

Scottish Affairs Committee

[Oral evidence: Industrial transition in Scotland, HC 729](#)

Wednesday 16 July 2025

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Watch the meeting

Members present: Patricia Ferguson (Chair); Dave Doogan; Lillian Jones; Mr Angus MacDonald; Douglas McAllister; Susan Murray; Elaine Stewart; Kirsteen Sullivan.

Questions 96 - 171

Witnesses

I: Tom Chant MBE, Chief Executive, Society of Maritime Industries.

II: Graeme Thomson, Chief Executive, Ferguson Marine.

Examination of witness

Witness: Tom Chant MBE.

Q96 **Chair:** Good morning, and welcome to this meeting of the Scottish Affairs Committee where we are looking at maritime industries. Specifically, we are going to be speaking first to a representative of the Society of Maritime Industries. Could I ask you, Mr Chant, to briefly introduce yourself and your role?

Tom Chant: My name is Tom Chant, and I am the chief executive of the Society of Maritime Industries, more commonly known as SMI, which is a maritime engineering trade body in the UK. It consists of around 210 members and works on national issues and supporting companies within the UK in instances like this, but also a lot of overseas work with export development opportunities, missions and exhibitions.

Q97 **Chair:** That is very helpful; thank you very much. To kick off, can I ask: what are the key strengths and competitive advantages that you see Scottish shipbuilding as having?

Tom Chant: First, it is really important to understand the foundational nature of the industry for the entire UK. As an island nation, the UK's trade energy data is entirely dependent on the maritime industry. Maritime security is provided by the UK shipyards. As you have recently heard from the defence chaps, Babcock and BAE, they are producing highly complex vessels. That pipeline of work that they have is really developing a skill base, investment in the infrastructure and a lot of enduring links with universities and colleges.

The supply chains that tend to cluster around those opportunities are really important, but it is not just the supply chain in Scotland that benefits from that; there is a supply chain right through the midlands, the south-west, the south-east and the east. For example, components being forged in the midlands are being used in Type 26 and Type 31 projects, so it is a national endeavour providing maritime security with that critical national infrastructure that we have seen of late. Only yesterday, at an event we did, we heard that the MOD is essentially on a war footing now, and we need to get the industry in a position to support that positioning.

Q98 **Chair:** Do you think that the UK and Scottish Governments recognise the strengths of Scottish shipbuilding?

Tom Chant: In the defence world, that is a given, with all the activities previously mentioned. In the civil pipeline, though, that is something that really needs to be addressed. It is basically impossible to split apart the defence and civil shipbuilding worlds; they are totally connected. You are going to hear later from Graeme from Ferguson's, and that is a great example of defence work supplying that sort of drumbeat of work. If they can win the civil supply chain, that will add depth to the work of the yard.



Q99 Elaine Stewart: Between 2019 and 2024, the UK shipbuilding sector experienced a 72% increase in output. What were the primary drivers behind that, and to what extent did Scotland play a part in it?

Tom Chant: We have had sight of some ONS stats on that. It is very hard to unpick the actual reasons, and we could maybe try to follow up on that. You have to look at the international context and the fact that during that period, you had the Covid pandemic, which created a huge amount of disturbance and therefore opportunities in the sector. There was a large increase in the order books for international competitors, so that was an opportunity for all the supply chains.

It is not generally understood that 80% of the value of a complex vessel will be the systems and components in it. It is not just the steel, the aluminium and the composites for the hull and superstructure; it is everything within it, basically, that adds the value. For Scotland during that period, as the Type 26 and Type 31 work kicked into action, the local supply chain would have generated some more Scottish-focused benefits and turnover.

Q100 Elaine Stewart: BAE Systems and Babcock have said that the National Shipbuilding Strategy provided them with certainty to invest in their operations. Do you believe that the strategy has had a similar impact in the civil shipbuilding?

Tom Chant: The simple answer to that is no. The reflection is that the National Shipbuilding Office has been doing some great work, but it does not have the authority to really get hold of a Department or an SRO that controls the project and say, "You will do this project in this way." There is not that overall concept of managing a civil and defence pipeline together, which other countries have managed. The defence work has always been ringfenced as a UK priority, and the NSO has been brilliantly successful in making the Border Force vessel bids and tendering a UK-focused procurement opportunity. But the rest of the government pipeline of roughly 130 vessels is open to international competition by default, which is such a lost opportunity for UK shipyards.

Q101 Mr MacDonald: Reading up about this, I was shocked that the Scottish or UK Government, or any British company, cannot effectively procure through a UK contract; we are sometimes forced to give it to an international firm. I do not think that is widely known. Is it a major hindrance to our ability to build our own ships?

Tom Chant: Yes. For example, the Trinity lighthouse vessels that are currently being tendered went out to international tender instantly. There are certainly UK yards that would be very interested in that project. The SRO in charge of those types of projects is commanded to deliver the project within certain risk, timeframes and budgets. But it goes out to the international playing field of opportunities, and you get the feeling they think it is a level playing field while actually not understanding that all the state-owned and state-backed companies it is going towards are kind of



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buying the work. The international competition is receiving much better offers of finance to support the work, and guarantees—that whole financial background that the UK shipyards do not have access to. They are competing as a very pure commercial entity against state-backed entities, which gives you this imbalance.

There will often be a delta of perhaps 10% or 20% in the pricing if it goes to an overseas yard, but that is forgetting that if you award a UK yard, all those taxes will come back to the UK. There is a well-known RUSI study that has recently been refreshed that looks at around a 36% return on UK procurement back to the Treasury. We have done some work ourselves, more on the supply chain, but if you add in the fact that a UK yard will typically have more UK content from the supply chain, that means that that number really is easily 35% or 36%. You are also getting a lot of through-life cost benefits. These vessels last 30 years, and you are getting the benefits of the servicing support through that period as well. It is not just a one-off procurement; it is the next 30 years as well.

