



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 29 March 2022

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE
11th Meeting 2022, Session 6

CONVENER

Dean Lockhart (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Fiona Hyslop (Linlithgow) (SNP)

COMMITTEE MEMBERS

*Natalie Don (Renfrewshire North and West) (SNP)

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Liam Kerr (North East Scotland) (Con)

*Monica Lennon (Central Scotland) (Lab)

Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Peter Hebblethwaite (P&O Ferries)

Ian Hill (Construction Industry Training Board)

Ian Hughes (Construction Industry Training Board)

Gordon Nelson (Federation of Master Builders)

Martyn Raine (Scottish and Northern Ireland Plumbing Employers' Federation)

Graham Simpson (Central Scotland) (Con)

Grant Tierney (Local Authority Building Standards Scotland)

Brian Whittle (South Scotland) (Con) (Committee Substitute)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

Committee Room 2

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 29 March 2022

[The Deputy Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Deputy Convener (Fiona Hyslop): Good morning, and welcome to the 11th meeting in 2022 of the Net Zero, Energy and Transport Committee, which we are conducting in hybrid format. We have received apologies from the convener, Dean Lockhart, and from Mark Ruskell. I am chairing the meeting in Dean Lockhart's absence and Brian Whittle joins us as a substitute.

Welcome to the committee, Brian. As this is the first time that you have attended as a substitute, I invite you to declare any relevant interests.

Brian Whittle (South Scotland) (Con): I have no relevant interests to declare.

The Deputy Convener: Thank you.

Graham Simpson will join us later. For clarity, Graham will be attending as a non-committee member, which means that he is entitled to attend the public part of the meeting and, at my discretion, to participate in questioning witnesses.

Agenda item 1 is a decision on whether to take items 4 to 7 in private. Items 4 and 5 are consideration of the evidence heard at our two evidence sessions, item 6 is consideration of draft letters on carbon capture, utilisation and storage, and item 7 is consideration of the committee's work programme. Do members agree to take those items in private?

Members indicated agreement.

Role of Local Government in Delivering Net Zero

09:31

The Deputy Convener: Agenda item 2 is an evidence session as part of our inquiry into the role of local government and its cross-sectoral partners in financing and delivering a net zero Scotland. I refer members to the papers from the clerk and the Scottish Parliament information centre for the item.

We launched the inquiry in December to look into progress at a local level in reaching net zero targets. The inquiry is also considering what role the Scottish Government and its agencies can play in supporting and challenging local government to work well with its partners, and how local government can play its part in ensuring a just transition to net zero.

We are now in phase 2 of our inquiry, looking in depth at the key themes that emerged from our initial evidence sessions and our call for written views, and we will continue with a theme that we began last week: vocational skills and workforce readiness for net zero targets.

I am pleased to welcome our panellists, who join us remotely. Ian Hill is industry insight manager and Ian Hughes is engagement director for Scotland at the Construction Industry Training Board; Gordon Nelson is Scotland director at the Federation of Master Builders; Martyn Raine is technical and skills manager at the Scottish and Northern Ireland Plumbing Employers' Federation; and Grant Tierney is chair of Local Authority Building Standards Scotland. Thank you for accepting our invitation; we are delighted to have you here.

We have allocated around 75 minutes for the panel. We welcome comprehensive answers, but with five panellists you will appreciate that we will also welcome concise answers, where possible. I remind members to direct their question to a specific person or to set out a running order for answering the question if it is relevant to more than one witness.

My first question relates to industry in general. Are there areas of the workforce where witnesses expect current skills gaps to increase or new skills gaps to emerge in relation to the transition to net zero? I will go to Ian Hill first.

Ian Hill (Construction Industry Training Board): It is clear that the move towards net zero will affect all areas of construction. It will affect new build and retrofit, because it is about how buildings are constructed—their fabric—and about how they are heated inside. It is tricky to say what

the skills demand will be. We forecast five years ahead and we generally find that there will be a skills gap not only in terms of numbers but relating to changes in skills. The tricky bit is knowing what the trajectory for moving to net zero will be.

I hope that we will touch on that later, because the skills respond to the demand. You can see certain areas where there will be demand, but the tricky one is knowing how retrofit for existing homes will play out.

Ian Hughes (Construction Industry Training Board): Our research shows that around 22,500 construction roles will need to be created by 2028. Significant numbers will be needed in specific occupations such as project managers, trade supervisors and building envelope specialists.

Having spoken to industry, we feel that the majority of the shortages will be filled through upskilling and retraining the existing workforce. The gap in relation to the net zero agenda has to be looked at in parallel with the overall skills gaps within construction, because we are not looking at 22,500 brand-new occupations or job; we are looking for industry to upskill and retrain the existing workforce in a number of areas to deliver large-scale interventions such as retrofitting owner-occupied and public housing in Scotland.

The Deputy Convener: Thank you. Gordon Nelson—could you answer the same question about skills gaps and what new skills industry expects to have to develop?

Gordon Nelson (Federation of Master Builders): Certainly. Our members are predominantly small and medium-sized enterprise building contractors across Scotland, whose end client is a home owner.

We are experiencing acute skills pressures in the industry, with labour shortages across the construction craft trades such as carpenters, joiners, bricklayers, plasterers and roofers. However, I agree with the point made by the CITB that, when you focus on retrofitting to decarbonise our housing stock, it is predominantly about upskilling the existing workforce.

Our members are domestic main contractors and their focus is on the fabric and insulation measures to reduce the heat demand of homes. In their particular case, it is a question of upskilling and retraining their operatives, including their supervisors, to meet the demand that we hope will be established from home owners, in particular, to improve the energy efficiency of their homes and to reduce their heat demand. That will have a positive impact on reducing Scotland's carbon emissions. That is my summary of where things stand.

The Deputy Convener: Are you convinced that your members are doing enough just now to retrain and upskill the existing workforce, if that is the main focus?

Gordon Nelson: That is a difficult question. In one way, it is a bit of a chicken-and-egg situation. Our members around Scotland, from Shetland all the way down to Dumfries and Galloway, are aware of net zero 2045 and understand that a major component of that is improving the energy efficiency of our existing homes and buildings.

They have a lot of the skills in place already. In particular, they are used to engaging with home owners and other clients, advising them and winning their confidence. At the same time, a lot of their current work is in the home improvements marketplace—refurbishments, renovations, new kitchens and bathrooms and so forth. What they have predominantly found, so far, is that there is a lack of demand for the energy efficiency fabric upgrades and the technology systems, and our members subcontract to plumbers, electricians and other specialists to install energy systems such as heat pumps.

Being business owners, our members want to direct their business to where there is a future marketplace. Without evidence of a marketplace, they do not, at this stage, have the confidence to invest in the necessary upskilling and retraining. They want to do that but, at the same time, being commercial enterprises and dealing with the current cost pressures, including building material price increases over the past six months, they are minded to keep their focus on what they describe as “business as usual” rather than invest in a marketplace that many of them do not see as existing just yet.

The Deputy Convener: Thank you. Martyn Raine, would you like to comment on current skills gaps that are likely to increase, any anticipated new skills gaps and what your members are doing to address those gaps?

Martyn Raine (Scottish and Northern Ireland Plumbing Employers' Federation): Good morning, and thank you for the invitation to give evidence.

In relation to the current situation in the supply chain, our members often report that they do not have enough qualified people to carry out the work, which puts a real strain on their businesses. Naturally, our workforce is decreasing. We are probably not bringing enough new talent into our sector, which puts real pressure on a business. Workloads are very high at the moment, which could be due to Covid. There is a real demand out there, which goes right across the market from new build to retrofit, as well as for conversions and upgrades to people's homes.

It takes a lot of time and resource for a business to invest in reskilling or upskilling someone, which puts a financial strain on them. Traditional plumbing and heating works are in demand at the moment and that is where those companies see their work. It is very hard to convince them to start making a transition into net zero skills when they already have a lot of work that they are struggling to address and complete.

We need to support businesses in the industry to take on more apprentices. We really support apprenticeships. Skills Development Scotland—I think—says that 92 per cent of apprentices stay in employment. That is a very positive outlook, regardless of whether that employment is in the sector that they trained in. We are therefore a big supporter of apprenticeships and we would like to see more apprentices coming into the system to support our members' businesses. However, it is also about the financial risk or challenge that a business faces, because it takes a lot of resource to upskill somebody or bring somebody into the industry.

The Deputy Convener: I will now go to Grant Tierney, who may be on audio only.

Grant, will you comment on what you have heard, where you think new skills gaps are likely to emerge and the current skills gaps? We have heard that there needs to be a demand from local authorities. Speaking on behalf of Local Authority Building Standards Scotland, might you have a sense of whether enough demand is currently coming from local authorities to stimulate training in not only local authority areas but the private sector?

Grant Tierney (Local Authority Building Standards Scotland): Good morning, everyone, and thank you for the opportunity to provide evidence.

Net zero will undoubtedly bring a change to our guidance, which will, ultimately, require some skills gaps to be filled. We have been considering our workforce strategy a lot recently. Key elements of that strategy include things such as a competency assessment system, which is a single, comprehensive set of competencies for all staff working in the building standards profession. It was launched in June 2021 and we are approaching the end of the first 12-month pilot. It demonstrates the competencies among the existing professionals in the workplace. More importantly, it highlights skills gaps and identifies where training is required, which allows us to target it.

Also as part of that workforce strategy, we have developed a learning hub, which is a two-part piece of work. It is a virtual learning environment where we can provide bespoke building standards

self-learning modules to all building standards professionals in order to plug that skills gap. In relation to demand, as with most of the construction industry, our workforce has an ageing demographic, so we are also developing vocational pathways as part of the workforce strategy. Those take a number of directions.

The principal one to mention is our modern apprenticeship scheme. In partnership with local colleges and the building standards division of the Scottish Government, LABSS has been working to create a modern apprenticeship scheme. We have successfully got 22 apprentices as a cohort who will enter the profession this year. That is bringing new bodies into the profession in order—we hope—to plug those gaps.

There are also other elements in relation to promoting the profession and implementing professional frameworks, but I am happy to expand on those later in the discussion.

The Deputy Convener: Thank you very much. I am glad that we can see you as well.

This brief question is for the two Ians, Gordon and Martin. The CITB said that 22,500 new skilled jobs are required and that—significantly—a number of them will be filled from the existing workforce. What intensity and length of retraining would be required to upskill people for that demand in your particular areas?

