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Table 17. Current state breakdown of spend material split by 801 and 802, August 2022 - July 2023

Material	Total August 2022 – July 2023 spending
Additional tools required tab	
Profiling	
Paint	
Dry Dock	
Firefighting and Lifesaving	
Raw Materials	
Fabrication	
Pipe	
Crane Hire	
Electrical	
Consumables	
Plant Hire	
Lloyds Register	
Welding Consumables	
Small Vendors	
Blasting	
Ship Spares	

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	Soft deliverables decks	
ķ .	Pilot ladder	
	Pilot chair and rails	
	Anodes	
	Inclining	
	Glass Services	
	Mechanical equipment	
	MCA	
	Additional AON insurance	
	Survitec	
	Glamox lights	
	Fast Boat Purchase	
	Additional tools required tab	
	Profiling	
	Paint (material only)	The same of the sa
	Dry Dock	
ŭ	Firefighting and Lifesaving	
802	Raw Materials	
	Fabrication	
	Pipe	
	Crane Hire	
	Electrical	
	Consumables	
	Plant Hire	
	Lloyds Register	

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Welding Consumables	
Small Vendors	
Blasting	
Ship Spares	
Soft deliverables decks	
Launch activities	
Ship Models	
Pilot ladder	
Pilot chair and rails	
Anodes	
Inclining	
Mechanical equipment	
MCA	
Additional AON insurance	

Source: '801&2 2022 09 13 GDC FM(PG) Ltd P4 Jul-22 Actuals and F'cast 2023 and 2024 - Teneo. provided by FMPG

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Table 18. 801 and 802 list of suppliers, spend since 2016 and office location

Supplier name	Cost	Office location
		Scotland
		Overseas
		Scotland
		Scotland
		Scotland
		Overseas
152351		East Of England
	10	Scotland
		W Midlands
		East Of England
		East Of England
		North East
		East Of England
		Scotland
		North West
		Scotland
	1	
		Overseas
	V	South East
		Scotland
		North West
		Scotland
		Scotland
		North West
		Overseas
		East Of England

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	North West
The state of the s	Overseas
	South West
	South West
	Scotland
	South East
	East Of England
	North West
	North East
	Scotland
	Scotland
	North East
	E Midlands
	E Midlands
	Scotland
	Overseas
	Scotland
	Wales
	Scotland
	Scotland
Market N	Scotland
	Overseas
	Scotland
	South East
	Overseas
	North East
	Scotland
	South West
	Scotland
	Scotland
	North West

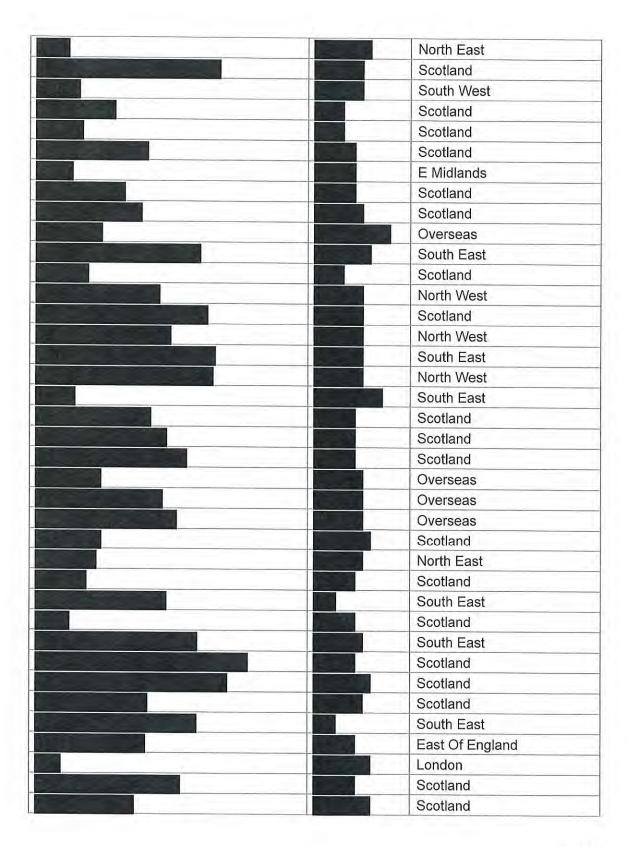
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	Scotland
	Scotland
	North East
	Scotland
	Overseas
	Scotland
	Scotland
(North West
	Overseas
	Overseas
	South West
	Scotland
	North East
	Scotland
	Scotland
	South East
Mercaris except	W Midlands
	Scotland
	Scotland
	W Midlands
NESCO TOTAL	North East
	Scotland
	Scotland
	Overseas
	North East
	Scotland
	Scotland
	North West
	North East
	Scotland
120.708	Scotland
	Scotland
	W Midlands
	Scotland
	Scotland
IN THE STREET	North East
	Scotland
	South East

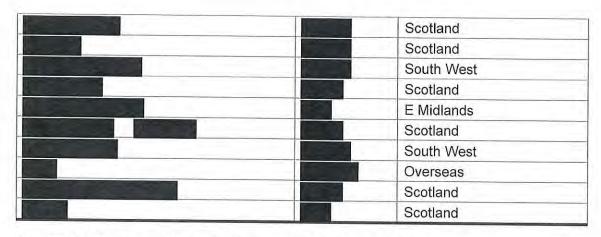
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	Scotland
	South West
	Scotland
	Scotland
	Scotland
	Scotland
	E Midlands
	Overseas
	E Midlands
	Scotland
	Scotland
	Overseas
	Overseas
	Scotland
	South West
/C 3-5-3	Scotland
	South East
	Overseas
	North West
	North East
	Overseas
	South East
	Scotland
	North West
	E Midlands
	North East
	North East
	Overseas
	Scotland

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W Midlands
Scotland
North West
North West
Scotland
Scotland
Overseas
South East
Scotland
Scotland
Scotland
Scotland
South East
Scotland
East Of England
Scotland
North West
South East
Scotland
Scotland
Overseas
Overseas
North West
North East
South West
Overseas
Overseas
Scotland
Scotland
Overseas
Scotland
South West

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Source: '801&2 Supplier spend by UK region vrs overseas' provided by FMPG

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Table 19. Current state spend on overheads, split by production and SG&A costs, August 2022 – July 2023

	Туре	August 2022 – July 2023 spend
1	Training	
	Rent & Operating Leases	
	Repairs & Maintenance	N .
	Consumables	
	Utilities	
	Facilities	
	Insurance	
Production	Health & Safety	
딅	Information Technology	
ĕ	Travel & Entertainment	
<u>.</u>	Professional Fees	
	Marketing	
	Other Expenses	
	Product Development	
	Fixed Asset Depreciation	
	Internal Allocation	8
	Total	
	Training	
	Rent & Operating Leases	
	Repairs & Maintenance	
	Utilities	
	Facilities	
	Insurance	1
	Health & Safety	
	Information Technology	
4	Travel & Entertainment	
SG&A	Professional Fees	
S	Marketing	
	Other Expenses	
	Foreign Exchange Gain/(Loss)	
	Fixed Asset Depreciation	
	Interest	
	Intangible Asset Amortisation	
	Internal Allocation	
	Recharge to Group Entities	
	Total	

