

CABINET SECRETARY FOR ECONOMY, JOBS AND FAIR WORK

MEETING WITH UNITE UNION & WORKFORCE REPRESENTATIVES TO DISCUSS DOOSAN BABCOCK

14 DECEMBER 2016

<p>Key messages</p>	<ul style="list-style-type: none"> • I was very concerned to learn of up to 270 potential job losses at Doosan Babcock’s Renfrewshire site. • I know this will be an anxious time for the staff and their families and it is important we give them our full support. • Could you give us an update on the company’s situation [Redacted] and the process and timescales you are working to? • I am also keen to hear the union perspective on this [Redacted] and your thoughts on how we can help support the staff at this time. • We are naturally keen to do all we can to encourage Doosan Babcock to retain these skilled jobs at the Renfrew facility. • I know my officials at Scottish Enterprise have been actively working with you to explore all possible options to do that. • I would encourage you to continue to work with SE and to do everything you can to avoid compulsory redundancies. • We are committed to working with you to do all we can to support the Renfrew site and safeguard Scottish jobs. • My officials will keep me closely updated on the progress of your discussions and I remain on hand to support where needed.
<p>Why</p>	<p>To discuss the situation at Doosan Babcock following last week’s announcement that the company have entered into consultation on 270 potential job losses at the Renfrew facility. Please note the company have also been invited to attend this by the Unite Union.</p>
<p>Who</p>	<p><u>Unite Representatives:</u> [Redacted], Unite National Officer [Redacted], Unite Regional Officer [Redacted], Unite, Local Workforce Representative <u>Doosan Babcock Representatives:</u> [Redacted], Doosan Babcock, Leadership Team [Redacted], Doosan Babcock, HR Director</p>
<p>Where</p>	<p>CR 5, Scottish Parliament</p>
<p>When</p>	<p>15:30 – 16:15.</p>
<p>Supporting officials</p>	<p>[Redacted], Scottish Enterprise Company Growth Director [Redacted] [Redacted], PACE [Redacted] [Redacted] [Redacted], Scottish Government, Local Economic Development; [Redacted]</p>
<p>Attached documents</p>	<p>Annex A: Summary Annex B: Biographies Annex C: Doosan Babcock background Annex D: PACE Engagement Annex E: Manufacturing Action Plan</p>

SUMMARY

ANNEX A

- Doosan Babcock has entered consultation with staff across its UK operations which could lead to the loss of 470 jobs in the UK. **270 staff are considered to be at risk at the company's base in Renfrew.** Crawley, Tipton and Gateshead are the other UK sites likely to be affected.
- **140 jobs are at risk at the company's machining/assembly division in Renfrew,** which is expected to close, and a further **130 management/business support roles** are also at risk.
- A **45 day consultation period commenced Monday 12 December** and is **expected to conclude towards the end of January.**
- Doosan Babcock is a **global company engaged in engineering, servicing and support of the oil and gas, power and energy, petrochemical, pharmaceutical, and nuclear industries.** It is a subsidiary of the Korean HQ'd, Doosan Corporation.
- The company currently employ c.1,100 across eight Scottish sites (800 of these in Renfrew).

LINES TO TAKE

- **Very concerned by potential for significant job losses at Doosan Babcock in Renfrew.**
- **This will be a hugely difficult time for employees at the site and their families** as well as for the local area. **It is important that we do everything we can to support those affected.**
- **I know Scottish Enterprise is in frequent contact with you** and working hard to explore all options for supporting the Renfrew site and retaining jobs in Scotland.
- **Helpful to have an overview of the company's current situation [Redacted],** and of the process and timescales you are working to in reaching decisions on the way forward.
- We are naturally **keen to do all we can to encourage Doosan Babcock to retain these skilled jobs at the Renfrew facility.**
- I would encourage you to **continue to work with SE and to do everything you can to avoid compulsory redundancies.**
- **Keen to hear the union perspective and in particular how we can best support the affected employees at this time.**
- We will continue to do all we can throughout the consultation period to try to secure a positive outcome.
- Scottish Enterprise will also work with Doosan to develop the business going forward focusing on areas like process industries, low carbon technologies and asset integrity management.
- **My officials will keep me closely updated on the progress of your discussions and I remain on hand to support where needed.**

[Redacted]

- We are convening a roundtable discussion in February to agree the best way forward.
- We will continue to monitor events closely to ensure we respond effectively, that people are supported at this difficult time, and to mitigate any impact on the wider economy.

