Dear Chair,

Follow-up to hearing of 13 February

At the Committee of Public Accounts hearing of 13 February I committed to write with further details about the assurance my Department received regarding Seaborne Freight's financial backers.

In their bid documentation, dated 14 December, Seaborne Freight provided details about their financial standing. This included the quantum of start-up investment provided by their executive team and seed investment from an equity partner.

It also included details about the required third-party investment to support vessel purchase and that this would be provided by a mix of equity investment and bank debt. Indicative bank term sheets were provided. The Department sought and received assurances from Seaborne about the identity and standing of prospective investors including Arklow, Ireland’s largest shipping firm. The award of the contract on 22 December was subject to Seaborne providing urgent written confirmation of such backing. This was received on 28 December, when the department received written confirmation, via Seaborne, that Arklow Shipping were providing equity investment. The written confirmation, sent by the Managing Director of Arklow, stated ‘This is to confirm that Arklow Shipping intend to be the majority funding partner in the Seaborne Freight Ferry Service’.

On 18 January, in response to an explicit departmental request, Arklow Shipping provided further written assurance in a letter sent to my Secretary of State, in which they stated ‘Arklow Shipping has been working with Seaborne for twelve months in connection with Seaborne's proposals’. They further stated ‘Arklow Shipping intends to provide equity finance for the purchase of both vessels and an equity stake within Seaborne’. This letter is published on the gov.uk website and is publicly available.

As I made clear in my responses to the Committee on 13 February, the contract with Seaborne was specifically designed to allow for the contract to be terminated without cost to the taxpayer if Seaborne failed to deliver their contractual requirements. These requirements were designed to align with the steps that Seaborne would have to meet to successfully deliver a ferry service and obliged Seaborne to present evidence of: their financial backers, their plan for acquiring vessels and preparing them for service,
agreements with ports, crewing arrangements, and other matters associated with immigration and security requirements.

When Arklow stepped back from their previous written assurances, Seaborne became unable to satisfy its milestones and the contract was terminated. As I stated to the Committee, no taxpayers’ money has been paid to Seaborne and the contract protected the taxpayer.

I hope the Committee finds this further explanation helpful. I will write separately on the other matters on which the Committee asked me to write, including in relation to the costs of the procurement exercise.

I am copying this letter to the Comptroller and Auditor General and the Treasury Officer of Accounts.

Regards,

Bernadette Kelly CB
Permanent Secretary