

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: December 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 December 2022 report from Ferguson Marine Port Glasgow Ltd. (FMPG). CMAL were unable to provide the usual monthly overview report due to annual leave over the Christmas period, and capacity constraints. Officials however met with CMAL on 17 January to discuss progress made in December on 801 and 802 with the key highlights being addressed as part of this submission.

2. Ministers should note that the report was prepared by FMPG in December and some information will have been superseded given the build has continued to progress since that time.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 December 2022 report to ensure a clear public record and chronology.

Headlines:

- Drydock planned for 20 February to 2 March 2023;
- Target date for commissioning major equipment/systems including main engines, gearboxes, generator(s) load testing and power management system setup was due by end of December 2022. A revised commissioning target date for these systems has now been set before 801 goes into drydock;
- Planning date for installation of LNG Vacuum Skid is September 2023, planning date for commissioning of LNG is October 2023;
- Crew training for propulsion and main engine, auxiliary engines, engine controls and LNG due to be carried out in January and February 2023;
- Owner Observation Reports (OORs) meetings continue to discuss items which have no solutions/yet to be addressed, which will affect the maintenance and operation and downtime of the vessel in service;
- Challenges remain with providing equipment operation and maintenance manuals as well as a list of onboard equipment with serial numbers. All of the above are required for certification of the vessel;
- FMPG are also experiencing challenges providing a list of equipment spares.

Background

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

to discuss progress. A monthly update meeting was also held on 17 January 2023 to discuss progress made in December 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.

5. Overview of progress on 801:

- Pre-commissioning checks is underway on the auxiliary generators;
- Serial connections have been commissioned for the alarm system with alarm channel testing now underway;
- Aux engines and port engines have been filled with oil, priming pumps run and engines have been checked internally. Work continues on commissioning and service of the main engines;
- Aux engines turbo chargers refitted;
- The starboard engines are due to be filled with oil, priming pumps run and engines will be checked internally;
- The auxiliary and main engines are due to have first run;
- The gearbox is due to be flushed;
- Contractors booked to commence commissioning of steering gear from 30 January 2023;
- Additional work required on clamshell doors which is due to complete by drydock;
- LNG portside bunkering proposal submitted to CMAL for review and consideration.

6. Overview of progress on 802:

- Lack of manpower support available;
- Material availability remains a challenge;
- Unit consolidation is challenging due to a lack of manpower;
- Challenges remain with the delivery and completion of production drawings and accuracy of production drawings;
- Unit fabrication is on track with plan;
- Good progress has been made despite limited manpower being available.

Progress reporting

7. CMAL and FMPG are continuing to progress a joined-up approach to reporting, in line with the recommendations of Audit Scotland.

8. This collaborative working should ensure that both parties are agreed on the challenges and are working to secure mitigations.

Financial Reporting and Assurance

9. For financial year 2022/23 Ferguson Marine have spent £30.9m on vessel 801 and £13.3m on vessel 802 to 31 December 2022.

10. Detailed due diligence over the cost increases detailed in the FMPG CEO's letter to NZET in September 2022 is ongoing. This assurance work is due to conclude in quarter 1 of 2023. The FMPG CEO indicated in his letter of 28 September 2023 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.

Relationships and engagement

11. A series of regular calls between the Deputy First Minister and the CEO of FMPG is currently in place.

Next steps

12. In terms of next steps, FMPG's priorities are:

- Closing out priority OORs addressing those with no solutions/yet to be addressed;
- 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.

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

- 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

14. 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
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ANNEX A – NOTE OF MEETING IN JANUARY BETWEEN CMAL AND SG IN RELATION TO PROGRESS TOWARDS DELIVERY OF 801 AND 802 – December 2022

- separate document

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

- separate document