PACE LINES TO TAKE

- The Scottish Government's initiative for responding to redundancy situations, Partnership Action for Continuing Employment (PACE) met with Doosan Babcock on Monday 12 December to discuss support for affected employees.
- PACE can provide support and advice for individuals employed at the site to maximise each individual's opportunity to secure alternative employment, should this be required.

Doosan Babcock Ltd, is part of Doosan Power Systems (HQ Crawley), a subsidiary of Doosan Heavy Industries & Construction (South Korea). The overall parent is the Doosan Corporation in South Korea.

It is a power and energy sector OEM, construction, upgrade and after-market services company that offers specialist services and technologies to the fossil-fired power generation, nuclear power generation, oil, gas and petrochemical industries.

The group has manufacturing facilities in the UK, Europe, Vietnam and South Korea, and 17 offices around the world.

Doosan Babcock employs circa 1,100 people in Scotland with the main site in Renfrew employing circa 800.

Areas of focus are:

Thermal: Doosan Babcock provides through-life solutions to power plants burning traditional and renewable fuels, including project design and construction, plant maintenance, asset integrity, shutdown/turnaround management, plant life extension and upgrades. This aspect of their business is recognised as declining slowly as energy markets move from traditional fuels to low carbon and the recent announcement re the closure of Longannet is one example of this trend.

Oil, gas and petrochemical: Doosan Babcock provides project design and construction, plant maintenance, asset integrity assessment, shutdown/turnaround management, plant life extension and upgrade services to the global oil, gas and petrochemical industry.

Nuclear: Doosan Babcock has been a major supplier of specialist services to the nuclear industry for around 60 years and offers engineering, procurement and construction (EPC), plant maintenance and decommissioning services to the sector in the form of specialist support teams, bespoke projects and turnkey solutions. As a specialist provider of nuclear decommissioning services, Doosan Babcock has also managed decommissioning projects at sites around the UK. Doosan is also at preferred supplier status as part of a 3-way consortium for the provision of HVAC solutions for the planned new Hinckley Point C nuclear station.

Asset Management Services: Doosan Babcock deploys a range of asset integrity assessment technologies, which include non-destructive testing, laser 3D scanning and remote visual inspection. They have established a hub in the Middle East offering these services across the region there, feeding back in to the Technology Centre at Renfrew and are now exploring further international opportunities.

Green Energy Solutions: most recently, with the changing dynamics in the energy sector, Doosan Babcock has been developing in to the low carbon technologies sector. The first initiative launched is in Fuel Cell Technology linked to the PureCell stationary fuel cell solution. The Doosan Corporation acquired the US company that developed and sold this solution (with over 200 units installed globally to date) and Doosan Babcock have created a team (now numbering 15) to develop the UK and European markets for this technology.

SE Engagement

Doosan Babcock is an account managed company with whom SE have a strong productive relationship. SE has been aware of the changing dynamics in their key market sectors, with a decline in the thermal sector in coal-fired power stations and oil and gas market conditions in particular, and has been working pro-actively with the company to help in their rebalancing of the business, providing support to key divisions as they develop new areas of opportunity such as:

- The development of **new sector and market opportunities for their process industries division**
- **Exploring new sector opportunities [Redacted];**
- **Development of their green solutions team**, in particular around the development of opportunities for their fuel cell technology capability.

Financial support provided to Doosan Babcock by SE for projects that are still live includes:

- £1.5m RSA in support of a planned £4.5m investment in a new Process Engineering Centre creating 129 permanent jobs in Renfrew and 400 jobs UK wide (Grant Award: July 2014)
- £260k in support of an Open Innovation Project with the R & D team (Programme initiated October 2015)
- £97,214 Training Aid for the Fuel Cell Division to (Grant Award: April 2016)
- **[Redacted]**

Previous job losses

Last year Doosan Babcock undertook a restructuring process which resulted in c70 job losses at the site, these were mainly achieved on a voluntary basis.

[Redacted]

The local PACE Chair met with Paul Motion, Senior Recruitment Manager (Scottish responsibility) and Bill Miller, Recruitment Manager (English responsibility) on Monday 12 December to discuss PACE support for affected employees.