Q102 Kirsteen Sullivan: Mr Chant, you mentioned that there is currently no concept of managing civil and defence pipeline together. Am I correct in thinking that you believe there would be a benefit to doing that? Would there be synergies, economies of scale and opportunity for more strategic partnerships across stakeholder groups in both those areas, and opportunities that could really deliver benefits to both the civil and defence sectors?

Tom Chant: 100%, yes, and such collaboration is a concept that is just kicking off in the defence world. Around the aircraft vessel builds, there was an aircraft alliance, and there is nascent work through the National Shipbuilding Office to bring that collaboration together. That is in the defence world. Of course, a lot of those—apart from Babcock, to a certain extent—would have a commercial civil interest, but BAE would not. Navantia UK, Cammell Laird and the APCL group would all certainly collaborate very warmly on the civil pipeline, so there are great opportunities there.

Q103 Dave Doogan: Good morning, Mr Chant. We do not have a shipbuilding tsar any more. Do we miss him?

Tom Chant: The word is champion these days, is it not? But no, we do not have one. The National Shipbuilding Office has recently landed within the National Armaments Director Group, so I hope there will soon be a champion that has the right authority to sit on an inter-ministerial group, as the previous tsar did, and help to direct the work and try to drive this collaboration on UK-first work.

Q104 Dave Doogan: Three or four years hence, how effective do you think the National Shipbuilding Strategy is? I am thinking of issues like fleet solid support.

Tom Chant: If you wanted to be really harsh on the NSO, it is very easy to look at every procurement and say, "Well, actually, it has gone



overseas.” The recent work has gone over to Remontowa, and you think, “What has it done for us?” There are some wins and some longer-term projects. The industry feels we are a lot better off with the NSO, working with it and trying to drive this collaboration piece. We have certainly been looking at things like procurement with it. As I say, it had that win to move the Border Force work and put it within that defence ringfencing to ensure that a UK yard builds those Border Force vessels.

Q105 Dave Doogan: You mentioned quite clearly in your earlier contributions about the wholly unfair playing field that commercial yards are up against internationally, and that state subsidies of foreign yards are not even subtle; they are explicit. Meanwhile, in the UK, everything is getting played with a straight bat, and we wonder why we lose orders abroad. Is that a fair assessment?

Tom Chant: Yes.

Q106 Dave Doogan: You talked about access to finance and the cost of that finance, and you talked about investment in yards that Governments make. So, there are two things. Is that all it is? If the UK decides to wake up and smell the coffee, is it the case that all the UK has to do is to start giving commercial yards in the UK access to very cheap finance and spend some money upgrading these yards?

Tom Chant: If you sorted out the broad finance issues, that would do a huge amount for the yards. There is absolutely no doubt about that. If you can then provide the infrastructure, productivity investments and support that they would basically match fund and work with as well, then you would begin to develop a pipeline. You are increasing productivity, and you are increasing the UK's capacity. You are also creating export opportunities for UK yards within the European sphere—in particular types of vessels. We are not going to be competing against the Chinese and the Koreans in vessel builds.

Q107 Dave Doogan: Low volume and specialist is the market that we need to get after.

Tom Chant: But if you are looking at the renewable sector—crew transfer vessels, service operations vessels, SOVs, aquaculture vessels, ferries—there is a great pile of vessels that the UK shipyards can work with.

Q108 Dave Doogan: Do you think we sometimes forget we are on an island?

Tom Chant: It is too often a default message from Ministers that they are proud of their island heritage, but it is often a case of: hang on a sec, where is everything we just said?

Q109 Dave Doogan: On that point, Ferguson's is state-owned, and the Scottish Government has spent £500 million on it now. If it is just about the state funding shipyards, why does it have no work on its order books beyond what it has received from BAE Systems?



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Tom Chant: You will get an answer in the following session on that particular one.

Q110 **Dave Doogan:** Yes, but I am asking you; could you give me an answer in relation to it?

Tom Chant: There is a story with Ferguson's that makes it very difficult for it to win other work. I understand the Remontowa opportunity that was just lost was a price delta of around 15%; how is that not going to be recognised as returning to the UK Treasury as a great win? Those seven vessels would have been an absolutely perfect opportunity to build that continuity of work. It would have been a lovely long-term piece of work with all that through-life cost coming through as well. There is a learning curve; we have probably all built flat-packed furniture and the first wardrobe is a disaster, but you learn as you gather skills. There is investment needed in Ferguson's to bring it to an international competitive level. The recent BAE Systems work provides some drumbeat of work, but there are a lot of opportunities out there for yards.

Q111 **Mr MacDonald:** I was on the fleet that went down to the Falklands, and they had a lot of civilian boats; we were in the Norland. If we are moving to a war footing, do you think there is a case that the MOD should be involved in our shipyards in a civilian capacity, just to maintain our ability to build ships which could be used for military purposes?

Tom Chant: You cannot disentangle civil and defence, if I am answering this correctly. If you look at the Cammell Laird yard in Birkenhead, there is a regular drumbeat of the Royal Fleet Auxiliary vessels, ferries and cruise vessels, so it is that same workforce. That is the same around the world. I could show you pictures from China of an aircraft carrier in a dock one week, and the next week there is a cruise liner. It is accepted around the world that yards cross over both sectors. You do not have a purely civil or a purely defence yard.

Q112 **Susan Murray:** The UK maritime decarbonisation report noted that access to capital is a critical hurdle to reaching net zero. What are the main financial barriers that hinder investment in green technologies in Scottish shipbuilding?

Tom Chant: It is not so much the shipbuilders that are providing the green technology; it is the supply chain to them. The shipbuilder is the integrator that is stitching it all together. In the bigger picture with green technologies, it takes a huge amount of investment to get a product ready to market and scalable, and then for a ship owner to actually believe in the project. You have so many different solutions out there. For example, if you are looking at an electrical solution, you are going to have a very hard time getting the national grid power to give enough power, and quickly enough, at the port. Then there is your methanol, ammonia and so on, and hydrogen is being talked about as well, but they all have their own supply and testing issues. Each solution—perhaps even different ferry routes—has advantages and disadvantages.