I will start with Ian Hill.

09:45

Ian Hill: The training varies slightly. It depends on where the learner starts—their pre-existing knowledge—and where they want to end up. The training also varies among different occupations. We could be talking about one to two years of training, or it might be three to four years. I do not think that there is a clear answer to that question, but I might be corrected by the people who speak after me.

The Deputy Convener: Would Ian Hughes like to comment? Are we talking about full-time training, or will existing staff be retrained while they do other work?

Ian Hughes: We are targeting the retraining in a number of areas. We have started the process of embedding net zero learning units in apprenticeship courses. An apprenticeship can take anything between two years and four years, and embedding such learning throughout someone's whole learning journey and experience will give them the skills when they qualify and move into that space.

An alternative route involves upskilling existing employees in the workforce who have skills that

need to be upgraded so that they can move into a net zero environment. In many cases, that can take a few months; it can be as quick as that. It depends on what is required. The more difficult and technical the skill, the longer the training tends to take.

In many cases, tradespeople have good skill levels in relation to a lot of retrofit work, whether it relates to external cladding, rendering or internal fit-outs, but they just need to move up a gear or level in order to get the right competency—it does not necessarily have to be a qualification—to work in the net zero environment. That is mainly in the retrofit space, which we discussed earlier.

The Deputy Convener: I will bring in Gordon Nelson next. We are trying to get a handle on how long the skills retraining or new training will take and on its intensity.

Gordon Nelson: I agree with Ian Hughes's point about embedding sustainability training in apprenticeship frameworks. That is for the longer term. A typical construction craft apprenticeship in Scotland runs for four years, but other modules and apprenticeships are a bit shorter than that.

In the shorter term, measures are in place to upskill the existing workforce. Along with the CITB, Martyn Raine from SNIPEF and others, we are involved in developing an installer skills matrix for energy efficiency measures, which will allow industry to see the upskilling pathways for its operatives and supervisors. The installer skills matrix outlines the minimum qualifications, and there is recognition of prior learning—existing skills in trades—on the technician side, which includes electricians and heating engineers, and on the building and insulation side. The pathways are broken down by particular measures.

The idea behind the skills matrix is to give industry the confidence and the map to see where relevant training can be accessed—if businesses choose to access it—who provides it, how long it takes and what measure it is. In that way, the industry can have a competent workforce to deliver retrofit work or other net zero aspirations.

The Deputy Convener: I ask Martyn Raine to comment briefly on what he thinks will be required.

Martyn Raine: Currently, we have a very competent workforce in the plumbing and heating industry. I call them time served—they have served apprenticeships and so on. They could be quickly upskilled through a heat pump training course, for example, which might take between a week and two weeks. Such companies regularly deliver more traditional heat services—those relating to gas, oil and so on—so they have the fundamental skills. It is a quicker win and a simpler fix to work on the current workforce.

Modern apprenticeships are more about the long term. We can adjust those to include more competences that focus on net zero.

There are two strategies: a short-term one and a long-term one. As I said, our workforce are very competent at what they do. It would be quite a quick win to work on those people.

The Deputy Convener: Natalie Don, who joins us remotely, will ask the next question. I remind members that their questions do not have to be allocated to all witnesses. However, it has been very helpful to hear from all the witnesses at the beginning.

Natalie Don (Renfrewshire North and West) (SNP): Good morning, panel. My questions will follow on from the discussion on skills gaps. We have heard this morning about the 22,500 roles that will need to be created. In a previous evidence session, the committee heard a concern that there might be a limited shelf life for some of those new skilled roles, such as retrofitting buildings, as we have already discussed. Are the witnesses aware of that concern? What can be done to ensure that the new skilled roles that are created during the transition are sustained and that there is demand for workers to acquire the necessary skills? That question goes first to Ian Hughes and then to Ian Hill.

Ian Hughes: By its very nature, construction changes constantly, and individuals have to change their skill levels and upskill on a constant basis. Construction never stands still, so we see innovation and changes in the sector on an on-going basis. Employers take a lead on that, and agencies like us assist and work with employers to upskill and retrain staff. With regard to the upskilling that is required for net zero, those skills do not go away, but they will be added to constantly. The transferability of skills is important, because an individual who is constantly learning, retraining and upskilling has pathways and pipelines into other occupations and areas within construction, to which they can lend their skills. With regard to upskilling, nothing should be done in isolation. We are always looking at upskilling individuals to improve their career opportunities and skills level, because, ultimately, that will improve the business performance of employers in Scotland. It is an ever-changing environment. We would not upskill someone just for net zero. They have multiple skills at their disposal, and we are looking at specific add-ons to their existing skill set that satisfy the needs of a net zero environment. Those add-ons can change and be taken away, but skills are normally added to continually, so I see that as a positive step forward for the individual.

Ian Hill: As Ian Hughes said, and as was alluded to earlier, net zero will be part of the built

environment going forward, so it will affect every piece of work. In answer to your question about whether the retrofitting roles will be sustainable, that programme of work will span at least 20 years. For example, heat pumps that have been installed in buildings will still have to be maintained afterwards; it is not a case of putting them in and leaving them. Those skills will be sustainable, because what is built now will be around for at least 20, 30 or 40 years, so it will need service, maintenance and on-going work.

Natalie Don: It is really positive to hear that the transition will not be about just those skills but about transferable skills that might be needed in other areas.

Martyn Raine has already discussed apprenticeships this morning. Are the current apprenticeships and training being adapted to ensure that, in the future, there will be a place in other areas for those who are coming through to those new skilled roles?

Martyn Raine: The modern apprenticeships get reviewed on a regular basis and tend to be led by demand. We go to industry representatives and ask them what they want and need so, if they are not seeing a real demand for renewables, they might not ask for those skills to be embedded into a modern apprenticeship. Therefore, we have to guide them a bit on that and tell them that, in Government policy and targets, we can see the future, so we change the apprenticeship training, which evolves over time to embed those net zero skills.

We are a big supporter of apprenticeships, because they give people mobility. The learner who goes through an apprenticeship has mobility, wider career prospects and a better future, so we do not like training that is too focused on just one skill. As one of the lans mentioned earlier, it is about adding to the current skill set moving forward. When we look at the marketplace and the skills that people are asking for, demand for those skills can naturally drive businesses to start asking for other things.

It is probably more of an organic evolution of the industry, if you see what I am saying. However, I am not too sure whether that organic movement and transition will match the Government targets. Work goes on in that regard, and it evolves naturally.

Natalie Don: That is positive. The main concern is that the new skilled roles might be too focused, which could lead to issues down the line.

Unless any of the other panel members wants to come in, I am happy to leave it there, convener.

The Deputy Convener: Obviously, in this inquiry, we want to focus on our witnesses' work

and relationships with local government, which procures and creates demand, too. It would be helpful if you could refer to that in your answers.

Liam Kerr (North East Scotland) (Con): Good morning. My first question is for Gordon Nelson and Martyn Raine. We have heard about the need to create around 22,000 jobs, and Gordon Nelson talked about the need to upskill the current workforce. In evidence to the committee, SDS described the current labour market as "hot", by which I think that it meant that there is a high demand for labour and a shortage of labour due to things such as the pandemic. Are there already skills or labour shortages? If so, how are they impacting on your members and their operations as well as on the planning for the upskilling that you have talked about?

Gordon Nelson: The situation is certainly having a very big impact. Our state of trade surveys are qualitative surveys of our members on business confidence and, in the most recent two, we have found that skills shortages are right up there, particularly in relation to craft skills such as those of carpenters, joiners and bricklayers, which I mentioned. That has particularly been the case since the end of the construction trade restrictions in April last year. In the first four months of last year, non-essential construction works were not permitted inside people's homes in Scotland due to Covid protection measures. We then had a huge release of pent-up demand for domestic home-improvement works. There was a huge boom in demand, and the house building business was also booming. We are therefore seeing huge competition for workers across Scotland, and wage increases are a key sign of that.

There is a huge challenge, particularly for smaller and micro-sized firms, which will be absolutely critical to delivering retrofit measures in local areas. That will be on a small scale, but it could have a huge cumulative effect. How can such businesses look ahead when they are plying their business and dealing with significant wage increases plus material price increases because of a shortage of key building materials? It is a massive challenge for us at the FMB to explain to our members the big potential for them to deliver retrofit across Scotland and where upskilling may be needed—we do not pretend that it will not be particularly difficult to do that.

Somehow, we need to develop a national retrofit strategy that gives industry, and particularly SMEs, the confidence that there is a sustainable pipeline of work out there that is properly funded and that is supported and co-ordinated by local authorities. Businesses would then have more confidence to invest in the relevant upskilling through the installer skills matrix and other pathways with local colleges and trade providers. The particular pinch

on skills and the lack of confidence in the industry to upskill would then, I hope, be addressed. A co-ordinated strategy is needed to give industry, and particularly SMEs, confidence, because they will be a critical part of delivering the retrofit solution.

Martyn Raine: Gordon has given a comprehensive response. We are in a similar situation, in that we have the same challenges in our sector. Possibly the number 1 complaint from our members, which range from microbusinesses all the way up to larger contractors, is that they cannot find enough qualified people to carry out the work for them. That is a challenge at the moment.

We hear stories of employees leaving one company to go to another because they have been attracted by the wages, which have been made better to entice them in because the other company needs to satisfy its contracts. There are situations where other businesses might not take on a contract because they know that they cannot fulfil it, so they would be at risk of not completing a contract and letting somebody down. That is a real challenge at the moment.

10:00

Again, apprenticeships can bring in people for the long-term future. Businesses are starting to build on that, but the situation is a real difficulty for any business at the moment. It is good for employees—qualified plumbers who are in the industry now are all in work, which is really positive—but it is not good for the businesses because we need more people.

Liam Kerr: Thank you. Moving on, I will direct follow-up questions to Grant Tierney and the two lads at the CITB.

In answer to the last question, Gordon Nelson talked about the need to develop a plan or a co-ordinated strategy. The Scottish Government and Skills Development Scotland published a climate emergency skills action plan in December 2020, which presumably aims to achieve what Gordon has rightly suggested that we need to achieve. That begs the question: what engagement have your organisations had with the action plan? Are any of you on the implementation group, for example? In your view, is the plan on track to ensure that the necessary skills are in place to support our transition to a net zero economy? If not, who needs to act and what needs to happen?