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Table 20. Current sub-contractors' office locations and August 2022 – July 2023 spend

Sub-contractor name	Office location	Aug 22 – Jul 23 spend
	Scotland (Stirling)	W. 77 - 77 - 77 - 77 - 77 - 77 - 77 - 77
	England (London)	
	England (Portsmouth/Newcastle)	1
	England (Southampton)	
	Scotland (Glasgow)	
	Scotland (Paisley)	
	England (Sunderland)	7
	Scotland (various offices)	
	Gothenburg	
	Helsinki	
	Scotland (Irvine)	
	France	
	Scotland (Glasgow)	
	England (Manchester)	
	England (Essex)	
	England (Hampshire)	

Source: '801&2 2022 09 13 GDC FM(PG) Ltd P4 Jul-22 Actuals and F'cast 2023 and 2024 - Teneo.xlsx' by FMPG



Appendix B: Base case data tables

Table 21. Number of employees by structure in the base case

Structure	Number of employees
Welding	
Plating	
Fitting	
Piping	
Painting	
Scaffolding	
Shipwright	
Joinery	
Maintenance	
Ancillary	
Production supervision	
Production management	
Purchasing	
Stores	
Cartsdyke warehouse	
Planning	
Project management	
Quality	0
Health & safety	Y
Design & engineering	X
Apprentices - first year	
Apprentices - second year	
Apprentices - third year	
Management	
Financial control	
Information technology	V
Human resources	
Sales & tendering	
Total	V

Source: Teneo analysis

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Table 22. Equipment providers by cost and location to build one small vessel in the base case

Supplier name	Equipment type	Price (£)	Location
			- 337

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Source: 'Teneo' provided by FMPG

Table 23. Overhead adjustment when the number of FTEs changes

Overhead	Flex with change in FTEs	
Training	Yes	
Rent & Operating Leases	No	
Repairs & Maintenance	Yes	
Consumables	Yes	
Utilities	No	
Facilities	No	
Insurance	No	
Health & Safety	No	
Information Technology	Yes	
Travel & Entertainment	Yes	
Professional Fees	Yes	
Marketing	Yes	
Other Expenses	Yes	
Product Development	Yes	
Fixed Asset Depreciation	Yes	
Internal Allocation	Yes	
Interest	Yes	
Intangible Asset Amortisation	Yes	
Recharge to Group Entities	Yes	

Source: Teneo analysis

Table 24. Sub-contractors by field and office location in the base case

Sub-contractor name	Field	Office location
1		Scotland
		Scotland

Source: '727 sub-con' provided by FMPG



Appendix C: Scenario data tables

Table 25. The average salary in manufacturing and services by age group

	Age group	Average salary	
A	16-26	£19,647	
Manufac- turing	26-40	£33,283	
anı	40-55	£41,423	
2	55+	£32,850	
Ø	16-26	£19,647	
Services	26-40	£19,760	
e Z	40-55	£19,760	
S	55+	£19,760	

Source: Teneo research and analysis



Table 26. Number of employees by structure in the reduced output scenario

Structure	Employee count
Welding	
Plating	
Fitting	
Piping	
Painting	
Scaffolding	
Shipwright	
Joinery	
Maintenance	8
Ancillary	
Production supervision	
Production management	
Purchasing	8
Stores	
Cartsdyke warehouse	(F
Planning	
Project management	
Quality	
Health & safety	
Design & engineering	
Apprentices - first year	
Apprentices - second year	
Apprentices - third year	UNITED TO SERVICE STATE OF THE
Management	
Financial control	
Information technology	
Human resources	
Sales & tendering	
Total	

Source: Teneo analysis



Appendix D

Scope

The scope of our work is detailed in the Framework Agreement for Project 2, dated 17th January 2023.

Limitations

- The future business plan of FMPG has not been confirmed and therefore the base case will change if future activities differ from
- While data has been provided by FMPG for the base case with regard to suppliers and sub-contractors, these are current expectations of what these costs may be in the future and are therefore subject to change

Information

We have relied on information and explanations provided to us by Management. The Company's forecast and their related assumptions are the sole responsibility of the Company.

The information we have used to prepare the report has been provided to us by the Company, or is derived from our own research of publicly available sources. Our procedures did not include verification work or constitute an audit in accordance with auditing standards.

Our work is based on discussions with at SG, and information provided to us by the Company, primarily through

Forecasts

The assumptions behind the Company's forecasts are the sole responsibility of Management. We comment on the assumptions but can accept no responsibility for them, or the ultimate realisation of the forecasts. You should also note that there will usually be differences between forecast and actual results because circumstances frequently do not occur as expected, and these differences may be material.

Liability

We shall not under any circumstances whatsoever be under any liability to any party other than Scottish Government. Any further work done or advice given in relation to the engagement will be on this basis.

