

FYI.

**[REDACTED] | Manufacturing Policy Manager**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU [REDACTED] | Mob [REDACTED]

**From:** [REDACTED]>  
**Sent:** 27 January 2019 16:11  
**To:** [REDACTED]>  
**Subject:** stakeholder/comms plans for Space hub Sutherland

[REDACTED]

Roy has asked me to share this with you. Please note it is still in draft, awaiting final comments (and if you feel there is anything to change/amend/add please feel free to get back to me). The calendar is a separate document as this gets updated on a regular basis so again if you know of anything coming up please let me know so I can add any other events, etc in so we are keeping a good record of what is happening around the place.

[REDACTED]

**[REDACTED]**

Space Hub Sutherland  
Communications and Stakeholder engagement  
Caithness & Sutherland  
DD: [REDACTED] | Mob: [REDACTED] | Reception: +[REDACTED]  
Website: [www.spacehubsutherland.co.uk](http://www.spacehubsutherland.co.uk)



**UKVL SUTHERLAND  
COMMUNICATIONS AND STAKEHOLDER PLAN**

[OUT OF SCOPE]

## **1. APPENDIX 3 – FREQUENCY ASKED QUESTIONS**

[REDACTED]

[REDACTED]

See attached briefing for Orbex event tomorrow evening.

Apologies again for the late submission.

[REDACTED]

**[REDACTED] | Manufacturing Policy Manager**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED] | Mob [REDACTED]

**From:** [REDACTED]

**Sent:** 06 February 2019 12:45

**To:** Minister for Trade, Investment and Innovation <[MinisterTII@gov.scot](mailto:MinisterTII@gov.scot)>

**Cc:** Cabinet Secretary for the Rural Economy <[CabSecRE@gov.scot](mailto:CabSecRE@gov.scot)>; Rollison R (Richard)  
<[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>; [REDACTED]) <[\[REDACTED\]](mailto:[REDACTED])> <[\[REDACTED\]](mailto:[REDACTED])>

**Subject:** Orbex Facility Opening - SPEECH

Hi [REDACTED]

Please find attached the Minister's speaking note for the Orbex opening event tomorrow evening.

I will have the briefing note for this over asap but wanted to send this up first.

Many thanks

[REDACTED]

**[REDACTED] | Manufacturing Policy Manager**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU [REDACTED]

**MINISTERIAL ENGAGEMENT BRIEFING: IVAN MCKEE**

<b>Engagement title</b>	Opening event of the new Orbex launch vehicle manufacturing facility at Forres.	
<b>Engagement timings</b>	7 <sup>th</sup> February 2019, 16:30 – 20:00	
<b>Organisation</b>	Orbex	
<b>Venue and full address</b>	Orbex Unit 6, Forres Enterprise Park, Forres,	<b>Postcode</b> IV36 2AB
<b>Background/Purpose</b> (including invitation history)	<ul style="list-style-type: none"> <li>• Invitation to attend the opening of the new launch vehicle manufacturing facility in Forres.</li> <li>• This a major event in the Scottish space calendar involving a range of media including BBC, Sky news, Financial Times,</li> </ul>	
<b>Relevance to core script</b>	<ul style="list-style-type: none"> <li>• Encouraging investment in our burgeoning space sector in Scotland.</li> <li>• The space sector is a strong example of advanced manufacturing and innovation.</li> <li>• We are committed to taking ‘first mover advantage’ in Europe in launching small satellites into orbit.</li> <li>• To deliver a full end-to-end space sector capability in Scotland; to build, launch and operate, all from Scotland.</li> </ul>	
<b>Meeting attendees/ Greeting party</b>	You will be met on arrival by your official.	
<b>Supplementary information/ Sensitivities</b>	<ul style="list-style-type: none"> <li>• You will provide a 5-7 minute address.</li> <li>• Charlotte Wright, Chief Executive of Highlands and Islands Enterprise will also be speaking at this event.</li> <li>• You will also take part in some media bids between 1800 to 1900. SG Comms will coordinate and confirm details.</li> </ul>	
<b>Twitter handles of main representatives, organisations and suggested tweet cleared by comms</b>	SG Comms are arranging for Tweets for the Minister’s attendance at this event.	
<b>Official support and mobile number</b>	[REDACTED]	
<b>Ministerial car/ parking details</b>	Car parking facilities will be available.	

## **Briefing contents**

- Annex A – Agenda and Map (Page 3)**
- Annex B – Biographies (Page 4)**
- Annex C – Summary: Key Messages (Page 5)**
- Annex D – Background (Pages 6-7)**
- Annex E – Space Hub Sutherland (Page 8)**

**AGENDA**

The event will take place between 16:30 – 20:00.

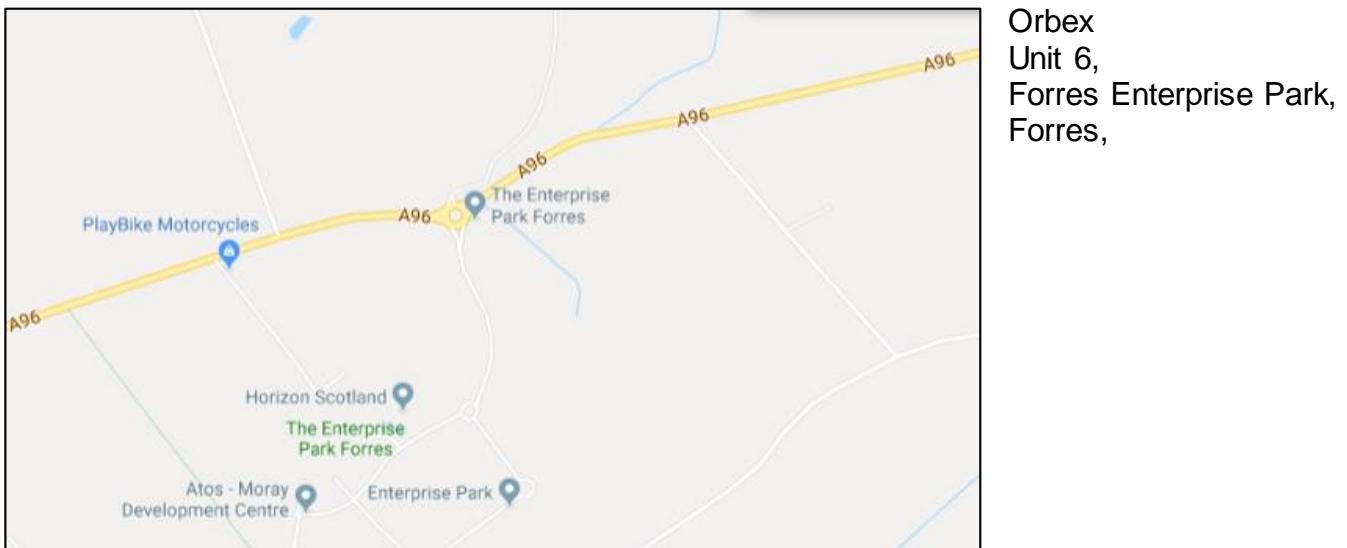
Timings as follows:

16.30 – 17.00	Guest arrival/registration
17.00 – 18.00	<p>Introduction and remarks – Plus reveal of the rocket “Prime” that will launch at the Sutherland Spaceport site.</p> <p>Speakers to include (10 min speaking slots) :</p> <ul style="list-style-type: none"> <li>• Chris Larmour (CEO Orbex),</li> <li>• Ivan McKee (Minister for Trade, Investment and Innovation)</li> <li>• Charlotte Wright (CEO HIE),</li> <li>• Graham Turnock (CEO UKSA)</li> <li>• Simon Henley (Royal Aeronautical Society)</li> </ul>
18.00 – 20.00	Drinks reception
18.00 – 19.00	Media Bids (15 min slots)

**Media**

Press confirmed: BBC, Sky news, ITV, BBC Alba FT, possibly Telegraph, possibly Economist, Forbes magazine, Wired magazine.

