

FERGUSON MARINE PORT GLASGOW – UPDATE
OFFICIAL SENSITIVE - COMMERCIAL

From: [REDACTED]

Strategic Commercial Assets Division
22 August 2023

FIRST MINISTER
DEPUTY FIRST MINISTER
CABINET SECRETARY FOR WELLBEING ECONOMY, FAIR WORK AND ENERGY

Ferguson Marine Port Glasgow (FPMG)– UPDATE

Priority and Purpose

1. **Immediate.** To share an advance copy of a letter due to be sent to the NZET Committee by the CEO of FMPG on 23 August 2023 (Annex A) and provide a draft response to that letter (Annex B)

Recommendation

2. Note that the CEO of FMPG will shortly inform the NZET Committee that:
 - the delivery schedule for Hull 801 continues to slip, which, in turn, will have impact on progress on Hull 802;
 - There remains an outstanding issue with regard to certification of the vessel with the Maritime and Coastguard Agency (MCA).
3. Note that the FMPG CFO and CEO continue to review overall costs to and intend to present updated estimates with the quarterly update to NZET at the end of September.
4. Agree the proposed response to the CEO's letter in Annex B.

Context and Issues

5. The CEOs letter to the NZET committee on 30 June set out that the timeline for delivery of Hull 801, which had been agreed with Ministers as end December 2023.
6. This interim update letter of 22 August indicates that there have been challenges achieving MCA certification for 801, and that these remain unresolved.
7. Ministers have been briefed previously on the issue with MCA certification for vessel compliance with regard to the upper deck emergency escapes for passengers and crew. The proposed solution has been received favourably by the MCA, and indications are that the exemption for these areas will be issued week commencing 28th August.

8. [REDACTED]

[REDACTED]

Once the final capacity has been agreed with CMAL,

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we will provide an update to ministers on any amendment to the contract specification.

9. There is a further issue to be resolved with regard to the MCA certification of emergency escapes below deck 3 (below bulkhead). MPG are working on a design solution in conjunction with advice from the local MCA surveyor. The CEO indicates that this is expected to be resolved in the next 2 weeks but given the nature and complexity of issues involved and the time that the MCA have taken previously to respond to exemption/certification requests, this appears to be over optimistic.
10. The letter confirms that the dry-dock date for 801 has moved to December, and that as a result LNG fuelling and sea trials cannot commence until January 2024. As a result, and due to the need to continue work on 801 at the quayside at FMPG, the launch of 802 will be delayed until Feb/March 2024. We will engage with FMPG and CMAL to understand what the impact may therefore be on the handover date for 802, which was agreed previously as December 2024.

[REDACTED]

[REDACTED]

Bute House Agreement Implications

12. There are no Bute House implications

Financial and Legal Considerations

- 13 [REDACTED]
[REDACTED]

The CEO has said he will provide a further estimate at the end of September, and we will scrutinise this in parallel to the previous value for money assessments.

14. Any further budget would both need to meet the value for money assessment and need to be agreed as part of the Scottish Government budget of 2024-25.

Sensitivities

15. Cost increases and potential delays to delivery continue to generate high levels of criticism given the continuing public and Parliamentary interest in the delivery of the vessels and ferry services more generally. We continue to remind the CEO and the CFO of the importance of doing all they can to remain on time and on budget and will continue to work closely with them to identify what more they can do to mitigate known and potential risks.
16. SCAD lead on the weekly work group including FMPG, CMAL, CaIMAc and Transport Scotland, and will continue to provide updates to ministers on progress and any challenges to delivery schedules.

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17. A “Save Ferguson” meeting, hosted by GMB, is due to take place in Port Glasgow tomorrow. The CEO is likely to be questioned on the delivery of 801 and 802 and we recommend that both his update to the committee and your response should be on the record before then.

