



The Scottish Parliament  
Pàrlamaid na h-Alba

Neil Gray MSP

Cabinet Secretary for Wellbeing  
Economy, Fair Work and Energy

Scottish Government

By email only

**Net Zero, Energy and Transport  
Committee**

c/o Clerk to the Committee  
Room T3.40

The Scottish Parliament  
Edinburgh  
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10 January 2024

Dear Neil,

**Glen Sannox (Hull 801) and Glen Rosa (Hull 802)**

In August 2023, the Chief Executive of Ferguson Marine Port Glasgow (FMPG) wrote to update the Committee on delays and increased costs of the completion of the Glen Sannox (Hull 801) due to issues with obtaining the correct Maritime and Coastguard Agency (MCA) certifications.

The Committee has been working to ascertain when these serious issues with MCA approval were known and communicated. This was one of the matters we raised with you when we took evidence from you on 12 September, and you provided follow up information in writing on [6 October 2023](#).

The Committee has also written to the chief executives of both FMPG and the Maritime and Coastguard Agency in the period since 12 September. As a result of these exchanges, it is still not wholly clear to the Committee—

- When the issue of MCA certification, and the risk of further cost and delays arising from it, was *first* communicated amongst relevant parties;
- How it was communicated and how effectively and clearly the issue was communicated amongst the parties;
- More generally, how risks to the completion of the vessels to agreed budgets and timescales are factored into decision making on the project, and what protocols (if any) there are to ensure effective and timely communication of them between all relevant parties (ie you as portfolio Cabinet Secretary, CMAL, Transport Scotland, FMPG);

- How oversight of FMPG by Government or Government agencies is being practically carried out, in order to protect the taxpayer's ongoing investment;
- Overall, whether the improvements to governance and project management that Audit Scotland and several Parliamentary committees have said are necessary to reduce further delays and costs to the taxpayer have now actually been made.

The Committee notes that there are regular written and oral updates between parties. You told the Committee you were first informed of the issue with obtaining MCA certification on 28 June. But information presented to the Committee indicates FMPG was discussing this issue with the Scottish Government and CMAL from April 2023.<sup>1</sup> There was also notification of non-compliant escape routes and the need for exemptions in written updates from FMPG to the Scottish Government in 2022/23.<sup>2</sup>

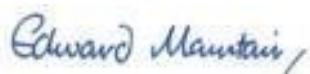
The Committee remains concerned that governance arrangements for completion of the vessels are still insufficiently robust to prevent further delays and increased costs. I am therefore writing to you with two sets of questions: first on the general issue of governance arrangements for the completion Hulls 801 and 802 including—

- 1. Who is responsible for which aspects of the overall completion of the project and the budget;**
- 2. What types of issues, and associated level of risk they represent, Scottish Government Ministers would anticipate being raised by FMPG with CMAL and under what circumstances you would anticipate those being escalated and how quickly?;**
- 3. Are these arrangements working in your view, given the issues with design and supply chains have been known and discussed by for some time by FMPG, CMAL and Transport Scotland before the Written Authority to complete 802 was provided?; and**
- 4. What actions are you taking to review and improve governance arrangements, including your awareness of potential risks to the budget and timescales for delivery of the vessels?**

The annexe sets out more specific questions mainly relating to recent issues raised in FMPG updates, including the issue of MCA certification mentioned above.

I look forward to hearing from you by 12 February 2023.

Yours sincerely,



Edward Mountain MSP

<sup>1</sup> [Letter](#) to the NZET Committee from the Chief Executive of FMPG – 15 December 2023

<sup>2</sup> Including April 2022 [FMPG Progress report](#), June 2022 [FMPG Progress report and February 2023 – FMPG update](#)

Convener  
**Net Zero, Energy and Transport Committee**

## Design Challenges

In correspondence to the Committee, the Chief Executive of the MCA said—

“The impact of the recent structural changes required on board to ensure statutory compliance are regrettable, but are the consequence of the decision taken at a very early stage in the project to proceed with build prior to completion of the plan approval process.”<sup>3</sup>

### 5. Who authorised building of the vessel prior to the completion of the “plan approval process”?

## Sharing of Information between FMPG and the Scottish Government

In previous correspondence we questioned the dates on which information was shared by FMPG with the Scottish Government.

