

Kevin Hobbs
Chief Executive
Caledonian Maritime Assets Ltd
Municipal Buildings
Fore Street
Port Glasgow
Inverclyde
PA14 5EQ

Your ref:


Our ref:

Date: 15 May 2018

Dear Kevin

VOTED LOAN - PROCUREMENT OF TWO 100M VESSELS

I refer to my letter dated 9 October 2015 regarding loan funding offer for the construction of two 100m vessels.

Following recent discussions between  and yourself it has been agreed to provide additional funding for CMAL projects costs within financial year 2018/19.

The Scottish Ministers are empowered by the Transport (Scotland) Act 2001 to award advances by way of voted loans to Caledonian Maritime Assets Limited (CMAL) for the purpose of improving sea transport. I can confirm that the Scottish Ministers are willing to offer the company an additional voted loan of £678,105 to cover additional project costs incurred by CalMac Ferries Ltd (CFL) in respect of the construction of two 100m vessels.

Payment of the loan will be phased over the construction period of five years. The loan draw-down profile for the vessels have been reprofiled **See Appendix A**.

2015/16	£33,800,000
2016/17	£26,900,000
2017/18	£22,675,000
2018/19	£14,703,105
2019/20	£8,600,000

Total - £106,678,105

The loan profile includes an allowance for CMAL's project management costs up to a maximum of £9,000,000. Included in these project management costs are CMAL direct costs, variations and CalMac crew familiarisation costs. In addition, the revised loan profile includes an allowance for CalMac project costs which they have incurred.

These will be reimbursed by CMAL on receipt of copy invoices and appropriate supporting evidence. These amount to £678,105 at 31 March 2018.

The main remaining milestones of construction are indicated in the revised draw-down profile detailed in **Appendix A** with delivery of the two vessels due in 2018/19 and 2019/20 respectively. Any further revisions to these milestones must be notified immediately supplying reasons why they are not achievable. In this event, revised timelines and associated payment and drawdown profiles should be submitted promptly.

Interest at Public Works Loan Board rates (25 year rate) will be charged on the outstanding loan and I shall inform you of the applicable interest rate as each loan tranche is drawn down. Following the final loan drawdown the instalments will be consolidated into a single term loan for the vessel. Loan repayments will commence on the first scheduled repayment date after the date of entry into service of the vessels. Interest accrued up until the crystallisation date of the loan will be added to the capital amount due.

The term loan plus accrued interest will be repayable over 25 years. The loan plus accrued interest will be repaid on an annuity basis in 50 instalments payable twice yearly together with applied interest on 31 March and 30 September. We shall send you a schedule detailing both principal and interest payments when the term loans are finalised.

We will phase the payments of these loans according to the agreed draw-down profile and the company must provide invoices submitted by the shipyard and endorsed by CMAL in support of any request for a loan draw down. Any increase in construction costs must be notified to Transport Scotland before any commitment is given by the company to incur additional costs.

CMAL will continue to keep the Scottish Ministers fully informed of the progress of the Project at the monthly Network Strategy and CMAL liaison meetings, as well as on an ad-hoc basis as and when the need arises.

Yours sincerely,



Head of Ferries Unit



Date	Milestone	801	802	Amount	Cumulative
24/11/2015	On order	2,400,000	2,400,000	4,800,000	4,800,000
29/12/2015	Procurement deposits long lead time (1)	12,100,000	12,100,000	24,200,000	29,000,000
22/12/2015	Cutting of steel	1,400,000	1,400,000	2,800,000	31,800,000
31/12/2015	Procurement deposits long lead time (2)	1,000,000	1,000,000	2,000,000	33,800,000
13/06/2016	10% Fabrication	2,400,000	2,400,000	4,800,000	38,600,000
15/08/2016	25% Fabrication	3,650,000	3,650,000	7,300,000	45,900,000
07/10/2016	35% Fabrication	3,650,000	3,650,000	7,300,000	53,200,000
16/12/2016	50% Fabrication	2,400,000		2,400,000	55,600,000
27/01/2017	50% Fabrication		2,400,000	2,400,000	58,000,000
24/03/2017	75% Fabrication	1,200,000		1,200,000	59,200,000
31/03/2017	ME and AE Delivered	750,000	750,000	1,500,000	60,700,000
19/05/2017	Invoices to buyer	3,500,000	3,500,000	7,000,000	67,700,000
13/06/2017	Invoices to buyer	3,775,000		3,775,000	71,475,000
14/06/2017	Invoices to buyer		3,775,000	3,775,000	75,250,000
26/06/2017	Major items lockout	625,000		625,000	75,875,000
24/08/2017	Hull inspection prior to paint	1,200,000		1,200,000	77,075,000
22/11/2017	berth join up	1,200,000		1,200,000	78,275,000
22/11/2017	Launch 801	1,200,000		1,200,000	79,475,000
23/03/2018	100% Fabrication	1,200,000		1,200,000	80,675,000
27/02/2018	75% Fabrication		1,200,000	1,200,000	81,875,000
2018/2019	Major items lockout		625,000	625,000	625,000
2018/2019	100% Fabrication		1,200,000	1,200,000	1,825,000
2018/2019	delivery 801	4,850,000		4,850,000	6,675,000
2018/2019	Hull inspection prior to paint		1,200,000	1,200,000	7,875,000
2018/2019	berth join up		1,200,000	1,200,000	9,075,000
2018/2019	Launch second vessel 802		1,200,000	1,200,000	10,275,000
2019/2020	delivery 802		4,850,000	4,850,000	15,125,000
Shipyards Milestone Totals		48,500,000	48,500,000	97,000,000	
	CMAL costs vessel 1			5,000,000	
	CMAL costs vessel 2			4,000,000	
				<u>9,000,000</u>	
31/03/2018	drawdown	1		1,500,000	1,500,000
30/06/2018	drawdown	2		3,750,000	5,250,000
30/06/2019	drawdown	3		3,750,000	9,000,000
	CMAL Project Costs			9,000,000	
2018/2019	CFL incurred costs (CY01)			346,496	346,496
	CFL incurred costs (CY02)			331,609	678,105
	CalMac Ferries Project Costs			678,105	
Total Project Costs				106,678,105	

	Milestones	CMAL costs	CFL costs
2015/16	33,800,000		33,800,000
2016/17	26,900,000		26,900,000
2017/18	21,175,000	1,500,000	22,675,000
2018/19	10,275,000	3,750,000	678,105
2019/20	4,850,000	3,750,000	8,600,000
			<u>106,678,105</u>

