress in Jul 2022**

5. The main points to note from the CMAL report on **801** are:
- Slippage in the current commissioning programme. There are action plans to recover the slippage and deal with known delays, however unless these are very effective; cost and scheduling targets are unlikely to be achievable in line with current date constraints.
  - Timely completion of the remaining electrical installation and closeout of design gap issues remain the leading indicators in the critical path analysis.
  - Commissioning progress is currently reported to be 10% complete, but this figure is subjective, only pre-commissioning work has begun.
  - The governance arrangements needed to expedite the slow turnaround of outstanding design gaps are still insufficient to provide insight as to when a design freeze is likely to be effective.
  - There continues to be significant risk to the project as the level of un-programmed work remains undefined, and unquantifiable.
  - Vessel deadweight has been highlighted as an area of concern by CMAL.

The main points from CMAL on **802** are:

- The programme for 802 remains under review by the FMPG senior management team.
- Lessons learned from the construction phase of 801 are not flowing through to provide a robust pre outfitting block stage build philosophy for 802. CMAL emphasise the importance of capitalising on pre outfitting now and not after vessel launch scheduled for February 2023 when the vessel will be positioned at the outfitting berth, where craneage will continue to be a limiting constraint
- A detailed review of hull 802 is underway, involving technical input from the yard, CMAL, and the principal design contractor. CMAL commented that the level of review is not considered in the current programme, and neither is the time frame needed to produce revised construction drawings. CMAL note that it is unclear what level of change can be successfully implemented without negatively impacting the cost of finishing the vessel or jeopardising the agreed-upon delivery date

Key challenges around 801 are:

- Installation and termination of cables
- Completion of pipework to meet commissioning dates
- Close out of Owners Observation Reports
- Closure of design gaps
- Delivery and completion of production drawings and accuracy of production drawings

- Availability of experienced supervisors
- Shortage of experienced trades
- Availability of materials
- Verification of Hull 801 deadweight
- Lack of familiarity with final stages of finishing the vessels, surveys, documentation and certification

### **Progress reporting**

6. CMAL and FMPG are continuing to progress a joined-up approach to reporting, in line with the recommendations of Audit Scotland. This again reflects the closer working relationship of CMAL and FMPG.

7. This collaborative working is ensuring that both parties are agreed on the challenges, and working to secure mitigations.

### **Financial Reporting and Assurance**

8. To 31 July 2022, c£66.4m has been spent on 801 since public ownership and c£32.2m on 802. Work is ongoing to scrutinise and challenge the cost to complete for each vessel and this is dependent upon the wider outstanding financial assurance work.

9. The financial assurance work is ongoing by FMPG and costs and programme for each vessel are being tested and reviewed by the senior management team of FMPG.

10. The ongoing detailed review by FMPG is examining the of the scope of work for each of its key subcontractors, assessing materials and equipment still to be purchased and interrogating the man hours of both the direct and subcontract labour required to complete the vessels to the agreed programme.

### **Relationships and engagement**

11. A series of regular calls between Deputy First Minister and FMPG is being organised.

### **Next steps**

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

- Continuing to improve the metrics in the weekly, and monthly progress reports.
- Continued assessment of the planning figures for delivery of Hull 802.
- Continued discussions around commercial partnership opportunities.
- Ongoing financial assurance work.
- Validation of the weight of hull 801
- Agree new programme with <sup>[redacted]</sup>

13. In addition to core business as usual activity in supporting Ferguson Marine to deliver the vessels (sponsorship, relationship management, progress and financial monitoring, and engagement in our capacity as shareholder), key next steps for officials continue to be:

- The recruitment of a new permanent Chair for the Board of Directors of FMPG. Noting that the interim Chair's appointment has been extended until end of October 2022.
- Continue to support the work to improve the metrics in the yard's weekly, and monthly progress reports and to ensure that reporting links spend to delivery of individual work packages and performance targets.
- Continue to work closely with Ferguson Marine finance, planning and programme teams in their work on financial assurance over any the completion of vessels 801 and 802, and map these costs to the programme for delivery.
- Ongoing engagement to scrutinise and assess the costs associated with delivery, and monitor spend against projected costs.
- Continue to progress the consultancy work required to establish the nature, and cost of the capital upgrades required to improve the yard's competitiveness.

### **Conclusion**

14. Ministers are asked to note the content of this update.

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