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Edward Mountain MSP
Convenor
Rural Economy and Connectivity Committee
Room T.3.60
Scottish Parliament
EH99 1SP

24 March, 2021

Dear Mr Mountain

Update on Hulls 801 & 802

I write to provide the Committee with an update on the progress of Hulls 801 and 802. As requested by Committee, this is the first of what will be our quarterly updates to you on delivery of the ferries, submitted early because of the upcoming recess.

Financial

In my letter dated 8th March I advised that, treating COVID costs as an exceptional item, we are on track to deliver the project for the original budget of £110m to £114m. I confirm that this remains the case.

Schedule

We are continuing to work to the timetable set out in my report dated 21st August 2020 which considered the impact of the pandemic until that date but made no predictions about its future course. There are currently three factors which will impact the schedule for the project, some of which we discussed in my appearance at Committee on 3rd March, which taken together will set the final schedule for the project.

Production Suspension

On 4th January 2021, a change to the social distancing requirements for workplace canteens was announced, increasing the distance from 1m to 2m. Ferguson amenities block was not big enough to accommodate the change, and production was suspended from 11th January to allow a production area to be re-purposed as amenities. Although this was carried out as rapidly as possible, work was suspended on the ferries for a total of 4 weeks. We also took this opportunity to undertake a full review of our Covid prevention measures to ensure that our workers are as safe as possible.

Holiday Accrual

Ferguson employees, in accordance with Scottish Government policy, continue to accrue holiday during lockdown and the carry-over of some 2020 holidays was permitted until April 2021 to allow a gradual rundown of the resulting accrual. Inevitably, the return to lockdown in 2021 has prevented the rundown of accrued holidays. Very little of the current year's holiday entitlement has been used, meaning that there is an exceptional number of holidays still to be taken which will adversely affect the resourcing of the project.



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The most efficient way to manage this situation would be by establishing limited shutdown periods as a one-off response to COVID while still allowing a reasonable level of flexible holidays, but this solution has proved to be unacceptable. I expect that the combination of accrued holidays and the disruption caused by full flexibility will add 3 weeks to the duration of the project.

Weekend Working

In my evidence to the Committee on 3rd March, I advised that we were recruiting for a weekend shift to increase the resources at the yard as a way of recovering the adverse impacts described above. You will recall that my objective was to recruit 120 workers for the weekend.

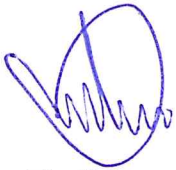
I am pleased to advise that the shift started, as planned, this past weekend and the productivity achieved is encouraging. However, the response to our continuing recruitment campaign has been limited and for next weekend we will only have 29 employees in place. I would also note that we have been recruiting since late October for weekday employees and are still over 30 people short of our requirements for that shift. Skilled labour is proving very difficult to recruit locally and it seems that the pool of skilled workers available to Ferguson is unable to meet our resource requirements. We are now expediting our plans for subcontracting and the introduction of non-UK labour, both in full compliance with the relevant COVID controls.

As I said when I last met with the Committee, Ferguson has not been immune to the impact of Covid. However, everybody can take pride in the progress which we have been able to make in the face of the pandemic, and the fact that we continue to have had only one case of in-yard transmission since March 2020.

In summary, the COVID-related elements of production suspension and accrued holidays will delay the schedule by 7 weeks and the recovery plan to increase resourcing by working weekends appears unlikely to attract enough skilled workers. It is not therefore possible to provide a definitive schedule for the completion of the vessels at this time. Work on recruitment and subcontracting will continue and I will write to you again in my next quarterly update with a more definitive schedule.

I am very aware of the lifeline services provided by the ferries and understand that users of the routes on which 801 and 802 are planned to operate have been waiting since 2018 for the vessels to arrive. I would assure both the Committee and the ferry users that we are doing everything possible to deliver the vessels, whilst complying with required COVID prevention controls, and look forward to providing a further update in due course.

Yours sincerely,



Tim Hair
Turnaround Director