

FERGUSON MARINE: OPTIONS FOR PRODUCTIVITY IMPROVEMENT

SPECIFICATION

1. INTRODUCTION

1.1 Background

Ferguson Marine (Port Glasgow) Limited (FMPG) is a shipyard based on the lower River Clyde in Scotland. The yard is owned by the Scottish Government. The Scottish Government wishes to commission a report to identify potential ways to improve the competitiveness of the shipyard in support of its sustainable future. The report should focus on a time horizon of three years to perform the assessment, have any upgrades approved and carried out, and the first vessel constructed benefiting from those upgrade.

The specification for the production and content of the report is presented below.

1.2 Objectives

The overall objective is to identify the measures that could be implemented to improve the competitiveness of the yard in relation to its comparators and estimate the timeline and cost of doing so. The work should also identify any measures that can be implemented in early course to gain near-term benefit.

1.3 Scope of work

The scope of work for this initial phase of generating the development plan will be:

- i. Clarification of the target productivity, target product mix and planned shipbuilding strategy of the yard;
- ii. Development of a shipyard concept layout that supports steady-state shipyard operations at the target levels of throughput and productivity for the target product mix;
- iii. Identification of measures that, if executed, will improve efficiency and competitiveness in relation to comparator shipyards; Detail of the phases that should be actioned and the anticipated costs of each.
- iv. High-level estimation of the timeline and capital investment required to implement the measures identified.

2. Deliverables

2.1 The key deliverable will be an independent report outlining the potential improvement projects, concept shipyard layout, corresponding cost estimates, and potential benefit analysis. The report should provide evidence that will support investment decisions by Scottish Government ministers.

The report will:

- provide an assessment of the yard's current productivity [REDACTED];
- provide an assessment of any productivity improvement measures currently in development and the likely impact of these;
- reflecting the yard's business strategy and target markets, summarise the target productivity requirement, associated product mix and throughput;
- identify potential projects and improvement measures that will achieve the target productivity, suggesting any appropriate prioritisation or grouping together of measures;
- provide a concept shipyard layout to support the target productivity;
- estimate the capital expenditure required to deliver the improvement measures identified;
- identify any improvement measures that may require planning approval;
- quantify the estimated potential benefits of implementing the development initiatives, in terms of the anticipated increase in productivity and any commensurate cost savings and increased profit margin for future projects;
- provide an assessment of confidence that the implementation of recommended measures would bring the yard to a level of efficiency to be competitive against comparator shipyards; and
- recommend next steps and opportunities for quick productivity wins.

2.2 The areas which the report should consider and make a productivity assessment should include, but not be limited to:

- [REDACTED]

3. REPORTING REQUIREMENTS

3.1 The work should commence as soon as possible and ideally last no more than 3 months, with the following deliverables:

- i) An interim report and/or presentation, setting out emerging findings.
- ii) A draft final report, addressing the scope in full and setting out conclusions on potential productivity improvements to support Ferguson Marine's sustainable future.
- iii) A final report, informed by feedback from the client on the draft report.

3.2 The above documents must be presented in a clear, structured and comprehensive electronic format, with clear version numbers and notes, so that controls can be applied around which version is in use. Data visualisation should be used to clearly communicate evidence and conclusions, supported by written narrative.

3.3 The Supplier will return all source data to the Client, unless the Supplier can demonstrate, for the Client's verification, that this cannot be fully achieved.

3.4 The deliverables and outputs should include but not necessarily be limited to those included in this document. The final outputs, timetables and responsibilities will be detailed with the successful Supplier.

3.5 The Client anticipates provision of an update report prior to holding fortnightly meetings with the Supplier during the contract period to ensure the project is developing according to our needs. Notwithstanding this timeframe, update meetings on Business critical matters should take place as soon as possible. may be held more frequently at the Client's discretion. There should also be as a normal course of action be engagement with Ferguson Marine on a similar timescale to ensure parity in the progress being made for gaining access to required information and for the complete formulation of the reports required.

