

**MINISTERIAL ENGAGEMENT BRIEFING:
KATE FORBES, CABINET SECRETARY FOR FINANCE AND THE ECONOMY
Briefing for Visit to Ferguson Marine Shipyard in Port Glasgow**

What	First visit to Ferguson Marine Shipyard in Port Glasgow.
Where	Ferguson Marine Castle Rd Port Glasgow PA14 5NG
When	Wednesday, 25 August 2021 13:30 – 15:30
Key Message(s)	Reaffirm Scottish Government's commitment to the vessels, the workforce and the yard.
Who	The workforce of Ferguson Marine.
Why	An opportunity to visit the Shipyard and meet sections of the workforce.
Supporting official	Mo Rooney – Strategic Industrial Assets Tel: [redacted] Reuben Aitken – Covid Business Resilience and Support Tel: [redacted]
Briefing contents	Annex A: Agenda Annex B: Workforce Groups Annex C: Background Brief
Media Handling	This a private visit, the media has not been alerted. An SG Comms official will be in attendance to take a photo which can be tweeted out after the visit. [redacted] [redacted]
Social Media	Separate note from SG Comms to be sent to Private Office detailing media handling.
Name of the Constituency MSP	Stuart McMillan MSP
Name of Constituency	Greenock and Inverclyde
Local MSP contacted (Y/N)	Yes.
Dress code	PPE will be provided for tour of yard. Safety boots, hard hat and boiler suit.

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<i>Greeting Party and specific meeting point on arrival (if event is at a non SG Building)</i>	You will be greeted by Tim Hair, Mo Rooney and Reuben Aitken in the car park of the shipyard.
<i>Specific entrance for Ministerial car/parking arrangements</i>	Ministerial Car will drop you off at yard and pick you up again at 15:30. To gain entry the reception can be reached on [redacted] or Tim's mobile [redacted]

Agenda

The Turnaround Director plans to run two sessions, one of which will include the GMB suggestions.

The structure of the day will be as follows -

- 13.30 – 13.40 Arrival & Introductions. Tim Hair
- 13.40 – 14.40 Change into PPE & yard tour. TH plus [redacted] & [redacted]
- 14.40 – 15.00 Employee Group 1. Mixed employees from across the business.
- 15.00 – 15.20 Employee Group 2. Shop stewards and selected union members.
- 15.20 – 15.30 Wrap-up and exit

The group sessions will not include any managers which will give you the opportunity to have an open 2-way conversation with employees. The groups will be a mix of functions from across the business and will include a range of people from hourly paid trades to design engineers.

The yard tour requires PPE, including safety boots and boiler suit which the yard will provide.

Tim has advised that some Union members think they should be allocated at least an hour with Ms Forbes. Tim has made their session the last item so that you can bring it to an end by having to leave for another engagement.

Workforce Groups

Employee Group 1 – Up to 16 mixed employees from across the business. From hourly paid trades people, such as welders to design engineers.

Employee Group 2 – Union selected, with Shop Stewards such as [redacted] & [redacted] who you have spoken to on MS Teams previously.

[redacted] will join you for the tour of the yard with Tim Hair. [redacted]

[redacted]

[redacted]

[redacted]

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.

Contract Costs

Following the acquisition which brought Ferguson Marine into public ownership, the Contracts for 801 & 802 were novated to Ferguson Marine Port Glasgow (FMPG).

The contracts have a contractual price, inclusive of agreed variations, of £98.5 million. Prior to Ferguson Marine being brought into public ownership, CMAL advanced payments totalling £83.0 million in respect of the Contracts. The revised cost to complete the contracts was estimated at between **£110.3 million and £114.3 million** in December 2019 by the Turnaround Director of Ferguson Marine. The Turnaround Directors August report confirmed these numbers and his subsequent June 2021 report maintains these costs. This means £193-197m will be paid for the vessels against a revised contract price of £98.5m.

Updated Schedule

Ferguson Marine submitted a [report](#) to the Scottish Parliament's Net Zero, Energy and Transport Committee on 24 June 2021 as part of regular quarterly updates on progress as requested by the committee in their report on ferry procurement. The report details the impact that COVID-19 and shortages of local skilled labour has had on delivery schedules and pandemic-related costs. This report is the second update to the programme to deliver Vessels 801 & 802 and should be considered alongside the initial report, issued to Scottish ministers on 9 December 2019, and the first update issued on 21 August 2020.

These factors have created a total 15-week delay in the construction of both vessels. As a result, MV Glen Sannox (801) is scheduled to be delivered between **July 2022 and September 2022** while Hull 802 is scheduled to be delivered between **April 2023 and July 2023**.

