

(Fol/18/02868)

From: [Redacted]

Sent: 14 March 2018 17:08

To: First Minister; Cabinet Secretary for Finance and the Constitution; Minister for Transport and the Islands

Cc: Cabinet Secretary for the Rural Economy and Connectivity; Strategic Industrial Projects; DG Economy; Rollison R (Richard); Chief Financial Officer; Nicholls J (John) (TRANS); DG Scottish Exchequer Mailbox; Maxwell S (Stewart) (Special Adviser); [Redacted] McAllan M (Mary) [Redacted] Lord Advocate; McCaig C (Callum); Sinclair MA (Murray); Troup C (Colin) (Dr); [Redacted] Cabinet Secretary for Economy, Jobs and Fair Work; Beattie C (Caroline); Permanent Secretary; Lloyd E (Elizabeth); McAllister C (Colin); Twyman K (Kerry); Brannen R (Roy); [Redacted] McLaughlin AC (Ainslie); Baxter M (Mike) (TRANS); [Redacted] PS/Transport Scotland

Subject: RE: FMEL - Latest on Contract Price Dispute

First Minister

Cabinet Secretary for Finance and the Constitution

Minister for Transport and the Islands

FMEL UPDATE – LATEST ON CONTRACT PRICE DISPUTE

Timing

1. This matter is **urgent** and we request that it receives Ministers' early attention.

Background

2. The First Minister, the Cabinet Secretary and the Minister have requested regular updates on the [Redacted] including the latest position on the contract price dispute between FMEL and CMAL [Redacted]
3. This update follows on from [Redacted] e-mail to Ministers on 8 March in respect of [Redacted]
4. This update specifically addresses the latest position on the Contract Price Dispute and seeks Ministers' agreement to the approach suggested below.
5. As set out in [Redacted] e-mail, FMEL have been very clear with SG Economy colleagues [Redacted]
6. [Redacted]
7. Following internal discussions within the various interests in Scottish Government and Transport Scotland we are seeking a view from Scottish Ministers. Subject to Ministers' views we plan to discuss proposals with CMAL and FMEL, given the process would require the cooperation of both parties.
8. [Redacted] in the context of informing the assessment of risk to Scottish Government as a creditor and also as the ultimate client.

1. [Redacted] Prior to that the Government also agreed a £15m loan to assist the business. [Redacted]

[Redacted]

[Redacted]
Head of Ferries Unit
AMFC
Transport Scotland
[Redacted]

From: [Redacted] **On Behalf Of** Cabinet Secretary for Finance and the Constitution

Sent: 15 March 2018 12:48

To: [Redacted] First Minister; Cabinet Secretary for Finance and the Constitution; Minister for Transport and the Islands

Cc: Cabinet Secretary for the Rural Economy and Connectivity; Strategic Industrial Projects; DG Economy; Rollison R (Richard); Chief Financial Officer; Nicholls J (John) (TRANS); DG Scottish Exchequer Mailbox; Maxwell S (Stewart) (Special Adviser); [Redacted] Lord Advocate; McCaig C (Callum); Sinclair MA (Murray); Troup C (Colin) (Dr); [Redacted] Cabinet Secretary for Economy, Jobs and Fair Work; Beattie C (Caroline); Permanent Secretary; Lloyd E (Elizabeth); McAllister C (Colin); Twyman K (Kerry); Brannen R (Roy); [Redacted] McLaughlin AC (Ainslie); Baxter M (Mike) (TRANS); [Redacted] PS/Transport Scotland

Subject: RE: FMEL - Latest on Contract Price Dispute

Graham

The Cabinet Secretary is content with the recommendation. Mr Mackay would like to know what contingency plans are in place if the strategy outlined does not proceed as planned/in the timescales required.

Grateful for a response this week.

Thank you

[Redacted] **Private Secretary to Derek Mackay MSP, Cabinet Secretary for Finance and the Constitution**

The Scottish Government

St Andrew's House | Regent Road | Edinburgh | EH1 3DG | [Redacted]

From: [Redacted]

Sent: 16 March 2018 14:42

To: Cabinet Secretary for Finance and the Constitution; [Redacted] First Minister; Minister for Transport and the Islands