**SG COMMS WILL PROVIDE SEPARATE ADVICE ON COMMS HANDLING.**

**Map**

## **ANNEX B BIOGRAPHIES**



### **Chris Larmour, CEO, Orbex**

Chris is an experienced C-level executive with both strategic vision and operational focus. He has had success delivering strong growth in early stage, maturing, and turnaround environments, with excellent ROI outcomes. He has spent the past decade working on business strategy, marketing and revenue generation. He earned an MBA from INSEAD, currently the world's #1 business school.

## **Keynote Speakers**



### **Graham Turnock, CEO, UK Space Agency**

Graham has been Chief Executive of the Better Regulation Executive, a unit within the Department for Business, Energy and Industrial Strategy, since 2011. Graham has extensive experience across Whitehall and at a European level – a key priority for the Agency's head. He has worked in the European Commission and held several other posts in the UK Civil Service with a strong European element, including the Treasury's lead on the EU budget.



### **Charlotte Wright, CEO, Highlands & Islands Enterprise**

Charlotte was appointed HIE's Chief Executive in June 2017, having held the role of Interim Chief Executive for nine months. Charlotte has held several positions with HIE, commencing in the Lochaber office, becoming local enterprise company Chief Executive in 2004. She was appointed as the agency's Regional Director for Highland in 2008, and as Director of Business and Sector Development in 2010.



### **Simon Henley, Royal Aeronautical Society**

Simon Henley serves on the Board of Trustees as the RAes President Elect. In 2010 he was seconded to the Rolls-Royce/Snecma/MTU/ITP joint venture Europrop International as President, responsible for the development, certification, and introduction to service of the TP400 engine for the A400M aircraft, culminating in the delivery of the first aircraft to the French Air Force in 2013.

## SUMMARY PAGE: KEY MESSAGES

### ***On the event***

- Delighted to be involved in the opening of the new Orbex manufacturing facility in Forres and to witness the unveiling of the launch vehicle to be used at the Sutherland spaceport.
- Innovative companies such as Orbex are vital to growing the Scottish economy.
- Making use of lightweight materials and powered by a 100 per cent renewable source of fuel, the rocket not only revolutionises launch technology but supports our ambitions to be at the forefront of the transition to a low carbon economy.
- The facility is bringing high value jobs to Scotland and to regions that can really benefit from increased activity in engineering and science.
- We are a government committed to growing the economy in a sustainable and inclusive way and Orbex contributes to that ambition.

### ***On the space sector in Scotland***

- The latest 'Size & Health of the UK Space Industry' report, commissioned by the UK Space Agency, includes some very encouraging findings.
- For Scotland, we are performing well in most areas; we have seen not only an increase in the volume of active organisations; but also an increase in the number of organisations locating their headquarters in Scotland.
- Scotland also continues to hit above its weight for employment, holding 18 per cent of the total UK space sector employment with over 7,500 people working in the industry.

### ***On spaceport***

- A spaceport will deliver strong economic benefits and is expected to open up a wide range of market opportunities for Scotland and the UK.
- With Glasgow building more small satellites than any other city in Europe; more affordable and efficient access to space is undoubtedly the key to growing our burgeoning small satellite industry.
- The Mhoine was selected by the UK Space Agency as the best place in the UK to deliver its small satellite launch ambition.
- With launch capability, we can build, launch and operate satellites, all from Scotland – supporting Scotland's ambition to grow its space sector to a £4 billion industry by 2030, and the UK to meet its ambition of growing the UK sector to a £40 billion industry.

## BACKGROUND

### Orbex

- Orbex is a UK-based spaceflight company, with subsidiaries and production facilities in Denmark and Germany.
- Orbex are one of the two Launch Service Providers on the Sutherland spaceport project (the other is Lockheed Martin Space Systems (LMSS)).
- Orbex is constructing an launch vehicle to deliver small satellites into Earth's orbit.
- Orbex are funded by venture capital funds, Sunstone Technology Ventures and the High-Tech Gründerfonds, as well as Elecnor Deimos Space, the UK Space Agency (UKSA), the European Space Agency (ESA) and the European Commission Horizon 2020 programme.
- Orbex was recently voted 6th place in the NewSpacePeople global rankings of 2,000 companies.
- Following the UKSA funding announcement at Farnborough, Orbex confirmed they have raised £30 million in private and public funding for the spaceport project.

### Orbex Manufacturing Facility

- The new Headquarters building at Forres is a 2,000sqm facility.
- The site will combine a rocket design and integration facility, a Space Mission Control Centre and executive offices.
- The facility currently supports 15 highly skilled jobs, projected by Orbex to increase to 150 over time, with an intense recruitment drive underway.

### World's Largest 3D Printed Rocket Engine

- The event will reveal the rocket (named 'Prime') that will be launched from the Sutherland vertical launch site.
- The rocket is made from a specially-formulated lightweight carbon fibre and aluminium composite and includes the world's largest 3D printed rocket engine.
- The design comes from Orbex aerospace engineers who have experience working in organisations such as; NASA, ESA and Ariane.
- Due to the design the rockets are up to 30% lighter and 20% more efficient than any other vehicle in the small launcher category.
- This is the first commercial rocket engine designed to work with bio-propane, a 100% renewable fuel source that cuts carbon emissions by 90%.
- [confidential] The rocket will carry an experimental payload from [REDACTED] on the maiden flight in 2021.
- Swiss-based Astrocant SA, has selected Orbex to launch multiple nanosatellites for the development of a planet-wide Internet of Things (IoT) network. This will eventually include 64 nanosatellites. Elecnor Deimos has also confirmed twenty satellite launches.

### UKSA report: Size and Health of the Space Sector<sup>1</sup>: Scottish Points

- Scotland has the fifth highest number of organisations engaged in space-related activity at 132, up from 104 the previous year (higher are the South East, London, South West and East of England).
- Scotland also has the fifth-highest number of space organisations with HQs in the area, at 83 (up from 67 in the previous year).
- Scotland continues to hit above its weight in terms of employment, which for 2016/17 was the third-highest at 7,555, or 18% of the total space sector employment in the UK (an increase from 6,933 in 2015/16). The highest was London with 12,286 (29%), and second was the South East with 9,023 (22%).

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<sup>1</sup> <https://www.gov.uk/government/publications/uk-space-industry-size-and-health-report-2018>

- 0.13% of the total workforce in the UK are employed by space organisations, with Scotland having the highest proportion at 0.29%, followed by London (0.24%) and the South East (0.21%).

## SPACE HUB SUTHERLAND

### UK Space Agency Funding

- Orbex, in consortium with LMSS and Highlands and Islands Enterprise (HIE) jointly submitted a bid for UKSA funding to advance work on the UK Space Agency (UKSA) launch programmes.
- On 15 and 16 July 2018, the UK Government announced their decision to support the consortium proposal.
- Orbex were awarded £5.5m to develop a launch vehicle. LMSS were awarded £23.5m also for the development of a launch vehicle and HIE were awarded £2.5m to build the spaceport.
- The Scottish Highlands and Islands met key criteria for vertical launch, including the ability to stage north facing launches over the sea into both polar and sun-synchronous orbit. This is an important attribute which set the Sutherland site apart from the other UKSA bids for a launch facility.

### Highland and Islands Enterprise Funding

- Separate to the UKSA funding, following an independent due diligence process, the Board of HIE has approved £17.3m to support the project. This includes the UKSA's £2.5m and £9.8m from HIE itself. The remaining £5m is being sought from the Nuclear Decommissioning Authority. Conditions attached to the Board's approval include the need to identify and deliver local community benefits.
- HIE selected the Sutherland site to support from three potential HIE region business cases (including Western Isles and Shetland).

### The launch site

- HIE have been working with both Orbex and LMSS to develop the spaceport proposal in Sutherland.
- HIE have signed MoUs with both Launch Service Providers.
- HIE will develop the infrastructure required – access roads, some buildings and a launch pad – and the site will be run by an operator.
- HIE are expecting to begin their procurement process for an operator within Q1 2019.
- It is anticipated that up to six launches will be carried out annually, with the first taking place in 2021.
- HIE will gather robust evidence that will ensure environmental and community impacts are fully assessed. The project will have to meet strict regulations, and will be subject to a rigorous planning process, including public consultation.

