

Advisory

Project Poseidon Workshop 3

*Strictly Private
and Confidential
Draft*

23 February 2018



Contents

- *Financial Overview*
- *Objectives*
- *Options*
- *Outcome cost comparison*

Summary of options

Key options

Short term

Medium term

Long term

Illustrative timeline

Week commencing

1. [Redacted]
 2. [Redacted]
 3. [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]



Appendix – options considered and excluded

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; [REDACTED] (TRANS); DG Scottish Exchequer Mailbox; Maxwell S (Stewart) (Special Adviser); [REDACTED]; [REDACTED]; McAllan M (Mary); [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; Lord Advocate; McCaig C (Callum); [REDACTED] Troup C (Colin) (Dr); [REDACTED]; [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]; [REDACTED]; [REDACTED]; McLaughlin AC (Ainslie); Baxter M (Mike) (TRANS); Rennie M (Michelle); 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 financial position of Ferguson Marine Engineering Ltd (FMEL) including the latest position on the contract price dispute between FMEL and CMAL in relation to the building of vessel 801 (MV Glen Sannox) and vessel 802.
3. This update follows on from [REDACTED] e-mail to Ministers on 8 March in respect of FMEL's Latest Financial Position.
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 that if a contract price resolution process is not well underway by the end of March they will consider [Redacted-1].

Expert Determination

6. [Redacted-2].
7. [Redacted-3].
8. [Redacted-4].

9. The process for resolving disputes must be evidence-based, robust and compliant with procurement rules. Having discussed this internally and with our advisors, it is considered that [Redacted-5].
10. 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.
11. If one or other party is not willing to use expert determination, then it is considered that Scottish Government should proceed to seek an independent view ourselves in the context of informing the assessment of risk to Scottish Government as a creditor and also as the ultimate client.

FMEL Financial Implications

12. Expert determination provides an independent route to consider the dispute between both parties and to determine if there is entitlement, and if proven then to seek to determine quantum. Assuming there is a determination which leads to consideration of quantum, then it should be noted that any price settlement on 801 and 802 will not alone provide a durable fix for a business which is yet to successfully diversify or achieve much success in landing private sector work.
13. As highlighted in the previous advice to Ministers, the Scottish Government has undertaken significant financial intervention to date in FMEL. Ministers are aware that the Government agreed to enter into an inter-creditor agreement in early February which allowed FMEL to bring [Redacted-6]. Prior to that the Government also agreed a £15m loan to assist the business. [Redacted-7].

FMEL perspective

14. [Redacted-8].
15. [Redacted-9].
16. [Redacted-10]
17. Describing why this framework is different to options previously considered by FMEL and CMAL and therefore the higher likelihood of making progress would be key to FMEL and CMAL participating willingly.

[Redacted-11]

18. [Redacted-12]
19. [Redacted-13]
20. [Redacted-14]
21. [Redacted-15].
22. [Redacted-16]
23. [Redacted-17].

[Redacted-1]

24. [Redacted-2]

Financial Implications

25. [Redacted-18].

26. [Redacted-19].

Timing

27. Timing is of the essence to initiate the process. In the view of Scottish Government officials, and Transport Scotland officials, expert determination is worth pursuing but that Ministers should be mindful that it offers no easy or quick solution. It would address the same questions that the stalled mediation could have addressed but changes the nature of process, potentially giving a higher likelihood of actually getting to a determination of entitlement. The proposed two stage process has some attractions – entitlement in the first instance – only followed by price settlement on that basis if entitlement is found.

Recommendations

28. We recommend that the two parties commit to an expert-led process in two parts: (i) initial phase to establish the ‘principles’ of FMEL’s claim and (ii) in light of the first phase outcome enter commercial negotiations to reach a contract price settlement. After phase one the expert could either: (a) cease to be involved or (b) be retained to support the commercial discussions.