Cc: Cabinet Secretary for the Rural Economy and Connectivity; Strategic Industrial Projects; DG Economy; Rollison R (Richard); Chief Financial Officer; Nicholls J (John) (TRANS); DG Scottish Exchequer Mailbox; Maxwell S (Stewart) (Special Adviser); [Redacted] M (Mary); [Redacted] Lord Advocate; McCaig C (Callum); Sinclair MA (Murray); Troup C (Colin) (Dr); [Redacted] Cabinet Secretary for Economy, Jobs and Fair Work; Beattie C (Caroline); Permanent Secretary; Lloyd E (Elizabeth); McAllister C (Colin); Twyman K (Kerry); Brannen R (Roy); [Redacted] McLaughlin AC (Ainslie); Baxter M (Mike) (TRANS); [Redacted] PS/Transport Scotland

Subject: RE: FMEL - Latest on Contract Price Dispute

[Redacted]

Mr Mackay requested information on contingency planning around FMEL for circumstances in which [Redacted]

[Redacted] have generated several versions of a slide pack summarising the financial position of FMEL and the options that exist for SG under those constraints. Following each scenario workshop these slides have been updated and the most recent version is attached.

[Redacted]

We have asked [Redacted] to present a revised set of scenarios to us during the next week. At that point hopefully we will know if the proposed process to a [Redacted] is going to be acceptable to both FMEL and CMAL. [Redacted]

Many thanks,

[Redacted]

From: [Redacted] **On Behalf Of** Cabinet Secretary for Finance and the Constitution

Sent: 30 March 2018 14:37

To: First Minister; Brannen R (Roy); Minister for Transport and the Islands; Cabinet Secretary for Finance and the Constitution; Cabinet Secretary for Economy, Jobs and Fair Work; Deputy First Minister and Cabinet Secretary for Education and Skills; McCaig C (Callum); Maxwell S (Stewart) (Special Adviser)

Cc: Strategic Industrial Projects; Rollison R (Richard); Chief Financial Officer; DG Scottish Exchequer Mailbox; [Redacted] McAllan M (Mary); [Redacted] Lord Advocate; Sinclair MA (Murray); Troup C (Colin) (Dr); [Redacted] Beattie C (Caroline); Permanent Secretary; Lloyd E (Elizabeth); McAllister C (Colin); Twyman K (Kerry); [Redacted] McLaughlin AC (Ainslie); Baxter M (Mike) (TRANS); [Redacted] PS/Transport Scotland; [Redacted] Nicholls J (John) (TRANS); DG Economy; Evans L (Leslie)

Subject: RE: Advice in relation to FMEL and vessels 801 and 802

Dear all

The Cabinet Secretary has also considered the submission and the email from Mr McColl.

Mr Mackay would also like a response as soon as possible on the question on FMEL's ability to [Redacted] and would like this and other contingency options to be worked up in the meantime.

Mr Mackay would be happy to take part in a meeting next week as already suggested and would welcome feedback today on the phone call that will take place with Mr McColl.

Thank you

[Redacted] **Private Secretary to Derek Mackay MSP, Cabinet Secretary for Finance and the Constitution**

The Scottish Government

St Andrew's House | Regent Road | Edinburgh | EH1 3DG | **T:** [Redacted]

From: [Redacted]

Sent: 18 April 2018 21:09

To: Nicholls J (John) (TRANS); Lloyd E (Elizabeth); Deputy First Minister and Cabinet Secretary for Education and Skills; Rollison R (Richard); DG Economy; First Minister; [Redacted] Cabinet Secretary for Finance and the Constitution; Cabinet Secretary for Economy, Jobs and Fair Work; Minister for Transport and the Islands; Brannen R (Roy); Evans L (Leslie); Permanent Secretary; McCaig C (Callum); Maxwell S (Stewart) (Special Adviser); [Redacted] McLaughlin AC (Ainslie); [Redacted] Beattie C (Caroline); [Redacted] Legal Secretariat to the Lord Advocate; [Redacted] Lord Advocate; Chief Financial Officer; McAllan M (Mary); [Redacted]

Subject: RE: FMEL - Urgent cash flow update

Importance: High

PS/First Minister

PS/Cabinet Secretary for Finance and the Constitution

PS/Minister for Transport and the Islands

URGENT FMEL CASH FLOW UPDATE

Update

2. Following conversations with Clyde Blowers Capital (CBC) today officials and advisors have received a new 14 week cash flow forecast from FMEL. [Redacted]

[Redacted]

Next steps

1. Officials are meeting with the Cabinet Secretary for Finance and the Constitution and the Minister for Transport and the Islands tomorrow afternoon to discuss next steps and contingency options. [Redacted] have worked up the attached slides to assist this discussion.
2. A further update will be provided following that meeting.

