

Net Zero, Energy and Transport Committee

29th Meeting, 2023 (Session 6)

Tuesday, 24 October 2023

Hulls 801 and 802 – Evidence from Ferguson Marine Port Glasgow

Background

1. At its [meeting on 19 September](#), the Committee agreed to hold an evidence session with the Chief Executive of Ferguson Marine Port Glasgow (FMPG), David Tydeman, upon receipt of the latest quarterly update on progress towards completion of Hulls 801 and 802. The Committee has been receiving quarterly updates from FMPG following a commitment to provide these that was made to the predecessor committee with responsibility for transport in 2021.
2. These updates, and a summary of the main points made in each, are available in **Annexe A**.

Hulls 801 and 802

3. Hulls 801 and 802 are passenger ferries being built by FMPG. Hull 801 has been named Glen Sannox and 802 has been named Glen Rosa. According to [Audit Scotland](#)—

“In 2014, Transport Scotland, supported by CMAL [Caledonian MacBrayne Assets Ltd] and CalMac, set out the case to procure two new dual-fuel vessels on the Clyde and Hebrides network. One vessel was to be deployed between Ardrossan and Brodick, and the other between Uig, Tarbert and Lochmaddy.”

4. There have been problems with the procurement and construction of the vessels which have resulted in cost increases and delays. Audit Scotland produced a timeline of the key events in its 2022 report “[New vessels for the Clyde and Hebrides Arrangements to deliver vessels 801 and 802](#)”.

5. The report says—

“In October 2015, CMAL awarded Ferguson Marine Engineering Limited (FMEL) the contract to design and build the new vessels, known as Hull 801 and Hull 802, at a combined fixed price of £97 million. Hull 801 was expected

to be completed in May 2018 and Hull 802 in July 2018. CMAL first reported problems with the delivery of the project to Transport Scotland in December 2015. This was followed by several notifications of delays and concerns about FMEL's finances. Despite CMAL agreeing to FMEL's requests to change the contract and the Scottish Government providing financial support, FMEL entered administration in August 2019. In December 2019, the Scottish Government brought the shipyard into public ownership and formed a new organisation – Ferguson Marine (Port Glasgow) Limited (FMPG) – to complete the vessels.”

Parliamentary scrutiny of hulls 801 and 802

6. In October 2019, the Session 5 Rural Economy and Connectivity (REC) Committee agreed to hold an inquiry on construction and procurement of the vessels. The Committee reported in December 2020.

- [Details of the inquiry remit and activity](#)
- [Read the Committee's report on its inquiry into the construction and procurement of ferry vessels in Scotland](#)

7. In its Legacy Report, the REC Committee drew the attention of its successor to the need for ongoing consideration of ferry procurement, specifically Hulls 801 and 802, and services in general.

- [Read the Legacy Report of the Session 5 Rural Economy and Connectivity Committee \(Paras 92-98\)](#)

8. In Session 6, two major Committee inquiries have focused on ferry issues.

9. The Public Audit Committee has considered the Audit Scotland report on [New vessels for the Clyde and Hebrides Arrangements to deliver vessels 801 and 802](#).

- [Read the report of the Public Audit Committee on New vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802](#)

10. The Public Audit Committee has also considered the [Written Authority](#) provided by the Scottish Government on 14 May 2023 relating to the completion of Hull 802.

11. The Net Zero, Energy and Transport Committee undertook an inquiry into a [Modern and Sustainable Ferry Service for Scotland](#). This considered the issue of ferry services across Scotland as a whole and was not focused on the construction of vessels 801 and 802.

- [Read the report of the Net Zero, Energy and Transport Committee into a Modern and Sustainable Ferry Service for Scotland](#)

Net Zero, Energy and Transport scrutiny of the construction of Hulls 801 and 802

12. On 12 September, the Committee took evidence from the newly appointed Cabinet Secretary for Wellbeing Economy, Fair Work and Energy.

- [Read the Official Report of the evidence session with the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy on 12 September on his portfolio responsibilities within the remit of the Committee](#)

13. This covered all areas within the Committee's remit for which the Cabinet Secretary has portfolio responsibility, which includes the construction of Hulls 801 and 802.