### Economic Impact

- The launch site is expected to create around 40 highly skilled jobs in Sutherland.
- At a regional level, HIE estimates this figure will increase to 400 jobs by 2023, with launch activities in Sutherland making the site the hub of a significant new space sector.
- The project is expected to increase STEM activity and encourage interest in the space sector in Scotland. HIE are also considering engagement with schools as a part of the programme to engage with the community and students.

Hi [REDACTED],

Please find attached the Minister's speaking note for the Orbex opening event tomorrow evening.

I will have the briefing note for this over asap but wanted to send this up first.

Many thanks

[REDACTED]

[REDACTED] | Manufacturing Policy Manager

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government

3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU [REDACTED]

Richard

Can me and/or help with these actions?

**Action:** RR to liaise with SG International colleagues about suitable contacts/ communications with Iceland and the Faro Islands for UKSA.

**Action:** SG/HIE/UKSA to share Q&A, including messaging around expected date of first launch to ensure consistency.

Many thanks in advance.

[REDACTED]

Business Support Officer to Deputy Director, Richard Rollison  
Innovation, Industries and Investment Division  
Directorate for Economic Development  
Scottish Government  
T: [REDACTED]  
E: [REDACTED]

PA to Deputy Director[REDACTED]

T: [REDACTED]

5 Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU



**From:** [REDACTED]>

**Sent:** 16 January 2019 16:27

**To:** Barcham, Claire (UKSA) <[\[REDACTED\]](#)>; Rollison R (Richard) <[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>; [REDACTED]Charlotte Wright [REDACTED] [REDACTED]; [REDACTED]

**Cc:** [REDACTED]

**Subject:** Note of Spaceport meeting

I attach a brief note with action points from our meeting in December: please let me know if I have missed anything, and if there are any other items to add to the agenda for our next meeting on 20 February.

[REDACTED]

*[REDACTED] | Head of Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | t: [REDACTED]*

## MEETING WITH HIE, UKSA AND SCOTTISH GOVERNMENT: STRATEGIC REVIEW OF PROGRESS ON UKVL PROJECT

### Introductions

**HIE:** Charlotte Wright outlined HIE's role as an NDPB and delivery agent for the Scottish Government and their role in relation to UKVL.

Noted the work they were doing around the Science Skills Academy – looking at developing something for Thurso – potential to work with UKSA.

**UKSA:** Noted new UK Minister, Chris Skidmore, who was already showing an active approach to the sector: expected to make announcements at the Appleton space conference around range capabilities and education outreach programmes

Outlined relate roles of Claire Barcham and her team which includes research and analysis and stakeholder engagement in one unit and delivering commercial activity in the other. Nicola Higgins leads on regulatory matters in a separate directorate

Potential new work areas included in-orbit robotics; asteroid mining; and satellite installations.

£2 million fund for horizontal launch – working on process and evaluation criteria and hoped to be announcing something shortly.

### Skills and outreach

HIE described the work they were doing around the Science Skills Academy – looking at developing something for Thurso – potential to work with UKSA. RR noted the potential links to NMIS; and the need to be aware of the different curricula in England and Scotland. There was the possibility of Engineering Development Trust events too.

### Licensing

The main constraint on the secondary legislation process was parliamentary time. Also noted the likely impact of the Technology Safeguards Agreement in terms of requirements for operators to have segregated areas at the spaceport.

**Action:** separate meeting between HIE and UKSA to discuss timescales for secondary legislation and inter-relationship with the development of the UKVL project.

### Messaging

**Action:** SG/HIE/UKSA to share Q&A, including messaging around expected date of first launch to ensure consistency.

**Action:** all parties to use agreed press lines

### Stakeholder engagement

HIE was working on finalising the formal leasing agreement with the Melness Crofters Estate: terms had been agreed verbally. HIE were working with a range of stakeholders including the MCE board, crofters, the wider community, NGOs, landlords and regulatory agencies. They were keen to work with UKSA, LMSS and Orbex on community engagement. All partners agreed that better communications were needed.

**Action:** HIE to send a copy of their stakeholder mapping to UKSA and SG

**Action:** HIE to additionally engage with MCE through the forthcoming AGM as well as wider engagement with all crofters in the area.

**Action:** [REDACTED] in UKSA to review UKSA website content on spaceport to support this process.

## Potential for alternative sites

CB noted legal constraints arising from the competitive funding process in terms of relocating the project. The UKSA grant offers expire in 2021. It might be possible to shift location slightly within Sutherland, but this would need to be discussed with lawyers. In terms of meeting the 2021 deadline the original site remained the preferred option.

DO outlined the current governance structures in place, and noted that a Gateway Review had also commenced – UKSA would be a consultee in that process. The first report from this process was due in the 1<sup>st</sup> quarter of 2019, following the planned consultations.

**Action:** HIE was assessing potential mitigating actions and where increasing resource may help to accelerate the process.

Also noted the need to understand more fully the Scottish Land Court process – HIE was seeking advice on how this could best fit with the separate planning process.

DO noted that HIE was considering whether a relatively minor change in the boundaries of the existing site may help move the project forwards, although that would require a longer access road to be constructed. There was also a potential alternative site within Sutherland that was in public ownership. SSL maintained interest in developing vertical launch facilities too.

The main issue for any alternative site remained the requirements for environmental studies such as surveys of bird populations, which were required to encompass two breeding seasons. Unless such work was already well in hand an alternative site would not be able to meet the 2021 timeline. CB also noted that any amendment to the current site would require UKSA to review the grant agreements currently in place.

**Action:** CW to ask SIC for sight of the Shetland MOU.

**Action:** DO to provide feedback from the deep-dive assessment of the feasibility of current delivery dates.

**Action:** HIE to provide more details of their options appraisal of the different site proposals, including their risk analysis of each option.

## **Procurement of LSO**

HIE was seeking views on design/build and design/build/operate models, recommended by PWC. They will then go to the market with a clear ask that should be commercially attractive. Procurement of the LSO was scheduled for Q1 2019, with appointment by Easter. CB suggested that having an independent selection panel may be helpful in this process, and noted that UKSA could not be involved due to its role in issuing operating licences.

**Action:** UKSA to share details of useful contacts with HIE

## **AOB**

**Action:** RR to liaise with SG International colleagues about suitable contacts/ communications with Iceland and the Faro Islands for UKSA.

## **Next steps**

**Action:** SG to convene meetings every second month, next meeting to be in London mid-February, and the following meeting to be in Inverness. Agreed that LMSS and Orbex should also be invited to join these meetings, 2-3 times a year. Items for discussion at the next meeting should include:

- Go/no go assessment
- Progress on Scottish Land Court process

[Next meeting now arranged for Wednesday 20 February, Scotland House, London]

**PO Cabinet Secretary for the Rural Economy  
PO Minister for Trade, Investment and Innovation**

Please find enclosed, a short brief for the Ministers' meeting with each other on Tuesday 29 January at 1630.

The meeting has been scheduled for 30 minutes.

As agreed, [REDACTED], Director of Business and Sector Development, HIE will dial in to the meeting from 16:30 - c.16:50.

I have also attached the following documents as per the note:

- Original MACCS letter from [REDACTED]: to UKSA
- Ivan McKee response to [REDACTED]
- UKSA response to [REDACTED]
- Second MACCS letter from [REDACTED]: to Ivan McKee

Kind regards  
[REDACTED]

**[REDACTED] | Manufacturing Policy Manager**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU [REDACTED]

## MINISTERIAL MEETING BRIEFING: FERGUS EWING AND IVAN MCKEE

<i>Engagement Title</i>	Ministerial Meeting: Ivan McKee, Minister for Trade, Investment and Innovation and Fergus Ewing, Cabinet Secretary for the Rural Economy
<i>Timing</i>	<b>Normal</b> (right click)
<i>Where</i>	Parliament
<i>Date and Time of Engagement</i>	Date(s): 29 January 2019 Time(s): 16:30 – 17:00 <u>[REDACTED] Director of Business and Sector Development, HIE will dial in to the meeting for from 16:30-16:50.</u>
<i>Background/Purpose</i>	2018/0035303 MACCS – From [REDACTED] (Gillespie McAndrew) on behalf [REDACTED] The issues raised on this letter, in particular around planning consent and the Scottish Land Court permissions on the spaceport project in Sutherland incited a request to have a meeting between Ministers.
<i>Summary page</i>	<b>Annex: A</b>
<i>Melness letter points</i>	<b>Annex: B</b>
<i>HIE response to questions raised by Cabinet Secretary</i>	<b>Annex: C</b>
<i>Official Support (incl. mobile number)</i>	[REDACTED] Manufacturing and Construction, [REDACTED], mob: [REDACTED]

**SUMMARY PAGE****Purpose and Background**

- This meeting has been arranged at the request of Fergus Ewing, Cabinet Secretary for Rural Economy.
- The Cabinet Secretary is keen to discuss issues concerning the current project in Sutherland to develop Scotland and the UK's first vertical small satellite launch facility (hereafter referred to as spaceport) with Ivan McKee, Minister for Trade, Investment and Innovation who has the portfolio responsibility over the space sector in Scotland.
- [REDACTED] Director of Business and Sector Development for Highlands and Islands Enterprise (HIE) will dial in to the first 15/20 minutes of this meeting. HIE are leading on the spaceport developments in Sutherland and therefore, will be well placed to provide clarification on issues directly concerning the project.

