

FERGUSON MARINE PORT GLASGOW – UPDATE
OFFICIAL SENSITIVE - COMMERCIAL

From: [REDACTED]
Strategic Commercial Assets Division
19 Jan 2024

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

Ferguson Marine Port Glasgow (FPMG)– UPDATE

Priority and Purpose

Immediate. This submission provides an update on current challenges and progress towards the delivery of Hull 801 (Glen Sannox) and Hull 802.

Recommendation

1. To note the current position with the delivery of Glen Sannox and 802, including the expectation that the costs and delivery schedule will be updated by end January 2024 following a review by the Board of FPMG.

Context and Issues

2. The CEO of FPMG wrote to the Net Zero, Energy and Transport (NZET) Committee on 21st December 2023 to give his regular, quarterly update on the delivery of the two hulls. In this, he stated that issues around the LNG system were likely to mean a two month delay in the delivery of Glen Sannox (previously scheduled for end March 2024). First Minister asked for an update on this and other issues that might impact on the delivery schedule.
3. Weekly meetings are being held with the yard, CMAL and CalMac to scrutinise the various elements of the critical path to handover. CMAL, as our technical advisors, continue to challenge assumptions around this critical path, and maintain a list of issues requiring attention, prior to sea trials and handover.
4. It is clear from these meetings that the delivery date for Glen Sannox will indeed slip to end May 2024. CalMac have advised that this will not however impact on its planned deployment, [REDACTED]
5. Cabinet Secretary held constructive discussions with Union shop stewards and other members of the workforce during his visit to the yard on 10th January 2024. [REDACTED]

In addition, Cabinet Secretary had a tour of Glen Sannox, and was able to reinforce the importance of rigorous cost control in discussions with the Chairman, [REDACTED] the leading shipbuilding Non-Executive Director, [REDACTED] and the 801 Ship Director [REDACTED]

Assessment of Costs and Delivery Dates

6. FMPG is currently undertaking a full review of the cost estimates and project delivery dates. These are due to be presented to the FMPG Board on 24th January 2024 and will be submitted subsequently to Scottish Government.

Glen Sannox: Risks and Issues

LNG fuel requirements

7. FMPG advised in December 2023 that there had been difficulties in engaging the [REDACTED] which held the initial contract to deliver the LNG pipework for Glen Sannox.
8. FMPG has now engaged a different company, [REDACTED] to undertake the work and installation began in w/c 8th January. The work is anticipated to take 8 weeks in total.
9. As sea trials are due to commence on 13th February 2024, this will require installation during this period, and some subsequent work when Glen Sannox returns from sea trials and moves to Inchgreen on 19th February 2024. There are risks in relocating staff in order to carry out this work, but the CEO has indicated that these are already factored into the programme.
10. Once the pipework is installed, a 10 week commissioning period is required to allow controlled cooling of the tank and associated pipework.

Availability of Contractors

11. Delays have also resulted from the availability of contractors to install the passenger lifts ([REDACTED] and the fire detection system [REDACTED]. The latter must be in place prior to sea trials and contributed to the decision to delay them to February 2024.

Installation of loading ramp

12. When the inner loading ramp was installed on the vessel it clashed with the clamshell bow doors. Possible causes include the long term storage of the ramp, wider design tolerances utilised by original FMEL designers and the impact of the vessel being stationary in the water for a number of years. Work to resolve the issue is underway and this will need to be completed before sea trials begin.

Dry Dock

13. The original dry dock booking for Glen Sannox was 18th December 2023, but this had to be delayed due to high winds. Given other commitments at the dry dock, FMPG was unable to book a replacement date until 2nd April 2024. Officials have challenged the yard on the lack of a suitable fallback date, and advised that this

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must be taken into account for the April booking, in case weather conditions again delay entry.

Snagging

14. FMPG and CMAL are working to categorise the “snagging list” to identify and distinguish those issues which require rectification prior to sea trials, prior to handover, and those that can be addressed at a later date. CMAL have informed us that whilst a degree of snagging is usual for a vessel build [REDACTED]

15. In addition, work continues to identify those parts of engines and equipment which cannot be serviced fully in- situ and would therefore require the vessel to exit operational activity for repair. CMAL have identified several areas that they have concerns with regard to accessibility, which although FMPG are confident will be achieved, have not yet been proven. This could take some time to resolve prior to handover.

Entry into Service

16. A standard two-month period prior to MV Glen Sannox entering operational service is required for crew familiarisation in areas such as crew cabin set up, retail training, network trials, berth fits and other areas.

17. Given existing contractual arrangements, the responsibility for crewing costs prior to the vessel entering service lies with Scottish Government as the client. There are currently a number of essential roles already operating in the yard. Given uncertainty over the delivery dates, we need to strike the right balance between ensuring the vessel can enter service fully crewed as soon as she is ready and the risk of carrying additional costs unnecessarily if we have concerns there may be further delay.

18. Transport Scotland engage with CMAL and Calmac on the proposed recruitment plan. They are aware of the delays to the build and are working to manage recruitment in light of these updated timelines.

Hull 802 Risks and Issues

Launch from slipway

19. The CEO remains optimistic that the hull will be launched on 12th March 2024, although he has identified fallback dates in April and July in case of weather concerns or delay. SG, CMAL and FMPG have established a working group to manage the event and consider any contingency which may be required.

20. Should the March launch date be missed, ongoing build on the slipway will increase the weight of the vessel and this process will need to be managed carefully in order to ensure that the additional weight does not damage the vessel at launch.

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Scaffolding

21. Additional scaffolding is in place around 802 along with a protective shroud to permit hull painting and repair during winter months. [REDACTED]

The previous scaffolding was welded to the vessel but needed to be disconnected to allow for painting. Health and Safety advisors were not content to disconnect the previous scaffolding without additional stability measures, and therefore a second “layer” of scaffolding was added at a reported [REDACTED]

Equipment obsolescence

22. As part of the previous due diligence work, our advisors highlighted an issue around supply chain and equipment obsolescence which continue to represent key risks to the materials for cost to complete on 802. However, the CEO has advised that most of the key contractors have now been engaged on a fixed price contract, which should drive delivery. It has however required a cost premium which has utilised some of the previously outlined risk premium.

Bute House Agreement Implications

23. There are no Bute House implications

Financial and Legal Considerations

24. As noted above, the Board of FMPG will consider cost and delivery forecasts for 801 and 802 and communicate any changes to Scottish Government by the end of January. Should, as anticipated currently, costs increase, this will impact on the current budget allocation of £42.5m for 2024-25.

25. The final costs for 2023/24 have yet to be fully quantified.

Sensitivities

26. 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.

Quality Assurance

27. This Submission has been approved by the Director of Economic Development.

Conclusions and next Steps

28. The Board of FMPG will confirm any changes to the costs and delivery schedules of the two vessels at its meeting on 25th January 2024 and inform Scottish Government of these projections by the end of the month. Full due diligence on

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any revised estimates will be carried out along with consideration of any impact on the current Written Authority to continue building 802.

29. SCAD will continue to work with FMPG to seek to improve their reporting, assurance and oversight processes, and make use of our technical advisors CMAL to challenge any assumptions around the vessel programmes.

[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 Net Zero and Just Transition				X
Cabinet Secretary for Rural Affairs, Land Reform and Islands				X
Minister for Community Wealth and Public Finance		X		
Minister for Transport		X		

Officials Copy List
Permanent Secretary DG Economy Director Economic Development [REDACTED]
Chief Executive Transport Scotland [REDACTED]
Callum McCaig Colin Mcallister Kate Higgins

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