That is for Grant Tierney first.

Grant Tierney: We have been looking at these items probably since 2019, when our futures board workstreams were first discussed. That came on the back of some high-profile construction failures.

With regard to skills development, we are looking at that through our engagement with local colleges for our modern apprenticeships. We are looking at the requirements within industry and then at the current course content and providing bespoke learning to enhance the learning that is already there. In addition, we provide lecturing specifically on the current university courses for graduate apprenticeships; that is with Glasgow Caledonian University.

Apologies—your connection was breaking up when you were asking the question, Mr Kerr, so I do not know whether I picked up on everything that you asked.

Liam Kerr: Thank you, Grant. That was an interesting answer. As a part of that, do you have any comment on the climate emergency skills action plan from December 2020? How has that impacted your organisation? Most importantly, is the plan on track, as far as you are aware?

Grant Tierney: That will be fed into local authority building standards through the changes in the energy section and the sustainability section of our technical guidance. That is out for consultation now—the consultation period has closed. We hope to get the new regulations from the Scottish Government soon, which we will then be able to use to upskill our economy. What you are speaking about with regard to net zero will be covered in our energy section, which has not arrived to us yet. It will have been taken into consideration when the new regulations were written.

Liam Kerr: I am very grateful. I pose the same question to Ian Hill.

Ian Hill: The climate emergency skills action plan would have factored that in when we were doing our net zero research, which was in 2019 to 2020. We would have taken that into account.

I think that the more interesting questions that you pose are whether work is on track and what needs to happen. It being on track is going to be a bit difficult because of what happened with Covid; that really disrupted the market. I think that what needs to happen in the future links into the point that Gordon Nelson was making. Industry still needs to see a clear pipeline of how the ambition in the plan is actually going to be delivered. Looking at the scale of work in Scotland, we have 2.5 million homes, and about 1.5 million of them are owner-occupied.

There is still a lack of clarity about how that will be delivered and translated from ambition into work on the ground. As Gordon Nelson and Martyn Raine said, without a clear pipeline on how it will be achieved there will always be a bit of a delay in businesses investing in training.

Liam Kerr: That seems to me to be the crucial point, but it begs the question: if a clear plan is required to implement the climate emergency action plan, who will drive that? Who is the onus on to create the clear plan that it sounds as though you are all desperate for?

Ian Hill: I think that we all have a part to play, but ultimately some of it has to come from Government. As you will be aware, the Government has, in essence, two main levers: it can incentivise or it can legislate to make change happen. It is a matter of how those levers are pulled that will stimulate the market. If we go back to what has happened with the green deal and the green homes grant, neither of those two attempts to stimulate the owner-occupied market and get energy-efficiency upgrades happening has really delivered, so the Scottish Government has to have another stab at it. How we can get owner-occupiers to make energy-efficiency upgrades is a difficult question. Everyone will be looking for the answer and we will all help as much as we can.

Liam Kerr: That is very helpful. Does Ian Hughes have anything to add?

Ian Hughes: Yes. If you do not mind, I will read out verbatim a recommendation that was made to the Scottish CITB council, which is our governing body. In conjunction and partnership with Skills Development Scotland, CITB should move to develop:

“A detailed and specific skills plan for retrofit. ... This plan should map how skills demand will be met in line with the broader retrofit plans and sequenced and funded accordingly. New standards and qualifications will need to be developed, existing ones updated, and provision aligned with the skills needed to deliver retrofit on a national scale.”

In terms of taking a lead on that, it should be Skills Development Scotland, as the national Government skills body, and CITB, working in conjunction with the industry, in particular. We feel that there is a gap and a need to map out our retrofit plan between now and 2025, looking at how that work will be sequenced over the following decades and, in particular, how it will be funded.

At present, as we have discussed, the SMEs and micros in the supply chain need confidence before they will really invest and take ownership of the net zero agenda. We all need to be working to a plan that we can share with our industry partners and their employers in order for them to fully understand the opportunities that are available. Some companies are ahead of the curve—we have members and industry partners who are investing as we speak, because they can see what is coming—but the majority are waiting to see whether it will fit in with their business requirements.

Liam Kerr: I am grateful to the panel. Unless Gordon Nelson or Martyn Raine has anything particular to add, I will hand back to the convener.

The Deputy Convener: Thank you. We move to questions from Monica Lennon.

Monica Lennon (Central Scotland) (Lab): Good morning. Last week, the committee had a really good evidence session on planning and the skills that planners will need, particularly in local government. The Royal Town Planning Institute published research in June 2021 that found that local authority planning budgets have reduced by 42 per cent since 2009. Has that reduction in resource had an impact on how your members engage with planning departments?

Gordon Nelson: From conversations with our members and our surveys, we have found that, for our larger members and the house builders among our membership, delays in achieving planning permission and the time that it takes for permission to come through have been a consistent problem and still are. For smaller developers, in particular, which do not have as much capital as larger developers, that adds to the risk from their perspective as commercial enterprises.

To summarise what our members have fed back to me on the issue of planning resources, I would say that they would support planning fee increases if they resulted in an improved and more resilient service. They are aware that local authorities, particularly planning departments, have been struggling for a number of years with not having enough planning skills. However, although they sympathise with that situation, they expect more resources from fee increases to result in an improved service. It is certainly a challenge currently, and it could be a challenge in future, too.

Some of our members are aware of the national planning framework 4 consultation. If NPF4, which contains a lot on net zero and low-carbon aspirations, can be joined up and aligned with the resources element, that might help to release some bottlenecks.

In short, this is a particular challenge for our members who are small developers, although they are sympathetic with regard to the resource constraints on local authorities. I do not necessarily want to drag in Grant Tierney here, but the same applies to the building standards profession. Our members are aware of the need for a resilient workforce on the regulation side—that is, in planning and building standards—in local authorities.

Monica Lennon: Thank you—that was really helpful. Do you wish to comment, Martyn?

Martyn Raine: I suppose that the situation does not have a direct impact on us, given that our companies tend to provide services on a subcontractual basis to builders, developers and such like, but it does affect them.

Plumbing and heating companies tend to do what they have to do or what they are asked to do. Going back to Ian Hughes's earlier point about the big part that is played by legislation in the new-build sector, I would say that, if companies are made to do something, they will naturally do it. We have seen in the plumbing and heating sector how, when legislation comes along or different ways of doing things or different requirements are put in place, companies naturally evolve and do things how they are meant to be done. The real challenge is the retrofit market, as we have discussed.

As I have said, the impact on us is more indirect. Any hold-ups higher up the chain will definitely impact on our businesses, which will look to pivot and provide services in other areas or do more domestic work that might not involve planning or building standards.

Monica Lennon: Grant, do you want to attempt to answer the question by perhaps bringing in a building standards perspective? After all, planning and building standards are closely linked.

Grant Tierney: They are closely linked, but building standards deals with a very different set of circumstances. We have been monitoring our workforce data on a national basis since 2019, so we can now start to map some trends. As I have mentioned, we have an ageing demographic profile, with an expected workforce shortfall of about 10 per cent in supply and demand. However, we are talking about a fairly static workforce of around 600 people nationally, so we are not facing quite the same issue that planning is tackling at the moment.

Encouragingly, a lot more of our staff have been with us for a longer period of time—for example, there are now more people in the industry with 10 years' experience—and one positive aspect is that, as we fill the gaps that emerge, a number of graduate apprentices and modern apprentices are coming into the industry.

On the issue of fees, the Scottish Government recently launched its review of building standards fee income, and it is looking back at the previous fee increase in 2017 to see what impact that had and considering some of the new work that we will have to carry out as a result of the futures board. All of that will be taken into consideration with regard to fees. I would just point out, though, that the verification side of building standards is intended to be self-funding through fee income, which includes a 30 per cent charge for

overheads. The challenge is often in ensuring that, when fees come into local authorities, they are used in the correct places to enhance the service.

Monica Lennon: You have just mentioned apprentices. Last week, we touched on the fact that there is no route for planning apprentices in Scotland as there is in England. Do you see a potential role for an apprenticeship route in growing the pipeline of planners?

Grant Tierney: Is that with regard to planning or building standards?

Monica Lennon: For planning. I think that you said that there is an apprenticeship route for building standards, but I might have picked that up incorrectly.

10:15

Grant Tierney: There certainly is a modern apprenticeship route for building standards. We have been working on it continuously for a number of months, and we are proud that 22 apprentices will begin their training this year. They will be employed by local authorities and will study at Fife College and Inverness College, starting those college courses in August. The recruitment of those modern apprentices will happen soon.

LABSS has met our colleagues at Heads of Planning Scotland and explained to them our workforce strategy and the journey that we have been on. We hope that HOPS can learn lessons from the positive work that we have done on apprenticeships.

Modern apprentices are one aspect of filling the workforce, but it does not stop with them. We must raise the profile of the profession, which our ambassadors do at schools, colleges and universities. The workforce problem will be solved not by one thing only, so we must approach it from several angles. Interaction with people at an early stage to raise awareness of the profession and show them that there is a career in it is how you grab their attention in the first instance.

Monica Lennon: The CITB has published commentary on the number of new skilled jobs that will be required to achieve the transition to net zero. Does it have a sense of how ready the skills system and industry are to deliver those skilled roles? I am not sure which of the lads wants to go first.

Ian Hughes: I will go first.

Monica Lennon: Perhaps Ian Hill.

Ian Hughes: Oh, I am sorry.

Monica Lennon: That is fine. You popped up first, Mr Hughes, so go for it.

Ian Hughes: I will respond to your planning question first and then go back to the one that you just asked.

I graduated as a planner about 100 years ago. There is a graduate apprenticeship model in Scotland, which is increasingly used for careers such as civil engineering, so there is no reason why you could not develop a graduate apprenticeship for planning as opposed to the full-time apprenticeship role. That would need local authorities to be the employer, because the graduate apprenticeship model is part time at university and part time in the workplace. However, if the shortages are such that it is necessary, it could and should be introduced fairly quickly.

On your question about skills, we should consider the challenge of the scale of what is required. Take whole-house retrofit in the Scottish housing market. Scotland has 2.5 million occupied homes. Of those, 1.5 million are owner occupied, 600,000 are housing association or local authority houses and 400,000 are private rented. About 18,000 new-build units go up every year in Scotland.