**Letters from [REDACTED] of Gillespie McAndrew Solicitors on behalf of [REDACTED]**

- On 11 October 2018, [REDACTED] on behalf of [REDACTED] (Melness Crofters) wrote to the UK Space Agency to raise a number of planning and environmental concerns in relation to the spaceport project in Sutherland. Fergus Ewing, Cabinet Secretary for the Rural Economy was copied in to this letter.
- On 13 November 2018, the UK Space Agency responded to the letter.
- On 19 November 2018, Ivan McKee, Minister for Trade, Investment and Innovation also provided a response to this letter.
- On 9 January 2019, a further letter from [REDACTED] was received through MACCS. Officials are liaising with HIE for comment before drafting a response for Mr McKee to consider.
- All four letters have been attached to the covering email.

**Questions and Answers from Highlands and Islands Enterprise (HIE) in relation to sensitivities**

- Following receipt of the initial letter of 11 October from [REDACTED], Fergus Ewing, Cabinet Secretary for the Rural Economy requested a telephone call with officials. This resulted in a series of questions the Cabinet Secretary sought clarification on.
- Officials liaised with HIE and arranged for a written response for the Cabinet Secretary.
- The Cabinet Secretary has seen and is content with HIE's response. This has been included at Annex C.

**MELNESS CROFTERS LETTER – 11 OCTOBER**  
**POINT BY POINT BREAKDOWN**

**Point 1 - Melness Crofters Estate**

**1.1 The proposal would not bring benefit to the community, required under the company's Memorandum of Incorporation**

- The company would have annual income from the lease (range £45-90k per annum for 75 years, currently under negotiation<sup>2</sup>), plus 1% of all launch fees.
- HIE's economic impact assessment indicates that 40 high value local jobs are anticipated to be created.
- One of the launch companies is already planning two MAs locally.

**1.2 A number of members of the company do not support the development**

There are currently 60 members of the company (ie registered crofters). A postal vote is to be held next week on whether to proceed with the lease of the site to HIE. Papers are due to be issued on 24 October with results announced around 1 November. A simple majority is required for a decision. From the public meetings held so far, HIE's assessment was that the majority were positive about the proposals, and 5-6 individuals actively against.

**1.3 Proposal has not been discussed by the board of the company / no information has been provided to members of the company or the wider community**

HIE have been engaged with MCE since early 2016, and have met with Board members, and the wider membership on several occasions in the last 3 years (meetings with wider membership highlighted in bold).

21 Jan 2016	Meeting with Chair / Secretary of MCE - early discussions on potential for site
22 Nov 2016	Meeting with Chair, Secretary and one Director - discussed feasibility study and general update to allow MCE to update at AGM.
27 Feb 2017	Meeting with Chair/Secretary - Update on progress
10 Jul 2017	Briefing note for MCE shareholders (sent to MCE secretary) on 10 July 2017
<b>30 Oct 2017</b>	<b>Meeting with MCE – update on progress</b>
14 April 2018	Meeting with Chair/Secretary - pre-meeting to discuss committee meeting and provided summary of land valuation
<b>19 April 2018</b>	<b>Meeting with MCE</b> Agenda and presentations provided by HIE and Deimos (with info from LMSS)
Jul 2018	Invitation to MCE Chair to visit Farnborough Air Show. MCE Chair attended for one day and met with UKSA reps, LMSS and Orbex (the two launch companies awarded grant by UK Space Agency to launch from Sutherland).
<b>20 Aug 2018</b>	<b>Meeting with MCE</b>
21-22 Aug 2018	Community drop ins at Melness and Tongue - some MCE representatives attended

HIE have offered to present again to the MCE ahead of the vote. However the MCE Chair advised that they had sufficient information in order to progress matters. HIE do, however, intend to provide a summary document should it be needed.

**Point 2 – Crofting Tenure**

**Unlikely the Scottish Land Court will approve the change of use**

The site is currently common grazing land. As well as applying for planning permission for the site, HIE will also need to apply to the Scottish Land Court for permission to change the use of the land under the provisions of the Crofters (Scotland) Act 1993. Section 20 (1) of that Act allows for a change of use "for some reasonable purpose having relation to the good of the croft or of the estate or to the public interest or the interests of the crofting community in the locality of the croft". Section 20 (3) defines "reasonable purpose" as including "any other purpose likely to provide employment for crofters and others in the locality".

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<sup>2</sup> Following negotiation, an annual rent of £75,000 was agreed.

At this stage HIE is planning to submit an application to the Scottish Land Court once planning permission is in place.

The comment about threatening behaviour is a matter for the police and we note that the correspondent states that at least one incident has been reported to the local constabulary.

**NOTE: HIE have sought their own legal advice in relation to establishing timings for a Scottish Land Court application. In addition to advice on timings, HIE have been advised that the environmental and land aspects will be considered under an application for planning permission. The Scottish Land Court will only look at 'change of use' for the land and its remit is limited to considering whether this will provide benefit to the local area and community. HIE are expecting to make an application in April/May 2019.**

### **Point 3 - Sporting lease**

HIE were originally informed that a sporting lease over the land was due to terminate in 2019. HIE's solicitors conducted a search which revealed that it actually terminates in 2024. [REDACTED]

Income from the lease is £6,000 per annum and has not been used. This lease will be subject to negotiation by HIE.

### **Point 4 - Planning/Natural Heritage**

The correspondent notes that much of the Melness estate has various designations / protections in place (eg Special Area of Conservation, Site of Special Scientific Interest), but not the whole of the proposed site

All these issues will be explored in depth during the planning process: HIE has had a range of discussions with planning authorities including SNH, and they inform us that to date no substantial reason for planning consent to be awarded has emerged. HIE has done one pre-planning application, and are preparing a further pre-planning application, to be submitted this year, to identify and mitigate any emerging risks. A full planning application is due to be submitted in 2019.

### **Point 5 – Summary (Shetland or Western Isles would have been better sites)**

UK Space Agency funding was awarded after a lengthy and in-depth process, supported by independent research.

Equally, the HIE Board's decision to support the Sutherland site was also made after in-depth consideration of Sutherland, the Western Isles and Shetland as possible sites, again, backed up by independent research.

## **BACKGROUND ON THE COMPANY**

Melness Crofters Estate was incorporated as a company on 11 January 1996. Under the Articles of Association of the company it has a minimum of 3 Directors, and a maximum of 12 Directors. At present Companies House lists 8 Directors. The Chair of the company is elected by directors from within the board. The company secretary is an employee, and does not have a vote. Directors are generally appointed at the AGM from amongst the members of the company. In addition, all the registered crofters on the estate have the right to apply for membership of the company (at present there are about 60 members). Each member of the company has one vote.

Under Article 3 of the Memorandum of Association of the company it manages the lands 'for the benefit of the community of Melness' and must 'apply any profit to local purposes'. Article 6 further clarifies that no income or property can be transferred to individual members of the company (except rental payments and reimbursement of expenses).