3.6 The Supplier will also be expected to engage with Ferguson Marine, through discussion facilitated by the Client, to ensure that relevant information is provided in support of this work.

3.7 The ownership of the report, and any data produced as a result of the contract, lies with the Scottish Ministers.

4. MILESTONES

4.1 Milestones and their indicative dates for completion are contained within the table below. These will be confirmed during project mobilisation.

4.2 Meetings may be face-to-face or virtual depending on availability of the Client and Supplier. The Supplier may wish to propose their own approach for agreement with the client at the initial inception meeting.

Milestones	Completion Date
Mobilisation	8 July 2022
Initial inception meeting/workshop with Client and Supplier	Early July 2022
Interim report/presentation	September 2022
Electronic delivery of draft final report	October 2022
Final meeting between Client and Supplier to discuss findings and agree any changes or additions.	October 2022
Electronic delivery of final report, with any amendments as agreed with the Client.	October 2022

5. ESTIMATED CONTRACT VALUE

5.1 The estimated value of this Contract (ex VAT) is expected to be in the range of [REDACTED] to [REDACTED].

Formatted: Highlight

Formatted: Highlight

6. CONTRACT PERIOD

6.1 This Contract is intended to cover all work undertaken to fulfil this Specification of Requirements. To independently review the subsequent business case for any efficiency improvements that are suggested. We anticipate that the report will be submitted to Scottish Ministers by October 2022. The contract is expected to last, initially, until end of December 2022 to enable any subsequent review work to be completed. There will also be an option for both parties to extend the contract, to enable the Supplier to provide an independent assessment of any development plan or business case that Ferguson Marine submit to Scottish Government in response to this work.

7. CONTRACT MANAGEMENT

7.1 The Supplier is required to provide a dedicated Contract Manager who will be the main point of contact for Scottish Ministers. The Contract Manager will:

- Resolve any ongoing operational issues which have not been resolved
- Ensure that the costs involved in delivering the contract are as low as possible, whilst always meeting the required standards of service
- Provide cost estimates for set pieces of work as and when required

7.2 The Scottish Government will also nominate a Contract Manager to be the point of contact for the Supplier. The nominated contact will liaise with the Supplier on all operational and contractual issues, including complaints and dispute resolution. Details of a suitably qualified replacement will be provided in the absence of the nominated contact.

7.3 The Supplier's Contract Manager will be required to attend an initial meeting with the Scottish Government's Contract Manager following award of contract, liaise regularly by telephone and email and may be required to attend additional ad-hoc meetings at times and locations specified by the Client.

Cabinet Secretary for Finance and the Economy

FERGUSON MARINE - PATHWAY TO PRODUCTIVITY REPORT - AWARD OF CONTRACT

Purpose

1. To inform ministers of the award of a contract to First Marine International (FMI). FMI, an industry expert global shipyard consultancy, will provide an evaluation report into the current productivity level at Ferguson Marine (Port Glasgow) Ltd (FMPG) shipyard and what potential improvements should be considered to make it commercially competitive. The report will also provide estimates of the costs and the timescales associated with those improvements.

Priority

Routine. We intend to award the contract on 25 July 2022 with work to commence 1 August 2022.

Background

2. The Scottish Government wishes to commission a report to identify potential ways to improve the competitiveness of FMPG in support of its sustainable future. To this end, SG published an Invitation To Tender on Monday 30 May 2022, entitled "Shipyard Review of Productivity and Potential Improvements Study".

3. In order for the yard to have a stronger chance of success, it needs to become more efficient. Improved efficiency levels will likely only be achieved through SG investment. This report will be commissioned to identify measures that could be implemented to improve the competitiveness of the yard in relation to its comparators and estimate the timeline and cost of doing so. We have also requested that the report identify any measures that can be implemented in early course to gain near-term benefit. The purpose of all of these improvements would be making the yard efficient enough to win work competitively.