Within coastal waters, electric is going to be the way, but there are still a lot of different choices out there. The money it takes—the investment, innovation and funding opportunities that the UK industry has had have been on the scale of £200 million. Our international competitors have been a lot further and faster in that kind of funding. To give you an example, the Norwegians had a fund to support the greening of their ferry fleets. If you were going to retrofit green technology on to a ferry, you would get a large proportion of that paid. There are now—the numbers are getting a bit old—north of 325 electric ferries in Norway. I believe we just have one in Plymouth, a 12-person. If you imagine the scale of the product development, the use cases and the data that the Norwegian supply chain now has, that is world leading; a prime mover situation. Our access to finance, that innovation funding from our side, has been too little.

Q113 Susan Murray: How effective has the Shipbuilding Credit Guarantee Scheme been in helping the civilian side of the industry?

Tom Chant: That is not the innovation side of it, but it has not been used, so it is not useful at all. A plus point from the National Shipbuilding Office is that they are now grappling with that. There is now a body supported by the DBT—Department for Business and Trade—which is relooking at the Shipbuilding Credit Guarantee Scheme to make it usable by yards. There was a launch and there was interest, but it proved too complicated. Risk appetites were not appropriate for the retail banks, and the opportunities were not big enough for the big city finance firms.

Q114 Susan Murray: What more can Government do to help shipbuilders with better finance and guarantees, and is there any opportunity for policy and regulation changes to help? You mentioned some of the novel fuels that are coming through, but is the industry looking forward to technology like nuclear power for maritime vehicles, and is there anything in the broader picture that needs to happen to support that?

Tom Chant: There is certainly a very interesting point on the regulator side of it. The Maritime and Coastguard Agency needs the horsepower to keep up with industry, because of course innovation is happening at pace. But in order to test these new technologies, you need an environment and an understanding from the regulator to bring that into a sellable and scalable solution for a ship owner to buy into.

Q115 Susan Murray: Do you think that that is an opportunity for both Governments—UK and Scottish—to help us?

Tom Chant: Yes, definitely—get behind the regulator and give them the horsepower to do the work.

Q116 Susan Murray: Would that give us an international competitive edge?

Tom Chant: Yes, it would, if we can get products tested in the UK. At the moment we have had some supply chain companies working on solutions that have not been able to get things worked with the MCA and have



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looked at overseas regulators to get through these hurdles. So you are actually moving a UK innovator overseas to get through this.

Q117 Kirsteen Sullivan: We have touched on this in some questions already this morning, but how important do you think public procurement is in sustaining UK civil shipbuilding?

Tom Chant: With those 130 vessel pipelines—that is a rough figure—if that public procurement piece could be made simpler and faster, there could be a greater risk appetite in the contracts with Government guarantees. That would be such a game changer for the UK. The social value connections there add into that as well. If you look at public procurement for some of the defence works I have been informed about, sometimes something as low as 2% or 3% is added into the scoring mechanism for social value. If you are an overseas yard and you say you are going to employ five new apprentices, an overseas apprentice can count as your social value score. That is UK taxpayer money rewarding an apprentice being employed overseas.

There is ongoing work with the NSO. We have been involved with something called the SME hub that Maria Eagle has been pulling together, so there is some ongoing work in this area, but it would be great to really unleash the potential of that civil pipeline for UK yards.

Q118 Kirsteen Sullivan: Would you say that now is the time to be looking at the value in a broader way, to perhaps give more weighting to the social value? Particularly thinking in terms of the jobs created, the development of skills—we have heard a lot about skill shortages—and then the direct investment that goes into communities from the creation of those jobs.

Tom Chant: Undoubtedly, yes. You have hit the nail on the head with the opportunities created by a busy yard. You have seen the numbers in Rosyth and Glasgow, but you have a couple of thousand employees at Cammell Laird in Birkenhead. That is a huge community with local spending going on there, so it is only good for the community. Typically, these are not deprived communities, but regional coastal areas that could do with the work. Of course they are supporting that UK work. It is not just the yard; it is the entire supply chain. Typically, we are building quite complex vessels, so that supply chain will be quite deep through the UK.

Q119 Kirsteen Sullivan: What is your assessment of how social value was assessed in the recent contract that that was lost to the Polish firm?

Tom Chant: I am not over the details on that one—sometimes these are commercial-in-confidence things—but as I say, typically it is a very low single figure percentage. I am told that typically someone in Treasury will look at two figures—one is from an international competitor, one is from the UK—and it will go for whichever is the lowest. It does not matter where it is from; that is the way the system works.

Q120 Kirsteen Sullivan: As I understand it, there is a weighting towards quality and cost, but you feel that social value should play a stronger role



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in that?

Tom Chant: Absolutely, yes.

Q121 **Dave Doogan:** Just to try to drill down to the genesis of this decision-making process, where do these procurement rules originate from?

Tom Chant: I am probably not the right person to ask. They are probably standard contracts. This is in the Treasury's Green Book, isn't it?

Q122 **Dave Doogan:** It is good for Ferguson's to get the block work on the Type 26, is it not? It is a good synergy between commercial shipbuilding and supporting complex warship construction. That is good, but building blocks is a long way away from building ships. There is steel work in building blocks, and that is pretty much it. That is not to take away from the skill and quality of building a block. I am sure BAE are not just going to take anything, and it obviously has a very exacting requirement for quality. But there is no pipe work, electrical or design work. There is nothing, or very little, that you would need to build a whole ship from start to finish, regardless of its size, in building blocks for the Type 26. Is that a fair assessment?

Tom Chant: Yes. You will hear from Graeme on this, but it provides a useful drumbeat of work, keeping machinery and perhaps some investment and skills alive and working.

Q123 **Dave Doogan:** Indeed. That having been said, though, would it be unfair to characterise block work like that? Would it be infill that would be really helpful to have between orders?

Tom Chant: Absolutely, yes.

Q124 **Dave Doogan:** Pretty soon it is going to be all Ferguson has, and that is not great.