If all of that has to be captured in a retrofit or net zero strategy, there are significant implications for the phasing of the work and the timescales that are involved. We know that the process will run into decades and will probably never stop, because it is not about retrofitting just once. We must ensure that we do not only put in a heating system but take a whole-house approach, because putting a heating system into a housing unit that leaks energy—one that has poor windows and poor insulation—is pretty much a waste of time.

The whole-house approach, given the scale of the homes that we have in Scotland, has clear implications for the skills and numbers of individuals that we need to bring in to deliver the workload. The figure of 22,500 roles that I mentioned earlier is not for the next 20 or 30 years; it will take us up to the next eight to 10 years.

Ian Hill will come in, as he is the research expert. Looking further ahead, beyond 10 years, becomes increasingly difficult, because the variables are more difficult when there is no clear pipeline of investments laid out. If you had a 30-year investment plan for infrastructure in housing, you could start to look at the research over that period and find out what skills would be required. That is difficult at present because we do not look that far ahead.

Ian Hill might want to pick up the point about research capability and what is required in the longer term.

Ian Hill: I agree with what Ian Hughes has said. The main issue with skills is not so much that they do not exist, because they do. For example, the retrofit measures that are being put in place involve skills that we already have. The skills that are required for energy assessors and for retrofit co-ordinators, which we will also need, already exist. The main problem is the pipeline of demand coming through in the future and the numbers involved—the numbers are big, whichever way we look at them—and how they translate through.

To go back to what Ian Hughes said, we generally do a skills forecast to about five years out. Over the past few years, any skills forecasting has been really difficult. If we start to go beyond even five years, it gets trickier, so we do a rolling five-year forecast for the sector. We do look a little bit further ahead than that: the net zero forecast is an example, but that was based on a set of assumptions that were made at a point in time, and on meeting the UK Climate Change Committee's targets and its pathway to see net zero delivered through to 2050.

It would be fair to say that those assumptions have probably shifted a little bit. We have probably lost at least one or two years with Covid. That means that there is still a lot of work to be delivered, and the clock is ticking on that.

To go back to Monica Lennon's question, the skills are there—the challenge is in delivering the amount of skills that are required in response to the demand.

Monica Lennon: I want to pick up on what Ian Hughes said about the lack of longer-term certainty about investment. Alignment with investment plans is clearly important. Do you have any views on what should be done to provide more certainty about investment over a longer period—perhaps not as long as 30 years, but longer than what we have now?

Ian Hill: Is that question for me or for Ian Hughes?

Monica Lennon: You can answer if you have anything to add, but it is not compulsory to have a view.

Ian Hill: Business will always look for certainty; Gordon Nelson and Martyn Raine commented on that, too. A certain number of businesses will take a risk and a punt, but most of them will be risk averse. They are looking at fairly short-term programmes of work, and having a clear pipeline takes away some of the uncertainty and risk and provides the conditions for them to invest in training. That is ultimately what training is about—it is an investment in the future. Ian Hughes might want to add something to that.

Ian Hughes: It is about confidence in the SME sector, and in the medium part of that sector, in particular, as to what we have coming down the road.

One of the members of our CITB nation council for Scotland, Jennifer Phin, is managing director of AC Whyte & Co, which works in this space, delivering external cladding to a net zero agenda. She procures only through local authorities and public sector procurement. She is investing in her business, and in training and skills, through the creation of skills academies within the business, because she is already in the space, and she tenders within procurement to deliver on a net zero agenda.

She still has some training support needs, with which we will—we hope—be able to assist. Nonetheless, AC Whyte is a good example of a company that currently has a niche space and is looking to grow its business through a net zero procurement route with local authorities in particular, and which is investing in its people via skills academies to enable them to get the right training and skills level to deliver those contracts. It is probably worth speaking to Jennifer Phin at another time, because she has confidence in her business's ability to move into this space and grow her business. Other organisations or businesses are waiting to see at present.

Monica Lennon: That is very helpful. Back to you, convener.

The Deputy Convener: We move to questions from Jackie Dunbar.

Jackie Dunbar (Aberdeen Donside) (SNP): Good morning, panel, and thank you for coming along.

In previous evidence-taking sessions, the committee has heard about staff retention in local authorities. In response to Monica Lennon, you mentioned planning services and building standards, but have you been made aware of concerns about any other services in local authorities? If so, what impact has that had on you and your members?

I will go to Grant Tierney first, and then Martyn Raine.

Grant Tierney: Obviously, I can speak only on behalf of building standards in local authorities. Fortunately, we are in a profession that does not necessarily have a direct equivalent out in the private practice world, so we are quite good at retaining existing staff. We do not often lose staff and, if they move, they move to another building standards position, perhaps in a different local authority. I do not really see that as an issue for building standards, and I cannot really comment on other local authority services.

Jackie Dunbar: I know that building standards works closely with other departments, which is why I asked whether you had seen anything. Martyn, what about your services?

Martyn Raine: I cannot comment on local authorities, as we do not really engage with them. However, as far as staff retention is concerned, we have good employers with good conditions of work that are decided through the Scottish and Northern Ireland Joint Industry Board, which is a partnership with SNIPEF and Unite the union. We therefore have good working conditions in the industry.

However, as I said earlier, now is a perfect time for employees to move around, because they have opportunities. Because companies are looking to compete on contracts, they need the labour, so some staff will move around. As I have said and as was mentioned earlier, the numbers in the industry are declining naturally through retirement, and the fact that the workforce is getting older is the real problem and challenge for us. As I have said, though, the working conditions are good, which means that retention is pretty good in our companies.

Jackie Dunbar: Do any of the Ians have an insight into the shortages? I apologise for saying "any of the Ians"—I know how rude that sounds.

Ian Hughes: It is a very common Scottish name.

Previous to the CITB, I was in property, construction and development. When you spoke to local authority colleagues, they would tell you that the pinch point always seemed to be around procurement teams, which seemed to struggle with numbers and the required skills.

I worked mainly with large local authorities. I am not having a pop at individuals when I say this, but the fact is that procurement units were downsized and, as a result, experienced and skilled people left local authorities. The issue, then, is how you replace them and get the right skills in place, which takes time.

With procurement experts, the pipeline tends to come from the private sector. If they do not move into the public sector and if there is no such pipeline, you will see a gap, and any gap in procurement will have a potential knock-on effect, given that it is the pipeline for the almost 50 per cent of construction work in Scotland that comes via the public sector. If there are pinch points there, they will have a knock-on effect on planning, building control and even specification of standards.

I am not an expert, but my personal experience suggests that this is potentially an area that people have left or where units have been downsized,

and it has taken a while to get all of that back up to speed.

Jackie Dunbar: Ian Hill, do you have anything to add?

Ian Hill: I am sorry, but I have nothing to add to what Ian Hughes said.

Jackie Dunbar: That is fine. To be honest, I had not considered the procurement side of things, so the answer was extremely helpful.

At last week's session, Colleges Scotland highlighted the new Tay cities deal, which was signed in December 2020, as a positive example of partnership working and bringing the public and private sectors together to deliver outcomes, especially on climate goals. Have any of you had any engagement with that city region deal or, indeed, with any of the other city region deals?

Perhaps Ian Hill could start off on that.

10:30

Ian Hill: It might be better if Ian Hughes started, as I have not had any direct engagement with the Tay cities deal. However, we have been having some engagement with Glasgow City Region, which is keen to use our labour forecasting tool to examine its skills needs. Glasgow City Region is not aware of this yet, but we will be building in our net zero capability as part of that, and I hope that that will be part of our offer, too. Actually, we have just signed off an agreement on that. I am not sure whether you were fully aware of that, Ian, but we have just got that sorted with Glasgow City Region.

Ian Hughes: The answer to your question is yes, we are involved with all the city deals and major infrastructure contracts. We have what is called a client-based approach, which poses the question: when employers tender or procure work, how do they build social values and benefits into skills and training? That product has been adopted by all the tier 1s—the large organisations and employers in Scotland—and it filters through into city deals.

We are involved with Tayside and Glasgow and, through the client-based approach, we assist employers and clients in maximising the social benefits of procurement. The product measures impacts and key performance indicators, and it is embedded in the tendering process itself.

Jackie Dunbar: Thank you very much. I am not sure whether any of the other panel members wish to comment. If not, I will hand back to you, deputy convener.

The Deputy Convener: Thank you. I think that Gordon Nelson wanted to come back on an earlier question.

Gordon Nelson: With regard to the current topic of local authorities' resource and in response to a previous question, I just want to support the comment that has been made about procurement. Indeed, the same view has been fed back by some of our members who work with local authorities in delivering construction services such as repairs, maintenance and improvement works to the public sector estate. The skills and resources of procurement teams in local authorities are—at least anecdotally—a cause for concern among some of our members.

We were talking earlier about a skills plan. More broadly, the skills plan—or, I should say, the climate emergency skills action plan—is a major piece of a jigsaw, which would include clearer standards, accreditation, demand creation and materials and equipment compliance. The plan is a major piece—although still just one piece—of the jigsaw of stimulating and integrating retrofit measures, in particular, to give confidence to the industry around the country. Skills are indeed critical but, at the same time, the issue goes much wider than that, and we are looking to work on that.

That is why I wanted to come in earlier, deputy convener, so thank you for picking me up. It is much appreciated.

The Deputy Convener: Thanks very much, Gordon. I call Brian Whittle.

Brian Whittle: Good morning, panel. Ian Hughes's reply to my colleague Jackie Dunbar's question raises an issue for me. The Edinburgh Climate Change Institute has highlighted a skills gap in relation to the financing of green projects, suggesting that there is perhaps a lack of skills with regard to developing business cases. Would you comment on that, Mr Hughes? Given that most of the finance in that respect would be cascaded through local authorities, do you think that we need to examine that area?

Ian Hughes: Our space as far as local authority finance is concerned would be the procurement route, as I mentioned earlier, given how much influence we can have nationally in utilising procurement as a vehicle for focusing consistently on what we are trying to achieve on net zero, in particular. The decision-making process for what those priorities should be at a national level needs to include collective decisions with local authorities, as they all have nuanced approaches to community and social benefits within procurement.

If the focus in that respect over the next 20 to 30 years were on ensuring that skills in the net zero environment were the social benefit that we wanted from local authority funding, that would be a huge step forward. The funding is there; what

you would do is focus some of that added value with the employers who utilise that funding in the public sector. You would be, if you like, adding value to the net zero agenda by having a bit more of a focus and creating a bit more confidence that you had the ability to upskill where required within that procurement channel.