Quality Assurance

18. This Submission has been approved by Director of Economic Development.

Conclusions and next Steps

19. Ministers are asked to note the update and agree to the publication of the letter at Annex B in response.

[REDACTED]

Strategic Commercial Assets Division

Cabinet Secretaries and Ministers Copy List	For Action	For Information Portfolio interest	For Information Constituency interest	For Information General awareness
First Minister		X		X
Deputy First Minister and Cabinet Secretary for Finance		X		
Cabinet Secretary for Wellbeing Economy, Fair Work and Energy		X		
Cabinet Secretary for Transport, Net Zero and &Just Transition				X
Cabinet Secretary for Rural Affairs, Land Reform and Islands				X
Minister for Community Wealth and Public Finance		X		X
Minister for Transport		X		
Lord Advocate				X
Solicitor General				X

Officials Copy List
Permanent Secretary DG Economy Director Economic Development Solicitor to the Scottish Government Legal Secretariat to the Lord Advocate Kenneth Hannaway [REDACTED]

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Officials Copy List

[REDACTED]

Roddy Macdonald
[REDACTED]

Callum McCaig
Colin Mcallister
Kate Higgins

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Annex B

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Edward Mountain
Convenor
Net Zero, Energy & Transport Committee
Scottish Parliament
EH99 1SP
22 August, 2023

Dear Mr Mountain,

Update on Glen Sannox, Hull 801 & Hull 802

In my letter to you 30th June I mentioned some emerging issues with the Maritime and Coastguard Agency and the deferral of dry-docking plans for Glen Sannox to late December. I am aware that the press has picked up these issues and write to you now to provide further information.

The MCA have reassessed the application of ‘cargo ship’ rules to the crew spaces of passenger ferries (on a broader basis than just Ferguson and Glen Sannox/802) and for the last 2 months we have been working to close the impacts of this and some other approvals issues. We have been designing and planning the necessary modifications to some doorways in crew corridors and three additional staircases between decks 5, 6 & 7. We have one issue to finalise and hope to reach final agreement with the MCA within the next 2 weeks so that we can carry out all the modifications before Glen Sannox moves to the dry-dock just before Xmas

However, this will mean that sea-trials will move into the first quarter of the new year and the commissioning of the LNG systems at Troon (which must be done after dry-docking) will also move to after Xmas. We now meet weekly with key individuals from Scottish Government, Transport Scotland, CMAL and Calmac to jointly monitor the commissioning, trials and handover programme, and how this best works with the subsequent mobilisation of crew and the start of Calmac’s passenger operations.

We will need to maintain some flexibility for Glen Sannox to operate from the quayside at the shipyard during January and February and with this in mind, we will defer the launch of 802 to the next high tide window towards the end of February, perhaps early March.

From March we plan for 802 to use the FMPG quayside and Glen Sannox to complete trials and handover further down the river.

I will provide a further update on costs and delivery dates for both vessels in my quarterly report at the end of September.

There has also been media coverage of some safety issues on site, and I am pleased to advise that following a constructive and positive meeting with the HSE last week, the HSE confirmed the appropriateness of our engineering and administration controls, particularly for electrical safety.

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Whilst the publicised stand down by our electrical contractor has lost some time over the past weeks, this can be managed within the timelines for completing the commissioning and MCA related issues as above.

Yours sincerely,

[REDACTED]

David Tydeman
Chief Executive Officer

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Draft response from Cab Sec

Annex B

Cabinet Secretary for Wellbeing Economy, Fair
Work and Energy
Rùnaire a' Chaibineit airson Eaconamaidh do
Mhath Dhaoine, Obair Chothromach is Cumhachd
Neil Gray MSP
Niall Gray BPA



Scottish Go
Riaghaltas na h-Alba
gov.scot

Convenors
Net Zero and Transport and Energy Committee
Public Audit Committee

Convenors,

You will be aware the CEO of Ferguson Marine has provided an interim update to Net Zero and Transport and Energy Committee which sets out delays to the handover of 801 and notes that this could also impact on the handover date of 802.

This interim update and confirmation of further delay is extremely disappointing, and I have again impressed upon the CEO the significant impact which this will have on our island communities. Scottish Government leads weekly meetings of all parties involved in the operationalisation of the vessel and I have made it clear that I expect the continuing and full cooperation of FMPG in these meetings in order to provide the required scrutiny and challenge of any proposed changes to delivery timeframes or costs.

The value for money assessment which was carried out earlier this year remains a constant benchmark against which the cost and impact of delay are being evaluated. I will provide the committee with further information on this when the reforecast costs are received from Ferguson Marine in late September.

«SIGNATURE»

NEIL GRAY