Tom Chant: But there are other opportunities that I know it will be looking for, and it is part of that shared collaboration ethos that can be built on. The APCL Group is building different blocks for submarines in Barrow, and it has built Type 26 blocks as well. When people talk about capacity issues with UK yards, this kind of sharing of work can help to even that out, and some planning and collaboration driven by an NSO that had the authority to do that would be a game-changer for the industry.

Q125 **Dave Doogan:** Is it novel for commercial yards to build blocks for complex warships?

Tom Chant: No.

Dave Doogan: It has been going on for a long time.

Q126 **Mr MacDonald:** Shipyards like Harland & Wolff are making a big play towards the renewable sector. Do you think that is a long-term plug in the gap while we do not have the shipbuilding? Do you think it is the right



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strategy for the shipbuilding industry? It is huge amounts of money; I think it is spending £270 million.

Tom Chant: It is definitely a strand of work, and perhaps within its Arnish and Methil yards there might be draught issues that make different components make more sense than others. As an industry, that offshore renewables piece is a great opportunity. It is too often talked about as if renewables—wind turbines landing in the North Sea—happens by itself, but there is a huge maritime industry in scanning the seabeds, the environmental monitoring that you need to do beforehand, the installation of the turbines, the servicing, and the eventual decommissioning of the turbines. That is all provided by the maritime industry. There is a huge amount of work there. The scale of the opportunity, if it can be unleashed, with things like floating offshore wind where you have something the size of the Shard and a footprint the size of a football pitch—these are huge bits of engineering that will need a lot of industry to happen. There are great opportunities, but I guess each yard has to choose where their strengths and support will be.

Q127 **Mr MacDonald:** Do you feel that the various Governments are doing as much as they could to support the port industry moving towards renewables rather than building ships?

Tom Chant: You do not typically get a yard purely in a port, so the port has to be made—if you are going to unload and offload turbine blades and piles there, you need the port developed to support that renewables work. Going back to your methanols and hydrogens, that will need developments as those infrastructures get brought in.

Chair: Thank you very much for your presence here today. We are very grateful to you for your time. Thank you.

Examination of witness

Witness: Graeme Thomson.

Q128 **Chair:** We are going to move on to our second witness of the day, Mr Thomson. Good morning to you and thank you for coming along to speak with us today. Could you briefly tell us your role?

Graeme Thomson: I am the CEO of Ferguson Marine in Port Glasgow.

Q129 **Chair:** I understand you are relatively new to the position.

Graeme Thomson: I am relatively new; I started on 1 May this year.

Q130 **Chair:** Thank you for making time; I am sure you are very busy at the moment just trying to make sure you know where everything is and what is going on in the yard. We have heard about the importance of long-term certainty in the overall health of the shipbuilding sector. From Ferguson's point of view, can you give us an idea of why that certainty is important?



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Graeme Thomson: It is important for any yard—but particularly for Ferguson’s—to try to be clear on how we approach our investment and the development of our resources, and how we structure our facility and yard to understand the pipeline. Without that, we do not have a case for the investment, the level of recruitment we would like to do or the apprenticeship, or to look at the long term to be able to say that we will grow and bring social value back into the Clyde area.

We need to see that pipeline to understand what we can then do to make sure that how we operate is efficient, and that we are investing to make ourselves efficient. At the same time, we need to actually understand the resource and the skills that we would look to pull from the local area to train and develop to do that work. Without that pipeline, those decisions are not made and that opportunity is not taken, and therefore we continue with the work we are doing now, in the manner we have been, with the core resource we have at the moment, and we do not grow.

Q131 **Chair:** From our earlier discussion, obviously we understand that there are no confirmed vessel construction projects on your books at the moment, following the completion of the Glen Rosa. Is that lack of forward work affecting your business—I would imagine it must be—and how?

Graeme Thomson: Yes. At the moment we have the work to complete Glen Rosa. As mentioned previously, we have the BAE Systems units, which we were delighted to sign last week.

Going forward, we have an issue in terms of retention of staff. People literally go where the work needs them to go and they have security of employment. Equally, we need to actually demonstrate delivery to get us to a position where we restore confidence in the market in our capabilities at Ferguson Marine. But we really have a problem just now with retention of staff and focus on the job in hand. Where we have had to lose staff—where they have unfortunately chosen to exit—we have a challenge bringing people back in when we have such a short timeline just now without any large vessel work following on from Glen Rosa.

Q132 **Chair:** As a business, have you actually been shedding staff?

Graeme Thomson: We have had to let some agency contractor staff go as we have moved through the phases of the build of Glen Rosa. We are coming off the end of the main steelwork aspects and moving into the outfitting now, which we have been for a while. We had an agency contractor supporting us on the steelwork side, and as we have come off that piece of work, we have unfortunately had to let some agency contracting staff go.

Q133 **Chair:** You mentioned the steelworks for the Type 26 frigates from BAE. What benefits does that work bring to the yard?

Graeme Thomson: There are two parts to this. Although that is just steelwork at the moment—I know that point was made earlier—as we



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have had to release agency and contracting steelwork staff, we have a lot of focus on making sure our core staff stay employed. As that steelwork finishes in Glen Rosa, we are looking to move that capability on to those BAE Systems units.

Equally, and to extend that, we want to be in a position of demonstrating to BAE Systems we have the capability, capacity and skills to deliver on time and quality, so we can then explore other opportunities with BAE Systems to support it going forward and expand that opportunity for us in the defence market.

Q134 **Chair:** Do you think that is a viable proposition?

Graeme Thomson: Yes, very much so. Going forward, as a business, we need to establish a portfolio of work, which will be large vessels, smaller vessels and tier 2 support to other shipyards. We need to make sure we have a portfolio that allows us to balance our workload, understand how we can have continuity of work and manage our peak workload where we come along by reallocating across that portfolio.

Q135 **Chair:** We heard earlier from Mr Chant that there needs to be a synchronicity between the building of warships and civil vessels. Has there been a transition that you have had to undertake to allow Ferguson Marine to be able to take on this work for BAE? If there has, and that gives you another string to your bow as it were, would that be something that would be likely to help you in looking for further contracts in the future?