It is a huge investment space, and it goes through local authorities, in particular. It presents a tremendous opportunity to ensure that these benefits are consistently rolled out within a net zero agenda.

Brian Whittle: That was helpful, Mr Hughes. From what you are saying, new skills are required and are being developed, and we are learning as we go on the net zero agenda. Is there enough interaction between the private and public sectors to ensure that the outcomes will be as we would want them to be?

Ian Hughes: I probably cannot comment on the interaction, but I can comment on the regional differences. The needs and requirements of employers in Orkney, Shetland or even the Western Isles with regard to delivering the net zero agenda in their communities are different from ours in the central belt. Local authorities in different locations will take slightly different approaches because their needs are different, but the endgame—the national target—is still the same. Local authorities being able to collaborate on that experience can be only a positive step forward.

Brian Whittle: Thank you.

I have a question for Martyn Raine. Given that the retrofitting of homes has been mentioned, I might as well use it as an example. The Scottish Government has set a target of retrofitting a million homes with heat pumps between 2025 and 2030—or 200,000 heat pumps per year. I suppose that that reflects how much workforce demand will increase as a result of that activity. Are enough resources in place to ensure that we have an upskilled workforce to allow us to reach such targets?

Martyn Raine: We are looking at pretty much doubling output year on year to get up to those numbers. I think that we were talking about installing 64,000 renewable energy systems by 2025.

The question that we need to ask is: what are we asking our supply chain to do? With the demand for renewables, are we asking businesses to start doubling their output every year? It is a lot for any business to double in size year on year. Are we also doubling the number of people who will be able to do this work as we move forward? Those are the questions that we are asking.

When we talk about a company doubling its output, we also have to think about the equipment, the components and the appliances that it is installing. Because they all cost a lot more money than a traditional central heating boiler, the business has to take on more risk and more credit. When a business lays more money on the line, it is taking a massive financial risk.

At the moment, we just do not have enough people. We definitely need to bring more people into the industry by starting them on, say, modern apprenticeships and getting them upskilled so that they are ready five or six years down the line. We also need to look at our current workforce and go for quick wins or quick solutions such as short reskilling and upskilling courses that will allow those workers to go on and succeed.

Brian Whittle: Perhaps I can bring in Grant Tierney to answer my question and also talk about the financing of net zero. Does all of that lie with the private sector? Where does the public sector sit with regard to financing the upskilling of the workforce?

Grant Tierney: I have already touched on how we identify skills gaps and how we then provide knowledge to upskill people. We get funding from the Scottish Government to assist with that.

On the question whether we have the workforce and the skills, I would say that, in considering the installation of heat pumps in buildings, we would need to determine whether there were any warrant permissions in place and, if so, what the impact would be on local authority building standards services. When we worked with partners in the private sector on our warmer homes initiatives, we sat down with them and gave them a clear blueprint of what they needed to do when applying for warrants, so that they could move quickly through the building warrant process, if required. I would also highlight the Scottish approval scheme, which, again, involves engagement between local authorities and private stakeholders and streamlines the building warrant process.

I hope—and there is evidence of this happening—that that is how local authorities and the private sector are engaging and working together to remove any of the concerns about upskilling and increased activity on that side of things.

Brian Whittle: I have a question for Ian Hill to finish off. Given the need to increase the number of people working in the sector, does a bit of work need to be done to raise awareness among and understanding of the public and private sector workforce in the net zero environment and the opportunities in that respect? Perhaps we are not doing enough to highlight those things.

Ian Hill: Everyone is aware of the opportunity, and enough work has been done to highlight the scale of the challenge. The issue arising from today's meeting is how the guidance on that opportunity will translate into action on the ground. That is probably the gap and the bit that is missing.

Going back to the question about heat pumps, I do not think that we should forget that, when we put such pumps in buildings, we will still have to repair the fabric. There is no point putting in heat pumps if the buildings leak energy through their fabric. The Scottish Government might have a target for heat pumps, but other retrofit measures will need to be carried out. There must be a whole-house approach.

You will probably also want to ensure that, if you are doing a retrofit, you do it only once. It should not be a case of doing stuff over the next five or 10 years and then having to put in improvements in another 10 to 15. You will want to try to get as close to the net zero target as you can at this time, and there is real opportunity for local authorities and local associations to lead the way on that.

Martyn Raine: Something that has worked really well over the past year is the £5,000 apprentice employer grant that SDS introduced for employers to take on an apprentice during Covid. Before Covid, we tended to take on about 300 apprentices in the first year, but the AEG has allowed us to take on 391 apprentices in 2021-22. That shows the sort of positive outcome you can get from financial support to employers.

I would also highlight a low-carbon fund that has been made available through the Energy Saving Trust and which has been really successful in enabling employers to upskill their staff via heat pump or solar thermal training courses. Those sorts of measures and solutions work, and we should probably look at them as we move forward.

The Deputy Convener: I thank our witnesses for taking part this morning. The committee will have a private discussion on the evidence that has been taken once the public part of our meeting has ended. If any of you have any further reflections that you want to provide to supplement your evidence, particularly on your wishes for one of your key partners, local government, we will be keen to hear from you.

The witnesses may leave the meeting, and I call a brief suspension to allow things to be set up for our next agenda item.

10:44

Meeting suspended.

10:49

On resuming—

P&O Ferries

The Deputy Convener: Welcome back. We now turn our attention to P&O Ferries. This session was scheduled following P&O's 17 March announcement on staffing and on the suspension of services. I refer members to the papers for this item of business, which were issued by the clerks and by SPICe on Friday.

I welcome Peter Hebblethwaite, chief executive officer of P&O Ferries. I thank him for accepting our invitation at short notice and for his reply to our letter, which we received at 8.56 am today.

We have allocated one hour for this session. I understand that Mr Hebblethwaite would like to make an opening statement.

Peter Hebblethwaite (P&O Ferries): Thank you for letting me make an opening statement to explain what has been a difficult and unquestionably controversial decision, but a necessary one. Before I make that statement, I reiterate, if I may, my apology to 800 seafarers and their families and, specifically for this committee, to the 39 affected seafarers and their families who live in Scotland.

The backdrop is that P&O has lost an unsustainable amount of money in the past few years and has not been viable or competitive for a number of years. Without a material change to the business, I would not be here answering questions about the loss of hundreds of jobs, as difficult as that is; I would be here talking about the loss of thousands of jobs, because if we had not made material changes to the business we would have had to close it.

The business has been funded to the tune of hundreds of millions of pounds by our shareholder, who has never—not once—taken a dividend from the business. It is not sustainable. It is not possible to expect a shareholder to unconditionally and indefinitely support a business that has no plans to change. Sadly, we had to bring about significant change. At the core of that was the very difficult decision to change our operating model.

I do not think that I have fully explained why that change to our operating model is so material. I would like to take time to do that. The vast majority of the impact of the decision is on the Dover to Calais route and is better explained with reference to that. We used to operate and pay for four full-time crews, which, in reality, was more like 4.8 crews when we accounted for sickness and training. We had to pay for four full-time crews who worked for 24 weeks a year.

The new model is a different way of doing business. We are outsourcing our crewing arrangements. By doing that, we will be paying for only two crews and paying only when they work. That gives us significant savings and an increased level of flexibility, so that we can compete. That model is radically different from where we were but is recognised and used in 80 per cent of shipping across the globe, and is one that the cruise industry moved to decades ago.

Having made that very difficult decision about our model, there were reasons why we implemented the decision in the way that we did. We assessed all the available options. Ultimately, we as a board and I as the chief executive concluded that implementing the model in any other way than by the route that we chose would lead to the closure of the business and the loss of thousands of jobs rather than, very sadly, hundreds. Because that critical decision was so radical, it was our conclusion that no trade union could possibly accept our proposal and therefore that any consultation would frankly have been a sham.

We are, of course, compensating people as we are required to, in full and up front, for the failure to consult. On top of that, we are overlaying a significant redundancy package, which we believe to be the largest such package issued in maritime history. There has been a lot of talk about how big that package is for staff at the top end, but I think that what is most important is that, although we did not cap the top, we capped the bottom. That means that, for the people who are less well-paid and who have been with us for a shorter period and who would normally have received a much smaller payment, we capped the minimum payment at £15,000. Where we sit today, 765 out of 786 seafarers have started the process to accept that, and we will support the remaining 20-ish seafarers if they need any support to make their decision about whether to accept our offer.

I have just one last thing to say. We now move to two priorities. The first is finding new jobs for those 800 seafarers. We have engaged a number of organisations to do that, and it is a clear objective of ours. The second is to restart our business. With reference to this committee, that means particularly the Larne to Cairnryan service, which I would like to bring back safely to a full schedule to deliver the trade requirements for the route between Scotland and Northern Ireland.

The Deputy Convener: Thank you. We will move on to questions. Will you explain what is currently happening with the MV European Causeway, and what regulations you are not complying with?

Peter Hebblethwaite: We have said all the way through that we will not let any ships go back into

service unless they are fully safe. That is not a process that we are prepared to rush or that is limited by money or anything like that. We have worked hand in glove with the regulator—in fact, I met the chief executive of the regulator yesterday. We had inspections of the Causeway and the Highlander. The Highlander was passed to do a single voyage. With the Causeway, we have some challenges. There were 20 of what are called defects, 12 of which were technical, four of which were administrative paperwork-type issues, and four of which were crew related. Absolutely correctly—this is how it should work—we have worked together with the regulator to work out whether the ship is ready to return to service, and we have both concluded that it is not yet ready.

The Deputy Convener: You have acknowledged breaking the requirements of the Trade Union and Labour Relations (Consolidation) Act 1992 for business reasons. Are there any other laws that you would consider breaking if a similar situation arose? Can you understand why passengers would be very worried about travelling with a ferry company that is happy to break the law?

Peter Hebblethwaite: We failed to consult—I do not deny that—and we are compensating people in full for that failure to consult, as we are required to do. It was a unique situation. We are talking about saving a company and genuinely saving thousands of jobs that would otherwise have been irrecoverably lost. We therefore found ourselves in a unique situation, and in that unique situation, we took the path that we took because, as I said, all other routes lead to irrecoverably losing thousands of jobs. Of course, I understand that it is controversial, and I read the headlines as much as anybody else. However, I believe that consumers and the industry are better served by a P&O that exists rather than one that does not.