August 2020 Update		June 2021 Update	
Delivery Range	Cardinal	Delivery Range	Cardinal

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		Date		
801	April to June 2022	14 April 2022	July to September 2022	25 July 2022
802	December 2022 to Feb. 2023	8 Dec. 2022	April to July 2023	3 April 2023

The COVID-19 pandemic caused six months of disruption in 2020 and productivity has 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 has been calculated as seven weeks, with additional costs of **£1 million**, which reflects the update given to parliament in March 2021. It brings the total COVID-19 costs to **£4.3 million**, which is treated as an exceptional item and does not affect the overall project budget. The overall project budget remains stable and **unchanged at £110.3 million to £114.3 million**.

Recruitment challenges since late 2020 have caused a delay of eight weeks as the shortage of local skilled labour meant that Ferguson's had to meet resource requirements by subcontracting smaller fabrications to Scottish businesses, which has supported 25 jobs, and introducing overseas workers.

The report also outlines achievements and progress to date, including a major milestone in the build of MV Glen Sannox with the completion of structural work.

Progress is visible with the installation of a reworked funnel and newly constructed mast, as well as completion of the structure around the stern and inside the hull. Remedial work has been completed on hull paintwork and the first layers of protective paint have been applied to the aluminum superstructure. Completion of the structure makes way for outfitting of the vessel, which includes the installation of 10km of pipework and extensive equipment, plus the creation of public spaces and cabins and full furnishing.

Despite the challenges and delays, shipyard management remains positive based on improved capability built over the past 18 months, including a highly qualified and capable leadership team in place. The senior management team now has 130 years of combined shipbuilding experience, with other new expert appointments and existing high-calibre employees promoted into key positions.

Ferguson Marine – Pay Offer

Lines to take

[redacted]

Summary of Unions Call

You met with Trade Union representatives on 20 July 2021. A summary of the discussions can be found below.

Introductions

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- Ms Forbes welcomed the opportunity to meet and work in partnership with the unions. She stressed the importance of the Ferguson Marine workforce locally and nationally. The vessels under construction are of national importance and are critical to the areas they will serve.
- She is mindful of the uncertainty the workforce have had to deal with and is keen to work closely with them to get a feel for what is happening on the ground at the yard. She is aware of the GMBs “Fight for Ferguson” campaign and would like to work more closely to on this.

Future

- Ms Forbes stated the priority for the yard is to finish the two vessels currently under construction. Whilst the construction continues, work around improving productivity will carry on while the yard explores future contracts in public and private sectors.
- The yard needs to be able to compete on a Domestic, European and Global scale. This means the yard must demonstrate its competitiveness to secure a long term future that is able to supply a pipeline of work. Ms Forbes wants to work with the yard and unions to get to a place where this can happen. She asked the call what more do they think needs to be done to help.
- Union colleagues appreciated what has been said so far and welcomed the offer of further regular meetings. They praised the “fantastic” workforce at the yard, who have had to work through a difficult period with COVID-19. It was acknowledged that the organisation on the ground within the yard could be better.
- [redacted] called for a pipeline of future work for the yard and for future contracts to have a form of standardisation in types of vessels the yard will bid on and build. Building to different specifications has potentially caused delays and cost overruns. He also recommended collaborating with local yards to agree “through life” packages where local yards can be used for maintenance instead of those further afield.
- Ms Forbes was aware of the importance that the yard has to the success of the local economy as a large employer and was keen to see a pipeline of apprenticeships. She agrees that improved levels of morale is linked to higher productivity and wanted to inspire the workforce to realise how important they are. A workforce with continued low morale could result in further delays. The yard management is currently investigating options to accelerate the delivery of the vessels.

Working Practices

- [redacted] attributed the low morale to not being able to settle the recent 2021/2022 pay award and the ever changing senior management team. [redacted] was of the view that the senior management team is trying to replicate structures and ways of working in place at BAE systems, which in his view is incompatible. Commercial Shipbuilding on the scale at which Ferguson Marine operates needs to be “lean and mean” to compete.

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- [redacted] and [redacted] echoed [redacted] comments in regard to high numbers of managers/supervisors and low morale. They believe it is partly down to the lack of work at the moment, which means colleagues are idle for long periods per shift. The recent negative media stories in relation to the previous owners and the future of the yard has the workforce anxious about their jobs.
- [redacted] attributes some of the workflow issues to the large numbers of contractors involved at the yard. He also said the planning systems in place from management weren't working and this has been raised at board meetings for 6-7 months. The senior management response was that further planning managers are being recruited.
- The practice of having a weekend shift instead of night shift was implemented without any negotiations with the unions. There was discussion that nightshift can work better due to the handover of work process from morning to night and vice versa.
- [redacted] highlighted his concerns in relation to the contractor design work, which in his view isn't fit for purpose. Some of the structure they are being asked to fit are heavy and will impact the final weight of the vessels.

Closing Remarks

- Ms Forbes is keen to visit the yard soon and help fix the issues that have been raised on the call today. She was also keen to set up regular meetings to find out what is happening on the ground and the progress being made.
- Ms Forbes reiterated the need for an improvement in productivity and competitiveness at the yard. She asked those on the call to take back the message that she has heard their concerns and she will act on them as far as she can.