Graeme Thomson: We have not experienced any issue in going on to do this defence work; we have been pursuing it for a number of months now and were delighted to sign that. We want to expand that work. We do not see a blocker to that, having experienced it. We want to continue to push to create that capability to do tier 2 activities. By tier 2, I mean feeding BAE Systems and Babcock with the work they have across central Scotland. We think that is a great opportunity for us and should be part of our portfolio going forward.

Q136 **Chair:** Do you think defence work is something that the shipyard could take on in the future?

Graeme Thomson: I believe we can. As I see it, my responsibility as CEO is to make sure that we have work and are growing the capability, adding the social value that is needed, and establishing a footprint there on the River Clyde that is capable of delivering ships for generations to come. That does not necessarily mean that it has to be solely ferries or civil work; it can be support and defence work, or even other steel structures. But to make sure we have the continuity, we certainly want to be in a position where we are securing a portfolio in adjacent markets to the skill set we have, and we will continue to do so. My focus is very much on looking at the market and understanding what else we can do that matches our skillset. Ultimately, we want to be a tier 1 builder of ships, but we cannot just be that; we need to be something more.



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- Q137 **Douglas McAllister:** You bring with you a real wealth of experience from Babcock, as I understand it, and perhaps modesty may forbid you from making the obvious comment. Do you think your wealth of experience and arrival on 1 May have helped to secure this contract with BAE Systems? Do you have autonomy in that, or was there any Scottish Government sign-off of that contract, given ownership?

Graeme Thomson: I will be humble.

Douglas McAllister: You do not need to be humble.

Graeme Thomson: This work in BAE Systems started on a pilot block in 2024, before I arrived. We did that pilot block, and then there has been discussion going on to find the right units at the right time that supported BAE Systems and were appropriate for us to get involved with. In a sense, my convenient timing was just my situation.

In terms of the Scottish Government involvement, other than the fact that they own us, and we advised them of what work we were pursuing and that we were doing it under due governance process, there was no further sign-off.

- Q138 **Douglas McAllister:** And they had no issues with that contract, given their position on government-funded munitions work?

Graeme Thomson: No.

Douglas McAllister: But they knew about it?

Graeme Thomson: Yes.

- Q139 **Douglas McAllister:** You recently announced that the Glen Rosa is expected to be delayed again, with the original target of September this year pushed back until April of next year. I appreciate that you came into the post on 1 May. It has been delayed for some years now. What went wrong?

Graeme Thomson: There was a raft of things. Having been briefed on the journey that both Glen Sannox and Glen Rosa have been on at Ferguson Marine, my understanding is that to successfully execute a programme, there are elements to look at, such as whether the requirements are clearly understood, whether we are change-controlled and have a supply chain that is effective for doing this, and whether we understand the technology. Bear in mind that in many respects, this was a prototype with what was happening with Glen Sannox and the hybrid diesel system and LNG.

Bringing all that together and at the same time containing that in a vessel that had to be sized to suit the harbours it was serving, that creates a compounding issue of delivery. Covid in the middle of it did not help either, of course, but many areas faced that. Equally, my understanding is that the programme was not perhaps executed in the way I would



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think you would want to mobilise for managing a complex programme on the basis that the preparation is key for taking on an endeavour like that.

You have to understand roles, responsibilities, accountability, schedule, budgets and risk, know you have plans in place to manage all that, and resist the temptation to sign a contract and just get busy. That is the discipline that goes on. Although the dividend is difficult to see in the short term, it pays you back in the longer term. My understanding is that some of that was not thought through and in place in Glen Rosa and Glen Sannox, compounded by the fact that it was a very unique and prototype design.

Q140 **Douglas McAllister:** You are in charge now, and we have a target date of April of next year. Are you confident that it will not be pushed back any further than that?

Graeme Thomson: We have a target date of quarter 2 of '26. That was what I said, and I am sticking with that.

Q141 **Douglas McAllister:** What do you mean by that in layman's terms?

Graeme Thomson: What I mean is that we are working to a schedule and still have risks that we have to manage. While that schedule is getting worked, I am very conscious that we will need to mitigate the risks that will affect that schedule any further. Although we will keep driving the programme to be as early as quarter 2—which is April to June next year—we have risks that may manifest themselves despite the efforts to mitigate them. That has the potential to move that delivery out to later in Q2 '26. So, there is an appropriate bit of programme management, as we have said that we will deliver the ship in that window. I also have a commitment that by the end of this year, I shall refine that window and our cost output for it based on the success we have in mitigating the risks that we perceive at the moment, which are not yet sentenced and mitigated.

Q142 **Douglas McAllister:** When will the island communities enjoy the use of that ferry?

Graeme Thomson: In 2026. We will hand it over to CalMac in Q2 '26, which will have the opportunity to then go through its training and crew workup before it moves it into service. When I made the announcement in May—I will say it again here—I offered an unreserved apology to the island communities. It must be acutely frustrating for them to hear this and hear it again in May, given that we had previously said September '25. I am confident in what we have done, and even from what I have seen in the last two months, that we will make it for Q2 '26, but we need to mitigate some risks before we can narrow that down to a tighter band.

Q143 **Dave Doogan:** Is there any risk that the tier 2 work for BAE will interfere with the delivery of the ship?

Graeme Thomson: No.



Q144 **Dave Doogan:** How long do you think this tier 2 work for BAE will last?

Graeme Thomson: We have an opportunity here with the BAE Systems work to extend it subject to delivery, so I would not like to put a time on it, because Ferguson Marine's plan is to focus on securing more work while we are building those three units. It is definitely incumbent on us to demonstrate that we can deliver that work and that we have control and predictability in outcome to the right quality to give confidence to BAE Systems that we can do more work. Its capacity is getting stretched, which it acknowledges, and that is why it has come to us to ask for help.

Q145 **Kirsteen Sullivan:** Back in 2015, the original contract cost for the two ferries was £97 million. You have said that the projected cost to complete the Glen Rosa has now risen to £172.5 million, so it is almost double that just for one of the boats. What factors have contributed to that increase? I do appreciate that you were not there at the time.