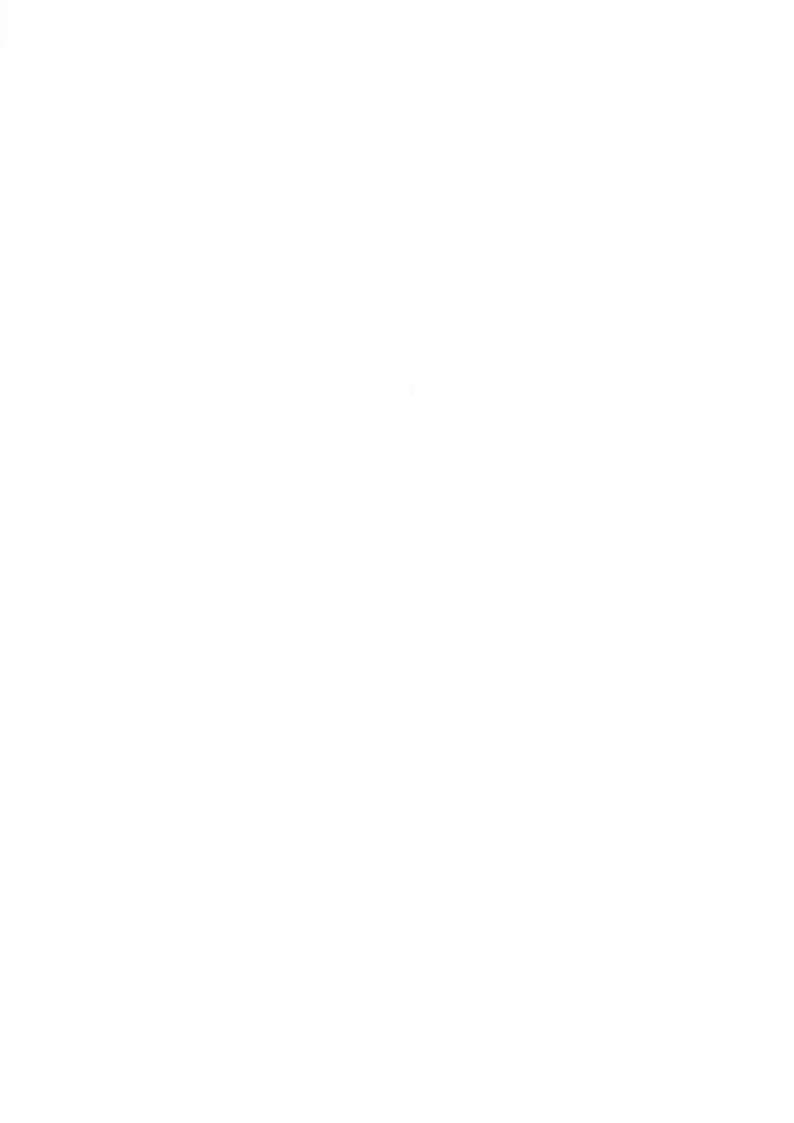
Post date events

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This report is issued on the understanding that Management has drawn our attention to all matters of which they are aware concerning the financial position of the Company which may have an impact on our report up to 16th December 2022. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Information obtained from third parties

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Economic Impact Assessment: Scenario update – FINAL CONFIDENTIAL

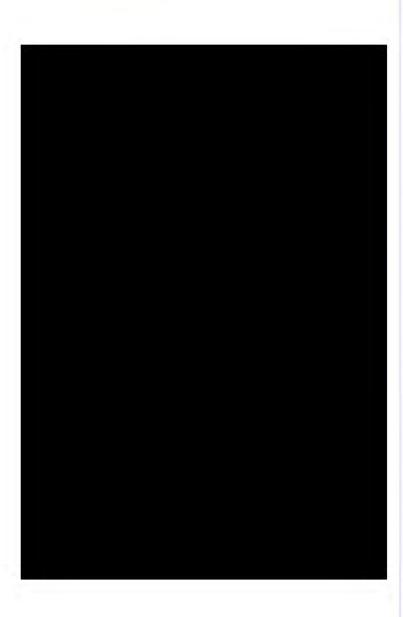
Prepared for: Scottish Government Rapid Response Unit

Updated – March 2023

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Introduction



Introduction to Teneo

Teneo works with the CEOs and leaders of the world's leading companies and institutions, providing strategic counsel across their full range of key objectives and issues.

Teneo has extensive experience in economic forecasting and scenario modelling, working directly with the world's largest brands and institutions to understand how geopolitical, macroeconomic, and behavioural factors influence economies and demand for products and services.

Teneo utilises a combination of technical modelling and highly respected advisors across a range of subjects, including politics, economics, and consumer brands, in order to develop economic scenarios and assessments.

Important notice

We enclose supplementary scenarios to the Economic Impact Assessment (the "report") on Ferguson Marine (Port Glasgow) Limited ("the Company" or "FMPG") which has been prepared for the sole purpose of assisting and advising Scottish Government in accordance with our contract award letter dated 17th January 2023.

These supplementary scenarios, where possible, show the potential impact of the Russian invasion of Ukraine on the Company. However, the situation is continuing to evolve, and many uncertainties remain as to the effect the ongoing conflict in Ukraine and the various associated sanctions regimes will have on the Company and the broader domestic and global economies. Accordingly, it is not possible for our work to identify and quantify the impact of all related uncertainties and implications. Changes to market conditions could substantially affect the Company and our work. We have not updated our work for any subsequent information or events.

This report is confidential to the addressees and prepared solely for the purpose(s) set out in our contract award letter dated 17th January 2023. You should not refer to or use our name or the report for any other purpose, disclose them or refer to them in any other document, or make them available or communicate them to any other party. No other party is entitled to rely on our report for any purpose whatsoever and we accept no duty of care or liability to any other party who is shown or gains access to this report.

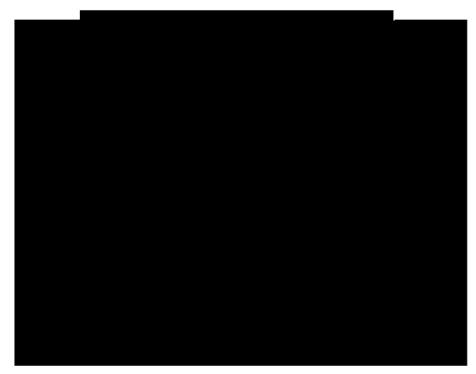
This report is complementary to and should be read in conjunction with the Economic Impact Assessment, dated February 2023 (the "Original EIA Report") on Ferguson Marine (Port Glasgow) Limited ("the Company" or "FMPG").

Executive Summary

This report outlines supplementary economic impact scenarios relating to the future state of Ferguson Marine (Port Glasgow) Limited. The scenarios contained in this document have been produced at the request of the Scottish Government.

This paper looks at seven supplementary scenarios. The "base case" or "scenario 1a" represents the
We also model further scenarios related to the "base case". "Scenario 1b", which has the same assumptions as the "base case" with an additional £14m of capex investment and "scenario 1c", which has the same assumptions as the "base case" but assumes
. We then model the Three additional
scenarios related to the have been modelled. "Scenario 2b", which models the impact of a delay in the completion of 801 and 802
Finally, we modelled "scenario 2" which modelled the impact of the delayed completion of 801 and the stopping of 802 in June 2023 per
Each scenario is measured as Gross Value Added (GVA) in the Scottish economy resulting from the activities of the shipyard. GVA is made up of direct (effects of the direct economic activity created by FMPG as a company), upstream (impacts of the supply chain of FMPG) and downstream (impacts as a result of production at FMPG in the local economy). Furthermore, indirect (effects as a result of business-to-business activity in Scotland) and induced (effects as a result of increased household income being spent in the Scottish economy) impacts are considered.
The supplementary scenarios assess the economic impact of the shipyard through transitionary states,
evaluating the impact These scenarios are distinct from the original report, which assessed the economic impact in a future state three years post-implementation of a scenario (see Figure 2 for details of the Economic Impact Assessment) rather than assessing the impact of transitions.

A summary of the economic impact of the supplementary scenarios is outlined in Figure 1.



3 Context

3.1 Company overview

Ferguson Marine (Port Glasgow) Limited ("FMPG" or "the Company") operates a shipyard on the River Clyde and has over 100 years of heritage delivering shipbuilding, ship repairs, fabrication and engineering services to support the Scottish ship industry. The Company is based in Port Glasgow and, as of 23 November 2022, had 410 employees (360 permanent, 45 temporary, in addition to 5 contracted workers). The Company's sole shareholder and immediate parent entity is Ferguson Marine (Port Glasgow) Holdings Limited and is ultimately owned by the Scottish Ministers.