Feedback from the meeting is as follows:

- 470 employees across the UK are facing redundancy
- 270 is the maximum number of employees across all sectors and skill levels facing redundancy at the Renfrew site
- Exact roles and breakdown of numbers is being discussed by management and HR this week
- On Friday 16 December all staff will be notified by letter
- On Monday 19 December management and HR consultation meetings will be held with relevant staff to mitigate job losses and look at any redeployment possibilities. There are only 10 in house vacancies at the moment
- The company will advise us whether any Modern Apprentices will be affected
- The company would like PACE support for all staff facing redundancy as they have used PACE in the past. There will be no private sector outplacement agency appointed
- Unite have a significant presence in the organisation.
- Delivery of PACE support will meet the redundancy timescale of 31 January 2017
- Planning will commence for onsite delivery which may include introductory presentations, workshops and an employer open day
- Employers have already been in contact with the company regarding vacancies
- It is the intention that employees should work their contracted notice period and any requests from employees for them to leave early will be dealt with on a case by case basis

[Redacted]

ISSUE SUMMARY

- On **15 February 2016** we launched the manufacturing action plan for Scotland – ‘**A Manufacturing Future for Scotland**’, a **commitment in the Programme for Government**.
- Development of the plan has been led by Scottish Enterprise in partnership with Highlands & Islands Enterprise, the Scottish Funding Council, Skills Development Scotland, Zero Waste Scotland and the Scottish Government.
- As part of the launch the First Minister announced **£70m of funding for the circular economy**: £30m of European Structural Funds, and £40m of public sector match-funding, to 2018.
- Plans for the proposed new **National Manufacturing Institute for Scotland** are under development.

Top Lines

- There should be no doubt about **the importance of our manufacturing industry** - which **employs around 190,000 people** in Scotland - to our future success.
- This plan reaffirms the **government's commitment to growing and investing in the sector**.
- The action plan is based on a commitment to **raising productivity through increased investment and innovation** and a long-term **partnership between government, industry, our Enterprise Agencies and other key stakeholders**.

A Manufacturing Future for Scotland sets out the following actions to help strengthen the sector in Scotland:

- A new joint centre for manufacturing excellence and skills academy, the **National Manufacturing Institute for Scotland**. The new institute will aim to **stimulate innovation, improve productivity and increase investment in the Scottish manufacturing sector**.
- Scottish Enterprise and Zero Waste Scotland’s new **Circular Economy Investment Fund and Service**, helping businesses to design new products and change their business models helping to improve productivity, open up new markets, create jobs and improve business resilience
- A new **capital asset review service** which will assist companies to assess the benefits of investing in advanced manufacturing technologies and equipment, delivered through an enhanced Scottish Manufacturing Advisory Service (SMAS). The review is free to all manufacturers. Following the review, businesses are encouraged to **develop compelling investment plans that will drive their competitiveness** through plant, machinery and new technology options **to aid overall effectiveness and productivity**.
- Setting up **advanced manufacturing demonstrator facilities** to support companies to evaluate and de-risk acquisition of new process equipment.
- Tackle long-term future skills shortages by **promoting STEM subjects** throughout the school curriculum and improving engagement between industry and education.
- The new **Workplace Innovation service** to provide support for firms to increase workplace innovation.
- Support manufacturing SMEs to keep pace with technology and process developments by working in partnership with industry to develop and deliver a **Smart Manufacturing Excellence Programme**.
- Support more Scottish companies to achieve **supply chain excellence** by reviewing sector and cross-sector supply chain capabilities; and launching two re-shoring pilot projects.

We are determined to progress this work quickly

- On **23 February** we launched ‘**Making Things Last – A Circular Economy Strategy for Scotland**’, taking forward our commitment to the new **Circular Economy Investment Fund and Service**.

- On **18 March** Zero Waste Scotland launched the **£18m Circular Economy Fund for business**
- On **1 June** the Scottish Manufacturing Advisory Service (SMAS) launched the new **capital asset review service**
- On **22 August** Scottish Enterprise launched the new **Workplace Innovation service**
- We have established a multi-partner approach to take forward the development of a **National Manufacturing Institute for Scotland** (NMIS). The first stage will be the development of a detailed business plan in consultation with business. The Programme for Government published on 6 September 2016 states that developing the business case for the NMIS is 'a key action for the forthcoming year'
- On **7 November** I **visited the Advanced Manufacturing Research Centre** (AMRC) in Sheffield. The AMRC is a world leading research facility that researches and resolves advanced manufacturing problems, and it is **one potential model** that we are considering **for Scotland**.

[Redacted]