

**From:** [Redact] on behalf of [Minister for Business, Trade, Tourism & Enterprise](#)  
**To:** [Redacted] ; [Minister for Business, Trade, Tourism & Enterprise](#)  
**Cc:** [Rooney M \(Maureen\)](#); [Redacted] ; [Redacte] ; [Redacted] ; [Higgins K \(Kate\)](#)  
**Subject:** RE: Meeting FMPG CEO: Actions arising from the meeting  
**Date:** 02 May 2022 19:45:21

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Hi [Reda  
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Mr McKee is content with the below.

Many thanks,

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d]  
Interim Private Secretary  
Minister for Business, Trade, Tourism & Enterprise  
The Scottish Government  
Edinburgh  
Email: [MinisterBTTE@gov.scot](mailto:MinisterBTTE@gov.scot)

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**From:** [Redacted] <[Redacted] @gov.scot>  
**Sent:** 29 April 2022 15:58  
**To:** Minister for Business, Trade, Tourism & Enterprise <MinisterBTTE@gov.scot>  
**Cc:** Rooney M (Maureen) <Maureen.Rooney@gov.scot>; [Redacted] <[Redacted] @gov.scot>; [Redacted] <[Redacte] @gov.scot>; [Redacted] <[Redacted] @gov.scot>; Higgins K (Kate) <Kate.Higgins@gov.scot>  
**Subject:** Meeting FMPG CEO: Actions arising from the meeting

PS/Minister

I set out below the actions arising from the meeting with the FMPG CEO this morning, grateful for any comment/additions.

1. Yard simplifying existing systems to allow manual input(FMPG)
2. Populate the draft template for 801 by the end of May(FMPG)
3. Using the information in the template assess the likely completion date of 801(SCID and FMPG)
4. Yard considering how to get efficiency data out of the same template process(FMPG)

5. Consider removing the request for an ERP system from the overall capital investment package and deal with it separately(SCID)

6. Consider what support the public sector IT ecosystem can provide the yard with(SCID)

7. Schedule a further meeting in 3 to 4 weeks(SCID)

**[Redacted]**

**Ferguson Marine**  
**Cabinet Secretary for Finance and Economy call with FMPG CEO**  
**28 March 2022**  
**11:00 – 11:30**

**Attendees**

Ms Kate Forbes MSP, Cabinet Secretary for Finance and Economy

Mr Ivan McKee MSP, Minister for Business, Trade, Tourism and Enterprise

David Tydeman, CEO, Ferguson Marine (Port Glasgow) Limited (FMPG)

Reuben Aitken, Director, Covid Business Resilience and Support Directorate (COBRASD)

Mo Rooney, Deputy Director, Strategic Commercial Interventions Division

Leanne Dobson, Special Adviser

Kate Higgins, Special Adviser

[Redacted], Strategic Commercial Interventions Division

[Redacted], Strategic Commercial Interventions Division

[Redacted], Ministerial Private Offices Division

[Redacted], Ministerial Private Offices Division

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1. FMPG CEO (CEO) provided the following updates:
  - The yard is focussed on delivering the vessels to the updated schedule;
  - Improving the metrics in the weekly and monthly progress reports is also a top priority for the yard;
  - [Redacted][Redacted][Redacted][Redacted] has brought positive energy to the yard;
  - Consideration of the 802 designs is ongoing;
  - Work is ongoing to improve the fundamentals of the yard;
  - MSPs are visiting the yard on Monday next week (4 April 2022); and
  - The Board will consider lessons at their meeting at the end of April 2022 (before the current Chair's departure).
2. The Cabinet Secretary requested a deep dive session with FMPG Senior Management Team (SMT) within the next few weeks. The session should consider current gaps, what is working well and needed to deliver the vessels in line with the revised schedule. Cabinet Secretary is also keen to meet the FMPG SMT including [Redacted].
3. The Minister for Business, Trade, Tourism and Enterprise is meeting the CEO on Thursday this week (31 March 2022) to discuss efficiency data and reporting metrics.
4. The Cabinet Secretary reiterated that the yard has a programme to work to and must deliver the two vessels successfully, especially 802 as it is not affected by legacy issues.
5. The Director of COBRASD mentioned that he is still waiting to receive the financial information required to provide more robust scrutiny of the costs associated with the updated schedule. The CEO confirmed that he has already asked the FMPG CFO to provide the information as a matter of urgency. The CEO emphasised that he also needs this information to manage the business and provide assurance to Scottish Ministers.