We have been told there were monthly meetings between the Scottish Government, CMAL and FMPG, which have now become weekly. The Chief Executive of FMPG has said the issue of the MCA approvals was discussed at these meetings and in project reviews between April and June.<sup>4</sup> He also said CMAL were aware of the issue as it developed due to their presence on site.

In your letter of 23 August 2023 following confirmation from FMPG of increased costs and delays resulting from design changes required to obtain MCA certification, you said—

“Scottish Government leads weekly meetings of all parties involved in the operationalisation of the vessel and I have made it clear that I expect the continuing and full cooperation of FMPG in these meetings in order to provide the required scrutiny and challenge of any proposed changes to delivery timeframes or costs.”<sup>5</sup>

In evidence to the Public Audit Committee on 22 June 2023, Kate Hall, Deputy Director Strategic Industrial Assets, said—

“We meet the CEO and his finance team weekly, and we provide regular internal updates to the cabinet secretary and other ministers.... There is also a process for internal escalation so that, if we think that something could be going awry, we can immediately share that with senior people, including the cabinet secretary, and ensure that the accountable officer in the Scottish Government is fulfilling their duties.”<sup>6</sup>

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<sup>3</sup> [Letter](#) to the Convener of the Net Zero, Energy and Transport Committee from the Chief Executive of the Maritime and Coastguard Agency – 28 November 2023.

<sup>4</sup> [Letter](#) from the Chief Executive of Ferguson Marine Port Glasgow to the Convener of the Net Zero, Energy and Transport Committee – 15 December 2023.

<sup>5</sup> [Letter](#) from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy to the Convener of the Net Zero, Energy and Transport Committee – 23 August 2023.

<sup>6</sup> Public Audit Committee, [Official Report](#), 22 June 2023, Cols 16 and 17.

The Committee seeks details of—

6. **On what dates did monthly and weekly meetings on the completion of Hulls 801 and 802 take place between the Scottish Government, FMPG and CMAL (or any combination of those organisations) in 2022 and 2023 and who was present;**
7. **At which of those meetings were the following discussed (these were all subsequently subjects of MSF1261 applications<sup>7</sup>)—**
  - a. **Non-compliance of Stairway widths between car deck 3 and passenger deck 5;**
  - b. **Non-compliance of the escape routes which resulted in Application 2, revision 9, for the additional staircases and changes to doors; and**
  - c. **Non-compliance of “Escape trunk dimensions for the sizes of the eleven ‘secondary’ escape trunks for crew to reach muster stations from machinery and other spaces below the car deck”.**
8. **At which meeting was the need for an application to the MCA for each of these areas of non-compliance discussed?**
9. **What is the process described by Kate Hall to the Public Audit Committee for “internal escalation” from these weekly and monthly meetings to Ministers and Cabinet Secretaries?**

### **Written Updates to the Scottish Government**

In evidence to the Public Audit Committee on 22 June 2023, Kate Hall, Deputy Director Strategic Industrial Assets, said—

“We meet the CEO and his finance team weekly, and we provide regular internal updates to the cabinet secretary and other ministers. We also share on our website details of the monthly reports that we get from Ferguson’s. There is therefore a clear beat and rhythm”.<sup>8</sup>

In response to a query from the Public Audit Committee as to why these internal updates and monthly reports were only published up until December 2022, you said—

“Since my update to the committee in June, there have been additional weekly meetings between Scottish Government officials, FMPG, Caledonian Maritime Assets Ltd and CalMac on the progress towards delivery of Glen Sannox and Glen Rosa. As a result, a refresh of the publication scheme is underway, and is intended to be complete with an updated content and new URL by the end of the year. I will provide the details of this to the committee when it is available.”<sup>9</sup>

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<sup>7</sup> [Letter](#) to the NZET Committee from Chief Executive of FMPG – 15 December 2023.