14. The Committee had recently received the August 2023 update from FMPG communicating details of "issues" with Maritime and Coastguard Agency (MCA) certification. These had been mentioned, but not described, in previous correspondence in June.

- [Read the letter from FMPG in August 2023 detailing the issues with MCA certification](#)
- [Read the letter from FMPG in June 2023 first indicating issues with MCA certification](#)

15. FMPG informed the Committee of further delays and cost increases caused by a need to amend the design of doorways, corridors and staircases. The letter said—

"The MCA have reassessed the application of 'cargo ship' rules to the crew spaces of passenger ferries (on a broader basis than just Ferguson and Glen Sannox/802) and for the last 2 months we have been working to close the impacts of this and some other approvals issues. We have been designing and planning the necessary modifications to some doorways in crew corridors and three additional staircases between decks 5,6 & 7. We have one issue to finalise and hope to reach final agreement with the MCA within the next 2 weeks so that we can carry out all the modifications before Glen Sannox moves to the dry-dock just before Xmas."

16. Following the evidence session, the Convener wrote to both the Scottish Government and the MCA on 20 September seeking more information on the timeline of events that had led to the required alterations to the doorways and staircases in crew areas.

- [Read the Committee's letter to the Scottish Government following the evidence session with the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy on 12 September seeking further detail on the application for exemption for crew areas in relation to door widths the timeline of events](#)
- [Read the Committee's letter to the MCA seeking further detail on the application for exemption for crew areas in relation to door widths](#)

17. The Cabinet Secretary wrote back to the Committee on 6 October 2023.
- [Read the response from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy to the Committee on the timeline of the MCA rejection of the application for exemption for crew areas in relation to door widths](#)
18. In this update he said Scottish Government officials, Transport Scotland, CMAL and FMPG meet weekly to review progress on 801.
19. A summary of other key events (including from other correspondence and sources is) highlighted is provided below—

Date	Event
27 April 2023	The Cabinet Secretary’s letter said “FMPG advised that they were instructed to submit an MSF 1261 application for exemption for crew areas in relation to door widths which were following FSS Code Chapter 13, Section 3, for Glen Sannox...”
Tuesday 16 May 2023	The Cabinet Secretary made a statement to Parliament on the Written Authority and wrote to the Public Audit Committee .
1 June 2023	The Cabinet Secretary’s letter said it was on this date the FMPG were advised of the non-compliance of the design through the rejection of the MSF 1261 application.
26 June 2023	<p>The Cabinet Secretary in his letter said that on this date “my Officials became aware that FMPG were in discussions with the MCA around what they reported as a “change in approach to certification””.</p> <p>The Convener of the Public Audit Committee wrote to the Convener of the Net Zero, Energy and Transport Committee on its consideration of the Written Authority to complete vessel 802.</p> <p>The letter said—</p> <p>“We also recommended in our report that quarterly updates to the NZET Committee must provide good quality, balanced and transparent information about the progress of the vessels. This is in light of concerns raised by the Auditor General that these updates—</p> <p>“tend to provide a more positive view of progress than those provided to Scottish ministers”.</p>
28 June 2023	<p>The Cabinet Secretary said in his letter that on this date “The information available at this stage was set out in a submission to me on 28th June 2023, which set out the requirement for FMPG to install additional escapes in the upper deck areas.”</p> <p>He further confirmed this was “The date when you [The Cabinet Secretary] were first made aware of the MCA’s advice to Ferguson Marine about changes required under the “cargo ship rules” and ... the date on which you [The Cabinet Secretary] were informed that this would mean further cost and delay.”</p>