29. Scottish Government should work with FMEL and CMAL to identify an expert who is qualified to adjudicate, who commands the respect of both sides and who can progress the process speedily. The expert would require both shipbuilding and commercial experience. If the parties could not agree and Scottish Government was required to step in to appoint an expert this would require consent and agreement of the Law Officers if such a person were a QC providing advice to the Scottish Government. Without co-operation of the parties it may be difficult for any person to reach significant conclusions as full access to all information, exchanges and correspondence relating to the contract and the build would be required.

30. Scottish Ministers should communicate to both sides its strong backing for the expert process and provide reassurance that any resulting settlement if reached in the right manner would be funded by Scottish Government.

Conclusions

31. We would welcome Ministers’ perspective on the approach outlined above. In particular, we seek Ministers’ agreement to:

- Approach both FMEL and CMAL this week and ask them to work with us to develop and implement [Redacted-20]
- Work with CMAL to FMEL to [Redacted-21]

- Signal Scottish Ministers' strong backing for [Redacted-22]

Thanks


Head of Ferries Unit
AMFC
Transport Scotland
Ext 47116

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; [Redacted] (TRANS); DG Scottish Exchequer Mailbox; Maxwell S (Stewart) (Special Adviser); [Redacted] McAllan M (Mary); [Redacted] Lord Advocate; McCaig C (Callum); [Redacted]; 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); Rennie M (Michelle); 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; [Redacted] (TRANS); DG Scottish Exchequer Mailbox; Maxwell S (Stewart) (Special Adviser); [Redacted] McAllan M (Mary); [Redacted] Lord Advocate; McCaig C (Callum); [Redacted]; 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 the expert-led process described by [Redacted] is unsuccessful. We have been looking at various options with our advisers for several months through workshops organised before Christmas and most recently with a workshop last month.

PwC 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.

In the next phase of our work we will be focussing on several core scenarios which start from a position that a contract price increase cannot be achieved. The aim of this work is to consider how events might play out commercially and the options which would best protect SG's position in light of the tactics CBC / FMEL might take to protect their own commercial interest. We are also working from the assumption that the Government's objectives are to build out and secure 801 & 802 at the lowest cost possible and to have a functioning commercial shipbuilding facility at the end of the process. These objectives could be secured by [Redacted-32].

We have asked PwC 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 CPI settlement is going to be acceptable to both FMEL and CMAL. If those discussions are not proceeding as hoped then we would brief Ministers more fully on the financial position of the business and the options that remain available to SG to influence the outcome.

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] [Redacted] McAllan M (Mary); [Redacted] Lord Advocate;

[Redacted] Troup C (Colin) (Dr); [Redacted] [Redacted] [Redacted]

[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] [Redacted] (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-33]. At meetings earlier this week he expressed a preference on [Redacted-34] 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