**Strategic Commercial Interventions Division**  
**28 March 2022**

<b>What</b>	6-weekly meeting with David Tydeman, CEO of Ferguson Marine and Alistair Mackenzie, Chair of the Ferguson Marine Board of Directors.
<b>Where</b>	MS Teams – [Redacted][Redacted]
<b>When</b>	Wednesday, 6 April 2022 11:30 – 12:00
<b>Key Message(s)</b>	Reaffirm Scottish Government’s commitment to the vessels, the workforce and the yard.
<b>Who</b>	David Tydeman, CEO of Ferguson Marine Alistair Mackenzie, Chair of the Ferguson Marine Board of Directors
<b>Why</b>	This is a continuation of the 6-weekly meetings with the CEO and Chair. The purpose of the meeting is to discuss the turnaround of the yard and progress against delivery of 801 and 802.
<b>Supporting official</b>	[Redacted] – Strategic Industrial Assets Tel: [Redacted] [Redacted] – Strategic Industrial Assets
<b>Briefing contents</b>	<b>Annex A:</b> Agenda <b>Annex B:</b> Background Briefing

**Agenda**

- **MSP visit readout**
- **General update on turnaround and vessels progress**
- **Future work bids**
- **Efficiency and Capital Investment**
  - *Unfortunately, we are not able to fund the yard to commission the pathway to productivity work themselves.*
  - *We recognise the importance of this report and SG will commission it directly.*
  - [Redacted][Redacted][Redacted][Redacted][Redacted][Redacted]  
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[Redacted]
- **Financial assurance**
  - *I would like an update on your financial assurance work in respect of the new schedule. It is really important that we are able to clearly see how the delivery programme and its associated cost are linked.*
  - *I understand you are working with SG Finance Business Partners to provide comfort around the expected costs to complete 801 and 802.*
  - [Redacted][Redacted][Redacted][Redacted][Redacted][Redacted]  
[Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted]  
[Redacted][Redacted]
- **AOB**

## Background Briefing

### Ferguson Marine Background

In 2014, Fergusons entered administration and was purchased by Clyde Blowers Capital (CBC). In 2015 the company secured the £97 million contract to build two ferries for Caledonian Maritime Assets Limited (CMAL). The MV Glen Sannox (801) and a second vessel (802), the original completion dates were April 2018 and October 2018, respectively.

Ferguson Marine Engineering Limited (FMEL) Directors filed a notice of intention to appoint administrators on 9 August 2019 and administrators were appointed on 16 August 2019. The Scottish Government operated the yard under a management agreement with the administrators until the commercial transaction to bring the yard into public ownership was concluded on 2 December 2019.

### Costs

Costs have increased from three factors – increases in labour hours, increases in materials and overhead recovery costs due to the extended timeline.

In terms of the increased cost that has been reported to Parliament, there are 3 elements:

- Costs associated with the cabling issue - £825k
- Costs associated with schedule extension - £7.875m (£4m in overheads and £3.875m in labour and materials).
- The third cost element relates to the provision for previously unbudgeted warranties on warranty expired equipment and builder's warranty. This comes at a cost of £3.5m (based on 5% of £70m equipment cost).

