

Permanent Secretary's visit to Ferguson Marine (22 April 2022): Key points

SG Attendees: Permanent Secretary, Director for Covid Business Resilience and Support, Director for Economic Development, Deputy Director Strategic Commercial Interventions Division, Finance Business Partner.

FMPG attendees: Chief Executive, Chief Financial Officer, Engineering Director, Operations Director, HR Director, Compliance Director. Number of other members of FMPG staff involved in facilitating yard and vessel tour.

KEY POINTS

Permanent Secretary met with Ferguson Marine Chief Executive and members of his senior management team. The conversation reflected on the following key points:

Delivery of the vessels

- Board deep dive scheduled for w/b 25 April, to consider lessons to be learned from process whereby management and Board recommitted to the previous delivery schedule in Dec 2021, yet in March 2022 stepped away from it so significantly.
- Looking across the history of the ferries contracts, cost increases have arisen as a result of original assumed base cost of labour being too low (at point of initial contract bid in 2015), increase in labour cost due to management choices throughout the projects (including poor sequencing), and the associated cumulative overheads over time.
- Improved data and metrics are a keen focus for the CEO. Current tracking approach is by system and by zone. Not presently as able to track overall progress as would like, but this is improving. CEO expects to provide credible assurance on extent to which delivery is on track at end May 2022.
- Permanent Secretary encouraged honesty over optimism.

Capacity and capability

- Challenges related to attracting and retaining the right skills, given the local competitors for these skills.
- New management and leadership ethos being instilled in the business, including encouragement for mutual challenge.
- Resource management in periods where skills might become under-utilised, including redeployment to yard upgrade projects, loans of staff to other companies, and undertaking work on behalf of other yards.
- CEO confirmed importance of increased rigour in planning and delivery, the value of improved relations with CMAL, and supporting senior team to work together as effectively as possible.

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Future work and capital investment

- CEO outlined the yard's key future work interests, and the nature of its preferred markets which are shaped by the yard's skills, size, and options for configuration.
- Direct award of contracts for the delivery of SG vessels was noted as very challenging.
- Improving the yard's competitiveness would require capital investment in upgrades.
- Officials confirmed the desirability of an independent assessment of the capital upgrade requirements and that work was progressing to allow for this assessment to commence as soon as process would allow.
- CEO flagged a window of opportunity to undertake yard upgrades in late summer/autumn 2022, and the need for approval and funding allocations for those upgrades to be confirmed in early course.

Yard and vessels tour

- Permanent Secretary toured the yard and vessel 801, meeting with key members of staff en route to: learn about the vessels, the challenges, and progress towards delivery; and to seek assurance on confidence level.

Next steps for SG

1. Officials to continue to work with FMPG management to progress and finalise programme and financial assurance work.
2. Officials to progress at pace necessary approvals for the consultancy work required to establish the nature and cost of the capital upgrades required to bring the yard to a position of competitiveness.