<sup>8</sup> Public Audit Committee, [Official Report](#), 22 June 2023, Col 16.

<sup>9</sup> [Letter](#) from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy to the Public Audit Committee – 27 November 2023.

On 30 November, [the page was updated](#) and now includes monthly updates to the Scottish Government until March 2023. It does not include the Ministerial Update for every month.

- 10. The Committee requests copies (or notification of the publication) of the following documents for each month in 2023—**
- a. FMPG Monthly Updates to the Scottish Government**
  - b. CMAL Monthly Update to the Scottish Government**
  - c. Ministerial Updates**

The published updates show FMPG had included the non-compliance of escape routes and the need for exemptions in updates to the Scottish Government.<sup>10</sup>

The risk assessments in many of the monthly updates to the Scottish Government, as well as those from CMAL, are redacted.

In its 2022 report on New Vessels for the Clyde and Hebrides, Audit Scotland said FMPG's updates to Parliament "tend to provide a more positive view of progress than those provided to Scottish ministers." It also said "The Scottish Government, as FMPG's sponsors, has an important role in ensuring that the Scottish Parliament receives a full account of progress on the vessels and the associated challenges."<sup>11</sup>

In the most recent published [FMPG progress report](#) this includes redacted items under the headers of—

- Engineering and design
- Electrical [REDACTED]
- LNG

On 21 December 2023, the Committee received an update from Ferguson Marine which indicated a further delay caused by the availability of equipment associated with the LNG systems.

- 11. Please provide the Committee with details of the meeting dates on which procurement of the LNG equipment was discussed;**
- 12. When you were first aware of a potential delay associated with the availability of the equipment.**

### **Meetings between the Chief Executive of FMPG and Ministers**

Your predecessor, the then Deputy First Minister, held regular meetings with the Chief Executive of FMPG. You told the Chamber on 16 May<sup>12</sup> that you had not met with the Chief Executive in person since your appointment.

- 13. On what date did you first meet with the Chief Executive of FMPG in person and what issues were discussed?**

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<sup>10</sup> April 2022, May 2022, June 2022, November 2022 and February 2023.

<sup>11</sup> Audit Scotland (2022). [New Vessels for the Clyde and Hebrides](#).

<sup>12</sup> Scottish Parliament, [Official Report](#), 16 May 2023, Col 26.

**14. On what dates between your appointment and your letter to the Committee of 23 August 2023 did you meet with the Chief Executive of FMPG?**

**Due diligence exercise**

You told Parliament in May 2023 “that with respect to vessel 801, the value-for-money case for completing that vessel is also met; the cheapest option open to ministers is to complete 801 at Ferguson’s.”

In August 2023 (following the announcement of further costs and delays due to the issues with MCA certification), you said—

“The value for money assessment which was carried out earlier this year remains a constant benchmark against which the cost and impact of delay are being evaluated. I will provide the Committee with further information on this when the reforecast costs are received from Ferguson Marine in late September.”

In September, you said a further due diligence process would take place drawing upon the value for money assessment completed earlier in the year.<sup>13</sup> In December, you noted the scope and outcome of the exercise would be dependent on further review of the dates and budget being undertaken by Ferguson Marine.<sup>14</sup>

The Committee notes your exchanges with the Public Audit Committee on the publication of the report which contributed to your decision to issue a Written Authority for the completion of Hull 802 (Glen Rosa).<sup>15</sup>

The Public Audit Committee noted in its report on the New Vessels For The Clyde And Hebrides: Arrangements To Deliver Vessels 801 And 802<sup>16--</sup>

“The AGS’s report states that “the Scottish Government is committed to paying additional vessel costs, regardless of the final price”. In evidence to the [Public Audit] Committee, Scottish Government representatives challenged this assertion.”