The cost to complete the ferries will therefore increase from the £110.3m-£114.3m communicated to Parliament in December 2019 to £119m-£123m. (i.e. an addition of £0.825 m + £7.875m)

The total additional cost associated with the letter to Parliament will therefore be **£122.5m-£126.5m**

### Current Schedule

	<b>December 2019</b>	<b>August 2020 Update</b>	<b>June 2021 Update</b>	<b>March 2022 Update</b>
	Delivery Range	Delivery Range	Delivery Range	Delivery Range
801	October to December 2021	April to June 2022	July to September 2022	March 2023 and May 2023
802	July to October 2022	December 2022 to Feb. 2023	April to July 2023	October 2023 and December 2023.

On **23 March 2022** the FMPG CEO wrote to the Net Zero, Energy and Transport Committee to update them on the further analysis undertaken in relation the legacy cabling issue and to provide an updated programme and costs to complete the vessels.

The CEO has quantified the cost and timeline issues associated with this problem and have, in addition, reviewed the overall programme for both 801 and 802. The cabling issue itself has created a four-month delay to the start of the commissioning programme for vessel 801 which, in turn, has a direct cascade impact on vessel 802 – also of four months. As a result, the start of commissioning for 801 has now moved to May '22 and commissioning start for 802 is now planned for March '23.

The updated the programme for the vessels is the following:

**Vessel 801 delivery range – March 2023 and May 2023**

**Vessel 802 delivery range – October 2023 and December 2023.**

#### Previous Amendments to Schedule

Following the nationalisation of Ferguson Marine, the Turnaround Director was requested by the Scottish Government for a report on the conditions of the vessels, together with a revised programme and cost to complete the vessels.

The report was published in **December 2019** and set out the following programme for the vessels.

**Vessel 801 delivery range – October to December 2021**

**Vessel 802 delivery range – July to October 2022**

In August 2020 the Turnaround Director submitted another report updating the progress since the December 2019 report. This report summarised the actions taken Ferguson Marine during the COVID-19 lockdown, and to give an assessment of the impact of the lockdown on the project to deliver the ferries.

Ferguson Marine closed for the lockdown on 24 March 2020 and remained closed until early June when, in line with Scottish Government guidelines and in close collaboration with the workforce, limited outdoor working was resumed under a pilot project to restart work at the yard. This pilot allowed around 10% of yard workers to return to work with the level gradually increased through July. In August, approximately 50% of the yard workers have returned to work, supported by a skeleton crew of supervision and technical staff.

65 Ferguson employees worked from home throughout the lockdown and, given the constraints, good progress was made on design, planning and other areas. The Design of the vessels reached a critical phase, requiring concentrated engineering effort to approve final designs. At the time with no immediate prospect of returning the engineers to their offices this had a direct impact on the timetable.

Overall, by **August 2020** the COVID lockdown had left the yard closed for 3 months and on severely restricted working for at least 3 further months.

The Turnaround Director therefore updated the programme for the vessels to the following:

**Vessel 801 delivery range – April 2022 to June 2022**

**Vessel 802 delivery range – December 2022 to February 2023**

On **24 June 2021** Ferguson Marine submitted a report to the Scottish Parliament's Net Zero, Energy and Transport Committee as part of regular quarterly updates on progress as requested by the committee in their report on ferry procurement. The report detailed the impact that COVID-19 and shortages of local skilled labour has had on delivery schedules and pandemic-related costs. This report was the second update to the programme to deliver Vessels 801 & 802 and should be considered alongside the previous reports described above.

The issues above at the time of writing created a total 15-week delay in the construction of both vessels.

As a result, the Turnaround Director updated the programme for the vessels to the following:

**Vessel 801 delivery range – July 2022 and September 2022**

**Vessel 802 delivery range – April 2023 and July 2023.**

At the time of writing the June 2021 report, the COVID-19 pandemic caused six months of disruption in 2020 and productivity continued to be impacted due to a further shutdown in January 2021 and the introduction of additional COVID-19 safety measures. The timeline impact of ongoing disruption was calculated at the time as seven weeks, with additional costs of **£1 million**, which reflects the update given to parliament in March 2021. It brought the total COVID-19 costs to **£4.3 million**, which is treated as an exceptional item and does not affect the overall project budget.