The Deputy Convener: It is understood that the UK Government might bring in new laws as soon as this week. Will you commit to comply with any future UK legislation in the area?

Peter Hebblethwaite: Of course. I cannot really comment on what the Secretary of State for Transport might bring in but, as you know, there is talk about a national minimum wage. I want to be absolutely clear that, on the route that runs between Scotland and Northern Ireland, as a domestic route, we are required to pay the national minimum wage. We pay that, and we will continue to pay it. If that were extended elsewhere, we would completely comply with that.

The issue has not been about rates of pay; it has been about a fundamentally different model and having a level playing field for us to be able to compete. It is about transforming a company that was not viable to a company that can compete.

The Deputy Convener: Do you have any remorse?

Peter Hebblethwaite: On many occasions, I have reiterated how sorry I am for the impact that the decision has had on 800 seafarers—39 of whom live in Scotland—their families and the 2,200 people who remain in the organisation and have had to answer a number of difficult questions. I am very, very, personally and deeply sorry for that. However, I categorically believe that, had we not taken that very difficult decision, we would be talking about the irrecoverable loss of thousands of jobs.

11:00

The Deputy Convener: Do you have any regret or shame?

Peter Hebblethwaite: I do not think that this is about me personally. It is about saving an organisation and thousands of jobs. I regret the impact that it has had on 800 seafarers and their families but, unfortunately, it was a very difficult but necessary decision.

The Deputy Convener: Do you have any shame for yourself or your company?

Peter Hebblethwaite: I do not think that I should feature in this. I am not really worried about me; I am worried about saving an organisation and thousands of jobs. That is not hyperbole; I really feel that. It was a critical decision that had to be made, otherwise the business would have closed.

The Deputy Convener: A company director who breaks the law—that is a serious responsibility for any individual.

I will move on to the area of finance. When its annual accounts were signed off on 10 December 2021, the board of P&O Ferries Holdings considered the business to be “a going concern”. Can you explain what changed in the past three months, that led from the business being “a going concern” to the summary sacking of 800 workers?

Peter Hebblethwaite: It was “a going concern” with the support of our shareholder. What has changed is that it is not appropriate for me or the P&O board to expect unconditional support for a business that is not viable without that financial support, unless there is a plan to change. We have received extraordinary levels of support—as has the British economy, with more than £2 billion of investment—but it is not appropriate for the P&O board to continue to expect unconditional support, without a plan for the business to become a viable business in its own right.

Liam Kerr: Good morning, Mr Hebblethwaite. P&O accepts that UK employment law was not merely broken but fundamentally offended. You

are paying out £36 million in settlements to make that acceptable to the employees. I presume that the settlements needed to include—per employee—notice, holidays, a settlement sum, an aggravation uplift and a 90-day collective consultation award. There must also be an up-front cost per month for the agency supply workers. What is the cost of the agencies? How long do your projections show that it will be before P&O breaks even on the settlement sums, agency fees, legal fees and management time, so that the decision makes commercial sense?

Peter Hebblethwaite: You are absolutely right that it has been a very costly process. It is not about the short-term financials; it is about giving P&O a long-term future or closing it. Frankly, as we should be and as our shareholder would expect, we have been very generous in our settlements, as I think that you are indicating. Depending on which scenario works out, the payback time for that ranges from 18 months to two and a half years. The decision has an appropriate business case—which, of course, it should—but it is about making the business competitive and viable in the long term. Ultimately, it is about setting us up as part of a programme of change. That decision was the most difficult change, and future changes will be positive and growth orientated, but it is about the long term, not the profit and loss for the next few months.

Liam Kerr: On a point of clarification, I am not suggesting that you are being very generous.

It is interesting that a two-year payback period leads to the conclusion that you cannot carry out the consultation required by statute, but I will let others pick up that point.

I will move on to an issue that is interesting from the point of view of various parties. In 2019 and 2020, P&O registered losses of around £130 million, and the suggestion is that there will be a further £131 million loss in 2021, for which DP World has offered a facility of £100 million. That begs the question, how certain are you that P&O is good for the £36 million settlement and the agency fees? Have you given the agencies guarantees? They may feel that they are taking a financial risk by doing business with a company that you described earlier as “unviable” and that chooses to ignore the law of the land if a bit of money is thrown around.

Peter Hebblethwaite: It is a P&O board decision, supported by finance from our shareholder. I am absolutely confident about our ability to pay our bills. We have entered into a contract with a new crewing management company that both of us are confident is appropriate.

Liam Kerr: I will ask part of that question again. Did you give them guarantees?

Peter Hebblethwaite: Yes, there is a level of guarantee.

Liam Kerr: Finally, P&O accepts that UK employment law was broken such that hundreds of employees could potentially have prosecuted unfair dismissal claims. It is difficult to see how such claims could have been successfully defended. I have no doubt that in making your plans you were aware that the primary remedy for a successful unfair dismissal claim is reinstatement. What planning did you do for a situation in which a tribunal ordered the reinstatement of all those employees? Did you plan to comply with such an order or would that authority have been ignored as well? Had that situation come to pass, what loyalty would you have shown to the new agencies?

Peter Hebblethwaite: Our assessment was that we would not get to that situation. The reality is that the forced reinstatement of our previous model would have put us straight back into the position where the business would close.

Liam Kerr: Yes, but have you not just said that you would have ignored any such order from a tribunal?

Peter Hebblethwaite: No. Our assessment was that we would not find ourselves in that position. We failed to consult and we are compensating people in full for that. We are doing everything that we are required to do.

Liam Kerr: I have no further questions, convener.

Monica Lennon: Good morning, Mr Hebblethwaite. What bonus will you receive for driving through this new way of doing business and when will you receive it?

Peter Hebblethwaite: There are no bonus scheme objectives for me to deliver the changes. I cannot tell you how far that is from any of our thinking. We are talking about saving a business and avoiding the irrecoverable loss of thousands of jobs. My personal bonus schemes have nothing to do with it. We are not talking about me and how much money I get paid.

Monica Lennon: Could you just answer the question? Are you expecting to receive a bonus in this financial year or the next one?

Peter Hebblethwaite: No, I am not expecting to receive a bonus. I have no idea what my bonus scheme looks like.

Monica Lennon: Thank you.

You have now had two ships detained on safety grounds by the coastguard. Will there be any more?

Peter Hebblethwaite: I hope not. However, we are under a level of scrutiny and very thorough checks are going on. We are working very closely with the regulator, which is exactly how the process should work. No ships should or will go out that are anything less than absolutely safe. I will not rush it. We will work closely and give our fleet team full support. We have an open book arrangement with the regulator and we are in open dialogue with it. That is how it should work. Ships should be passed as fully safe, and never has there been a more thorough approach to that by us or the regulator—and we fully welcome that.

Monica Lennon: You do not sound very confident, Mr Hebblethwaite. Do you understand why many passengers are cancelling their trips and want to boycott P&O Ferries?

Peter Hebblethwaite: I am absolutely confident that no ships will go out that are not safe. No ships are going to sea that are not safe. If there was any ambiguity in my previous answer, please let me be 100 per cent clear about this: we have always said that we do not have a business unless we have a safe business, and no ships are going out to sail unless they are safe, as assessed by us and the regulator.

Monica Lennon: I have been looking back at your comments last week at the Transport Committee and Business, Energy and Industrial Strategy Committee of the House of Commons. We know that you fired 800 experienced workers who had, on average, 20 years' service. You sent in security guards in balaclavas, with handcuffs. It was an extreme act of corporate terrorism. The select committees published their ruling yesterday, saying:

"Peter Hebblethwaite ... is not a fit and proper person to run a company that operates critical national infrastructure."

When will you resign?

Peter Hebblethwaite: There was quite a lot in there. I want to be absolutely clear that there is a lot of press coverage that is, frankly, inaccurate. We employed a security firm of professionals to keep our ships safe—but much, much more important, to keep our people safe, at a very emotional time for them.

The facts of the day, rather than the headlines of the day, are that there were no balaclavas—none of those things that were reported—and there was not a single incident of anybody getting hurt or anything inappropriate happening. Those are the facts of what happened.

Sorry, the second part of your question—

Monica Lennon: I am trying to believe you, but you have confessed to being a lawbreaker, so it is hard to believe anything that comes out of your mouth—

Peter Hebblethwaite: Sorry. To be fair, I have accepted responsibility for failing to consult. We are compensating people in full for that, and I have apologised to 800 seafarers and their families and I continue to do that. However, I must reiterate that we are talking about saving thousands and thousands of jobs that would otherwise have been irrecoverably lost.

On your question about my resignation, I have no plans to resign. I need to see this through. I need to get this business back up on its feet. I need to make it competitive and viable and I need to give us an opportunity to grow in the future and service the needs of Northern Ireland and Scotland on a route that I believe is incredibly exciting.

Monica Lennon: Mr Hebblethwaite, you are leading the committee to believe that P&O Ferries is somehow unique, special and above the law. It sounds like you have convinced yourself that you are a saviour—saving workers rather than throwing them overboard. The truth is that you are a failure of a chief executive, and most likely right now—in a crowded field—the most hated man in Britain.

I have a final question. Under your leadership, P&O Ferries has executed one of the most widely condemned decisions taken by a UK company. Your ethics are lying at the bottom of the sea. How do you sleep at night?

Peter Hebblethwaite: Look, it was a very difficult decision. It was a decision that we implemented as, in effect, the only option that, in our opinion, we had. It was a decision that, I reiterate, was designed to save thousands of jobs.

Monica Lennon: I have heard enough, convener.

Jackie Dunbar: Good morning, Mr Hebblethwaite. We have heard that you will not resign. What will it take for you to resign? What needs to happen?

Peter Hebblethwaite: I do not know the answer to that. I think that I have had to make an incredibly difficult decision. I think that it was a better decision than closing the business. I think that we had to implement the decision in a very difficult way. I do not think of myself as some kind of saviour, as your colleague suggested. That is not how I mean to come across; I apologise if that is how I have come across. However, I think that it was a binary decision, albeit a very difficult one: give the company a future or do not restructure the company and close it.

11:15

Jackie Dunbar: I am not entirely sure that your sacked employees will agree with that.

When my colleague Emma Harper was down at Cairnryan last week, she spoke to some of the folk who have been sacked. They raised serious concerns about how a new crew can be trained in health and safety to a competent standard so quickly. How long will that process take? Are you confident that they will be trained to a competent standard?

