



T: [REDACTED]
E: scottish.ministers@gov.scot

[REDACTED]
By Email [REDACTED]

CC Jim McColl (by email).
[REDACTED]

4th July 2019

Dear [REDACTED]

CBC PROPOSAL

I am writing with regard to CBC's "Updated FMEL Proposal Paper" that was received on 28 June, along with additional documentation and supporting information received in the following days.

I am clear that we all share a common goal in completing vessels 801 and 802, securing the skills and jobs for the workforce and a future for the shipyard.

We appreciate the significant investment in taking the time to meet frequently with Ministers, officials and advisors to fully explore all aspects of the situation and allow consideration of your proposal. We have been working in good faith to examine the CBC proposal alongside all possible options for the future structure of FMEL.

After fully considering the proposal and advice received from officials and advisors, Scottish Ministers are of the view that the CBC proposal falls short of compliance with the Market Economy Operator Principle (MEOP) and there are a number of serious legal risks, including that entering into the proposal would be unlawful.

In addition, whilst we have noted the CBC opinion that the model proposed does not have associated procurement risks on the basis that there is no variation to the CMAL contract, Ministers are of the view that these risks remain.

There are also significant on-going financial risks with the CBC proposal, as it is offered with no certainty at all on the overall final cost of both vessels.

Tha Ministearan na h-Alba, an luchd-comhairleachaidh sònraichte agus an Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot

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Due to fundamental issues of state aid and other legal risks we are unable to proceed with your proposal. We understand this decision will not be what CBC will have hoped for but I want you to understand we gave this full consideration.

We welcome your efforts thus far with the intention to conclude an extension of the Bonds to 31 August 2019 and the diligence information that CBC has shared to date in the spirit of this partnership approach.

We now wish to work to with you to find a deliverable solution that can provide a future for the yard. It will be highly beneficial for the yard and its employees for all of us to work in partnership, including both CBC and FMEL directors, on the next steps to minimise uncertainty to the workforce and further delays to the delivery of the vessels.

Ministers remain committed to completion of the both vessels, securing the jobs, and to the future of shipbuilding at the site.

I will ask officials to contact you in due course informing you of the next steps in the process.

Regards

DEREK MACKAY

The Ministearan na h-Alba, an luchd-comhairleachaidh sònraichte agus an Rùnaire
Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot

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