### **MSPs Visit**

Initial intel from the yard was the visit seems to have gone well, with an attendance of 9. [Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted]

[Redacted] 1.5h Q&A; 1.5h walk round vessels.

There was high level, second hand commentary on the visit reported on Scotland Tonight (4/4/2022). This pointed to positive progress in build of the vessels.

### **Future Work Update**

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## Efficiency and Capital Investment Work

Ferguson Marine have been clear for some time that, in order to improve competitiveness and also successfully deliver any contracts won in the short-term, there is a need for capital investment in the yard. Officials have engaged on this matter since late 2020 and been clear that we would support a robust bid for capital and work with Ministers to try and secure funding.

This led to the more recent ‘pathway to productivity’ conversations, where we agreed with the yard that FMI (who completed a benchmarking exercise for the yard in late 2020/early 2021) would be well placed to provide the necessary independent assessment of measures required to improve the yard from the relatively inefficient position FMI reported in March 2021, to a position of increased competitiveness.

This work is intended to help ascertain the speed, and associated capital cost, at which sufficient efficiency improvements can be made in order for the yard to win work competitively [Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted]  
[Redacted][Redacted][Redacted][Redacted][Redacted][Redacted]

### Procurement issue

Progress on the pathway to productivity was slow due to challenges around pinning down the scope of work to meet our required outputs at a reasonable cost. [Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted] acted [Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted] [Redacted][Redacted] We therefore intend that SG will commission the work directly, through a non-competitive action to FMI if possible, otherwise through an open tender for the work. The yard’s Chief Executive is aware of the issue.

## Financial Assurance

### Headlines

- Revised schedule submitted to Parliament has been developed with support from CMAL who have provided assurance that the revised dates are achievable.



**Ferguson Marine – Ms Forbes meeting with FMPG CEO and Chair**  
**6 April 2022**  
**11:30 – 11:50**

**Attendees**

Kate Forbes MSP, Cabinet Secretary for Finance and Economy  
David Tydeman, CEO of Ferguson Marine Port Glasgow  
Alistair MacKenzie, Chair of Ferguson Marine Port Glasgow  
Reuben Aitken, Director, Covid Business Resilience and Support Directorate  
Mo Rooney, Deputy Director, Strategic Commercial Interventions Division  
[Redacted], Strategic Commercial Interventions Division  
[Redacted], Strategic Commercial Interventions Division

David described the recent MSP yard visit. David thought the visit was very positive, receiving strong engagement from the MSP's.

Ms Forbes asked Alistair his and the FMPG board's reflections on the new costs and schedule, and why the board were supportive of the previously outlined costs and schedule.

On the new delivery programme, Alistair confirmed the board is supportive, however there is still work to do to precisely pin down the financial assurance in the coming weeks, work currently ongoing. On the previously outlined programme, Alistair outlined that the board would be conducting a lessons learned to understand this in April. Alistair believes that the board wished to support an aggressive delivery programme, which was backed by senior staff at the yard.

David provided an update on progress. The yard has begun to look at key milestones on both vessels, with a better outlining of metrics in the reporting. Focus at the moment on developing a stronger understanding of the data held by the yard. David described a current disconnect in the data, with the yard currently running different software, which he is working on. David and Mr McKee to meet in 2 weeks to further discuss data. Alistair hopes the yard can develop a dashboard to report key information.

Ms Forbes keen to move to a monthly reporting/ monthly meeting schedule, to allow for a more in depth discussion, which David agreed on.

David described future work planning and has developed a high level road map detailing 801/802 completion, interim project, and future work. [Redacted][Redacted][Redacted]  
[Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted][Redacted]  
[Redacted][Redacted]

Reuben asked how the new delivery dates impact the workforce becoming idle. David confirmed this can be discussed in more detail at another time, but the new delivery schedules means that this would likely be in Q4.

**Strategic Commercial Interventions Division**  
**6 April 2022**