Peter Hebblethwaite: Yes, I am more than confident that they will be trained to the appropriate standard and that we will not let any ships go out to sail until they have been deemed absolutely safe by us and by the regulator. I am not going to rush this. We all want the Larne to Cairnryan route back open and trading as soon as possible, but not at the risk of compromising safety. I do not think that anybody would like that.

Jackie Dunbar: How long do you think the training will take?

Peter Hebblethwaite: I will not be drawn on that, not because I am being evasive, but because I do not want to apply a time pressure to something that cannot be compromised.

Jackie Dunbar: I want to move on to pay and terms and conditions. What is the difference between the sacked crew and the new crew in that regard? What are the new crew not getting that the old crew got?

Peter Hebblethwaite: Again, it is a fundamentally different model. In the public discussion, there has been a lot of focus on the national minimum wage. To be absolutely clear, on Larne to Cairnryan, we always had to pay the national minimum wage and we will continue to do so. From that point of view, there is no change from the old model to the new model.

The difference in the model is not about rates of pay; it is about the number of crews. On the Dover to Calais route in particular, we have to fund four full-time crews, whereas the new model means that we have to pay for only two crews when they work.

Jackie Dunbar: So you are saying that every new member of crew will be paid exactly the same as the previous crew members, and that the terms and conditions have not changed. In other words, the new crew will receive holiday pay, employer pension contributions and sick pay, for example.

Peter Hebblethwaite: No, I am not saying that. The terms and conditions will change slightly. There is no question about that. We are moving to a model that is consistent across all our routes.

My answer was about the national minimum wage, which we will continue to pay. The new operating model is such that it is not directly comparable with the old one; it is not an apples with apples comparison. In response to the question about whether we will pay the national minimum wage, the answer is yes. We will also make pension contributions and pay for crew members' food, their travel and their accommodation.

Jackie Dunbar: Is the money for crew members' food and travel included in their wages? Is that what is bringing down their terms and conditions?

Peter Hebblethwaite: No—we pay for that separately.

Jackie Dunbar: You have still not said what the difference is in the terms and conditions, or maybe it is just that I have not heard that. If there is no change to pay and very little change to terms and conditions, why did you feel the need to sack 800 people so that you could take on new people under new contracts?

Peter Hebblethwaite: The vast majority of the impact of the change is on the Dover to Calais route.

Jackie Dunbar: I say, with all due respect, that I do not think that it matters where it is happening; it is happening.

Peter Hebblethwaite: Okay—that is fair. Fundamentally, instead of having to employ four crews, we now need to employ only two crews when they are working. That is the major fundamental change. The issue is really not so much about rates of pay, as has been played out in public; it is about putting in place a fundamentally different operating model.

Jackie Dunbar: I still do not think that I am getting much of an answer, deputy convener. I think that I will just pass back to you.

The Deputy Convener: Passengers are going to be worried about crews not getting paid for half the year, having to find other employment for the rest of the year and therefore, I suspect, being extremely weary and tired when they operate your ferries. Is that not a safety risk in and of itself?

The UK Government might well, as we expect, decide to put you and your competitors—for example, Irish Ferries, which you refer to in your letter—under the same requirement to pay the national minimum wage, but what, apart from risk to passengers, will be the benefit of having crew who are very tired and weary from having to supplement their income because you have halved their paid time at work?

Peter Hebblethwaite: I did not say that crews would be tired and weary. This model is absolutely safe; indeed, it is used in 80 per cent of shipping around the globe. We recognise the intensity of each of our routes and will put in place appropriate rosters to reflect that.

I reiterate that this is about our moving to a competitive model, not undercutting other arrangements. I assure you that the model is safe—no ships will be going out to sea that are not safe—and, as I have said, it is used in 80 per cent of shipping around the globe.

Natalie Don: Good morning, Mr Hebblethwaite. Given that your company was facing imminent collapse, can you outline how the remuneration for senior staff and executives has been reduced alongside that of seafarers?

Peter Hebblethwaite: Board-level pay has been reduced by about 50 per cent in the past couple of years, and we will make further changes and reduce the size of the board very shortly.

Natalie Don: In response to one of my colleagues, you stated that this is not about you. However, I understand that, as my colleagues have again picked up, your salary is over £300,000, before bonuses. Can you confirm whether you took a pay cut to protect the future of the business or did you ensure that your own interests were protected to the detriment of those 800 people who were unlawfully sacked?

Peter Hebblethwaite: I was promoted to this job and given pay that, I guess, is consistent with the market and this particular job. I recognise that there are different levels of pay in an organisation, but I assure you that we have reduced the costs of our senior management by as much as or more than we have in other parts of the business.

Natalie Don: Can I confirm, then, that your answer is no?

Peter Hebblethwaite: Have I received a pay cut? I have not.

Natalie Don: Okay. We understand that some employees are being paid £5.50 an hour, which is above the International Transport Workers Federation pay rates. Would you be happy to work for £5.50 an hour?

Peter Hebblethwaite: I just want to qualify the £5.50 issue, if I may. That was for the non-officer group, which we call ratings. If you include the officers, the average rate is much, much higher. I have to say that I do not think that seafaring is all about money. People love it, and that is one of the main reasons why I regret so much the very difficult decision that we had to make.

As for whether I would work for £5.50 an hour, I have chosen a particular career route, and it has

led to my sitting here, answering totally appropriately positioned questions about a very difficult decision that I have had to make. I did not choose a path that led me to being a seafarer.

Natalie Don: My question was more about whether you would be happy to work for £5.50 an hour. I appreciate that this is not all about money, but that is probably not music to the ears of those who have to feed themselves and their families.

Peter Hebblethwaite: As I say, it is important that it is an international standard of shipping. It is crewed by international crew and we pay above the standards that we are expected to, including national minimum wage and ITF rates.

Natalie Don: Moving on, P&O Ferries seems to have been a largely profitable business until around 2019. Would you not say that recent losses are the result of Covid-19 rather than some fundamental challenges to the business?

Peter Hebblethwaite: Actually, I would not. P&O has not been competitive for a while. It has been in decline for a long time and it must become competitive and viable as a business.

Natalie Don: Can you elaborate on why the company was facing the imminent collapse that caused the vast number of redundancies despite other operators being able to survive without such drastic action?

Peter Hebblethwaite: We work in an increasingly competitive environment, as lots of companies do, and the reality is that all of us need to move with the times to be able to compete. We, as an organisation, have struggled with the decision for a while. We have been aware that it was an option, but it became no longer an option to expect our shareholder to unconditionally and indefinitely carry on funding a business that was not viable or competitive.

Natalie Don: Okay, thank you. I have no further questions.

Brian Whittle: Good morning, Mr Hebblethwaite. You say that the new regime has not changed the rate of pay, but what is important is how much is in someone's take-home pay at the end of the month, which has significantly changed. I think that the people who have been affected would vehemently disagree with you.

The deputy convener made the point that, when the annual accounts were signed on 10 December 2021, you must have been a viable business, because it is, of course, illegal to trade insolvent. Three months later, you are asking us to accept that P&O got into such a financial crisis in that time that you had to let 800 staff go. Is that what you are asking us to accept?

Peter Hebblethwaite: P&O has been supported to the tune of hundreds and hundreds of millions of pounds by our shareholder, which has—this is an important point—never once received a dividend for all of that support. It is not appropriate any longer for me to run a business that requires shareholder support with no plans to change and become viable. Therefore, we concluded that we needed to bring about fundamental change in the business so that we could stand on our own two feet without the indefinite financial support of our shareholder.

Brian Whittle: In international businesses of the size of P&O Ferries, it is not unusual for finances to swing from positive to negative in the numbers that you suggest. I go back again to the point that you could not trade insolvent so, in December 2021, P&O was a viable business. Why has it collapsed so much in three months?

Peter Hebblethwaite: It was viable with our shareholder's support. We are now having to change the business so that we can be a viable and competitive business going forward. I cannot comment on other shipping firms.

Brian Whittle: I have watched the story develop, Mr Hebblethwaite, and I would suggest that you and the board are not stupid people. In taking this decision, you must have thought through all the repercussions that there might be and you must have known that there would be significant pushback at the level that there is. You must have known that it would not be allowed to happen. Therefore, my question to myself and to you is what outcomes P&O is really driving at, because you know that you will not be allowed to deliver the change the way you have done.

11:30

Peter Hebblethwaite: I do not think that we do know that. We will see what the secretary of state has to say and, of course, we will comply with all of that. We are very clear that we have not done anything illegal.

Brian Whittle: Yes, you have. You already admitted that you did something illegal. You broke employment law. You already admitted that.

Peter Hebblethwaite: That is not what I said. I said that we failed to consult.

Brian Whittle: Which is illegal.

Peter Hebblethwaite: For that failure to consult, we are compensating people in full. The headlines are not consistent with what I said. I said that we failed to consult and are compensating people for that. That is different from doing something illegal.

We are very confident that we have not done something illegal. If the laws change, we will, of

course, comply with them. As I said, it is a fundamental change that moves us on to a level playing field with 80 per cent of global shipping.

Brian Whittle: I think that you will find that, when you break the law, that is illegal.

I am sorry, Mr Hebblethwaite, but I cannot accept that you did not consider all eventualities. You must have known that what you are about to do would have significant pushback. Time will tell what outcome you are driving for, but I do not believe that you thought that it would be acceptable.

Peter Hebblethwaite: It is important not to leave that unresponded to. We are genuinely trying to save the company. We are genuinely trying to make it competitive and give it a future. That is the outcome that we are driving for.

Graham Simpson (Central Scotland) (Con): Morning, Mr Hebblethwaite. You mentioned the shareholder quite a bit. Was the shareholder putting pressure on you to do what you did?

Peter Hebblethwaite: No.

Graham Simpson: If the shareholder was not putting pressure on you to do it, why did you do it?

Peter Hebblethwaite: The P&O board, including me, believes that it is no longer appropriate and possible to expect our shareholder, who has supported us and the UK economy to quite extraordinary lengths, having never taken a dividend from P&O since owning it, to unconditionally and indefinitely carry on funding a business that had no plans to make itself viable.

Graham Simpson: If the shareholder was not putting pressure on you to do it, would it not have been sensible to ask it whether it was happy with what you planned and whether it was content with the current arrangements?