3.2 Background to SG intervention

The business and assets of the shipyard were acquired from administration by Clyde Blowers Capital ("CBC") in 2014 via a new company, Ferguson Marine Engineering Limited ("FMEL"). In October 2015, FMEL was awarded a £97m contract to build two ferries (801 and 802) for Caledonian Maritime Assets Limited ("CMAL"). At the date of contract award, the estimated completion dates for 801 and 802 were April 2018 and October 2018, respectively.

Following the contract award, FMEL began to experience difficulties in agreeing on technical design with CMAL, which resulted in significant contract delays and financial difficulties for FMEL. These issues

continued to persist over the following two years. SG provided financial support to FMEL in the form of two loans totalling £45m across 2017/18. Despite this, FMEL became cash flow insolvent, and its directors placed the business into administration in August 2019. Following an unsuccessful sales process, the business was nationalised by the Scottish Government ("SG") in December 2019. Certain assets of FMEL were transferred to FMPG, and the ferry build contracts for:

- Hull 801 ("801") and;
- Hull 802 ("802")

were novated to Ferguson Marine (801-802) Limited, both entities ultimately owned by the Scottish Ministers). Following the nationalisation of FMPG by SG in 2019, the Company has continued to face cost and timetable challenges.

3.3 Current Situation

From March 2022, the new CEO, DT, has implemented a full 'reset' strategy to strengthen the Management team and improve operational and reporting processes. The subsequent re-forecasting process resulted in a material £81m increase in the FCTC estimate compared to March 2022. SG was provided with the updated FCTC estimate on 23 September 2022.

SG has advised that completion of 801 and 802, and securing a sustainable future for the yard, remains the preference of Scottish Ministers. However, as part of the required AO assessment, SG is considering the counterfactual options to complete or otherwise deliver vessels equivalent to 801 and 802, and the implications of these.

Separately, the Scottish Government commissioned Teneo to perform an *Economic Impact Assessment*, in January 2023, to understand the current economic value Ferguson Marine (Port Glasgow) contributes to the Scottish economy and how this would change with variation in certain input assumptions. The Original EIA Report compared the difference in the economic impact of the future state of the yard (the 'base case') after the completion of 801 and 802 against two proposed futures for the yard ('scenarios'). A summary of the original Economic Impact Assessment' base case' and the net economic impact of moving to scenarios 1 and 2 are shown in Figure 2. Full details of this work can be found in the Original EIA Report.



Following the completion of this work, the Scottish Government commissioned Teneo to carry out further supplementary scenarios. The supplementary scenarios look to assess the economic impact of the shipyard through transitionary states, i.e.,

The report outlines the estimated economic impact of the transitionary scenarios and sensitivities. To assess the impact of these transitionary scenarios, we have used the information, assumptions and approach laid out in the Original EIA Report. Where we have relied on additional information or assumptions these are outlined clearly in this document as diverging from our initial analysis (see Section 5: Approach).

3.4 Overview of supplementary scenarios

This paper looked at modelling six key updates to the original Economic Impact Assessment, as described in the table below.

Table 1: Key updates to Economic Impact Assessment scenarios

	Key changes to the economic impact assessment	Detail	Assumption in the EIA
Updates impacting all scenarios	Extension of period in focus from three years to five years	 Economic impact assessment running from FY24 (start date 1st April 2023) to FY28 (end date 31st March 2028) 	The EIA looked at the impact over a three-year period post the implementation of each scenario
Updates in scen	Modelling the impact of the transition between current shipyard operations	Each scenario starts at the shipyard's current position before transitioning	
Sensitivities related to the continued operations of the shipyard	Additional capex expenditure to enable the continued operations of the shipyard post the completion of 801 and 802 vessels	£14m of additional investment required (£14m includes £2m of contingency)	Investment not in the original EIA
Sensitiviti to the co operatio ship	An additional sensitivity where	to be employed by the shipyard in scenarios where the shipyard is to continue operations beyond the completion 801 and 802	j
o closure of pyard	Suspension of works to the 802 vessel ahead of completion	All works and associated FTEs to stop work in	 Not explicitly modelled in the original Economic Impact Assessment as scenarios focused on a future state
Sensitivities to closure of the shipyard	Delay to the completion of vessels 801 and 802	Completion of 801 to be delayed to October 2023 (from May 2023) Completion of 802 to be delayed to May 2024 (from December 2023)	 Not explicitly modelled in the original Economic Impact Assessment as scenarios focused on a future state

3.5 Scenario summaries

To assess the impact of these updates, we have looked at a base case scenario, which would see 801 and 802 delivered on time

We compare this scenario to two additional continued operations scenarios and These are outlined in Figures 3 and 4.

Figure 3: Summary of continued operations scenarios



The FY28 economic impact of in scenario 1a is equivalent to the base case impact of identified in the Economic Impact Assessment (see Figure 2). The difference between the two figures can be accounted for by a real discount rate of 3.5%, which has been applied in the five-year scenarios, in line with the Green Book.



4 Output of supplementary scenarios

Please note the detailed approach to calculating the GVA generated in each of these scenarios is contained in the Original Economic Impact Assessment Report and summarises detailed output across the following areas:

- Direct impact;
- Indirect upstream;
- · Induced upstream; and
- Induced downstream.

Assumptions and approaches that differ from the original scenarios are outlined in Section 5: Approach.

4.1 Base case: Scenario 1a

Scenario 1a: 801 and 802 delivered

Figure 5: Total GVA in the base case over time, FY23-24 - FY27-28



Table 2: Annual GVA by component part in base case

	Component	Cumulative 5yr GVA	Description
Direct	Employment		FMPG spend on total gross salaries plus car allowance, shift allowance, overtime allowance and pension contribution for FTEs and cost to FMPG of temporary and contracted workers
	Taxes		National insurance and business rates paid by FMPG
ndirect	Sub-contractors		GVA generated by sub-contractors as a result of providing services to FMPG
Indi	Suppliers		GVA generated by suppliers as a result of providing materials to FMPG
= 7	Sub-contractors		National insurance and business rates paid by FMPG

Suppliers	GVA generated by sub-contractors' employees spending their wages in the local economy
Downstream	GVA generated by suppliers' employees spending their wages in the local economy
Total	

4.2 Scenario 1b – Additional £14m capex investment

Figure 6: GVA impact of 'scenario 1b: Additional capex investment' to current state over time, FY23-24 – FY27-28 (compared to base case)



Table 3: GVA impact by component part of scenario' 1b: Additional capex investment'

	Component	Cumulative 5yr GVA compared to base	Description
ct	Employment	-	Assumptions the same as base case (scenario 1a)
Direct	Taxes	-	Assumptions the same as base case (scenario 1a)
ct	Sub-contractors	i	Assumptions the same as base case (scenario 1a)
Indirect	Suppliers		GVA generated by suppliers as a result of providing materials, relating to the additional £14m investment, to FMPG
	Sub-contractors		Assumptions the same as base case (scenario 1a)
nduced	Suppliers		GVA generated by suppliers' employees spending their wages, related to the additional £14m investment in the local economy
	Downstream		Assumptions the same as base case (scenario 1a)
	Total		