### **Current Directors (details from Companies House website)**

Name	Date of appointment	Occupation
------	---------------------	------------

Dorothy Louise Pritchard (Chairwoman)	30/05/13	teacher
Lea Anker	13/12/16	crofter
Magnus Beveridge	11/02/16	joiner
Mark Findlay	30/09/11	director
Gunther Eduard Lowe	13/12/16	retired
Alexander George Mackay	11/02/16	fishfarmer
Kirsteen Louise Mackay	30/04/15 (also 15/06/02-01/04/12)	chiropodist
George Wyper	11/02/16 (also 12/06/04-19/02/13)	retired (building contractor)
Wilma Robertson, Secretary	29/10/15 (also Secretary 04/03/98-18/05/07)	employee of MCE

## QUESTIONS FOR CLARIFICATION FROM THE CABINET SECRETARY AND RESPONSE FROM HIE

The following questions were presented to Highlands and Islands Enterprise (HIE) for clarity on issues raised in relation to the land at the Mhoine in Sutherland sited to develop a small satellite launch facility. HIE have now provided the subsequent answers detailed in this document.

**Q1. We understand that the site, at least in part, is on land that is considered as: a Site of Special Scientific Interest; a Special Area of Conservation; a Special Protection Area; a RAMSAR designated site; a National Scenic Area; and/or a Ben Loyal Wild Land Area.**

***Are Scottish National Heritage (SNH) fully appraised of the project and what discussions have you had with them?***

SNH are fully appraised of the project. They have contributed to a pre-planning application report where they highlighted some issues that should be addressed. These issues are being addressed. We have met with SNH's [REDACTED] and [REDACTED] on a number of occasions. There have also been meetings with representative of AECOM who are undertaking the environmental studies. To date we understand that there are no red flags and work continues on the environmental studies. An Environmental Statement is expected for completion around September / October 2019. A full range of studies is being undertaken with the main focus on bird studies that have been ongoing for over a year. These meetings with SNH have been ongoing for over two years where [REDACTED] has been able to provide comment on plans as they have developed over time. SNH have been consistent in offering advice with regards to the designation and issues that are likely to arise.

***What degree of risk do you see associated with this?***

We believe that there is a risk in the interpretation of the environmental data in relation to the close proximity of the Site of Special Scientific Interest (SSSI). We note that the launch site is not on the SSSI and we also note that consent was achieved for a three-turbine wind farm in October 2008 in a site lying 3km east of where we are proposing the spaceport. Current discussions with SNH and other bodies (Highland Council and SEPA) are positive. Until the environmental surveys are complete and SNH has reviewed these we believe that there is still a risk but given previous planning consents and current results we believe that these issues can be mitigated.

***Also, are there any airspace restrictions associated with the site?***

We are undertaking an Airspace Change Plan (ACP) in consultation with Civil Aviation Authority (CAA) and other bodies. There are currently no known restrictions of a general nature. We are aware that MOD will use sites to the West (specifically Cape Wrath and in particular Garvie Island). These sites are around 30 Km from the proposed launch site and military requirements will be considered as part of the ACP. The ongoing activity around the opening of a hostel in close proximity to these sites was agreed and while activity is ongoing it is only used for small amounts of time. The ACP will deal with discussions with MOD amongst a range of stakeholders and as far as discussions have led, it is clear that the need for temporary restrictions only during a specific launch time can be accommodated.

**Q2. We understand that there may be concerns about the route of the access roads for the launch site, in particular, that it may pass over peatland.**

***Is this correct, and what actions do you have in hand to manage this?***

The main road into the launch complex will pass over peatland. There are well established techniques for accommodating this that have been agreed for use in wind farms in the vicinity. We are confident that there is a technical solution that can be deployed that will meet the concerns over environmental aspects and also be offered at a reasonable cost. This approach is already costed into our capital budget. Peat probes and other site investigations will be undertaken shortly.

**Q3. We understand that HIE have continued to engage with the appropriate planning authorities for the project.**

***What conversations have been had with the planning authority for the project?***

A large number of conversations have been had with Highland Council and other statutory bodies. Use was made of the Highland Council pre-planning application in February 2017. This application considered other launch sites to the north that are no longer being considered. We are seeking dates for another pre-planning application discussion with Highland Council and the statutory bodies. This is likely to be in December or January. We have also had a large number of meetings with the relevant bodies during visits by the Launcher Service Providers (Lockheed Martin and Orbex). The relevant planning bodies have also met with a number of potential Launch Site Operators (around 3-4 visits) and presented their collective view of what is required. We also had the Local Authority's Director of planning attend the Farnborough International Air show and the visit to the site by Secretary of State, Greg Clark, MP. We have suggested that the new CEO of Highland Council also be briefed at the earliest opportunity.

Regular updating meetings are planned to be held with the relevant officers of the Highland Council. This will be important as we move to a more detailed design phase of the site.

***How detailed have conversations been to date?***

The pre-planning application covers a significant amount of detail with an extensive report covering the views of the relevant statutory bodies. The presentations to potential LSOs also were of a detailed level. We expect the further pre-planning application to result in detailed comments and specific issues.

Typically, the pre-planning application discussion take around one to two hours of presentation and questioning.

***What is your assessment of the risks around planning consent, and what mitigating actions are planned to handle these risks?***

The key mitigation action is the ongoing positive dialogue with the key statutory bodies and other local stakeholders. When the first pre-planning application was undertaken there were two sites being investigated. However now that we have focused on one of the sites (the South site), we plan to undertake a second pre-planning application to get further detailed comments.

The top planning consent risks at this stage include:

- Discovery of Archaeological remains.
- The application being "called in" by the Scottish Government.
- Objections from the Local community, statutory bodies or wildlife NGOs.

Our approach to risk mitigation will be focused on proactive engagement with the local community, stakeholders and the Scottish Government. Through our professional support contract, we have access to specialist planning consultants available to ensure we get the best advice possible.

**Q4. We understand that you are reasonably confident that the sporting lease can be renegotiated.**

***Have you opened negotiations on this point, and when do you expect these negotiations to conclude?***

This will be a condition on HIE's lease option as it needs to be resolved by the Melness Crofters Estate (MCE) prior to the lease being agreed. Through a number of discussions had with the board since 2016, we know that MCE (should the vote be positive) are keen to accommodate us. We have had two private reports that the principle of the lease ([REDACTED]) is minded not to object if the community is positive. This is important to

the negotiation. The lease runs until 2024 and this cannot be terminated by MCE unless there is a breach of the lease by the tenant ([REDACTED]). The lease can be terminated at any time by the tenant. If the lease is to remain in place [REDACTED] would need to consent to changes to the lease to permit the installation of the Space Centre.

***What is your realistic assessment of the likely impact on the overall project if these negotiations fail to reach a satisfactory conclusion?***

Our solicitor has advised that there could be a negotiated settlement. It seems unlikely that a sporting lease can act as a veto on this activity. Our solicitor has suggested that if no negotiated agreement could be settled with the tenant of the Sporting Lease and if we had the agreement of the landlord it would be possible to consider the use of a Compulsory Purchase Order.

***Are there any other similar leases or legal agreements that could affect any part of the site and what actions are in train to handle them if so?***

Our solicitor ([REDACTED] of Brodies) has undertaken a search and we do not foresee other legal barriers.

**Q5. We understand that the Melness Crofter's Estate members' ballot re the lease of the required land has been circulated with a close date for votes on 7 November (Originally 1 November but extended to accommodate some members who are out of the country).**

***What contingency plans do you have in place if the Melness Crofter's Estate vote does not result in favour of the project?***

We will provide a plan B with two options before the decision by MCE. These will require further time and where an alternate location is suggested would be likely to add at least 18 months onto a possible launch date and may mean that UKSA financial support is lost not only for HIE but also for Lockheed Martin and Orbex. We have not yet had these discussions with either UKSA nor the two launch companies. All are aware of the ballot and we would intend to implement these options only if required to do so. We also would anticipate adverse external comment if it became public that these activities were being undertaken now.