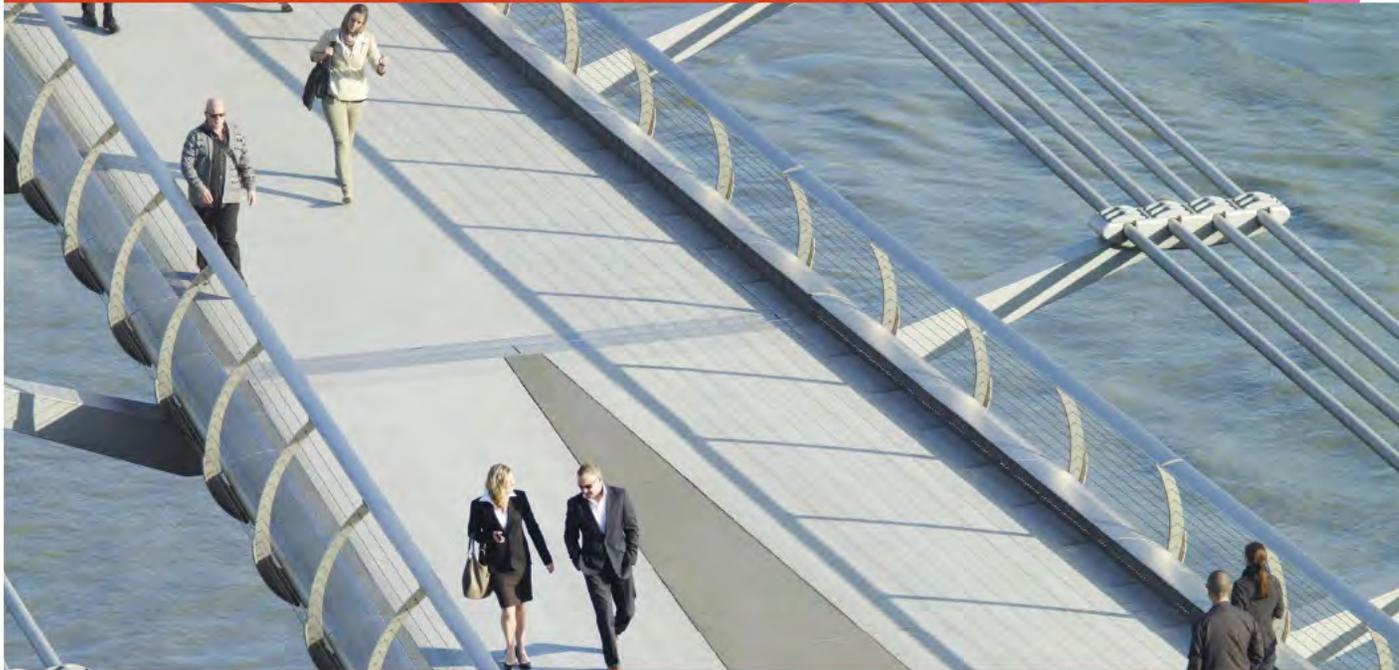
St Andrew's House | Regent Road | Edinburgh | EH1 3DG | **T:** [Redacted]

Advisory

Project Poseidon Contingency planning update

*Strictly Private
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01 April 2018