<p>30 June 2023</p>	<p>FMPG sent a quarterly update to the NZET Committee.</p> <p>It said “...we continue to find re-work on Glen Sannox as we close the design gaps and build issues and as part of this, we close the final approvals processes with CMAL as client reps for Scottish Ministers and with Lloyds & the Maritime Coastguard Agency (MCA).”</p> <p>It added “Some issues have just surfaced over the last month with the MCA, and our plans for a few days in dry-dock in September have had to move to December.”</p>
<p>8 July 2023</p>	<p>Clarification on the rejection of the April application was sought from the MCA local office on 8th July 2023.</p>
<p>14 July 2023</p>	<p>The Cabinet Secretary said in his letter that on this date a further submission to him—</p> <p>“set out that the MCA had considered the means of escape from crew accommodation required to meet the minimum width requirements for FSS code Chapter 13, Section 2, for passenger ships CMAL indicated to my officials that previously the requirements of Chapter 13, Section 3 relating to cargo vessels had been accepted by the MCA for crew areas, however as on Glen Sannox the crew accommodation corridor could be used as a secondary escape by passengers, they had considered that the requirements of Chapter 13 Section 2 should be applied.”</p>
<p>22 August 2023</p>	<p>FMPG provided an interim update to the Committee explaining the MCA rejection of the application for exemption of the door widths and the ongoing work with the MCA.</p>
<p>23 August 2023</p>	<p>The Cabinet Secretary wrote to the Committee on the interim update from FPMG.</p>
<p>12 September 2023</p>	<p>The Cabinet Secretary gave evidence to the Net Zero, Energy and Transport Committee and undertook to write to the Committee on the sequence of events leading to the FMPG update in August.</p>
<p>29 September</p>	<p>FMPG provided a quarterly update to the Committee detailing progress on obtaining approvals from the MCA and confirmed an update would be sent following final approvals.</p> <p>It also highlighted cost increases and amended timescales overall, including those caused by the issues arising over the summer with obtaining MCA approvals.</p> <p>The Cabinet Secretary wrote to the Committee with his views on the quarterly updated provided by FMPG. It said “As a result of this update, officials are preparing to undertake due diligence drawing upon the value for money assessment completed earlier this year. I will provide both committees with further information on this when the assessment is complete.”</p>
<p>6 October 2023</p>	<p>The Cabinet Secretary wrote to the Committee with details of the timeline. He said the MCA “has not yet completed the certification process for either vessel”.</p>