4. The completed pathway to productivity report is expected to inform a robust business case from FMPG. This would provide a detailed programme of investment required to ensure the yard could improve its competitiveness in the market for commercial shipbuilding operations.

5. FMPG continues to refine the resource profile for the delivery of ferries 801 and 802.

. The FMPG Chief Executive hopes that some of these might help to implement any improvements identified in the report.

Tender Evaluation Panel

6. The tender evaluation panel consisted of SG officials from Economic Development and Procurement policy, who were supported by [REDACTED], a senior colleague [REDACTED] from the UK National Shipbuilding Office which gave added weight and independent scrutiny to the expertise of the group.

Evaluation and Award Criteria

7. Throughout the procurement process, including in dealings with FMI, we have been clear that SG is the end customer and that, while the nature of the report will require the supplier to work closely with FMPG, the report's conclusions should provide a robust and independent analysis of what measures are required to achieve productivity at the yard.

8. FMI were also requested to provide information to support the global comparisons they will use in benchmarking the scoring of the efficiency of the yard, which they provided. This is important to the scrutiny of the final report, as this relative efficiency of the yard when compared to its peers will inform wider value for money, subsidy control and direct award considerations around FMPG's future options.

FMI are a leading provider of specialist consultancy services to the international marine industry. They have an in-depth knowledge of the maritime markets, shipyard operations, international best practice and performance levels. They are among the best placed companies to deliver this contract, and successfully delivered the efficiency benchmark report about FMPG.

Cost and Timeframe for work

9. Cost: £210,543.75 (ex VAT)
Contract Commences: 25 July 2022
Evaluation Report Due: October with potential to extend to December 2022 if required.
Spend has been cleared by DG Economy.

Communications and Engagement

10. When the tender documents were uploaded to the Public Contracts Scotland website, there was some media interest, mainly from a journalist at the Scotsman. Similar enquires may be made again. We would envisage that the same lines, as already cleared by Ms Forbes, could be used again:


“Significant progress has been made at Ferguson Marine and the yard is back to being a serious contender for future vessel contracts. As part of ongoing work to support the yard to secure these future opportunities, and in line with recommendations in the Audit Scotland report, the Scottish Government has commissioned this piece of work to evaluate what possible improvements can be made for the yard to be more efficient, competitive and to win contracts on merit.

“Ultimately, decisions on what sort of vessel opportunities to pursue are for the Ferguson Marine management and Board of Directors to determine.”









11. It will be the responsibility of officials within SCID to manage this contract. We will provide progress updates to the Strategic Assets Review Group (SARG) and can ensure that any interim report is shared internally within SG. SARG functions to increase SG’s shareholder scrutiny and assurance and provide collective leadership to drive up delivery confidence and ultimately better manage SG’s financial interests in Ferguson Marine, the GFG Lochaber Guarantee and Prestwick International Airport. We also anticipate an opportunity for the contractors to discuss their initial findings with SARG as part of their review process.


Recommendation

11. Ministers are asked to note the contents of this submission and that we will award the Pathway to Productivity report contract (the “Shipyard Review of Productivity and Potential Improvements Study”) to First Marine International on date 25 July 2022.


Strategic Commercial Interventions Division
13 July 2022

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Deputy First Minister			X		
Cab Sec for Net Zero, Energy and Transport			X		
Minister for Transport			X		
Minister for Business, Trade, Tourism and Enterprise			X		
First Minister					X

Perm Sec
 DG Economy
 Director of Economic Development
 Reuben Aitken
 Mo Rooney








 Kate Hall



[Redacted]
[Redacted]
[Redacted]

Kenny Hannaway

[Redacted]
[Redacted]
[Redacted]

Hilary Pearce

[Redacted]
[Redacted]

Comms Finance and Economy

[Redacted]
[Redacted]
[Redacted]
[Redacted]