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11 April 2022

Dear Dean,

Thank you for your letter of 1 April regarding P&O Ferries' decision to make 786 employees redundant and to cease its UK ferry operations whilst it inducts new agency employees. Your letter follows on from my previous response to you and Peter Hebblethwaite's appearance before the Committee on 29 March which, as you would imagine, I followed with great interest.

As previously stated publicly and in the chamber, I can confirm to the Committee that the Scottish Government does not hold any contracts with P&O Ferries. You will be aware that P&O Ferries has thus far contributed to a potential Green Freeport bid from interested parties in the south west of Scotland including Dumfries and Galloway Council and Stena. You will also be aware that the Council has been reviewing P&O Ferries' participation in the proposal, and recently voted to exclude P&O Ferries from their bid. Fair Work principles are embedded in the Green Freeport initiative in Scotland. We will expect all applicants to provide clear evidence of the application of Fair Work practices across operations. Applicants will be required to set out their strategy for doing so and this will be supported by robust monitoring and compliance requirements. Any application that does not demonstrate how it will deliver on Fair Work will not be supported by the Scottish Government.

The UK Secretary of State for Transport has written to me detailing a package of measures that the UK Government is proposing to introduce. I attach the letter for the Committee's information. In addition to the human cost and the devastating impact on livelihoods, the delay to the resumption of P&O Ferries' services has led to significant supply chain resilience implications across the UK, including here in Scotland. I am committed to working with the UK Government and the other devolved administrations to explore the impact of P&O Ferries' decisions and to offer any assistance which the Scottish Government can appropriately bring to bear. I have now written on two occasions to Mr Shapps requesting an urgent meeting to discuss these issues in more detail. I hope you will agree that given the split in reserved and devolved competencies here, it is imperative that the UK Government

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respond to calls for 4 nations Ministerial engagement on this fast-moving issue that is affecting resilience supply chains right across the UK.

I have also written to Edwin Poots as Minister for Agriculture, Environment & Rural Affairs in the Northern Ireland Executive, offering to facilitate a wider resilience meeting to explore the specific issues affecting the Scotland-Northern Ireland routes. Stena increasing capacity and frequency on the Cairnryan-Belfast route, along with additional capacity on north west England routes has helped alleviate immediate pressures. However, this is a short-term accommodation – it is not, to my mind, a long-term solution. As you will be aware, the Cairnryan-Larne service which P&O Ferries has operated provides for the movement of livestock between Scotland and Northern Ireland. In addition, only P&O Ferries' vessels on the routes can accommodate double stacking HGVs used by some supermarket retailers. As committee members will know, deliveries are currently being embarked from other UK ports at additional cost and disruption to the suppliers.

I can fully appreciate why P&O Ferries' continuing operation in Scottish and UK waters is being questioned. Its actions have been abhorrent and have highlighted a number of business practices that are completely unacceptable. It is imperative to ensure that such practices and the use of 'loopholes' in UK employment law are not repeated. I am committed to working with the UK Government on these matters in the interests of protecting seafarers' livelihoods in Scotland and the wider UK and that includes the significant number of people who remain in P&O Ferries' employment. We have a duty to stand by them.

You will see that the UK Government is proposing to introduce a statutory code for employers using fire and rehire tactics which would increase workers compensation. As you are aware, the Scottish Government opposes fire and rehire practice. While employment law remains reserved, we will use our Fair Work policy to promote fairer work practices across the labour market in Scotland. On 20 August last year, the Minister for Just Transition, Employment and Fair Work announced that our Fair Work First criteria has been expanded to include opposition to fire and rehire practices. We understand that many employers will be looking to adapt for the future to ensure their future viability, but fire and rehire can create significant uncertainty for workers and is incompatible with Fair Work. There must be meaningful dialogue between employers and employees and their trade unions, to ensure employees are treated fairly.

We continue to call for employment powers to be devolved, so that we can deliver Fair Work aims. Securing the full range of powers in relation to employment will enable the Scottish Parliament to fully implement policies that will best meet Scotland's distinct needs. These powers would enable us to create fairer workplaces, enhance workers' rights in Scotland and help shift the curve on poverty and deliver upon our shared ambition for a fairer, greener and more prosperous Scotland.

The recent actions of P&O Ferries has been a stark reminder that basic employment rights, established over time through discussion, negotiation and agreement, can still be cynically sidestepped when a company sees fit. It has further highlighted the necessity for robust legislation to stop workers being treated in this way again.

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I hope the enclosed is of interest to committee members.

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