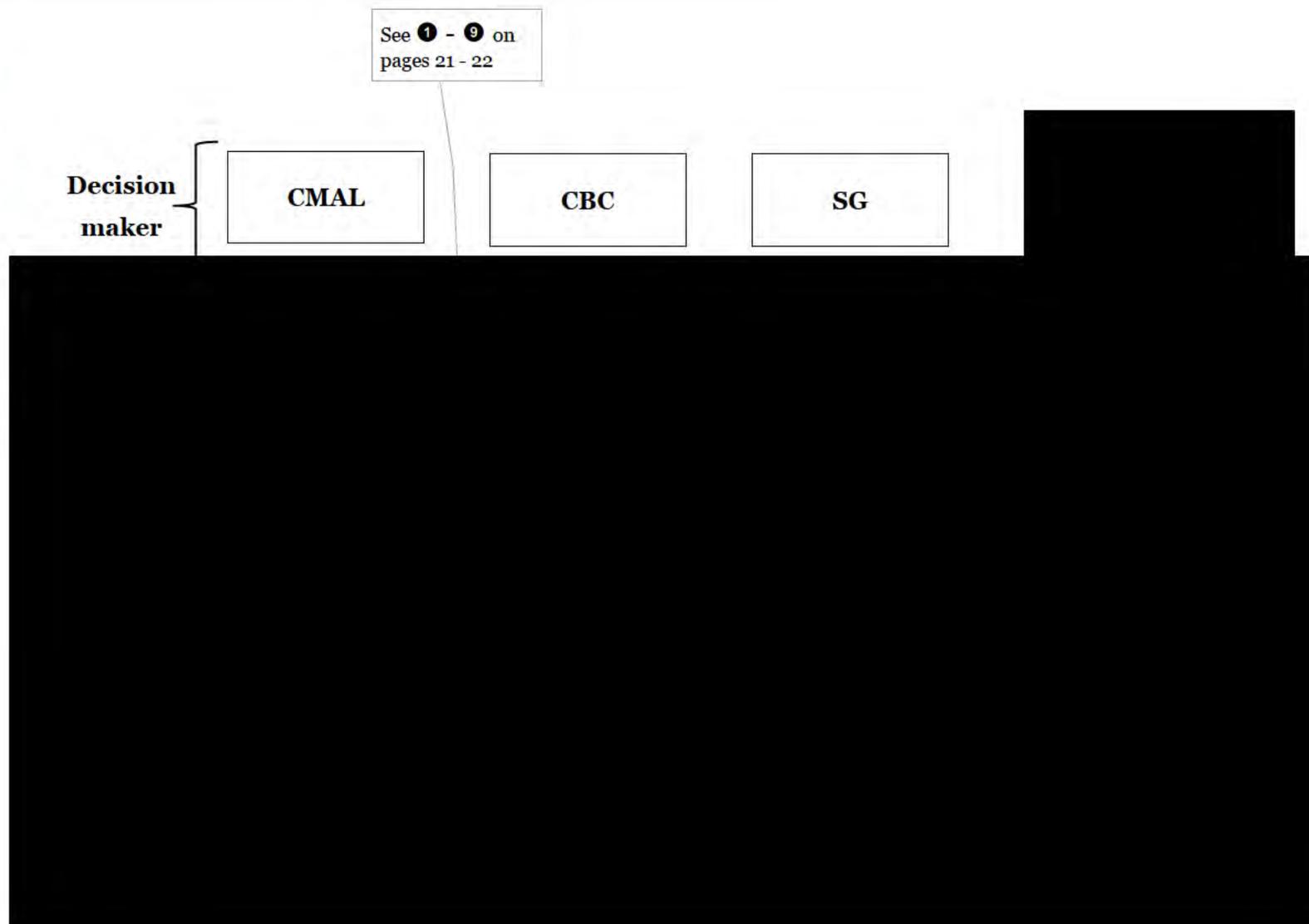
pwc

Executive report

Decision map

The diagram opposite shows a summary of certain key decisions that may be taken by each party to reach the residual outcomes.

The process is illustrative and the actual decisions are likely to involve greater complexities than can be shown in a diagram.



Selected information

Scope & process**Scope****Process****Context****Timescale**

This document was requested by SG on 16 March 2018, with an expectation that work would commence the following week with a view to meeting to discuss the outcome in week commencing 26 March 2018. On 21 March 2018 SG noted that, as circumstances had changed, the document should be prepared for a conference call on 23 March 2018. A draft was duly circulated. The draft has been updated and amended as a result of further input, discussions our parts of our review processes.

Access to management

Whilst we have a broad understanding of the business based on our previous work, we have not discussed any of this work with management or with CMAL.

Access to information**Engagement letter**

We report on Ferguson Marine Engineering Limited (the “Company” or “FMEL”) in accordance with our agreement dated 27 November 2017.

Save as described in the agreement or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this report, and it may not be provided to anyone else.

From: [Redacted]

Sent: 18 April 2018 21:09

To: [Redacted] (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

1. Following conversations with Clyde Blowers Capital (CBC) today officials and advisors have received a new 14 week cash flow forecast from FMEL. [Redacted-35].
2. [Redacted-36].
3. **[Redacted-37]**.
4. [Redacted-38], FMEL have advised that:
 - a. There will be an immediate impact to the delivery dates of 801/802
 - b. They could be left exposed to legal challenge by some of their suppliers
 - c. There could be negative publicity that may impact the traction they are seeking at the front end of the business and the short-term order intake
5. [Redacted-39].
6. [Redacted-40].

Next steps

7. 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. PwC have worked up the attached slides to assist this discussion.
8. A further update will be provided following that meeting.

Kind regards,

[Redacted]

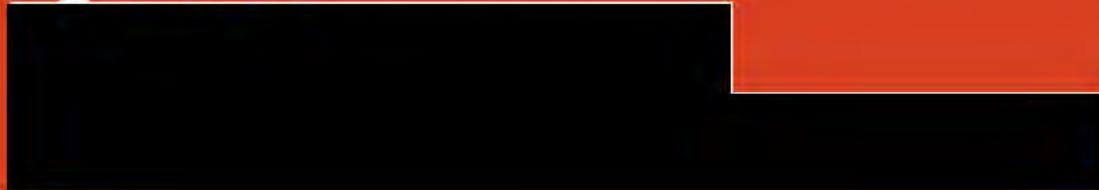
Innovation, Investment and Industries

Directorate for Economic Development

Scottish Government, Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU

Advisory

Project Poseidon - contingency planning update



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Draft*

19 April 2018



[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

**Scottish Government
Scottish Procurement
5 Atlantic Quay
150 Broomielaw
Glasgow G2 8LG**

Dear Sirs

We report on Ferguson Marine Engineering Limited (the “Company” or “FMEL”) in accordance with our agreement dated 27 November 2017.