4.3 Scenario 1c -



	Component	Cumulative 5yr GVA compared to base	Description
Direct	Employment	-	Net impact from the change in total costs paid to the total employees (including gross salary, car allowance, pensions etc.) between the base case and the scenario
ā	Taxes		Net impact from the change in total taxes paid to the Scottish government between the base case and the scenario
Indirect	Sub-contractors	-	Assumptions the same as base case (scenario 1a)
Indi	Suppliers	1	Assumptions the same as base case (scenario 1a)
0	Sub-contractors		Assumptions the same as base case (scenario 1a)
Induced	Suppliers		Assumptions the same as base case (scenario 1a)
=	Downstream		GVA impact from fewer employees spending their wages in the local economy
	Total		

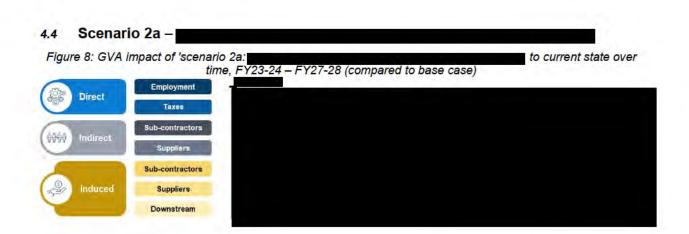


Table 5: GVA impact by component part of 'scenario 2a:

	Component	Cumulative 5yr GVA compared to base	Description
Direct	Employment		Net impact from the change in total costs paid to the total employees (including gross salary, car allowance, pensions etc.) between the base case and the scenario
Δ	Taxes		Net impact from the change in total taxes paid to the Scottish government between the base case and the scenario
Indirect	Sub-contractors		Net impact of sub-contractor's supply chain spend between the base case and the scenario
Indi	Suppliers		Net impact of supplier supply chain spend between the base case and the scenario
2.5	Sub-contractors		Net impact of sub-contractor's employees spend between the base case and the scenario
nduced	Suppliers		Net impact of suppliers employees spend between the base case and the scenario
Ind	Downstream		Net impact of the change in sending of FMPG employees and ex-employees between the base case and the scenario
	Total		4

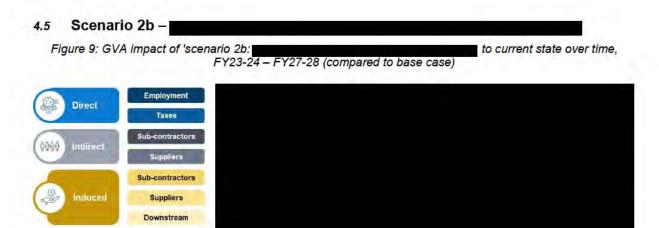


Table 6: GVA impact by component part of 'scenario 2b:

	Component	Cumulative 5yr GVA compared to base	Description
Direct	Employment		Net impact from the change in total costs paid to the total employees (including gross salary, car allowance, pensions etc.) between the base case and the scenario
Ö	Taxes		Net impact from the change in total taxes paid to the Scottish government between the base case and the scenario
Indirect	Sub-contractors		Net impact of sub-contractor's supply chain spend between the base case and the scenario
Indi	Suppliers		Net impact of supplier supply chain spend between the base case and the scenario
100	Sub-contractors		Net impact of sub-contractor's employees spend between the base case and the scenario
nduced	Suppliers		Net impact of suppliers employees spend between the base case and the scenario
Ind	Downstream		Net impact of the change in sending of FMPG employees and ex-employees between the base case and the scenario
	Total		

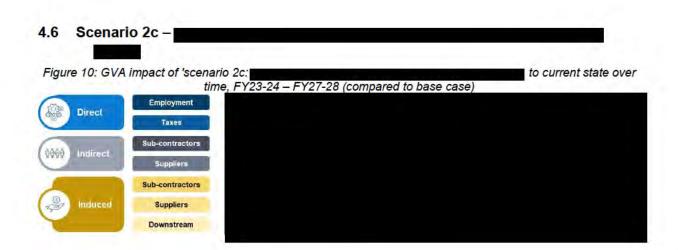


Table 7: GVA impact by component part of 'scenario 2c:

	Component	Cumulative 5yr GVA	Description
Direct	Employment		Net impact from the change in total costs paid to the total employees (including gross salary, car allowance, pensions etc.) between the base case and the scenario
Ö	Taxes		Net impact from the change in total taxes paid to the Scottish government between the base case and the scenario
Indirect	Sub-contractors		Net impact of sub-contractor's supply chain spend between the base case and the scenario
Indi	Suppliers		Net impact of supplier supply chain spend between the base case and the scenario
	Sub-contractors		Net impact of sub-contractor's employees spend between the base case and the scenario
Induced	Suppliers		Net impact of suppliers employees spend between the base case and the scenario
<u>F</u>	Downstream		Net impact of the change in sending of FMPG employees and ex-employees between the base case and the scenario
	Total		

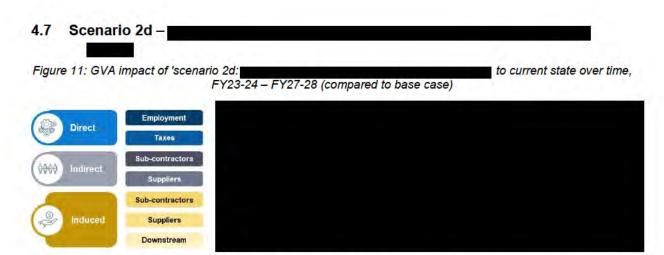


Table 8: GVA impact by component part of 'scenario 2d: 801 delayed, 802 stopped and shipyard closed'

	Component	Cumulative 5yr GVA	Description
Direct	Employment	-	Net impact from the change in total costs paid to the total employees (including gross salary, car allowance, pensions etc.) between the base case and the scenario
ā	Taxes		Net impact from the change in total taxes paid to the Scottish government between the base case and the scenario
Indirect	Sub-contractors		Net impact of sub-contractor's supply chain spend between the base case and the scenario
Indi	Suppliers		Net impact of supplier supply chain spend between the base case and the scenario
-	Sub-contractors		Net impact of sub-contractor's employees spend between the base case and the scenario
Induced	Suppliers		Net impact of suppliers employees spend between the base case and the scenario
Ind	Downstream		Net impact of the change in sending of FMPG employees and ex-employees between the base case and the scenario
	Total		