Kind regards,

[Redacted] Innovation, Investment and Industries

Directorate for Economic Development
Scottish Government, Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU

[Redacted]

From: [Redacted]

Sent: 20 April 2018 12:02

To: DG Economy; Brannen R (Roy); Nicholls J (John) (TRANS); McAllan M (Mary); [Redacted] Rollison R (Richard)

Cc: [Redacted]
Subject: [Redacted]

All,

To note, this is the other set of slides that [Redacted] prepared on [Redacted]As discussed with Liz they're going to collate these two documents into one master document ahead of next week and potential briefing of the FM. [Redacted]

On the actions from the meeting yesterday this is what I took away:

1. [Redacted]Economic Development are leading on this and a submission will go up by CoP on Monday.
2. [Redacted]Lines have been agreed and TS/ED will revisit as required
3. Collate the contingency papers into one master paper with a revised structure – [Redacted] are undertaking this and we will also circulate it by CoP Monday

Is that a fair reflection of the actions?

I think it would be really helpful to include these actions on the wider email chain to clarify what is happening and when it will be ready. Would a more senior colleague like to do this or are you content for me to put the above in the chain?

I'm also trying to get a meeting in diaries to brief FM – provisionally it looks like this could be after Cabinet on Tuesday.

Many thanks,
[Redacted]

From: [Redacted]

Sent: 24 April 2018 21:16

To: First Minister

Cc: Cabinet Secretary for Finance and the Constitution; Minister for Transport and the Islands; Deputy First Minister and Cabinet Secretary for Education and Skills; Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for the Rural Economy and Connectivity; Lord Advocate; Permanent Secretary; Evans L (Leslie); DG Economy; Brannen R (Roy); Nicholls J (John) (TRANS); [Redacted]McAllan M (Mary); Rollison R (Richard); [Redacted] Beattie C (Caroline); [Redacted]McLaughlin AC (Ainslie); [Redacted]Chief Financial Officer; [Redacted]Lloyd E (Elizabeth); McCaig C (Callum); Maxwell S (Stewart) (Special Adviser) [Redacted]

Subject: FMEL - Contingency Options Update

PS/First Minister

1. Officials met with the Cabinet Secretary for Finance and the Constitution today to discuss the [Redacted]and potential contingency plans in the event of no progress [Redacted]FMEL have drafted responsive lines, shared with us, should this attract any media interest. SG Comms also have reactive lines prepared.

[Redacted]

4. The Cabinet Secretary for Finance and the Constitution also spoke with Jim McColl to advise him that he intended to write to the Finance Committee to advise them, on a confidential basis, of SG £15m loan to FMEL. He also noted that it would be helpful for the SG to begin discussions with CBC on contingency options to protect the jobs in the yard and delivery of the ships. Mr McColl agreed to this without condition.
5. A pre-existing telephone call between officials and CBC and FMEL is scheduled for 5pm tomorrow. We will use that to initiate discussions on contingency options with a view to a more extensive discussion, including with our advisors [Redacted], on Thursday.
6. Officials will continue to update the First Minister on this evolving situation.

Many thanks,

[Redacted] Innovation, Investment and Industries

Directorate for Economic Development
Scottish Government, Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU

[Redacted]

From: [Redacted] **On Behalf Of** Cabinet Secretary for Finance and the Constitution

Sent: 24 April 2018 19:03

To: [Redacted] Cabinet Secretary for Finance and the Constitution; [Redacted] First Minister; Minister for Transport and the Islands

Cc: First Minister; Deputy First Minister and Cabinet Secretary for Education and Skills; Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for the Rural Economy and Connectivity; Lord Advocate; Permanent Secretary; Evans L (Leslie); DG Economy; Brannen R (Roy); Nicholls J (John) (TRANS); [Redacted] McAllan M (Mary); Rollison R (Richard); [Redacted] Beattie C (Caroline); [Redacted] McLaughlin AC (Ainslie); [Redacted] Chief Financial Officer; [Redacted] Lloyd E (Elizabeth); McCaig C (Callum); Maxwell S (Stewart) (Special Adviser); [Redacted]

Subject: RE: FMEL - CMAL Expert Review

[Redacted] Richard

Here is a note of the discussion between the Cabinet Secretary (DM) and Jim McColl (JM) this afternoon.