This report has been prepared in connection with the purpose as stated in the engagement letter. All sections of the report should be read together.

SG is currently considering a range of other options as part of its contingency planning. [REDACTED]

This is a draft report and is subject to amendment. Our final report will contain our conclusions.

Save as described in the agreement or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this report, and it may not be provided to anyone else.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
141 Bothwell Street, Glasgow, G2 7EQ
T: +44 (0) 141 355 4000
F: +44 (0) 141 355 4005

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Contents

At a glance	4
.....	
At a glance	5
.....	
Options	6
.....	
1 Pros and cons	9
.....	
2 Illustrative cost comparison	10
.....	
3 Critical path	11
.....	
4 Decision map	12
.....	
5 Tactics to address potential risks	13
.....	
[REDACTED]	15
.....	
1 Factors to consider	16
.....	
2 Structure	17
.....	
3 [REDACTED]	18
.....	
[REDACTED]	19
.....	
1 [REDACTED]	20
.....	
2 [REDACTED]	21
.....	
3 [REDACTED]	22
.....	
4 [REDACTED]	23
.....	
5 [REDACTED]	24

Options – comparing

[Redacted]

[Redacted]

Background (1 of 2)

Dispute resolution is being pursued by both parties.

[Redacted]

PwC view

The timetable for this process needs to be accelerated and clearly communicated.

[Redacted]

[Redacted]

[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted] or
[Redacted]

[Redacted]

Background (2 of 2)

[Redacted]
[Redacted]
[Redacted]

[Redacted]
[Redacted]
[Redacted]
[Redacted]

PwC view

[Redacted]
[Redacted]
[Redacted]

[Redacted]
[Redacted]
[Redacted]
[Redacted]

[Redacted]
[Redacted]
[Redacted]
[Redacted]

Other contingency planning

[Redacted]
[Redacted]
[Redacted]

Summary of options:

pros and cons

The table opposite summaries key pros and cons of each option.

This is not a comprehensive analysis but does illustrate that both options have significant difficulties.

PwC view

[REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

Option	Pros	Cons	Illustrative costs
[REDACTED]	<ul style="list-style-type: none"> [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] 	<ul style="list-style-type: none"> [REDACTED] [REDACTED] [REDACTED] 	<ul style="list-style-type: none"> [REDACTED] [REDACTED] [REDACTED]
[REDACTED]	<ul style="list-style-type: none"> [REDACTED] 	<ul style="list-style-type: none"> [REDACTED] [REDACTED] 	<ul style="list-style-type: none"> [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
Applicable to both	<ul style="list-style-type: none"> [REDACTED] [REDACTED] 		

From: [Redacted]

Sent: 20 April 2018 12:02

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

Cc: [Redacted]

Subject: FW: [Redacted-41]

All,

To note, this is the other set of slides that PwC prepared on [Redacted-42]. 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. For now they are prioritising the bits we've asked them to look at re: state aid.

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

1. Paper to be prepared on [Redacted-43] that outlines the process needed, the basis for the economic case and which integrates legal opinion on [Redacted-44] Economic Development are leading on this and a submission will go up by CoP on Monday.
2. Very robust lines to be prepared on the constructive process on contract discussions – Lines have been agreed and TS/ED will revisit as required
3. Collate the contingency papers into one master paper with a revised structure – PwC 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]

Advisory

Project Poseidon - contingency planning update

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23 April 2018

pwc



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**Scottish Government
Scottish Procurement
5 Atlantic Quay
150 Broomielaw
Glasgow G2 8LG**

Dear Sirs

We report on Ferguson Marine Engineering Limited (the “Company” or “FMEL”) in accordance with our agreement dated 27 November 2017.

