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Dean Lockhart MSP  
Convenor  
Net Zero, Energy & Transport Committee  
Scottish Parliament  
EH99 1SP

23 March, 2022

Dear Mr Lockhart,

### **Update on Hulls 801 & 802**

On 9<sup>th</sup> February '22, my predecessor Tim Hair, wrote to you advising of an emergent problem arising from 'Legacy Cables' installed on 801 and that the delivery dates would be affected.

Since then, I have quantified the cost and timeline issues associated with this problem and have, more significantly, reviewed the overall programme for both 801 and 802. The cabling issue itself created a four-month delay to the start of the electrical commissioning programme for vessel 801 which, in turn, has had a direct cascade impact on vessel 802. In conjunction with some regulatory and other issues, this has moved the start of commissioning for 801 to May '22 and the commissioning start for 802 is now planned for March '23.

In parallel with this review the FMPG team, working closely and directly with CMAL representatives on site, has reconsidered the assumptions behind the commissioning programme and has concluded that given the risk of further 'unknown' legacy issues it will be prudent to make allowance to increase the commissioning period from 6 months to 8 months on 801 (The previous plan for a commissioning period of 6 months was predicated on working 24/7).

The challenges we have faced over the past year in recruiting the required labour to meet our resourcing needs means that this is not a realistic assumption and hence we have assumed a more realistic 8 months for commissioning 801.

In addition, the post commissioning dry-docking, trials, and handover programme of 2 months did not include a period for snagging and defect rectification, provisions for complications associated with dry-docking and surveys and assumed 'handover' was a single day; we have now allowed for the post commissioning activities to take up to 3 months.

Overall, this means that the programme for 801 has been delayed by 8 months and delivery will be between March and May '23; and the programme for 802 has been delayed by 6 months with delivery now between October and December '23.



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Costs have increased from three factors – increases in labour hours, increases in materials and overhead recovery costs due to the extended timeline.

To the end March '22 the unaudited total costs spent & committed (since public ownership of FMPG) on vessel 801 are expected to be c£48m and c£27m for 802. The forecast costs to complete are c£10-11m for 801 and c£34-36m for 802.

Within the costs to complete 802, there is an increased cost of overheads of c£4m for the extended timeline in the second half of 2023 – this will be reduced if new orders are secured, and overheads can be offset against other projects.

This brings the costs for 801 to c£58-59m and c£61-63m for 802 - a budget increase of £8.7m - £4m for overhead costs and £4.7m for increases in labour and materials, including £825k for legacy cables.

The forecast total is £119m - £122m, less any overhead offset that can be achieved in 2023 by securing new work.

To date, warranty costs have been expected but not quantified. Recognising that significant quantities of equipment are now beyond warranty timelines from the suppliers, a sensible provision could be £3.5m (being a nominal 5% of c£70m equipment costs).

Our working relationship with CMAL is now strong and I value their support in the successful delivery of the vessels and look forward to building on that relationship in the coming months. As part of this determined effort to increase the collaboration between CMAL and FMPG, and to deliver maximum shared input towards completion of the two vessels, I requested the secondment of one of their senior team to join my senior management team and for him to take over as the Programme Director, reporting direct to me.

This has been agreed and he replaced the interim programme director on 16<sup>th</sup> March 22.

## **Separation of programmes for 801 & 802**

### **Vessel 801**

The programme for vessel 801 has suffered from its stop/start build programme over the 5 years since it first started. Structural blocks/modules, masts, funnels, internal pipework, major equipment, and electrical cabling etc were installed in a far from ideal sequence as design conflicts and challenges were dealt with through the early stages (prior to public ownership), the transition from FMEL to FMPG and through the administration process and Covid delays.

This has been well documented in previous communications with Parliament.

The legacy cabling issue highlights the complexity which can arise from this history and full confidence that there are no more 'legacy issues' will only be secured as the commissioning programme progresses over the next 3-6 months. As each system in turn is completed – for example, sea-water cooling, fuel oil and so on – and is tested, flushed through, and made live – only then will we have full confidence that we do not have hidden damage or, for example, debris inside pipework that has, in some cases, been installed several years ago. Electrical switchboards, main engines, generators, and other significant pieces of equipment were similarly installed years ago and only once we try to start them up in sequence, will we confirm that no damage or deterioration has occurred over the ensuing period.

We have reserved a dry-docking slot for 801 to move there in late December '22. If we make positive progress with commissioning between May and November, subject to flexibility with the dry-dock owners, we may be able to bring the docking forward by 4-6 weeks.

We will update with our commissioning progress in my quarterly report to you at the end of June and, assuming the main engines go live on 801 and run properly on programme in late July/August '22, we will then have confidence in fixing the dry-docking date. The final parts of the revised commissioning programme can continue, if necessary, after the vessel leaves Port Glasgow to dry dock and hence, we can confidently plan for 801 to move away before the end of the year and plan the launch of 802 in the high tides in January/February '23 without a dependence on progress with 801.

## **Vessel 802**

Over the past 12 months, most of the resources in the FMPG shipyard have been directed at vessel 801. With the new clear plan to launch 802 in January/February '23, irrespective of progress on 801, we will now progressively build up the resources on 802 to demonstrate that FMPG can deliver to a programme for a new build project that does not have a list of legacy issues.

Whilst this vessel has so far been constructed with less-than-ideal build sequencing, it does not at this time, have cabling, pipework and other installed systems dating back over 3+ years. The main engines and generators installed years ago have been checked by their suppliers and other main equipment, such as switchboards, has been maintained in stores, even if purchased some time ago.

The learning from 801 on design issues have been documented and I am now setting the build team up with a clear task to demonstrate that without legacy issues, Ferguson's historic success in building ships on time and to an agreed budget can be demonstrated again with vessel 802.

Whilst this delay to the overall programme is regrettable and there remain risks to be managed, the revised plan is focused on delivering both ships robustly fit for purpose.

I can confirm that the revised programme and this letter have been reviewed and agreed with CMAL and has the endorsement and approval of the FMPG Board of Directors.

Yours sincerely,

**David Tydeman**  
Chief Executive Officer