Peter Hebblethwaite: We had to go to the shareholder for funding so, of course, we went to the European board, explained our proposal and gained funding for it. However, ultimately, it was a P&O board decision.

Graham Simpson: Right. So it did not come from the shareholder.

You said earlier—these are your words—that it was a unique situation. There is nothing unique about companies getting into trouble, as you describe it, having to make changes and, potentially, making redundancies. There is absolutely nothing unique in that. The difference with this situation is that any other company would have gone through proper process, so why did you not?

Peter Hebblethwaite: We have always consulted in the past and we will consult in the

future. It was a unique situation. Believe me, we considered all routes for how we might implement this very difficult decision. Our assessment was that no union could accept our proposal because of the dramatic nature of making a step from our old crew model to a new crew model and, therefore, consultation would have been a sham. In the event that we failed to consult, we are required to fully compensate people for that—which we have done and will do—to the tune of 13 weeks.

Graham Simpson: What was unique about the situation? You have not explained that.

Peter Hebblethwaite: It was a case of bringing about fundamental change or closing the business. In 2020, when we very sadly had to make some redundancies, we were not looking at something as dramatic as closing the business. This time, it was different. This is a business that needs fundamental change in order to be able to compete and survive. It needs major steps, of which this is one. It is by far the most difficult step and, as I say, we concluded that no other route was available to us, other than closure.

Graham Simpson: There is nothing unique about that. Many other companies have faced the same position and, to be frank, have taken a more honourable route than you have chosen.

Can I ask you about Grant Shapps? He has written to you, and the deputy convener mentioned earlier that Mr Shapps may be bringing in some law changes. If he does that, how will it affect your business?

Peter Hebblethwaite: I do not know. It is obviously difficult for me to comment on changes that we have no sight of, but we will of course comply with what we are required to do.

Graham Simpson: The changes could affect rates of pay. You said earlier that it is not about rates of pay, so presumably you will not be too concerned about that. Is that the case?

Peter Hebblethwaite: We pay the national minimum wage on routes where we are currently required to do that. On the Larne and Cairnryan route, which I imagine is of particular interest to the committee, we are required to pay the national minimum wage, and we do pay it.

Graham Simpson: I have a final question. Natalie Don asked you whether you would be prepared to accept £5.50 an hour. I do not think that you would be, because I have done a quick calculation based on your basic pay and not bonuses, and you are on a princely £156 an hour. That is pretty good going. How do you think the sacked workers think of you when they look at that rate of pay?

Peter Hebblethwaite: As I say, I have chosen a route through my career that has led to me sitting here in front of you today answering your totally reasonable questions. I did not choose to become a seafarer. I reiterate my heartfelt apology for this really difficult decision and how it has impacted on 800 seafarers, 39 of whom live in Scotland.

The Deputy Convener: Will the new crew be unionised?

Peter Hebblethwaite: The crewing management company will have recognition with ITF. It is obviously a decision for the individuals involved. I do not have visibility of that.

The Deputy Convener: Do you understand that it is not for an employer to decide what a union will think or how it will respond? It is for the union to decide that. Why did you not respect that fundamental, basic principle of employer and trade union relations?

Peter Hebblethwaite: We did not believe that any union could possibly have accepted our proposal, given the fundamental nature of the change that we were potentially going to have to propose.

The Deputy Convener: I will move on to some further questions on your shareholder. You have set great store by the claim that you wanted to oblige the shareholder, even though you say that it did not instruct you to carry out the actions that you have taken. Your shareholder has fundamental interests globally, but it also has fundamental strategic interests, for example in the freeports that the UK Government is developing and the green ports that are being developed here in Scotland. Do you not think that you are jeopardising not only the reputation of your shareholder but its strategic aims, which might prove to be counterproductive for its interests?

Peter Hebblethwaite: I am not here to represent our shareholder, so I cannot speak for it. I reiterate that our shareholder is an organisation that has invested over £2 billion. It has invested more in the UK economy than in any other country that it operates in and out of, apart from the United Arab Emirates, and it has been very supportive. Clearly, it is a regret of mine that it has been drawn into this, but it has been very supportive of the business.

The Deputy Convener: Monica Lennon has a supplementary question.

Monica Lennon: From his responses to your questions, convener, it is clear that Mr Hebblethwaite and P&O Ferries do not respect trade unions. They have just picked a big fight with more than half a million trade union members in Scotland alone, never mind in the rest of the UK.

Mr Hebblethwaite, last week you had a chat with the First Minister, and she might have talked to you about the importance of fair work and the fair work convention in Scotland. There are now calls for a boycott of P&O Ferries and for your company to be effectively blacklisted so that it does not benefit from any public project or public money in future. If you and DP World are not allowed to be part of a freeport in future, will that be a price worth paying for your new way of doing business?

Peter Hebblethwaite: It is important for me to go back to where you started your question. I absolutely respect unions and we will continue to work with the unions that we work with. This was a radical change that we had to bring about, and we did not believe that any union could possibly accept what we were proposing. It is not right to say that that means that we do not respect the unions.

Monica Lennon: One of the principles of fair work is giving workers an effective voice. You chose to silence your workers and their unions. How is that showing respect?

Peter Hebblethwaite: I have full respect for the unions, and we will continue to work with all the unions that represent our workers.

Liam Kerr: Mr Hebblethwaite, I understand that there are a number of land-based employees of P&O, many of whom are based at Cairnryan. Does P&O have any strategic plans, whether finalised or in draft, that would impact on those employees in some way? Obviously if they are to be restructured, transferred under the Transfer of Undertakings (Protection of Employment) Regulations, or dismissed, they will be legitimately concerned.

Peter Hebblethwaite: No, we do not. The Cairnryan port is very important to us. We have invested more than £40 million in it. The Larne to Cairnryan route and the Irish Sea are an exciting opportunity for us in the future, but the specific answer to your question is no, I do not have plans to make such changes.

Liam Kerr: I will just push you on that point, if you do not mind, Mr Hebblethwaite. Just for absolute clarity, you are telling the committee that there are no strategic plans, whether in draft or finalised, to do anything to the land-based staff at Cairnryan—is that correct?

Peter Hebblethwaite: What I think that you are referring to is a paper outlining options for us to look at how we run the Cairnryan port, none of which was taken up. There is a document to that effect, and it is from a number of months ago, but none of those options was taken forward.

Liam Kerr: That seems to be a slightly different answer from the first one that you gave me, with

respect. Will that document be published and made publicly available? I would have thought that the land-based employees would need to know the details.

Peter Hebblethwaite: The land-based employees have seen that paper, as have the unions. It was a private document that covered a piece of work that we went through, as all businesses go through, to look at available options. We considered a number of those options, as all businesses do, and we chose not to take any of them forward. I have had that conversation with the union and with the shore-based team at Cairnryan.

Liam Kerr: I have one final thing to raise, convener, if I may. It is something that my friend Monica Lennon brought up earlier that really troubles me. Mr Hebblethwaite, you accept that you wilfully, consciously, and knowingly broke the law. You offended against UK employment law, a law that Parliament felt to be so important that it attached a protective award to it to mandate compliance. Does that not trouble you, as a company director, and make you question whether you are truly a fit and proper person and are discharging fiduciary duties to your company if you are content simply to break one of the strongest laws that Parliament has put in place?

Peter Hebblethwaite: To be clear, we failed to consult, and we are compensating people in full, as we should, and up front. My duty as a director is to make the business viable, and I was faced with the option of a programme of change or the closure of the business. As a company director, I took the only route that was available to me to preserve thousands and thousands of jobs.

11:45

Liam Kerr: That is not your only duty, is it, Mr Hebblethwaite? As a company director, you have fiduciary and legal duties. What I asked was whether you consider yourself to be a fit and proper person who is discharging not merely the duty that you just mentioned but the full raft of fiduciary duties for your company, given that you wilfully and knowingly took a decision to offend against one of the strongest laws that Parliament has put in place.

Peter Hebblethwaite: I did consider that, and I believe that I have discharged those duties.

Jackie Dunbar: I will go back to the issue of Cairnryan seafarers. Cairnryan is used for domestic routes, so P&O needs to comply with UK employment law in relation to staff on those routes. Why were Cairnryan seafarers included in the sackings, especially given that new staff are being paid the same amount as the sacked ones were being paid, as you said earlier?

Peter Hebblethwaite: This is about implementing a consistent crewing model throughout our organisation—a crewing model that is consistent with 80 per cent of global shipping.

Jackie Dunbar: And?

Peter Hebblethwaite: Your question was about why the decision was made. It was made because we are implementing a fundamental change to our crewing model across the whole of our business. It is not an apples and apples thing; we are moving from a crewing model that was uncompetitive and made the business unviable to a totally different model that is consistent with 80 per cent of global shipping.

Jackie Dunbar: With all due respect, you said earlier that the new staff are being paid the same amount as the sacked staff were being paid, so why were the Cairnryan seafarers included in the sackings?

Peter Hebblethwaite: No, that is not what I said. I said that we were required to pay staff on the Cairnryan route the national minimum wage, and we were doing so. Under the new model, we are required to pay the national minimum wage, and we will, of course, do so.

Jackie Dunbar: You said earlier that the pay was the same and that the terms and conditions were changed slightly but not a lot. That is why I am asking why you needed to sack the Cairnryan seafarers.

Peter Hebblethwaite: To be clear, my reference to the rates of pay not changing was about the national minimum wage. We always paid that wage previously, and we will absolutely continue to pay it.

This is not about the Larne to Cairnryan route; it is about having a consistent and competitive crewing model across the entire organisation.

Jackie Dunbar: I am sure that the Cairnryan seafarers will be comforted to know that it is not about them.

The Deputy Convener: I thank Mr Hebblethwaite for attending the session. In my 20-plus years as a member of the Scottish Parliament, I am not sure that I have come across an issue with an employer that has united members right across the chamber in such hostility. The people we represent—even those who are not in the south of Scotland or in Cairnryan, are disgusted and dismayed that a company with your reputation, and a company that has shareholders with reputations, has treated people with such disrespect and such a lack of dignity at work.

However, I thank Mr Hebblethwaite for taking the time to attend the session. We will discuss the

evidence that we have received later in the meeting.

11:49

I wish everyone a restful Easter break—unfortunately, that will not be the case for the many P&O workers who have suffered at the hands of this chief executive.

Meeting continued in private until 12:52.

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