Graeme Thomson: My understanding is that it is perhaps an underestimation of scope and design effort. As you go through a cycle of a build, you design, buy the material and then build it. The skill in that is to make sure the overlap of those three major phases is managed in the sense of progress, but with balanced risk of design maturity to go into placing material orders and starting the build.

My sense of it is that part of that cost increase has really been around decisions made to get busy in the build, and therefore starting the build when the design was not mature. When the design is not mature, you have material issues of what we are ordering and what we are buying to match that design, and you start to build knowing that some feedback might get into the supply chain, meaning that what we are building needs to be reworked. These are the compounding factors that come with not managing mobilising correctly and not managing the risk balance of making progress through the ship build at the same time. Those are the key points for Glen Rosa and Glen Sannox.

In the latter years, such a focus has gone on to pushing Glen Sannox out—rightly so, to serve the island communities—that Glen Rosa has suffered for that. This is what we are correcting now, and that is why I unfortunately had to make that announcement in May.

Q146 **Kirsteen Sullivan:** Do you think there have been errors made in the project management, in terms of the timeline and decision points throughout the various phases of the project?

Graeme Thomson: My opportunity that I see coming here is to put us back into that governance structure. I cannot particularly manage in hindsight; I can just take a view that there were things that I would have thought would have been done that may not have been done, but I was not walking in other people's shoes.

What I see now is an opportunity within the yard to bring in that type of programme governance, bring in the correct reviews at the right time and



make balanced risk decisions, and that is what we need to demonstrate. The challenge we have now is that with nine months left on Glen Rosa, there is no opportunity to demonstrate that. The BAE Systems tier 2 work will not particularly let us demonstrate that, but it is a start. We really need to secure something more significant and then demonstrate to our owner, the taxpayer and the island communities that we can predict outcomes and deliver them.

Q147 Kirsteen Sullivan: I appreciate that you want to focus on the future, because that is really important in increasing confidence in your abilities, corporately speaking, to get your pipeline in place. It is also important that we understand where the failures were so that lessons are learned. I am keen to understand more about the governance that was perhaps not in place, and about the work you have undertaken to ensure it is in place now so that project timescales and deliverables are met.

Graeme Thomson: There has certainly been a change. The board, non-execs and chairman have all changed, and with that has come an increase in governance through operations, safety, audit and risk management, and managing our remuneration and organisation structure. Through the operations area, we have a very good non-exec leading that area now. There is a clear focus on demonstration, and we have the governance controls in place to manage the programme. I am sure somebody will pick this up, but when the dust settles, there is a good bit of work and study to be done of the whole journey and the learning that is going to come from this. There have clearly been a number of people who have been involved over the 10 years of this programme to understand all the facets that drove the situation we find ourselves in today.

Q148 Kirsteen Sullivan: I appreciate that that work will take place at some point in the future. Assuming that the forecasts hold, what do you estimate the total combined cost of delivering both boats will be?

Graeme Thomson: I am trying to recall numbers now. In terms of the total cost, I think we said £152 million for Glen Sannox and £172.5 million for Glen Rosa. If my sums are quick enough, that will be about £322 million.

Kirsteen Sullivan: That will be £324.5 million.

Q149 Lillian Jones: Glen Sannox and Glen Rosa were initially viewed as a lifeline for the shipyard. To what extent do you think those projects have impacted the yard's ability to secure future contracts?

Graeme Thomson: In one part, clearly they have. We get a lot of media, some of which is supportive, some not, and that informs perception. I have spoken to some potential customers, and they have a commentary that is really driven by some more negative aspects of the news. But the other part of that is that we have engaged with quite a lot of potential customers, and we are in active discussions chasing a number of other opportunities just now. Never in those discussions has



that featured about Glen Rosa and Glen Sannox. There is a knowledge that there is a bespoke set of circumstances that has driven Glen Rosa and Glen Sannox.

In terms of the capabilities of the yard and the workforce, which is great, it is no different from the capabilities and skills I saw when I worked at BAE Systems or Babcock. Those skills are still there, and the potential customers see that. They are happy to engage with us and there is potential for other opportunities.

Q150 Lillian Jones: Your predecessor, Mr Petticrew, said that Ferguson Marine should pivot away from building ferries and focus on smaller vessels. Do you agree with that?

Graeme Thomson: No, I do not. My vision of Ferguson's is to be a shipyard that builds vessels in the range 60 to 90 metres, as well as building smaller vessels—maybe sub-30 metres—but large class in terms of six, seven, eight, 10 ships. My vision is also to do tier 2 work, supporting the capacity that is needed across the UK to service the UK shipbuilding industry. We cannot be so narrowly focused on what we need to do that we curtail the capabilities that we have. We want to make sure that we are using our capabilities and applying them across larger civil ships and smaller ships, and supporting the capacity demands that are prevailing across the UK.

Q151 Mr MacDonald: I would like to talk about the Small Vessel Replacement Programme and missing out on that. Your MP, Martin McCluskey, has disputed the claim that directly awarding the contract broke the law. Is that also your view as a firm?

Graeme Thomson: Sorry, did you say that it should have been directly awarded?

Q152 Mr MacDonald: He has disputed the claim that directly awarding the contract will have broken the law. He said it did not break the law, and they could have awarded it directly.

Graeme Thomson: I have to say I am genuinely unaware of the conditions under which that was let. I do not know whether they could directly award it or not. Certainly, for ourselves, we went forward and submitted a bid for the SVRP1. We did not win on price—we have been advised that directly by CMAL—and we did not actually get the opportunity to put in the social value and UK content part of it, because that was not part of the submission.

CMAL stated that our solution for it was good and high-quality, which is all the more frustrating for us because we know what we were offering was a product and a solution for delivering a product that was very good, but we could not match the price. That is where it comes back to what Tom was saying earlier: we need to find a mechanism to level the playing field. We are okay with competition as long as we are playing on a level playing field. As long as a situation prevails in which international yards



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can do it cheaper than us because of the tax breaks, their labour rates or whatever, then we will never be playing on a level playing field.