[Redacted]

- DM then moved on to the cash flow position of the organisation and that he intended to send a short letter to the Finance Committee that explained, at a high level, the commercial loan that was provided to FMEL by SG. JM was content with the letter being sent as set out. **([Redacted] and Richard to share this with JM once the letter has been sent)**

- [Redacted]JM explained that FMEL's lines have been drafted in case they are required and they will not be using them proactively. DM also confirmed that SG had lines ready as well ([Redacted] **and Richard to share these**)
- The final part of the conversation then was on the contingency options. DM did not go into any detail on the options but asked if JM was content for these to be discussed with FMEL Directors (starting tomorrow). JM was content with this partnership approach in parallel with the on-going contract points. ([Redacted] **and Richard to follow up**)

Anything else you want to add?

Thanks

[Redacted]**Private Secretary to Derek Mackay MSP, Cabinet Secretary for Finance and the Constitution**

The Scottish Government

St Andrew's House | Regent Road | Edinburgh | EH1 3DG | T: [Redacted]

From: [Redacted]

Sent: 25 April 2018 19:09

To: First Minister **Cc:** Cabinet Secretary for Finance and the Constitution; Minister for Transport and the Islands; Deputy First Minister and Cabinet Secretary for Education and Skills; Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for the Rural Economy and Connectivity; Lord Advocate; Permanent Secretary; Evans L (Leslie); DG Economy; Brannen R (Roy); Nicholls J (John) (TRANS); [Redacted]; McAllan M (Mary); Rollison R (Richard[Redacted]Beattie C (Caroline); [Redacted]McLaughlin AC (Ainslie); [Redacted]Chief Financial Officer; [Redacted]Lloyd E (Elizabeth); McCaig C (Callum); Maxwell S (Stewart) (Special Adviser); [Redacted]**Subject:** RE: FMEL - Contingency Options Update - Call with CBC [25.04.18]

PS/First Minister

PS/Cabinet Secretary for Finance and the Constitution

1. Officials spoke to [Redacted] of CBC at 17:40 this evening to follow up on the Cabinet Secretary's phone call with Jim McColl yesterday.
2. [Redacted] Officials will be keeping closely apprised of any developments.
3. Officials noted that in line with the discussion between the Cabinet Secretary and Mr McColl, and in parallel with the contract discussions with CMAL, it would be important to work together on contingency options for the long term future of the business. [Redacted] noted he had spoken with Jim McColl about engaging with contingency options and agreed a meeting with key members of FMEL / CBC would be a sensible next step, therefore they would make themselves available for detailed discussions. For this initial call, there was no discussion on the specific options of [Redacted]
4. We agreed to meet with appropriate representatives of FMEL and CBC to discuss contingency options in more detail over the next couple of days. Officials will provide an update following that meeting.

Many thanks,

[Redacted]

From: [Redacted]

Sent: 26 April 2018 20:14

To: First Minister; Cabinet Secretary for Finance and the Constitution

Cc: Minister for Transport and the Islands; Deputy First Minister and Cabinet Secretary for Education and Skills; Cabinet Secretary for Economy, Jobs and Fair Work; Cabinet Secretary for the Rural Economy and Connectivity; Lord Advocate; Permanent Secretary; Evans L (Leslie); DG Economy; Brannen R (Roy); Nicholls J (John) (TRANS); [Redacted]McAllan M (Mary); Rollison R (Richard); [Redacted]Beattie C (Caroline); [Redacted]McLaughlin AC (Ainslie); [Redacted]Chief Financial Officer; [Redacted]Lloyd E (Elizabeth); McCaig C (Callum); Maxwell S (Stewart) (Special Adviser); [Redacted]

Subject: RE: FMEL - Contingency Options Update - Meeting with FMEL and CBC [26.04.18]

PS/First Minister

PS/Cabinet Secretary for Finance and the Constitution

1. Officials met with FMEL and CBC representatives today to discuss contingency options for the business. FMEL had their board meeting today and [Redacted] brought along the pack from that meeting, walking officials through key opportunities for the business in upcoming months. [Redacted]
2. Officials then began to discuss contingency options. Officials sought clarity on the financial situation at FMEL and asked the Directors what their contingency options were in the event of no progress on the contract price dispute. [Redacted]
3. [Redacted] Officials sought to draw a distinction between medium to long term business proposals, which can be considered in due course, and short term measures to protect the core objectives of the Scottish Government. Officials reiterated that these core objectives are:
 - a. To protect the jobs and the local economy in Port Glasgow and Inverclyde
 - b. To deliver 801 and 802
 - c. To deliver a value for money and legally compliant solution for the public purse
4. Officials outlined the intent to try and find a commercial solution to [Redacted]
5. To continue these productive discussions officials have arranged to meet with FMEL and CBC for a four hour workshop on Monday morning. A further update will be provided following that meeting and officials will keep Ministers informed of any other developments.

Many thanks,

[Redacted]