**15. The Committee requests details of—**

- a. How the risks to the completion of Hull 801 presented to the Scottish Government in monthly updates from FMPG and CMAL were taken into account when concluding “the value-for-money case for completing that vessel is also met”; and**
- b. What threshold was identified as the limit for that value for money case for Hull 801 being met.**

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<sup>13</sup> [Letter](#) to the Convener of the NZET Committee – 29 September 2023

<sup>14</sup> [Letter](#) to the Convener from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy – 21 December 2023 and [Letter](#) to the Convener from the Chief Executive of Ferguson Marine – 21 December 2023

<sup>15</sup> Most recently a [letter](#) to the Convener of the Public Audit Committee by the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy – 27 November 2023

<sup>16</sup> Public Audit Committee. 1<sup>st</sup> Report, 2023 (Session 6). [New vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802](#) (SP Paper 334).

## Future of Ferguson Marine Ship Yard

In the [Written Authority](#) on the completion of vessel 802, you said your decision was influenced by wider economic factors. You said—

“...I remain committed to supporting a sustainable future for FMPG. I believe that cancelling the contract with the impact that this would have on the company’s reputation and financial position and the concerns it would generate for the workforce mean that it would be extraordinarily difficult to see a route to such a future. I believe that confirming our intention to deliver Vessel 802 at the yard provides a platform upon which future success can be built. Delivery of Vessel 802 is in the clear interest of our island communities that the vessel will serve and the community of Inverclyde. It is also in our national economic interest to preserve, enhance and develop our shipbuilding industry.”

You have since affirmed your commitment to the future of the yard. However, it is not clear what impact the continuation of construction of vessel 802 will have when viewed in isolation. Ferguson Marine Port Glasgow had requested further investment from the Scottish Government for modernisation, including a new plating line, to support its applications for further work. On 24 October, David Tydeman, Chief Executive of FMPG discussed the impact of the time taken for a Scottish Government decision on this and said—

“The productivity is low in the yard, as we know. In our pricing of the work for BAE, for example, we know that we are not as competitive as other yards that have modern plating lines and modern facilities. It is the client’s choice as to whether it can place all the work and pay a premium in some areas, so we are winning some work with BAE, even though we have low productivity. Given that the plating line cannot be installed for nearly two years—or more than two years now—at the earliest, we will not get to decent productivity until 2026, which makes pricing work for BAE harder; it makes pricing the small ferries harder. The longer we postpone it, the harder it gets.”<sup>17</sup>

On 14 November, you said—

“Any such request must meet subsidy control rules, as I have set out previously, and needs to demonstrate value for money and be open to parliamentary scrutiny. Our independent due diligence on the initial capital investment request concluded that the initial business case would not meet the commercial market operator test, which is a key legal requirement if we are to demonstrate compliance with the subsidy control regime, and therefore, we continue to examine options that would be compliant.”<sup>18</sup>

The Chief Executive of FMPG has also told the Committee that the contracts for the Small Vessel Replacement Programme would be an “obvious programme” of work for the yard.<sup>19</sup>

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<sup>17</sup> Net Zero, Energy and Transport Committee. [Official Report](#), 24 October 2023, Col 29.

<sup>18</sup> Scottish Parliament. [Official Report](#), 14 November 2023, Col 11.

<sup>19</sup> Net Zero, Energy and Transport Committee. [Official Report](#), 24 October 2023, Col 16.



The Committee notes the [letter](#) to the Finance and Public Administration Committee on 21 November from the Deputy First Minister and Cabinet Secretary for Finance provided details of in year budget changes for 2023-24 which included reprofiling of the funding for the small vessel replacement programme.

**16. The Committee seeks an update on the status of the Small Vessel Replacement Programme, including timescales and the impact any delays have on the improvements to Scotland's ferry service called for the report on a Modern and Sustainable Ferry Service for Scotland.**