5 Approach

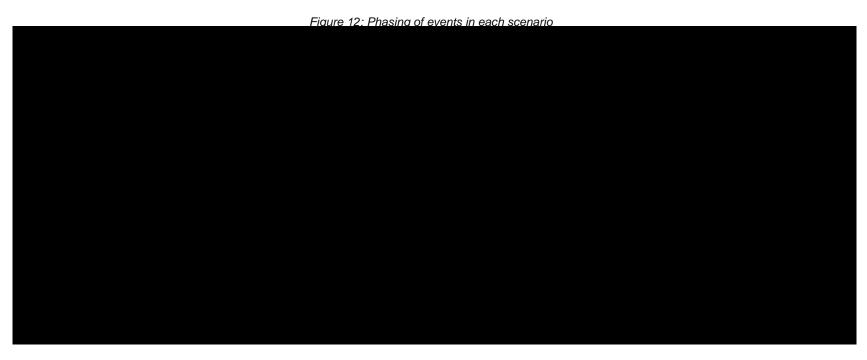
The Original Economic Impact Assessment Report provides a detailed account of our approach to calculating the economic impact. We have relied on the information and assumptions outlined in the report to perform much of our analysis. We have made several additional assumptions to allow us to assess each scenario and summarise each of these in turn in the following section:

Table 9: Summary of updated assumptions vs Economic Impact Assessment

Key changes to approach	Detail
3.1 Phasing and timing of events	The previous impact assessment looked at each of the scenarios in a steady state; these supplementary assessments consider multiple scenarios over time The phasing and timing of events have implications on the overall impact
3.2	
3.3 801 and 802 delivery requirements	 Previous work considered the impact of the shipyard when works for both vessels were ongoing and not the impact as it completes the vessels To assess the impact as the vessels near completion, we have separated the delivery requirements of 801 and 802
3.4	
3.5 Additional capex investment	
Extension of period in focus from three years to five years	 To extend the period beyond three years, we had to make several assumptions beyond our initial three -year timeframe and introduce discount factors

5.1 Phasing and timing of events

These scenarios outline transitionary states moving from vessel completion the timing implications of these transitions.



5.2 Changes in FTEs

5.2.1 Employment and taxes when 801 and 802 are under construction (relevant to all sensitivities)

The calculation for the economic impact of employment while 801 and 802 are under construction takes the workforce as of 23 November 2022 of 360 FTEs, 45 temporary workers (and 5 contracted workers. FMPG has provided salary details and benefits relating to permanent and temparory workers, which are outlined in the Economic Impact Assessment. National insurance taxation paid by FMPG has been provided per employee.

Further detail can be found in section 3.1 of the Original EIA Report.

5.2.2 Employment and taxes when only one vessel (801 or 802) is under construction (relevant to all scenarios except for 2c)

When only one vessel is under construction, we have assumed this work can be supported by FTEs and 0 temporary staff (based on information provided by Management and conversations with SG). To scale labour from the current state to scenarios when only one vessel, 801 or 802, is under construction, we have used a steady multiplier to be applied to each employee structure, such as 'Health & Safety'. Figures were then rounded to ensure individual FTE data points were represented as integers. When calculating the salaries in the base case, we applied an average salary per structure to each scaled-down structure FTE count. These structure parts were finally summed up to create a full picture for the FTE business. National insurance taxation paid by FMPG has been scaled down from the current state in the same way that employees have been.

This approach aligns with the approach taken to calculate the FTE impact in the Economic Impact Assessment base case; see section 4.1 of the Original EIA Report.

Labour reemployment assumptions align with what has been outlined in section 5.1 of the Economic Impact Assessment.

5.2.3 Employment and taxes in continued operations state (relevant to continued operations case)

In a continued operations scenario, which is analogous to the 'base case' in the Original EIA Report t, continued operations are supported by FTEs and temporary staff (based on information provided by Management). An identical approach is taken to the approach outlined in 3.2.2.

Labour reemployment assumptions align with what has been outlined in section 5.1 of the Economic Impact assessment.

5.2.4 Employment and taxes in continued operations state (relevant to

We have modelled a continued operations sensitivity, which would see FTEs and temporary staff employed by FMPG. To scale labour in this scenario we have used a steady multiplier to be applied to each employee structure, such as 'Health & Safety'. Figures were then rounded to ensure individual FTE data points were represented as integers. When calculating the salaries in the base case, we applied an average salary per structure to each scaled-down structure FTE count. These structure parts were finally summed up to create a full picture for the FTE business. National insurance taxation paid by FMPG has been scaled down from the current state in the same way that employees have been.

This approach aligns with the approach taken to calculate the FTE impact in the Economic Impact Assessment base case but has been adjusted to accommodate the lower FTE number; see section 4.1 of the original report.

Labour reemployment assumptions align with what has been outlined in section 5.1 of the Economic Impact assessment.

5.3 801 and 802 delivery requirements

To assess the economic impact of delays to vessel completion and/ or stopping 802 and compare to the impact of delivering both vessels on time, as outlined in the original document, we have made assumptions about the phasing of non-FTE costs (FTE assumptions outlined in 3.2.2).

Our approach to identifying economic impact of these costs is outlined in section 3.2 and 3.3 of the Economic Impact Assessment.

Table 10: 801 and 802 supplier and subcontractor assumptions

Component	Approach
Sub-contractors	The list of spending on sub-contractors has been extracted from the model '2022 09 13 GDC FM(PG) Ltd P4 Jul-22 Actuals and F'cast 2023 and 2024' (provided by FMPG) with the split by 801 and 802 provided the analysis.
	In scenarios where the completion of one or both vessels is delayed, we have assumed the cost relating to the vessel in question continue. To do this, we have used the cost information available in the last period where costs have been forecast, rolling it forward.
	In the scenario where 802 is stopped in June 2023, we have assumed costs associated with 802 subcontractors are removable by that point.
uppliers	The list of spending on materials has been extracted from the model '2022 09 13 GDC FM(PG) Ltd P4 Jul-22 Actuals and F'cast 2023 and 2024' (provided by FMPG) for the period August 2022 – July 2023 (this can be found in the Appendix Table 17 of the Economic Impact Assessment)
	While no split of 801 vs 802 is available for suppliers, we identified months in the forecast where only one vessel is forecast to be under construction and used this as an indicative split for the costs associated with a single vessel.
	In scenarios where the completion of one or both vessels is delayed, we have continued these costs, using the cost information available in the last period where costs have been forecast, rolling it forward.
	In the scenario where 802, we have reduced supplier costs in-line with later periods in the forecast where only one vessel was under construction.

5.4 Continued operations:

The base case in the Economic Impact Assessment modelled the economic impact of the shipyard producing three small vessels a year. The FTE, supplier and subcontractor assumptions align with what is outlined in the Economic Impact Assessment, which contains a detailed overview of the approach.

We have made several adjustments to these assumptions to allow us model the impact of a ramp-up to three vessels per year.