**Q6. We understand that there are a number of organisations in the Highlands & Islands area who are keen to pursue activities in the space sector including the other sites that submitted spaceport business cases to HIE.**

***What work does HIE have in hand to support other projects and companies within the H&I region who are intending to pursue a future in space activity?***

HIE's desired output from the UKVL project is to create jobs and prosperity in the Highlands and Islands. As such, a key focus for us is driving supply chain interventions as well as supporting inward investment. Following significant support from HIE, Orbex have chosen to base their UK headquarters in Forres, Moray. This is confidential at this stage but represents a significant initial economic impact from the UKVL Project. In addition, discussions are ongoing with Lockheed Martin who are investigating sites in the North Highlands to base a Launch / Mission Control Facility. HIE's focus on Vertical Launch is entirely on the Sutherland site, however HIE's area teams in Shetland and Western Isles are continuing to support non-launch space opportunities, an example of this is a proposed ground station and satellite tracking facilities where we are engaged in discussions with Shetland Space centre. HIE is aware that there are other locations across the Region which may progress vertical launch proposals. However, none of these are currently part of the UK Space Agency process and we do not see a way they could become so.

[REDACTED], HIE, Director of Business and Sector Development

[REDACTED], HIE, Project Director UKVL

[REDACTED], HIE, Senior Project Manager, UK Vertical Space Launch Project

2 November 2018

[REDACTED] | PA & Business Support to Mary McAllan, Director of Economic Development | Economic Development Directorate | Scottish Government | 3rd Floor | 5 Atlantic Quay | Glasgow G2 8LU | tel: [REDACTED]



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**From:** [REDACTED]  
**Sent:** 10 May 2018 17:34  
**To:** Cabinet Secretary for Economy, Jobs and Fair Work <[CabSecEJFW@gov.scot](mailto:CabSecEJFW@gov.scot)>; Minister for Business, Innovation and Energy <[Ministerbie@gov.scot](mailto:Ministerbie@gov.scot)>  
**Cc:** Cabinet Secretary for the Rural Economy and Connectivity <[CabSecREC@gov.scot](mailto:CabSecREC@gov.scot)>; Minister for Transport and the Islands <[transportminister@gov.scot](mailto:transportminister@gov.scot)>; [REDACTED] <[REDACTED]> ([REDACTED] [REDACTED])  
**Subject:** Submission - Scottish Spaceport proposals - for decision

Please find attached advice on proposals for horizontal and vertical satellite launch facilities in Scotland. This advice has been agreed with Transport Scotland colleagues.

[REDACTED]

[REDACTED] | Head of Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | t: [REDACTED]

From: [REDACTED]  
Economic Development Directorate

9 May 2018

Cabinet Secretary for Economy, Jobs and Fair Work  
Minister for Business, Innovation and Energy

## SCOTTISH SPACEPORT PROPOSALS

### Purpose

- To provide advice on the impending result of the UK Space Agency's grant funding competition for spaceport and satellite launch operations, and the potential implications both for [REDACTED] strategic plan and separate decision about the future of the business; and for the proposal for vertical launch facilities in Sutherland.

### Priority

- **Routine.** The UK Space Agency (UKSA) is expected to inform applicants of their success or otherwise at the end of May, with a public announcement regarding funding to likely follow shortly thereafter.

### Background

- The global space industry has almost doubled in size during the last decade with projected growth reaching £400bn in 2030. The UK Government has identified 'satellites' as one of the eight great technologies where the UK can be world-leader and has set ambitious targets for the UK to capture 10% of this market and create 100,000 jobs by 2030.
- Access to space is a basic enabler for the entire space sector. Space launchers are viewed by world space powers as strategic assets and building-blocks for their space economy. Access to space is a sector of high visibility as well as a landmark of technological capabilities and, as such, they have historically been developed by nations such as the USA, Russia, Europe, China, Japan and India with extensive government funding through R&D investments, infrastructure support, and guarantees of services purchase.
- UKSA has been running a competition to provide grant funding to sites and commercial operators to support infrastructure set up costs for spaceport sites and development costs for spaceport operators in the UK. Grant offers will be GBER compliant (General Block Exemption Rules). The grant funding is seen as essential to kick start the UK's ability to launch space operations from 2020. In support of this funding round, the UK government announced a £50m fund as part of the launch of the UK Industrial Strategy. This fund is intended to support UK spaceports access a global market for launching small satellites worth £10 billion over 10 years, and offer low gravity flights to advance cutting-edge science.

- The Scottish Government has been clear on its support for all Scottish sites involved in the UKSA process<sup>3</sup> and on its commitment to maximising Scotland's role in the burgeoning space sector, particularly around small satellite manufacture.
- In support of this funding round, UKSA commissioned a report from Frost & Sullivan<sup>4</sup> to assess the potential UK market share for dedicated launch services to support its business case for investing in spaceport facilities. This report estimates that the market for the small satellite launch capabilities being considered for the UK would amount to \$5.5 billion over 2021-2030. It also noted that more than 30 small-satellite operators plan to launch low earth satellite constellations, amounting to over 7,000 satellites. Such satellites have a 2-5 year life and would therefore generate recurring demand. At present, launches are usually done as 'ride-share' on the back of launches of large satellites. Frost & Sullivan estimated that the existing rideshare capacity, with 5% annual growth, is capable of meeting less than 35% of the total small satellite launch demand. This leads the report to conclude that the small satellite launch market can be competitive: UKSA agrees with that conclusion.
- The wider economic benefit from securing first mover advantage in the space sector are significant. The economic impact assessment undertaken as part of the UKSA process estimated some 4,500 jobs from spaceport activities across the cluster. Scotland's space sector grew to have revenues of £2.5bn in 2017 with Scotland manufacturing more micro-satellites than any other country in Europe, many of which were transported to Kazakhstan for launch. An ability to deliver reliable launches from Scotland would build on Scotland's existing success and help retain and grow the increasingly significant number of small satellite manufacturers already here.
- A number of sites across the UK applied for UKSA funding. In Scotland only [REDACTED] [REDACTED] (horizontal launch) and A'Mhoine in Sutherland (vertical launch) were shortlisted. [REDACTED] in Cornwall is the only other site shortlisted – also horizontal launch. For successful bids, funding will be offered to both the spaceport and the operator, with a condition of funding to operators that they are tied to making a specified number of launches from their partner spaceport.

[REDACTED]

- The A'Mhoine project is backed by Highlands & Islands Enterprise and has two potential commercial operators, Lockheed Martin Space Systems and Orbital Express. Please see Annex B for further details.
- The selected sites will be able to stake a claim to be the UK and Europe's first spaceports with ambition to successfully launch space missions by 2020. The Scottish Government will be expected to respond to this announcement, potentially with a funding/support offer for [REDACTED] Spaceport and a form of funding/support for A'Mhoine (in partnership with Highlands & Islands Enterprise). If Scotland can secure both horizontal and vertical launch facilities for small satellites it will propel itself to the forefront of the European space sector.

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<sup>3</sup> In response to oral PQ S5O-00452, on 8 December 2016 Mr Brown responded that "We remain focused on ensuring that a spaceport is based in Scotland, and the Scottish Government and its agencies will provide advice and support to any Scottish airfield that wishes to pursue the spaceport opportunity."

<sup>4</sup> 'UK Spaceport Business Case Evaluation – Final Report', February 2018

- No other UK sites are competing with A'Mhoine for vertical launch capability in the UKSA funding round, and it is expected to be awarded UKSA support, as are its two potential partners.

[REDACTED]

## Funding

- Both the [REDACTED] and Sutherland site have funding gaps to fill, and in each case the lead partner has concerns about the relatively high-risk nature of this investment. [REDACTED] This is not a sustainable position if they are serious about progressing this option. Equally, the HIE board has expressed reservations about funding the gap in developing satellite launch facilities as the majority of direct economic impact may accrue outside HIE's own area.

We understand from UKSA that the maximum amount of funding available for the whole satellite launch programme is £50m, which has come through UK Industrial Strategy funding. UKSA has also been clear that there is no scope for this to be increased. Every indication is that over £31m of this is earmarked for the Sutherland site and its two potential operators, [REDACTED]

In terms of supporting the remaining gap in funding, for the Sutherland project the UKSA grant will be for the maximum allowed under GBER. This means that HIE/ Scottish Government cannot provide any further direct grant support for building the facility. [REDACTED]

- In both cases this effectively leaves us considering more novel approaches to support using financial instruments such as providing loans at a commercial rate and/or providing loan guarantees, enabling the developers to access finance via the commercial market. Neither the board of [REDACTED] [REDACTED] nor the HIE Board appear keen on this approach. It is, however, the only viable solution we can see.