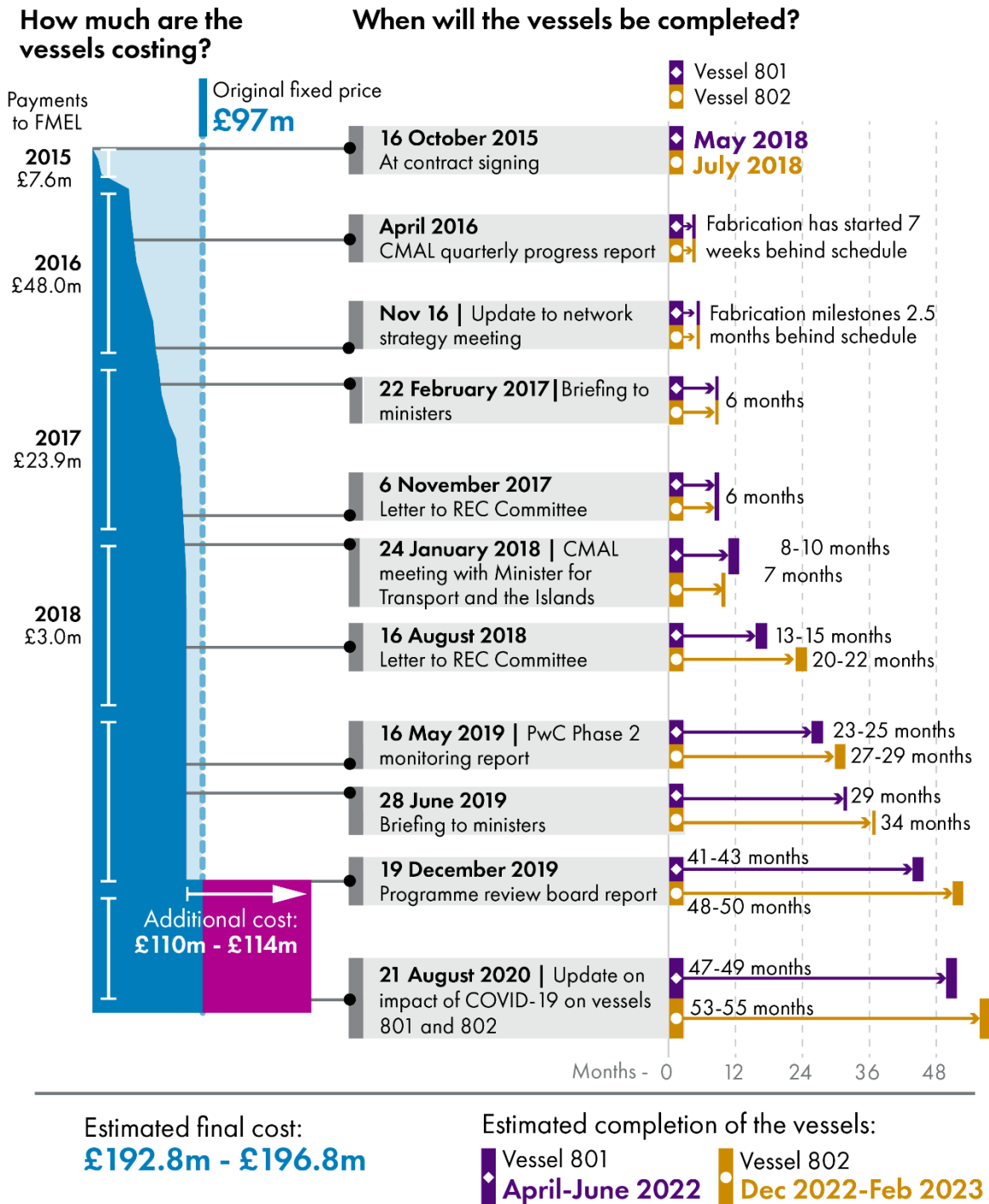
Meeting on 24 October 2023

20. The Net Zero, Energy and Transport Committee will hear from Andrew Miller, Chairman and David Tydeman, Chief Executive Officer, Ferguson Marine (Port Glasgow) Ltd.

Clerks
Net Zero, Energy and Transport Committee

Annexe A – Updates from Ferguson Marine

Table from the Rural Economy and Connectivity Committee report its inquiry into the “Construction and procurement of ferry vessels in Scotland” on the costs and timescales for delivery of the vessels throughout procurement and construction



Quarterly and interim updates from Ferguson Marine to Scottish Parliamentary Committees since December 2020

The Scottish Government also receives regular written updates from FMPG. It has [published](#) “Documents describing key events leading to Ferguson Marine being taken into public ownership, and progress since then.”

Year Quarter	Date of update(s)	Key messages	Time added/new delivery date	Cost added/new total
2021 – Q1	24 March 2021	<p>Provides details of delays caused by COVID 19 pandemic, including introducing a weekend working shift.</p> <p>Lack of local skilled labour meant they were planning to recruit from overseas.</p>	None	Confirmed on track to deliver the vessels for the additional budget of £110m - £114m
2021 – Q2	24 June 2021	<p>Sub-contracting of “smaller fabrications” had taken place.</p> <p>Overseas workers had been employed in the year in late May that year, with 60 to be in place by the July.</p>	<p>801 – July-September 2022 (delivery)</p> <p>802 – April – July 2023 (delivery)</p>	Same as previous update
2021 – Q3	30 September 2021	<p>Overseas workers had integrated well and the number to be employed would rise from 60-90 in the October that year.</p> <p>The impacts of social distancing and transmission of COVID 19 were detailed as well as work to integrate data systems and work flows. The latter was due to be completed by October that year and unsuccessful completion was highlighted as a potential risk to delivery time of 801.</p> <p>It also suggested there was a risk that equipment installed since 2016 may have deteriorated and despite</p>	Same as previous update	Same as previous update