Programme timing of

5.4.1

Timing of the programme in the scenarios align with the latest view provided by Management (received by email from at SG on the 21st February 2023).	
Table 11:	
We have assumed a time period of 18 months from the commencement of construction of the first vessel to the shipyard achieving output levels of (see Appendix A), in line with assumptions provided by Management. We have used this profile to phase supplier costs, which have been provided by FMPG on a per-vessel basis. Further details of these costs and our treatment of them as part of the impact assessment can be found in the Economic Impact Assessment.	9
5.4.2 Continued operations FTEs (assumption used in all continued operation scenarios)	
In line with what has been outlined in section 5.2.3, we have assumed FTEs in the base case (continued operation scenario). We have modelled the impact of the shipyard transitioning to FTEs during the completion of vessels 801 and 802 and remaining at employees as it transitions to small vessels.	
We have modelled a further FTE sensitivity, where the shipyard moves to FTEs from the end of 2023, delivering the with FTEs. No adjustments have been made to supplier costs in this scenario.	

5.5 Additional capex investment

A number of additional capex investments, totalling £14m, have been identified following the completion of the Economic Impact Assessment, and are required to support the transition of the small vessels programme.

The economic impact of this investment has been captured through both indirect and induced supplier impact. The indirect and induced impact has been calculated by applying the 2019 Scottish Government Type I and Type II output multipliers by relevant industry, obtained from high-level descriptions of the expenditure.

In the absesnse of granualar data on the sources of spend for the additional capex, we have made assumptions on the location of suppliers. To determine the proportion of this spend that is used in Scotland, we have assumed that suppliers providing services relating to construction, and repairs and maintainace will be relying on staff based in Scottland. These spend types have therefore been classed as being provided by Scottish suppliers for the purpose of this impact assessment. For the remaining spend types, the total amount spent by suppliers on ferries 801 and 802 has been analysed (this can be found in the Appendix, Table 18 in the Economic Impact Assessment), which determined that 33% of all current spending on suppliers has been on Scottish suppliers. In the absence of infprmation on the suppliers for the additional capex we have assumed that there will be a similar supplier profile for additional investment and assumed 33% is likely to come from Scottish suppliers. The reason all non-Scottish suppliers have been excluded is because this Economic Impact Assessment only considers the overall effect on the Scottish economy, not the wider UK or overseas economies.

Full details of this approach can be found in the Economic Impact Assessment. The calculation for this is shown in Figure 13 and Figure 14. Please not the figures presented here have not had a discount rate applied and therefore differ slightly to the numbers presented in figure 1b.

Figure 13: Additional investment - indirect multiple calculations

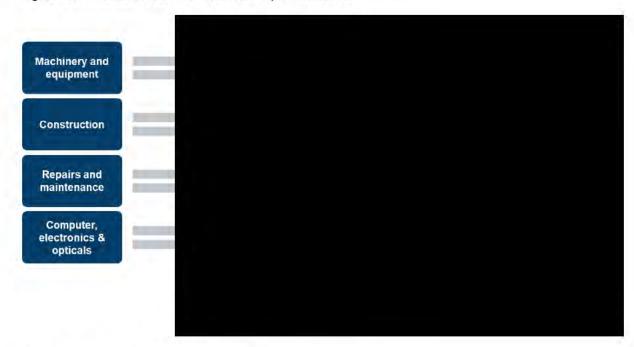
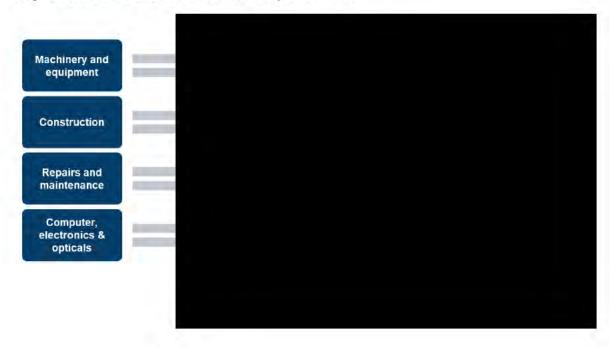


Figure 14: Additional investment - induced multiple calculation



5.6 Extension of time series from three years to five years

The supplementary scenarios assess the economic impact over a five-year period, as opposed to three years. This is to ensure fair comparisons can be made across all scenarios and ensure all scenarios have moved into a steady-state by the end of the assessment period. We note this also aligns with the timeframe being assessed as part of wider work. To allow for the assessment across five years we have carried out the following adjustments:

- When assessing the impact over five years, it was deemed inappropriate to not use a discount factor. In line with the Scottish Government's Green Book Methodology we have applied a real discount rate of 3.5%
- Across other areas we have assumed the steady state that is reached by the end of the three year period, which was modelled in the original impact assessment, and have rolled these assumptions forward to the end of the five-year period

Appendix A



Appendix B

Scope

The scope of our work is detailed in the Framework Agreement for Project Phase 2, dated 17th January 2023.

Limitations

- •
- While data has been provided by FMPG for the base case with regard to suppliers and sub-contractors, these are current expectations of what these costs may be in the future and are therefore subject to change

Information

We have relied on information and explanations provided to us by Management. The Company's forecast and their related assumptions are the sole responsibility of the Company.

The information we have used to prepare the report has been provided to us by the Company, or is derived from our own research of publicly available sources. Our procedures did not include verification work or constitute an audit in accordance with auditing standards.

Our work is based on discussions with at SG, and information provided to us by the Company, primarily through.

Forecasts

The assumptions behind the Company's forecasts are the sole responsibility of Management. We comment on the assumptions but can accept no responsibility for them, or the ultimate realisation of the forecasts. You should also note that there will usually be

differences between forecast and actual results because circumstances frequently do not occur as expected, and these differences may be material.

Liability

We shall not under any circumstances whatsoever be under any liability to any party other than Scottish Government. Any further work done or advice given in relation to the engagement will be on this basis.

Post date events

This report is issued on the understanding that Management has drawn our attention to all matters of which they are aware concerning the financial position of the Company which may have an impact on our report. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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Draft discussion document: Workstream 2 update

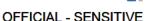
18 April 2023

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Important Notice

This draft document is strictly private and confidential to the Recipient Parties, as defined in our Work Order dated 4 April 2023 ("the Contract"). Save as expressly provided for in the Contract, it must not be recited or referred to in any document, or copied or made available (in whole or in part) to any other party.

This is a draft document for discussion purposes only. Our work is incomplete and remains subject to our internal review procedures. This extract contains a number of outstanding matters, identified by square brackets ("[]") and italics, that require clarification or confirmation by Management or third parties. We reserve the right to add, delete and/or amend the extract as we consider appropriate. Accordingly any subsequent deliverable may reflect substantially different contents, views and conclusions dependent upon our further work and consideration of the issues involved.

This draft document is prepared on the basis of the limitations set out in in our workstream 1 – Financial review report dated 9 December 2022 ("Workstream 1 Report"). This draft document should not be treated or viewed as a comprehensive summary of the Workstream 1 Report. This draft document is an update to and should be read in conjunction with our workstream 2 – discussion document (draft – dated 12 December 2022) ("Workstream 2 DD"). The Workstream 1 Report and the Workstream 2 DD were delivered under the Work Order dated 28 September 2022.

