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Black Prince Road
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01 October 2018

Dear [REDACTED]

**PROJECT POSEIDON COMMERCIAL LOAN: INDEPENDENT OPERATIONAL EXPERT
ADVICE**

1. On behalf of the Scottish Government Economic Development Directorate, I hereby confirm the appointment of Luke van Beek to provide independent operational expert assurance for the Project Poseidon Commercial Loan.
2. Details of the services for this requirement are shown at Annex A. The terms and rates to be charged for the services specified will be consistent with and equivalent to the standard terms of Lot 1 of the Celtic Framework – External Advisers agreement (reference 21753).
3. Please sign and return a copy of this letter – either email or hard copy return is acceptable – to confirm your agreement to provide the services referred to in this order. Upon receipt of your confirmation a Purchase Order will be issued by the Scottish Government.

Contract Queries

4. Please contact [REDACTED] [REDACTED]@gov.scot or [REDACTED] if you require any clarification on this matter.
5. For general matters in relation to the framework agreement please contact me as the Contract Manager; e-mail: [REDACTED]@gov.scot ; Telephone 0131 244 [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

CONFIRMATION

**PROJECT POSEIDON COMMERCIAL LOAN: INDEPENDENT OPERATIONAL EXPERT
ADVICE**

I confirm receipt of and accept this letter and accept the terms of supply.

I also confirm availability of the aforementioned external adviser, no conflict of interest exists and relevant security clearance is in place.



Signature _____

Name _____

Position _____ Director _____

Date __16th October 2018_____

ANNEX A – DETAILS OF SERVICES REQUIRED

PROJECT POSEIDON COMMERCIAL LOAN: INDEPENDENT OPERATIONAL EXPERT ADVICE

Background

1. The Scottish Government has provided a commercial loan facility to the shipyard Ferguson Marine Engineering Limited (FMEL) at Port Glasgow: the Project Poseidon Commercial Loan.
2. The purpose of the loan is to fund FMEL to “assist with the long term viability and enhanced capabilities of the businesses” and for “other general working capital purposes of FMEL, all as identified in the Business Plan and/or Financial Model”.
3. The loan will deliver a range of benefits including support for delivery of vessels for Caledonian Maritime Assets Ltd (CMAL), protection for employment and provide a platform for the shipyard to thrive in the longer-term.
4. The loan will be available for drawdown until 30 June 2019. Loan payments will be made within 5 Business Days of each drawdown notice prepared by FMEL provided the conditions precedent are met. One such condition – the focus of this assignment – is:

“satisfactory assurance from the Scottish Ministers’ independent operational expert that progress of the build of the vessels known as 801 and 802 is proceeding in accordance with the overall resource program presented by FMEL on 28 and 29 May 2018 at Port Glasgow, taking account of factors that are outside FMEL’s control.”

Services

5. The Scottish Government has identified the need for ongoing operational expert advice relating to the Project Poseidon Commercial Loan. This is to monitor FMEL’s performance against its vessel delivery programme and resourcing plan in order to provide assurance that loan conditions and expectations are being met.
6. The loan agreement states that FMEL will provide the following information for review:

“a build update report on the build out of vessels 801 and 802 plus cost overruns and other issues, details of cost estimations in connection therewith and any such other information as relevant to the delivery of the vessels and to the running of the business”

and will allow:

“an independent operational expert nominated by the Scottish Ministers to meet with the Chief Executive Officer of the Group (whether by telephone conference or otherwise) and provide such independent expert with information as may be reasonably requested by him, provided that (i) such meeting/call or information is in connection with the vessel build progress for the vessels known as 801 and 802, and (ii) such meeting/call is for no longer than one working day in duration.”

Contract deliverables

7. After the first drawdown of the loan is made in June 2018, the operational expert will review the information provided by FMEL and prepare:
- i. A brief assurance report relating to the condition precedent (see paragraph 4 above) for each subsequent drawdown notice prepared by FMEL;
 - ii. A quarterly review to monitor build progress against the declared plan;
 - iii. Assistance as required to the Scottish Government to support and improve the future commercial strategy of the FMEL shipyard.
8. Within one month of the date of contract award the Scottish Government and the operational expert will agree a reporting template to be used for deliverables i) and ii).

CMAL

9. There is an ongoing contract dispute between FMEL and CMAL concerning the costs of completing two vessels 801 and 802 for the CalMac fleet. The Scottish Government is not a direct party to the vessels contract or directly involved in the contract dispute. However, the appointed operational expert must be cognisant of the dispute and the contractual relationship between FMEL and CMAL. The expert will have access to Transport Scotland officials who can offer further information and advice on this matter.
10. In addition, the appointed expert will have the opportunity to liaise with CMAL to gather information on the vessels plan and progress. The expert will not share any commercially sensitive information provided by FMEL with CMAL. The Scottish Government – and by extension the appointed expert – does not have the permission of FMEL to disclose any of its financial or commercial information to CMAL, including the loan facility in any detail.

Responsibilities

Duty of confidentiality

11. Any information disclosed to the Scottish Government and shared with its appointed operational will be sensitive and confidential. The appointed expert for this assignment will be bound by a duty of confidentiality and will not – except with the prior written permission of FMEL and the Scottish Government – disclose any information gathered through this assignment to third parties.

Contract management

12. Economic Development Directorate of the Scottish Government is responsible for Project Poseidon and Mary McAllan is the lead Director.
13. Routine contact management and liaison with the operational expert will be the responsibility of [REDACTED] [REDACTED] [@gov.scot](mailto:[REDACTED]@gov.scot)).

Start date and duration

14. The contract is to commence on 2 July 2018 and run for a period of twelve months. The contract will be reviewed during the twelve month period and may be extended for a further twelve months at that time.

Contract value

15. The contract value will not exceed £30,000 plus VAT in the first twelve months.