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Bruce Crawford MSP
Convener
Finance and Constitution Committee
Scottish Parliament
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COMMERCIAL IN CONFIDENCE

27 June 2018

Dear Bruce,

I write to inform the Committee about the Scottish Government's on-going efforts to support the shipyard of Ferguson Marine Engineering Ltd (FMEL) at Port Glasgow.

The Committee will recall that I previously wrote in confidence on 24 April 2018 to outline the provision of a £15m commercial loan from the Scottish Government to FMEL. As this loan was provided on commercial terms I notified the Committee in the spirit of transparency.

Since I last wrote to you the Scottish Government has been working to secure the long term future of the business and, consequentially, the commercial shipbuilding sector in Scotland.

Therefore, the Scottish Government has determined to offer the business financial support. This will take the form of working capital which will improve the cash flow position of the yard, facilitate the long-term viability of the business, and ensure the delivery of the CMAL vessels.

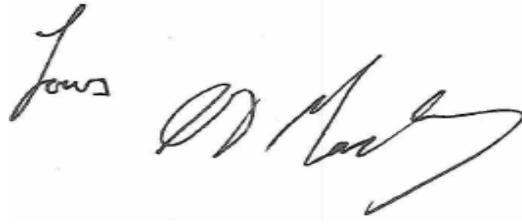
The precise details of the commercial loan package will, rightly, remain commercially confidential. However, in the spirit of transparency, I wish to inform the Committee that the Scottish Government has provided FMEL with a further commercial loan facility of up to £30 million.

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Ultimately, this is a strategic investment in our industrial capability. The marine engineering sector and commercial shipbuilding have vital roles to play in Scotland's future and this investment displays our confidence for the prospects of these industries.

A handwritten signature in black ink, appearing to read 'Derek Mackay', written over a light blue horizontal line.

DEREK MACKAY

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Convener
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24 April 2018

Dear Bruce

In the interests of transparency and courtesy I am writing to inform the committee, in confidence, of the work the Scottish Government has been undertaking with Ferguson Marine Engineering Ltd (FMEL).

The following information is commercially confidential and should not be shared further.

In July 2017 the Scottish Government was made aware that FMEL were experiencing cash flow challenges due to increased costs to deliver the 801 and 802 ferry contracts. To help mitigate this, and with the support of our commercial and legal advisors, the Scottish Government provided FMEL with a loan of £15m on 4 September 2017. This loan was provided on commercial terms, with a market rate of interest and time frame for repayment.

The Scottish Government is doing all we can to ensure a sustainable future for commercial shipbuilding on the Clyde and is in regular dialogue with FMEL and CMAL.



DEREK MACKAY