Economic development officials are discussing with HIE how we could support their aspirations, considering the likely level of exposure and appropriate degree of risk sharing.

[REDACTED]

## Summary

- Investment in satellite launch facilities can be viewed as being relatively high risk. However, the potential benefits of being an early adopter mean that the potential gains overall could be sizeable. [REDACTED] If work on the Sutherland site does not proceed Scotland (and the UK) will lose two potential inward investors in Lockheed Martin Space Systems and Orbital Express.
- We have three main options:
- Do nothing: Every indication is that the [REDACTED] and HIE boards would cease to pursue spaceport options without Scottish Government backing, leaving us open to strong criticism that we are not supporting their ambition.
- Support one site: this would go against our previous 'site neutral' stance and at this stage we do not have evidence or a reason to favour one site over the other
- Commit to supporting both sites: this would be via financial instruments such as loan guarantees or loans at commercial rates to cover funding gaps.

## **Recommendation/next steps**

- That you agree ‘in principle’ support for both [REDACTED] and Sutherland’s spaceport ambitions, in line with previously stated policy.
- That you agree to officials continuing to explore potential support with an appropriate level of risk-sharing.
- That officials develop a narrative in readiness for when the UK Space Agency make their expected announcement on funding

[REDACTED]

Manufacturing & Construction team  
Innovation, Investment & Industries Division  
May 2018

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Cabinet Secretary for the Rural Economy & Connectivity Minister for Transport and the Islands			X	X	

Roy Brannen, Chief Executive, Transport Scotland  
John Nicholls, Director - Aviation, Maritime, Freight & Canals  
[REDACTED] Transport Scotland, Head of Aviation team  
[REDACTED] Transport Scotland, Director for Finance  
[REDACTED], Transport Scotland, Finance  
Mary McAllan, Director for Economic Development  
[REDACTED], Head of Enterprise & Cities Division  
[REDACTED], Place-Based Economic Development  
Richard Rollison, Head of Innovation, Investment & Industries Div  
[REDACTED], Manufacturing team  
[REDACTED], Directorate for Financial Management  
Communications Economy  
Stewart Maxwell, Special Adviser

## **Annex A**

## SCOTTISH SPACEPORT PROPOSALS

### Vertical launch - Sutherland proposal

1. Highlands & Islands Enterprise has led on the proposals for vertical launch facilities. Due to the unique geographical features of the Highlands and Islands, the opportunity for the development of a suitable launch facility for vertical launch is restricted to the North of Scotland. The region is therefore pivotal to this growth aspiration and HIE has been pursuing potential spaceport options for a considerable period of time. In particular, feasibility work on the A'Mhoine site has been underway since 2015.

2. A report by [REDACTED]<sup>5</sup> concludes that, on current levels of launch demand, smallsat orbital launch from a UK vertical launch facility would be viable. Considering the projected increase in demand outlined in the Frost & Sullivan report (see paragraph 7 of the covering minute) there is real potential for a successful business model to be developed.

3. The HIE Board meeting on 11 April 2017 considered a paper that noted interest in progressing bids to the UKSA funding round from Argyll, the Western Isles and Sutherland: this was prior to the UKSA funding application deadline of 27 April 2017. The Board was supportive and agreed that HIE should continue to progress due diligence. HIE subsequently proceeded as a partner in five consortia bids, one for North Uist and four for Sutherland, of which two of the Sutherland bids have been shortlisted by UKSA. A further paper went to the HIE Board on 4 October 2017 recommending that HIE move to support the Sutherland project. The Board agreed the strategic outline case for the project enabling it to proceed to due diligence.

4. A further potential site has also emerged in the Shetland Islands and a business case for this location, as well as the Western Isles and Sutherland, was submitted to HIE. All three propositions have been the subject of an independent due diligence process and initial consideration by the HIE Board at its meeting on 25 April 2018. The result of the independent due diligence process indicated that HIE should consider the Sutherland site for support. The Board did not reach a final conclusion on 25 April and is reconvening on Tuesday 15 May to consider further information that HIE officials have been asked to prepare.

[REDACTED] [REDACTED]that carried out trajectory analysis for sun-synchronous orbits from Scottish launch sites. This indicates that Shetland is the best geographical location to achieve maximum payload mass deliverable to orbit and[REDACTED]has made much of this statement. However, the report also states that a remote island location would be logistically much more challenging than a mainland site, such as Sutherland. Other reports (also confidential) indicate Sutherland as [REDACTED]

### Current position – UKSA funding

5. Neither the Shetland nor the Western Isles proposals are competing with A'Mhoine for vertical launch capability in the UKSA funding round. Subject to final UK Government approval, [REDACTED]

6. In addition, UKSA are looking at awarding [REDACTED] These awards will be conditional on them making a specified number of launches from the Sutherland site.

## **Infrastructure costs**

7. The estimated total cost for infrastructure associated with the Sutherland spaceport development is £17.272m, the bulk of which (£10.972m) relates to launch site infrastructure. This would deliver facilities that would meet the needs of both Lockheed Martin Space Systems and Orbital Access. The expectation is that the funding gap would be met by HIE, the NDA, and potentially the Scottish Government. Funding mechanisms available to the public sector, whether HIE or Scottish Government, would be a loan on commercial terms, or a guarantee to enable the project to access funds on the open market.

## **Operator support**

8. [REDACTED]which will act as a “mothership” in orbit, deploying satellites with differing commercial orbit requirements into their required orbits. Currently, satellites are deployed into an orbit, and use precious fuel and time (which reduces their operational time in space) to manoeuvre themselves into their correct orbits. Lockheed Martin Space Systems plan to use Rocket Lab’s technology, which has successfully launched a number of times.

9. [REDACTED] With both these awards firmly linked to launch facilities at Sutherland there is the real potential for much wider economic benefits to accrue to Scotland. Orbital Express has explicitly stated that it is looking at setting up manufacturing facilities in Scotland with potential employment of c.150 over time. HIE has sought urgent clarification of the likely scale and location of investment by both operators.

## **Funding and financing options**

10. The main ask of the public sector is in relation to developing the spaceport infrastructure, where the basic costs and potential sources of funding are as follows. Although the funding from the NDA is not formally committed, they have given a clear indication of willingness to invest £5m. The HIE paper considered by the Board on 25 April stated that this would be transferred to HIE and invested in the project on commercial terms to satisfy the market economy investor principle (MEIP):

	£m
<b>Total project cost</b>	<b>17.2</b>
- including development of launch pad, access roads, power supply, offsite infrastructure works	
<b>UKSA</b>	<b>2.335</b>
<b>NDA</b>	<b>5.0</b>
<b>HIE</b>	<b>9.845</b>

11. We understand that the HIE board is not comfortable with being the majority funder of the spaceport facility for what is viewed as a relatively high-risk investment. We and HIE officials are currently investigating as a matter of priority other funding routes, in addition to the potential £5.0m from the Nuclear Decommissioning Agency. This could potentially include the Scottish Government providing financial instruments such as some form of loan guarantee to enable HIE to access funding from the financial market. Given the wider potential benefit to the UK economy we have also asked UKSA if there may be other potential support mechanisms available at UK level: nothing further has been forthcoming. The Board

is seeking reassurance that HIE's Grant in Aid budget via Scottish Government can be increased to cover all or part of the net cost to HIE, potentially £9.845m.

12. HIE's proposal is that it would lead the development of the spaceport in Sutherland but would not operate the facility. The spaceport would be owned by the public sector, but leased to a private sector operator. HIE had discussed a state aid compliant route with UKSA and the Scottish Government State Aid Unit, and that was included in the UKSA application for funds (this is in part the basis of leasing the site to a commercial operator). As a result of this dialogue HIE concluded that under state aid rules 25% of the funds would need to come from private sector commercial sources eg via a loan.

13. Initial advice from SG finance colleagues is that, in accordance with the SPF, the SG cannot allow HIE to take a commercial loan as a means of increasing spending power. However, in the event that all other possible avenues of funding have been exhausted, the Enterprise and Towns Act does allow for HIE to borrow commercially with the consent of the Cabinet Secretary. This would only be possible with the receipt of a comprehensive business case illustrating all other alternatives explored and how they cannot be pursued. Officials would then use the business case to inform a briefing for the Cabinet Secretary to consider and make a decision.