		this being surveyed since Government ownership, there was a potential for issues to emerge.		
2021 – Q4	23 December 2021	<p>Positive updates on availability of skilled workers, impact of COVID 19 and the system integration project.</p> <p>Issues highlighted included a shortfall in estimated levels of pipework installation in 801 and discussions with the Scottish Government, Transport Scotland and CMAL on the ducktail on 802 at those organisations’ request.</p> <p>Risks identified included challenging timescales for delivery of 801, Omicron variant of COVID 19 and the potential for equipment deterioration.</p>	Same as previous update	Same as previous update
2022 – Q1 Audit Scotland reported in March 2022	9 February 2022 – interim update	The interim update was on identification of an issue with the cabling in vessel 801. These were too short and rectification would cause a delay.	Unable to assess at time of update but it confirmed delays for both 801 and as a consequence, 802.	Unable to assess at time of update
	23 March 2022	<p>Confirms the cabling issue plus “some regulatory and other issues” will cause a delay of 4 months to delivery of 801, which will impact on delivery date for 802. The update also highlighted the original timescales did not include contingency for other “unknown’ legacy issues” and a period to complete “dry docking, trials and handover programme”. These were now being added into the estimated delivery dates. This impacted on the estimated costs. The total impact on costs had the potential to be mitigated by securing additional work.</p> <p>Warranty costs were “expected but not quantified” and estimated to be £3.5m.</p>	<p>801 – March and May 2023</p> <p>802 – October – December 2023</p>	<p>801 - £58-59m (increase of £8.7m)</p> <p>802 – increase of £4m</p> <p>Delivery of both vessels now estimated as additional £119-122m</p>

		<p>Senior CMAL official was seconded to FMPG and took over as Programme Director.</p> <p>801 - Stated “Structural blocks/modules, masts, funnels, internal pipework, major equipment, and electrical cabling etc were installed in a far from ideal sequence...”. Commissioning programme over ensuing 3-4 months would reveal whether there were any more legacy issues.</p> <p>802 – resources had mainly been directed at 801. The construction had “...less-than-ideal build sequencing” but did not have “at this time, ...cabling, pipework and other installed systems dating back over 3+years.”</p>		
2022 – Q2	<u>30 June 2022</u>	<p>Provided an update on the positive impact of a CMAL secondee on joint understanding and status updates.</p> <p>Stated “In the last 2 weeks the senior management of Lloyds Register of Shipping and the Maritime and Coastguard Agency have attended site and from these meetings I am now assured we can satisfy all Class and Flag issues, ultimately leading to a Passenger Certificate.”</p> <p>Implemented design review targets for 802 with design contractors ICE. This was anticipated to lead to re-planning outfitting and commissioning, including possible re-tendering of the scope of works.</p>	Same as previous update	Same as previous update
2022 – Q3	<u>28 September 2022</u>	<p>Over the summer, a programme to re-plan the work required to complete the vessels was carried out. They also sought concrete costs for “small tools and spare kits” which were previously omitted or estimated.</p>	801 – May 23 (with potential for the LNG not to be operational until the winter of 2023)	801 – £101m 802 – £108.6

		The result of the works estimated on 801 would be delays to both vessels.	802 – January - March 2024	
	28 October 2022 – Interim update	The interim update was on an issue arising from the LNG system. It said “To comply with Classification and safety related rules applying to the bunkering operations, bespoke vacuum sensors are required in the system, and these are made to order, unfortunately, on a 36-week lead time from the supplier.”	Same as previous update (May 23) although it confirmed the proposal was for 801 to initially run on diesel for the first season and for the sensors/LNG system to be installed and implemented over the summer.	
2022 – Q4	22 December 2022	<p>Identified the main areas being monitored on each vessel.</p> <p>Confirmed the LNG vacuum sensors would not be delivered until July 23.</p> <p>Some staffing issues meant “starting of main engines and generators has slipped to January but this doesn’t yet affect the critical path”.</p> <p>Suggested a dry dock period in February 23 would be an opportunity to assess “confidence of meeting the target delivery dates...”.</p> <p>It also outlined progress of work with BAE Systems.</p>	Same as previous update	Same as previous update
2023 – Q1	16 March 2023	Provided an updated on the dry docking of 801.	801 – September – December 2023	Same as previous update but