This report has been prepared in connection with the purpose as stated in the engagement letter. All sections of the report should be read together.

We have provided reports covering a wide range of options. SG is now considering ██████████ ██████████ ██████████ and ██████████ as part of its contingency planning. We have not been asked to provide a detailed paper on ██████████ so this report focuses only on other the options currently being considered, although certain ██████████ comments are noted where we are responding to specific queries.

This is a draft report and is subject to amendment. Our final report will contain our conclusions.

Save as described in the agreement or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this report, and it may not be provided to anyone else.

Yours faithfully

PricewaterhouseCoopers LLP

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Contents

At a glance	4
Options	5
1 Summary of options: pros and cons	8
2 Illustrative cost comparison	9
3 Critical path	10
4 Decision map	11
5 SG considerations in various scenarios	12
[REDACTED]	14
[REDACTED]	23
[REDACTED]	28
[REDACTED]	34
2 Glossary	37

Options

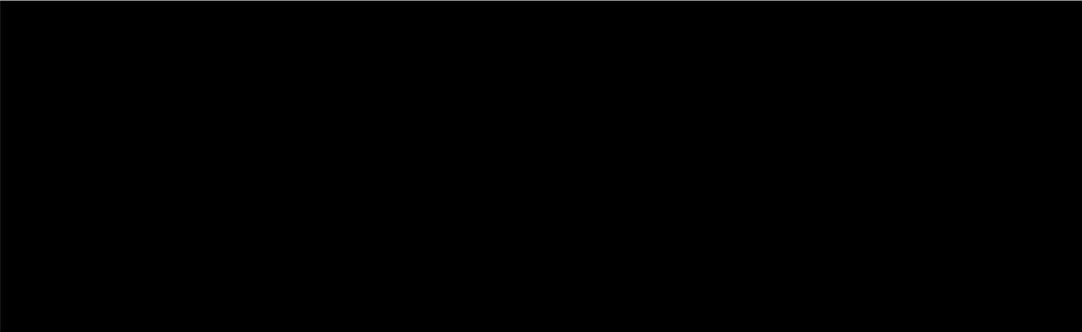
	Options	5
2	Illustrative cost comparison	9
3	Critical path	10
4	Decision map	11
5	SG considerations in various scenarios	12

[redacted] [redacted]

[redacted]	[redacted]	14
1	[redacted]	16
2	[redacted]	17
3	[redacted]	18
4	[redacted]	19
5	[redacted]	20
6	[redacted]	21
7	[redacted]	22