Q153 **Mr MacDonald:** Can I clarify what we were hearing earlier—that the social value could be worth 10% of the contract?

Graeme Thomson: Yes.

Mr MacDonald: Do you not think that was taken into account?

Graeme Thomson: No.

Q154 **Mr MacDonald:** Why do you think that was?

Graeme Thomson: My understanding was it was not a request within the tender document.

Q155 **Mr MacDonald:** I know Kate Forbes has been to meet you. Has that come up in conversation, and what was her response?

Graeme Thomson: It has come up in conversation that we need to move the conversation from a race to the bottom in terms of price into the value that it brings, by including social content and UK local content in terms of supply chain support. I really cannot speak for Kate, but that all makes logical sense to the DFM, and we are pushing and lobbying for a shift in emphasis on the UK local content and even whether we can get a direct award.

Q156 **Mr MacDonald:** Following on now is the Lord of the Isles contract, which you guys are pitching for. Do you get the impression that the Scottish Government are going to have a social value contract of 10%, and are you campaigning for them to do that?

Graeme Thomson: Yes, I have lobbied for a direct award of the Lord of the Isles replacement because there is a social value and UK content. The social value is about apprenticeships and trades, and then the local content is actually choosing to use the local supply chain as investment where we can, which has the same benefit to our suppliers. So, we have lobbied for a direct award, and if not, we would like to see social value and local content included in the contracts. Between that and how we would price it now in anticipation of the investment we are going to make in the yard, we will be on a level playing field.

Q157 **Dave Doogan:** How many agency staff are in the yard, both in production and support roles?

Graeme Thomson: I cannot split it out, but we have 290 core and 67 agency and contractor staff.

Q158 **Dave Doogan:** How many of each have left since you have been there?

Graeme Thomson: In terms of the staff, not many, but some. In terms of the contractors, none, except where we have had to make the difficult decision to let some people go.



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Q159 **Dave Doogan:** In relation to not winning the SVRP work that we were just talking about, has that caused any attrition to levels of agency or core staff?

Graeme Thomson: No. Sorry, I will rephrase that; my apologies. Core staff, no, but yes to agency. That has been part of the decision to let some agency contractors go, as we did in the last couple of months. I would have to say that if we had won the SVRP work, the timing of the design work and then getting to build probably would put us in the same position anyway. It would just be a case of how we recover.

Q160 **Dave Doogan:** You sadly never got that order, but you have the block work. How much of the production operations on the block work is agency and how much is core?

Graeme Thomson: We have a mix in there just now of agency and core. We have made a call to retain agency while we continue to work on completing Glen Rosa so that we have a sufficient workforce size to do both the work on completing Glen Rosa and the agency. But that is a mix of skills; we will have a mix across both those areas.

Q161 **Douglas McAllister:** Ferguson Marine has no work on its order books beyond the completion of the long-delayed Glen Rosa. The BAE Systems UK Government naval work is a vote of confidence in the workforce. However, the point has been made that you are shipbuilders, not a fabrication yard. Do you think the Scottish Government should be making a direct award of the new CalMac ferry, Lord of the Isles? Do you agree with me that a direct award of a public contract is possible, and should the Government be doing more now to ensure that happens?

Graeme Thomson: The answer is yes, I do support a direct award of the Lord of the Isles replacement. I am not aware of what might be any challenges or blockers to that, but I know the Scottish Government are considering how that would be sentenced. We are supported by the Scottish Government, who have committed £14.2 million of investment with us, but we need to find a methodology for how we can then play on a level playing field for follow-on work, post even the Lord of the Isles.

Q162 **Douglas McAllister:** Should you not get the Lord of the Isles work, what are the implications for the future of the yard?

Graeme Thomson: It would be very difficult and challenging for us. We will continue to push and demonstrate in our BAE Systems units and look to expand that out. Part of it is demonstrating units and steel boxes and getting into blocks, which will include outfitting, but we need to have a demonstration of our capabilities for BAE Systems to have confidence in us, then to expand that footprint.

In parallel with that, we are still looking for other work. We are talking to some harbours and looking for tugs, pilot boats and line handling boats. All these are smaller boats, but again, it is about actually having that portfolio. If the portfolio starts with smaller boats and then we get back



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into a larger ship at some time, I am still very content that we would look to keep as much of the workforce working as we can. My focus is firmly on making sure that we protect our core workforce, give it as much work as we can, and anticipate that we are going to have a capacity challenge across the UK, and that we should be standing by to support that and help.

Q163 Susan Murray: Moving to the shipyard itself, Holyrood's Public Audit Committee has said that Ferguson Marine needs £25 million of investment to modernise the shipyard. Do you think that that is an accurate figure?

Graeme Thomson: We originally did a study back in 2024 that said £25 million as an initial cap. We have broken that down in the short term to £14.2 million that we want to invest just now. I see that as an initial phase, so £25 million may well be the right number, but my focus now is on getting that £14.2 million invested and then looking at what else we can do with the yard. We know what else we can do with the yard, but we ultimately need to go on the journey.

The £14.2 million that we are looking to invest just now will be firmly focused on how we improve our efficiency and steelwork throughput, which is a key measure of how we go out and be successful, and how we make our steelwork more efficient. That investment will help us, but it is only the first phase. I would perceive that we have not been significantly investing in technology for about 20 years. That is where the opportunity lies for us, not only in terms of managing a programme, demonstrating delivery and having the governance, but also having the investment and training people. We end up with a modernised digital yard with the people, process and tools that support that delivery.

Q164 Susan Murray: That sounds really promising. The Scottish Government are funding this £14.2 million, and they have said they will fund it over two years. How is that progressing? How much have they funded so far?

Graeme Thomson: We have drawn down in the low £100,000s, but that is us calling it down. We need to have a position that we do not commit—rightly so, as any business—many millions of funds without a programme that is going to give some return on that. We have this circle where we need to secure some work, get the investment, do the investment and then have the investment completed in readiness for when we actually start building that programme that we have won. That is what we are managing through just now.

