



[REDACTED]

Gerry Marshall
Chief Executive Officer
Ferguson Marine
Castle Road
Port Glasgow
PA14 5NG

[REDACTED]

25 April 2019

Dear Gerry

You have communicated to the Scottish Government and to union representatives the Directors' intention to commence imminently a process to reduce the workforce at Port Glasgow by 250.

Scottish Ministers are deeply concerned at the prospect of significant job losses at the yard and the attendant adverse consequences for those directly affected, for the delivery of vessels 801 and 802 and for the local economy and community.

As you know, Ministers are committed to completion of the vessels and to the future of shipbuilding at the site. They have provided significant funding to the business in the form of two commercial loans, remain supportive of the business plan and are actively engaged in considering a range of further options.

We are aware of the challenges surrounding the build out of the CMAL vessels and the stalemate with respect to the claim. These circumstances are reflected in your submission of the claim to CMAL last December and in the subsequent response by CMAL in March. We appreciate too that the recent meeting between the contracting parties on 26 March was unproductive.

To better illuminate matters the Scottish Government will now seek an independent view of the claim. We expect this process to last around one month and be conducted by a senior QC. The individual conducting this work on our behalf will need access to relevant documentation. We would welcome FMEL support with this process.

Once we have received the independent view we will consider all options.

I note that you are considering your duties as Directors. As part of that consideration, I know you will be mindful of your obligations to act in the interests of creditors.

As a major secured creditor, the Scottish Government would expect that:

- you will consult with us well in advance of any action that you may feel required to take, including any press communications;
- you should not be making changes to the manner in which the business is conducted given your stated confidence in the claim – specifically, making redundancies or taking other steps that would slow production and increase costs to complete the contracts with the resultant impact on the business and the creditor pool; and
- you also take into consideration that the second Scottish Government loan already contains milestones which would enable public ownership as a last resort.

I would welcome a response indicating your intentions now. I look forward to hearing from you.

Yours sincerely



Liz Ditchburn

DG ECONOMY