[redacted]	[redacted]	23
1	Factors to consider	24
2	Structure	26
3	[redacted]	27



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*Sector
experience*

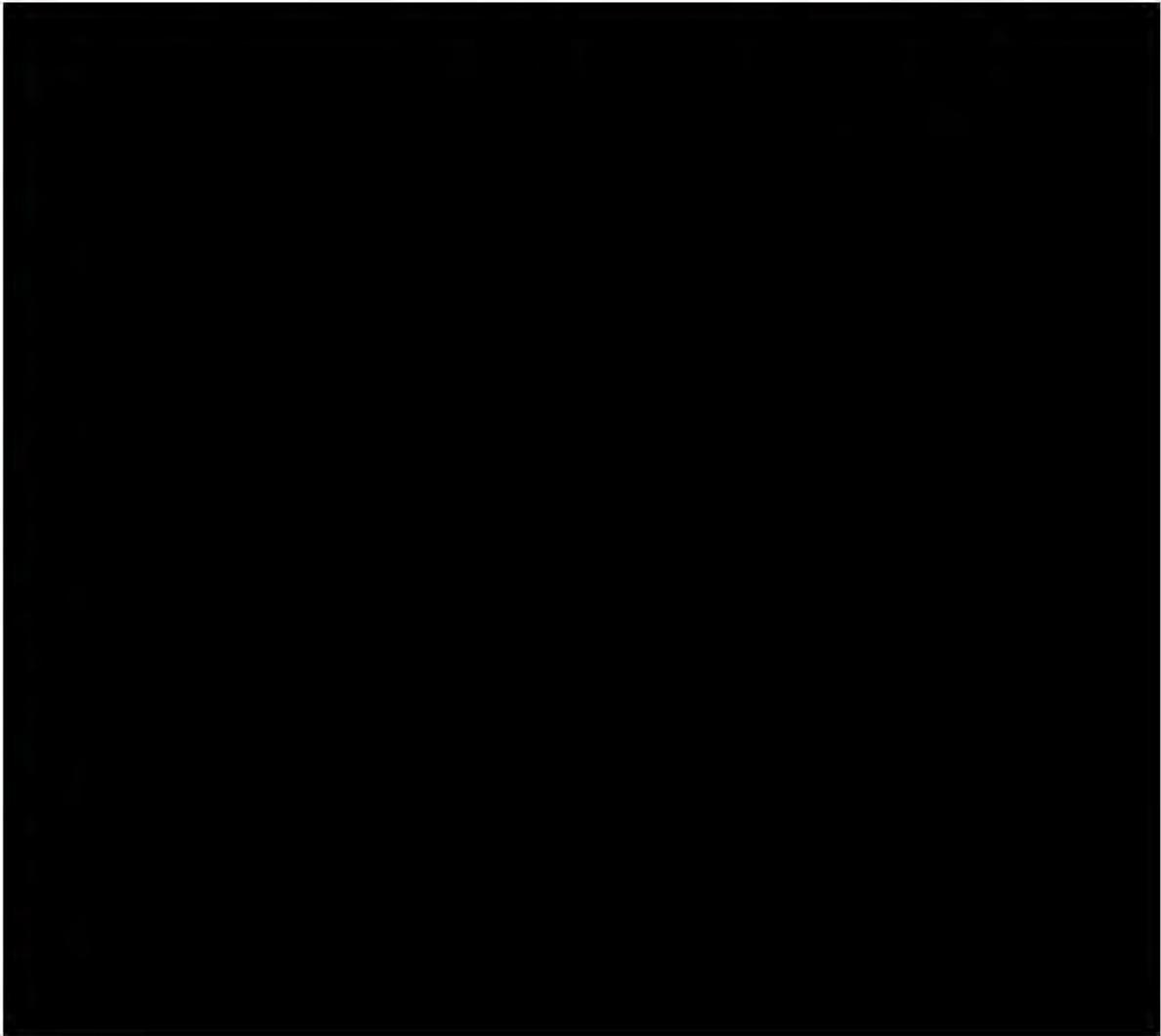
Geographical

*Business
knowledge*

Independent

Trust

Capacity



[redacted]
[redacted]
[redacted]

[redacted]	34
1 [redacted]	35
2 Glossary	37

Glossary

Our report includes a number of terms and short descriptions, which we define alongside

Term	Definition
CBC	Clyde Blowers Capital IM LLP
CMAL	Caledonian Maritime Assets Limited
Company or FMEL	Ferguson Marine Engineering Limited
CPI	Contract price increases
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECJ	European Court of Justice
HCC	HCC International Insurance Company Plc
FMEL Holdings	Ferguson Marine Engineering (Holdings) Ltd
██████	██████ ████████
MEIP	Market Equivalent Investor Principle
R&R	████████████████████
SG	Scottish Government
TS	Transport Scotland

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); [REDACTED] (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-45] financial situation at FMEL and potential contingency plans in the event of no progress through contractual mechanisms. This discussion was in the context of FMEL confirming to their workforce and to CMAL that [Redacted-46] FMEL have drafted responsive lines, shared with us, should this attract any media interest. SG Comms also have reactive lines prepared.
2. The discussion with the Cabinet Secretary primarily focussed [Redacted-47]. Officials briefed the Cabinet Secretary on the requirements for [Redacted-48].
3. [Redacted-49].
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 PwC, 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); [Redacted] (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] and Richard

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

- DM informed JM that CMAL have [Redacted-50]
- 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**)
- The discussion then moved on to the decision of the sub-contractors and the communications around it. 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

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