		<p>It said continued uncovering of historical issues was being dealt with as things arose but this was progressing slower than planned.</p> <p>CMAL and CalMac has expressed a preference for the ship to be delivered with dual fuel capacity.</p> <p>It said they requested extensions in the contract to “end of 2023 and 2024 respectively” with an intention to endeavour to “deliver earlier”.</p>	802 – September - December 2024	suggests “There may be some time-related increases in the overhead costs in 2024 due to the extension of 802 to later in that year.”
2023 – Q2	24 May 2023 – update from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy	<p>Update following the conclusion of due diligence on the costs to complete the vessels since the increase outlined in September 2022.</p> <p>The value for money case for 802 had not been met but a Ministerial Written Authority to continue was approved because completion of the vessel was estimated to be faster than commissioning a new one. The impact on the shipyard of re-procurement was also taken into account in making the decision.</p>	None	None
	30 June 2023 – FMPG quarterly update	<p>Historical issues continued to arise and had implications for cost.</p> <p>Mr Tydeman agreed with the Scottish Government Sponsoring Team he would provide “final out-turn costs for Glen Sannox [801]”. This would be provided “as we complete commissioning and handover trials during the rest of the year”. He said an update of costs of 802 would be provided in November upon the launch of the vessel.</p> <p>An additional £3.5m would be required per ship for the “12-month warranty obligations FMPG has under the</p>	<p>801 – Spring 2024</p> <p>802 – Same as previous update</p>	<p>801 - £118m</p> <p>802 - £109m</p>

		<p>build contracts”. This was still to be agreed with the Scottish Government and will be “required from handover and then will run into the next financial year ‘24/’25 commenting 1st April ‘24 for Glen Sannox and 802 will have a similar requirement in FY ‘25/’26.”</p> <p>It said “...we continue to find re-work on Glen Sannox as we close the design gaps and build issues and as part of this, we close the final approvals processes with CMAL as client reps for Scottish Ministers and with Lloyds & the Maritime Coastguard Agency (MCA).” He added “Some issues have just surfaced over the last month with the MCA, and our plans for a few days in dry-dock in September have had to move to December.”</p>		
2023 – Q3	22 August 2023 – interim update	<p>Noted the issues arising with the MCA and said “I am aware the press has picked up these issues and write to you now to provide further information”.</p> <p>It said the MCA has “reassessed the application of ‘cargo ship’ rules to the crew spaces of passenger ferries (on a broader basis than just Ferguson and Glen Sannox/802 and for the last 2 months we have been working to close the impacts of this and some other approvals issues.”</p> <p>This was to cause delays.</p> <p>It also noted press coverage of safety issues on site and the “stand down by our electrical contractor”.</p>	Update on delays envisaged to be outlined in next quarterly update	
	29 September 2023	<p>Provided updates costs and delivery times.</p> <p>Highlighted Mr. Tydeman’s view on the main reasons for issues causing cost increases and delays, the majority of</p>	801 (Glen Sannox) – March 2024 (depending on successful trials)	<p>801 – £142.1m (£130m plus a contingency of</p>

		<p>which were attributable to design decisions and build strategies. He highlighted the work to rectify the cabling issue identified in March 2022 as an example of this.</p> <p>Commitments were in place with all sub-contractors to complete the build in the next three months. Electrics and the LNG system were highlighted in particular.</p> <p>On the MCA, he said compliant designs had been completed and these would be included within final construction work. He said CMAL and CalMac were considering a reduced passenger carrying limit of 852 on the basis of this.</p> <p>On “other approvals issues” he said this was related to exit routes from machinery spaces to the car deck and a solution was identified. Discussions are still taking place with the MCA and the Committee can anticipate a further update with the cost and timescale implications of this. These required alterations resulted from issues “missed by our compliance team over the last year”.</p> <p>On 801, “The core message of this quarterly update is we are moving away from the technically difficult design, re-design, re-work, and engineering challenge into a resourcing, planning and management task to complete Glen Sannox and the get the shop ready for trials and resting in Q1 '24”.</p> <p>Cost increases, including as a result of the MCA approvals issues highlighted over the summer.</p>	<p>802 (Glen Rosa) – May 25 (on the condition the Glen Sannox is delivered in March 2024)</p>	<p>between £2.3 and £12.1m)</p> <p>802 - £128.5m (£110m plus a contingency of between £3m and £18.5m)</p> <p>Total for completion of both ships is £270m</p> <p>(£240m plus a contingency of £5m to £30m)</p>
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