The following limitations should also be noted relating to our work in this draft discussion document:

- Our work is based on discussions with Management and information gathered and provided to us by FMPG. We have relied on the information and explanations (and the accuracy thereof) provided to us.
- · Due to the nature of its contents, this draft document has not been reviewed by FMPG to confirm factual accuracy; and
- · No audit work has been performed or verification of data provided by or presented by FMPG.

No party is entitled to rely on this draft document for any purpose whatsoever and we accept no responsibility or liability for its contents or its completeness to any party.

This draft document should be read in conjunction with our Workstream 1 Report and Workstream 2 DD.

This draft document should be treated as commercially sensitive for the purposes of the Freedom of Information (Scotland) Act 2002.



Overview OFFICIAL - SENSITIVE

We have been asked by SG to provide an update to our Workstream 2 DD as certain assumptions have changed due to either the passage of time since December 2022, or where new/additional information has been provided.

- This document will provide updated inputs for Options 1 and 2 (as defined in the Workstream 2 DD).
- A key change for both of these Options is the timescales, which have moved significantly. FMPG has moved the delivery dates for 801 and 802 back to December 2023 and December 2024 respectively (further delay of seven and nine months) for TCTC purposes. The key assumptions which are impacted are detailed below:

Illustrative cost comparison of potential options



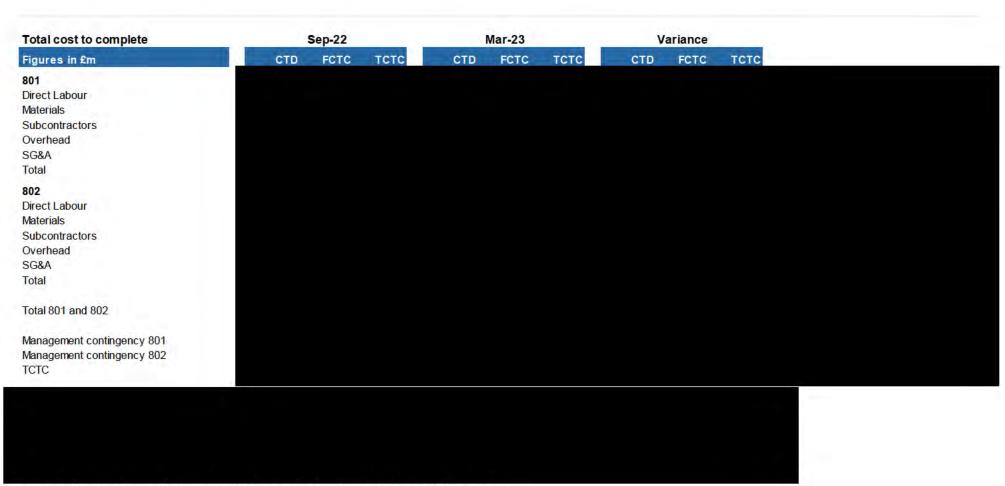
Key

- High level of confidence in estimate
- Further work required to refine estimate
- Significant further work required to refine estimate
- Outstanding

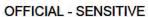
Appendices

Appendix 1 | 801 and 802 TCTC update

FMPG has provided updated TCTC analysis as at 31 March 2023. This is summarised below.



Sources: (1) Workstream 1Report - 9 December 2022 (2) Copy of Costs to Go summary DT March 23 v4 6th april teneo



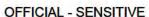
Appendix 2.1 | Sources of financial data

801 FCTC



Key

- High level of confidence in estimate
- Further work required to refine estimate
- Significant further work required to refine estimate
- Outstanding



Appendix 2.2 | Sources of financial data

801 and 802 future cost to complete (as at 1 March 2023)



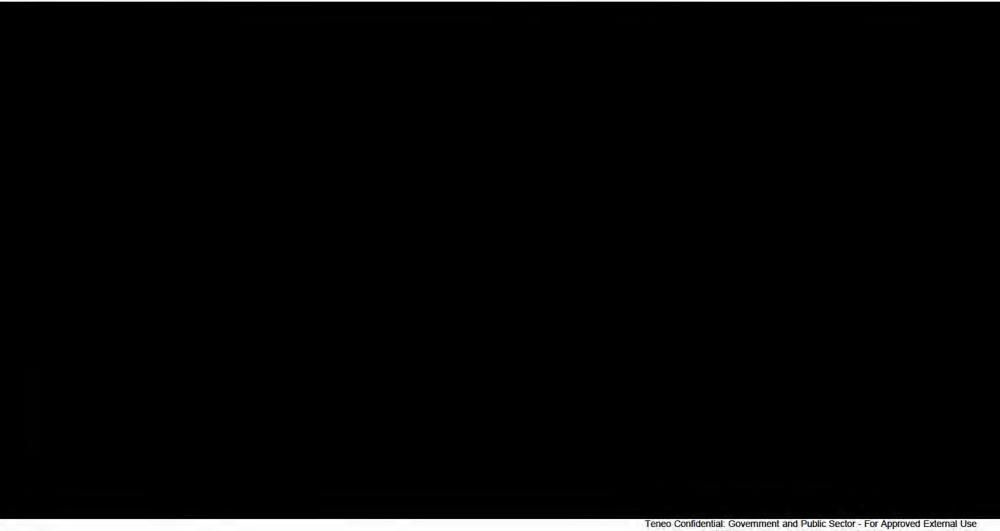
Key

- High level of confidence in estimate
- Further work required to refine estimate
- Significant further work required to refine estimate
- Outstanding



Appendix 2.3 | Sources of financial data

'Unallocated' costs

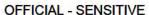


Appendix 2.4 | Sources of financial data



Key

- High level of confidence in estimate
- Further work required to refine estimate
- Significant further work required to refine estimate
- Outstanding



Appendix 2.5 | Sources of financial data

Additional costs to complete 801 / 802



Key

- High level of confidence in estimate
- Further work required to refine estimate
- Significant further work required to refine estimate
- Outstanding

Appendix 2.6 | Sources of financial data



Key

- High level of confidence in estimate
- Further work required to refine estimate
- Significant further work required to refine estimate
- Outstanding



Appendix 2.6 | Sources of financial data

Key

- High level of confidence in estimate
- Further work required to refine estimate
- Significant further work required to refine estimate
- Outstanding

Appendix 3 | Illustrative cost comparison – detail



Glossary

Hull 801 / MV Glen Sannox 801

802 **Hull 802** Circa

Chief Executive Officer CEO

CMAL Caledonian Maritime Assets Limited

CME Cemre Marin Endustri shipyard in Turkey

CTD Costs to date

FCTC Forecast cost to complete

FMPG Ferguson Marine (Port Glasgow) Limited

Management FMPG Senior Management including David Tydeman,

1 January - 31 March, 1 April - 30 June, 1 July - 30 Q1, Q2, Q3, Q4

September, 1 October - 31 December

SG The Scottish Government TCTC Total cost to complete TS Transport for Scotland

Workstream 1 - Financial review report Workstream 1 Report

dated 9 December 2022

Workstream 2 DD Workstream 2 - Options review

discussion document (draft) dated 12 December 2022

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