

Richard Leonard MSP
Convener
Public Audit Committee
Scottish Parliament

28 June 2022
By email

Dear Convener

New ferries for the Clyde and Hebrides: Arrangements to deliver vessels 801 & 802

On 21 and 28 April, I gave evidence on the above report to the committee. The committee also took evidence from:

- Scottish Government and Transport Scotland officials on 26 May and 9 June 2022
- the director of the former organisation Ferguson Marine Engineering Limited (FMEL) on 16 June 2022.

Over the course of the meetings, the committee sought to establish where FMEL spent £128.25 million of public money. When FMEL entered administration in August 2019, it had received £83.25 million in milestone payments from Caledonian Maritime Assets Limited (CMAL) and £45 million in loan payments from the Scottish Government. Yet the vessels were largely incomplete (pages 38-40 of my [report](#)).

FMEL's spending was outwith the scope of the audit as my remit does not include private sector organisations. The committee questioned what happened to FMEL's financial records after the shipyard was nationalised in December 2019. After the committee's meeting on 9 June 2022, I offered to explore my rights of access to these records. Separately, after its meeting on 16 June 2022, the committee agreed to write to the Scottish Government and FMEL's administrators.

Ferguson Marine Port Glasgow (FMPG) has advised us that it holds FMEL's records, as required by the Sale and Purchase Agreement between the two bodies. FMPG advise that these records exist in both digital and hard copy forms, but they are not organised or categorised. The Sale and Purchase Agreement does not require FMPG to review these records and FMPG has informed us that it has no plans to do so. FMPG is therefore not aware of what information exists and indeed whether this information will explain how FMEL spent the £128.25 million.

As I set out in my report, FMEL used milestone payments and loan funds to pay its workforce, and to purchase materials and equipment for the vessels. As per the original shipbuilding contract, CMAL owned the partially completed vessels and the associated materials and equipment. As part of the new contract arrangements, CMAL transferred ownership of the vessel assets to the Scottish Government at market value. The effective date of the transfer was 1 April 2020, and the market value of the vessel assets was £74.8 million.

I thought it would also be helpful to clarify the separate value of FMEL's assets. When the Scottish Government brought the shipyard into public ownership in December 2019, it paid £7.5 million for FMEL's assets (offset against the loan debt owed by FMEL). These assets included owned property, intellectual property, equipment, and stock.

I hope that committee members find this information helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Boyle', with a long horizontal flourish extending to the right.

Stephen Boyle
Auditor General for Scotland