

Deputy First Minister and Cabinet Secretary for Covid Recovery
Minister for Business, Trade, Tourism, and Enterprise
Minister for Transport

Ferguson Marine - Ferries 801 and 802 - Progress Update: November 2022

Purpose:

1. The purpose of this submission is to update Ministers on progress towards the delivery of ferries 801 and 802 based on the November 2022 reports from both Ferguson Marine Port Glasgow Ltd. (FMPG), and Caledonian Maritime Assets Ltd. (CMAL).
2. Ministers should note that these reports were prepared by CMAL and FMPG in November and some information will have been superseded given the build has continued to progress since that time. The commentary therefore reflects the information in the November 2022 report to ensure a clear public record and chronology.

Headlines:

- The target for completion of 801, (without the LNG system) is end of May 2023 and a target handover date in Q1/2024 for 802.
- Hull 802 programme is still under ongoing review to align with launch dates and allocation of labour.
- There has been agreement to close a number of OORs however there are still a significant number to resolve at this stage in the build. As per the previous update to Ministers, timescales and dates for carrying out the works have still to be established and how the execution of the works fit in with the rest of the build activities.
- The legacy of pipework changes agreed by the previous management and their failure to implement, continue to raise challenges with regard to operational constraints.
- Engineers from the supplier of the propulsion machinery equipment are on site carrying out pre-commissioning checks on Main Engines, Auxiliary Engines/Generators, Gearboxes and Thrusters, this work is progressing well, however, there is slippage in the overall commissioning programme, the target was to commission said equipment/systems before end 2022.
- Most of the upcoming contractors are booked and should be in line with the yards plan to completion.

Background

3. This monthly update reflects on the progress towards the delivery of vessels 801, and 802 made in November 2022. Officials meet with CMAL on a weekly basis

to discuss progress, with the monthly update meeting held on 7 December 2022 to discuss progress made in November 2022.

4. The Chair of the Board of Directors of Ferguson Marine is aware of the content of this monthly performance update and agrees with the position presented.

Overview of progress in November 2022

5. The main points to note from the CMAL report on 801 are:

- Completion dates for planned works for commissioning activities are late to complete, particularly electrical aspects to meet target commissioning dates.
- FMPG and its subcontractor's pipefitting rate is down in general due to rework on systems previously fitted.
- The shipyard reports that 83.7% of all ships cabled have now been pulled. Following this trend all remaining cables should be installed by week 05 2023.
- Work on the Clam Shell Doors still awaits specialist scaffolding contractors to complete their work and install a working platform so slippage is expected however this should not affect the commissioning of the system as a whole in early 2023.
- Contractors are on site to commence lift install with a further team joining in January to progress this work.
- Further discussion is required to determine the approach for commissioning of LNG for 801 following the delay in the delivery of Vacuum sensors,

The main points to note from CMAL on 802 are:

- As per the previous monthly update, 802 is making limited progress against the dates given in the level 0 plan as the yards focus remains committed on the build of 801.
- There is a lack of available labour for 802.
- The programme is currently under ongoing review to align with proposed new launch date and allocation of labour.
- There has been some progress made on block fabrication and erection including deck units and emergency generator units now on board prior to linkup.
- Some progress made on fitting walkways, handrails and outstanding windows.

Hull 801 - Key known Challenges for the shipyard to meet the programme:

- Installation, testing and termination of the ship's cables. Particularly to align with the commissioning plan.
- Completion of pipework to meet commissioning dates, including addressing pipe clashes.
- Close out of OORs.
- Closure of design gaps.
- Unknown and emerging rework.
- Delivery and completion of production drawings and accuracy of production drawings.

- Availability of experienced supervisors and managers.
- Shortage of experience trades.
- Availability of OEM for commissioning engineers.
- Coordination of multiple activities in busy compartments such as the engine room.
- Verify Hull 801 Deadweight.
- Commissioning of LNG System.
- Lack of familiarity with final stages of finishing the vessels, surveys, documentation, certification.
- Completion of bow door, ramps and mezz decks outstanding scope.
- Procuring and fitting of semi watertight passenger access doors on 03 and 04dk.

Progress reporting

6. CMAL and FMPG are continuing to progress a joined-up approach to reporting, in line with the recommendations of Audit Scotland.
7. This collaborative working should ensure that both parties are agreed on the challenges and are working to secure mitigations.

Financial Reporting and Assurance

8. Financial assurance over the costs to complete was conducted the by FMPG Senior Management Team (SMT) and reviewed during the FMPG Board meeting on 22 September. As reported last month, FMPG CEO wrote to NZET committee on 28 September 2022 to inform the Committee that his estimate of the cost to complete had risen to £202.6m (including a contingency of £6.2m). This is an increase of £80.6 million since March 2022. FMPG have also increased the warranty provision from £3.5m to £7m.
9. External commercial advisor are nearing completion on detailed due diligence over the cost increases and test the assumptions underpinning the revised cost estimates. This assurance work is due to conclude in early 2023.

Relationships and engagement

10. A series of regular calls between the Deputy First Minister, and FMPG has been organised with the next call is schedules on 31 January 2023.

Next steps

11. In terms of next steps, FMPG's priorities are:
 - Continuing to press the supplier on the delivery of LNG sensors to understand the critical path for commissioning of the LNG system.
 - Closing out priority OORs;
 - Continuing to improve the metrics in the weekly and monthly progress reports;
 - Continuing assessment of the planning figures for delivery of Hull 802;

- Ongoing financial assurance work;
- Validation of the weight of hull 801;
- Provide a Business Plan for Capital Investment improvement in the yard following report from consultants.

12. In addition to core business as usual activity, the key next steps for officials are:

- Inducting the new Chair - including meetings with DFM (22 February 2023), Permanent Secretary and DG Economy (10 February 2023);
- Inducting the new Chief Financial Officer
- Continuing to support work to improve the metrics in FMPG's progress reports and ensuring that reporting links spend to the delivery of individual work packages and performance targets;
- Continuing to work closely with FMPG's finance, planning and programme teams around the financial assurance of the delivery of vessels 801 and 802;
- Ongoing engagement to scrutinise the costs associated with delivery, and monitor spend against projected costs;
- Review the nature and cost of the capital upgrades required to improve the yard's competitiveness following conclusion of consultancy work in this area.

Conclusion

13. Ministers are asked to note the content of this update.

[Redacted]
Strategic Commercial Assets Division
22 March 2023

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Deputy First Minister and Cabinet Secretary for Covid Recovery			X		
Minister for Transport			X		
Minister for Business, Trade, Tourism and Enterprise					X

Permanent Secretary
 DG Economy
 Chief Executive Transport Scotland
 Director Economic Development
 Kate Hall
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]
 Roddy Macdonald
 Frances Pacitti
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]
 Catriona Matheson
 Comms Finance and Economy
 Comms Transport Scotland

ANNEX A – CMAL MONTHLY UPDATE ON PROGRESS TOWARDS DELIVERY OF 801 AND 802 – November 2022

- separate document

ANNEX B – FMPG MONTHLY UPDATE ON PROGRESS TOWARDS DELIVERY OF 801 AND 802 – November 2022

- separate document