We talked about the Lord of the Isles replacement and SVRP2, which is the second phase of the SVRP programme coming out towards the end of the year. We need to win that, and that is the leverage that then says we can now go and invest with confidence that we will get a return on that technology. We certainly do not want to be in a position—nor would the taxpayer want us to be—where we invest in a yard and never put the new equipment to work.



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Q165 **Susan Murray:** What you quite clearly said is that you are going to start the investment, work towards increasing that and produce a plan that justifies that further investment going forward.

Graeme Thomson: Yes, we will. As we move in, secure more work and invest that initial fund, we will then look to how else we will develop the yard. There are further opportunities and technology that other shipyards have that we can certainly catch up with and learn from, and that is where we will go with the future investment.

Q166 **Dave Doogan:** It sounds like you agree with the findings of the Scottish Parliament's Public Accounts Committee in their report around Ferguson's year. Are you in accord with their ambitions in respect of Ferguson's?

Graeme Thomson: Yes.

Q167 **Kirsteen Sullivan:** To pick up on your previous point briefly, I wonder how much of the investment in new technology could help attract new contracts, so having more of that up front to directly help you to attract more work into the yard.

Graeme Thomson: A key measure of building ships is labour hours per tonne, and it is common across all shipyards in the world. That is a very succinct measure: how we perform in terms of our labour hours per tonne, so how long it takes us to process a tonne of steel. The investment we want to make would give us about a 30% to 40% reduction in what we currently perform on that labour man-hour throughput, which then becomes comparable to modernised yards like Babcock and other yards around the UK and internationally.

That is where we demonstrate that we have a modern yard digitally linked to our 3D model, which gives confidence that we are performing at a standard that a potential customer would expect a modern shipyard to perform at, and therefore gives confidence that we can deliver their ships on time and budget. When we bid for work now, we bid as if we have that investment, looking at what we are going to do with that investment and how the time works for making it. We have set a challenge for ourselves that says: although we bid, a ship then goes through the design phase, we buy the material and then start building. In that design and buying the material phase, in parallel we will modernise our manufacturing facilities so we then get the benefit of that modern facility to deliver the ships going forward. That is the part that we did not have before when we were bidding. We now have that and the commitment in place, and we will draw it down once we secure a programme.

Kirsteen Sullivan: With the new governance measures that you have in place, do you have confidence that those timelines will work in your favour and that you are able to do that work in parallel?

Graeme Thomson: Yes.

Q168 **Elaine Stewart:** I have a question on workforce challenges. What



current skills gaps are you experiencing at the moment and how is that impacting the operations?

Graeme Thomson: If I could turn that around for a moment, we do not have a skills gap at the moment because of the nature of the phase we are in. Overall, given the capacity we have, the industry has a skills gap on the steelworks side with the welders, shipwrights and platers, but we have outfitting trade supporters. Our skills gap at the moment is not particularly an issue for us, but it will be as we come back up. Since we were nationalised in 2019, we have brought on 86 apprentices, 75 of whom are still with us, either on their programme or working with us. We will look to grow that apprenticeship as well, to help address to that skills gap and look to secure work to demonstrate there is a future, and to encourage people to apply and seek apprenticeships with us to address the skills gap in the future.

Q169 **Lillian Jones:** You are the fifth CEO in 10 years, and you have inherited a struggling shipyard with a damaged reputation. How confident are you that you can turn things around for Ferguson Marine?

Graeme Thomson: I genuinely feel confident. As I said, there are three parts to this. One is the market that is out there, the growth in the market and the demand there is. There are opportunities, on the caveat that we pitch on a level playing field. Within the yard itself, we have process and governance opportunities that we have improved on and continue to improve on to give us the control and allow us to demonstrate that to potential customers. The third part of it is making that investment that allows us to demonstrate we are modernising, and we are using technology to improve our efficiency and to give predictability and outcome.

I am very much of the mindset that we need to demonstrate that we can predict the future well enough and not apologise for it, which has been some of the history of the last 10 years. We need to have the controls that allow us to predict when we are going to deliver and demonstrate that even if, at times, risks impact, as we mentioned earlier, we see that coming and have mitigated it, or not, but we can forecast the impact of it.

Q170 **Dave Doogan:** On the Small Vessel Replacement Programme, Ferguson's scored really highly on quality, so the workforce can turn out the goods; that is established. Where we did not manage to get it over the line was on cost and price. I hear what you are saying about investing in the means of production and lowering the labour hours per tonne, and we have talked about the awareness of the dynamic that you are bidding into with other yards, foreign yards and all the rest of it. How are you, as the CEO, going to pool those elements together to make sure that the workforce there can get access to the market to start producing ships?



Graeme Thomson: We have quite a spectrum of business opportunities ahead of us in terms of commercial and pilot opportunities. As Tom mentioned, we see the work on the service operating vessels, there are ferries coming up, and the pipeline overall is 150 non-naval vessels over 30 years, so there is a great opportunity there. We engage with the workforce and through the management teams when we are preparing estimates, bids and build strategies, and structure what we can do.

We are looking to try to make sure we strike the balance between giving our workforce confidence that they are going to be asked to do something that they believe is challenging but achievable, and making sure we have something that goes to market that is cost-competitive. If it is solely cost-competitive and is competing internationally, we will struggle. This is the part that comes back to social value in UK content to ensure that we get the workforce the delivery of a programme where schedule and cost is challenging but achievable. We will not do a race to the bottom and find out that we have given the workforce something that they cannot achieve.

Q171 **Chair:** Earlier, we were talking about the cost of the Glen Rosa and the Glen Sannox, and the figure of £324.5 million was the cost that we alighted upon. I wonder, does that include the £45 million loan or the £83 million loan that Ferguson Marine received before nationalisation?

Graeme Thomson: I am going to have to apologise. I am aware of the numbers, but I am not aware of how that comes in and is accounted for in that number. I am happy to take that question away and come back to you separately on that.

Chair: That would be very helpful, thank you. That concludes our questions. Thank you very much for the session this morning; it has been incredibly interesting. We thank you very much and wish you well for the future.