### **The commercial and economic case from space launch capability**

14. [REDACTED], the wider economic benefit from securing first mover advantage in the space sector are significant. [REDACTED]. The wider links to academia, the National Manufacturing Institute for Scotland and the Advanced Forming Research Centre are also of significant potential benefit to this proposal.

[REDACTED]

15. HIE's own project appraisal only considered direct impacts of the proposed facility, with employment during the construction phase peaking at 102 in 2022 and gross GVA impacts building to £9.9m over the five years to 2022. However, the facility has the potential to be transformative in what is as an economically fragile area.

Manufacturing & construction team  
May 2018

Hi [REDACTED]

Further to the telephone call between Mr McKee on spaceport activity yesterday evening, and in advance of the Minister's meeting with HIE tomorrow, to see attached:

- Timeline of spaceport activity and additional background
- UKVL Sutherland Project: Risk and Assurance Register
- UKVL Project Plan/Timeline

The Minister may also wish to be aware that the UKVL Sutherland Project has scheduled for a Gateway Review to take place in March 2019. A Gateway Review will be conducted by a team of practitioners, independent of the Project Team, and is expected to provide assurance on the health of the project, taking in to account a range of issues such as; whether the adequate skills, business resource and experience has been deployed; and identifying if the risks and associated mitigation and contingency are being managed appropriately.

Many thanks

[REDACTED]

**[REDACTED] | Manufacturing Policy Manager**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU [REDACTED]

[REDACTED] | PA & Business Support to Mary McAllan, Director of Economic Development | Economic Development Directorate | Scottish Government | 3rd Floor | 5 Atlantic Quay | Glasgow G2 8LU | tel[REDACTED]



**From:** [REDACTED]>  
**Sent:** 08 November 2018 10:09  
**To:** Cabinet Secretary for the Rural Economy <[CabSecRE@gov.scot](mailto:CabSecRE@gov.scot)>; Minister for Trade, Investment and Innovation <[MinisterTII@gov.scot](mailto:MinisterTII@gov.scot)>  
**Cc:** McAllan M (Mary) <[Mary.McAllan@gov.scot](mailto:Mary.McAllan@gov.scot)>; Rollison R (Richard) <[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>; [REDACTED] [REDACTED]  
**Subject:** CONFIDENTIAL - Spaceport - Melness Crofters Vote

**CONFIDENTIAL**

**PS CABINET SECRETARY FOR THE RURAL ECONOMY  
PS MINISTER FOR TRADE, INVESTMENT AND INNOVATION**

In relation to the Spaceport project in Sutherland, led by Highlands and Islands Enterprise, Ministers will wish to be aware the recent ballot issued by the Melness Crofters Estate (MCE), for a decision on leasing the land required by HIE for the development, has voted **IN FAVOUR** of the lease.

As confirmed this morning by HIE, out of 60 MCE members, the result is:

- **27 (59%) FOR**
- **18 (39%) AGAINST**
- **1 (2%) spoiled paper**

HIE recognise that more needs to be done to establish what the issues are in relation to the no votes and will continue to work with the MCE members, and local people, to alleviate any reservations held on the spaceport development and ensure that the project gains a strong level of support from the community.

**This is currently not public information** and the MCE has asked that we keep retain confidentiality on the results until tomorrow (9 November) to allow the Board time to ensure that all members are notified first. However, we understand that the results may well get leaked today, and therefore, officials will prepare a reactive line for Comms in the event that we are approached for comment by any press.

Officials also prepared an FMQ note for Question Time today and this is with FMQ Teams. The note has been attached for your information.

Kind regards  
[REDACTED]

[REDACTED] | Manufacturing Policy Manager

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU [REDACTED]

**ISSUE:** The Melness Crofters Estate have voted yes to leasing the land, owned by the Estate, to Highlands and Islands Enterprise for the development of a spaceport for small satellites – the results were announced today [8 November].

- A postal vote was issued to all 60 members on 24 October on whether to proceed with the lease of the site to HIE. The vote was 27 in favour of leasing the land and 18 against.
- HIE are leading on the spaceport project and have been engaged with the Estate since early 2016, having met with its Board members, and the wider membership on several occasions over the last three years.
- Prior to the vote, HIE's assessment, based on local engagement, was that the majority of the Estate were positive about the proposals, and 5-6 individuals actively against.
- In July 2018, Dorothy Pritchard, chairwoman of the Estate, released a positive statement in the Press and Journal on the spaceport development in Sutherland noting that “Everybody is on board now”.

### **Top Lines**

- I am pleased that the Crofters have voted in favour of leasing the land at Sutherland to Highlands and Islands Enterprise for the development of a small satellite spaceport.
- The spaceport will deliver strong community benefits.
- We are determined to ensure that the Crofters and the wider community are engaged in the development of the spaceport and that community benefits, such as an estimated 40 local jobs, are realised.
- We remain committed to developing a spaceport to deliver local and national economic benefits.

### **Highlands and Island’s Enterprise will continue to engage with local people and work hard to address the concerns of those who did not wish to lease the land**

- A spaceport will be a really positive development for this part of Sutherland.
- Highlands and Islands Enterprise estimate that the spaceport will support up to 40 jobs in the local area and around 400 supply chain jobs across the region.
- The agency has held a number of positive meetings with the Board of the Melness Crofters Estate and with the wider community.
- In July, the Chair of the Board said “*Everybody is on board now and we are beginning the negotiation stage. We are making progress.*” [PRESS & JOURNAL, JULY 2018]
- Highlands and Islands Enterprise will, of course, continue to work with planning authorities and Scottish National Heritage to fulfil all its planning and environmental obligations.

**We remain committed to developing a spaceport in Scotland and this is an important step forward**

- The Mhoine was selected by the UK Space Agency as the best place in the UK to deliver its small satellite launch ambition.
- We are clear that a spaceport will deliver local and national economic benefits and provide an important addition to Scotland's burgeoning space sector
- A spaceport is expected to open up a wide range of market opportunities for Scotland which already builds more small satellites than any other place in Europe.
- A spaceport will mean we can build in Scotland, launch from Scotland, and operate satellites, all from Scotland – supporting Scotland's ambition to grow its space sector to a £4 billion industry by 2030.
- Securing a first-mover advantage in launch capability will bring significant benefits.
- We have the chance to set the industry benchmark for scope and operational standards, leading to strong relationships with satellite operators.

[REDACTED] | PA & Business Support to Mary McAllan, Director of Economic Development | Economic Development Directorate | Scottish Government | 3rd Floor | 5 Atlantic Quay | Glasgow G2 8LU | tel:[REDACTED]



**From:** [REDACTED]  
**Sent:** 15 October 2018 18:09  
**To:** McAllan M (Mary) <[Mary.McAllan@gov.scot](mailto:Mary.McAllan@gov.scot)>  
**Cc:** Rollison R (Richard) <[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>[REDACTED]  
**Subject:** Sutherland spaceport - letter to UKSA

Mary

I refer to our conversation earlier today about the letter from [REDACTED] to the UK Space Agency. I tried reaching Charlotte – [REDACTED] returned my call.

Although we wouldn't expect everyone in the local area to be happy with the plans for a spaceport, it was a bit of a surprise that a director of the Melness Crofters Estate company make such an approach to the UK Space Agency. The chair of the company, Dorothy Pritchard, has appeared in the media more than once expressing strong support for the proposal. In July she was quoted in the Press & Journal as saying "Everybody is on board now and we are beginning the negotiation stage. We are making progress". She was also included in a segment in last night's BBC programme, The Sky at Night where she commented that HIE first approached them about using the site 2½ years ago and that they were optimistic about the potential social and economic benefits - she expressed the hope that there would be apprenticeships and training for young people to help retain population in the area. They are very aware of the potential environmental and safety issues but she referred to the 'good companies' involved who were aware of these issues; the plan was for the land to be leased, not sold, so the company would retain overall control; and crofting would continue on the estate.

[REDACTED] was not aware that the correspondent, [REDACTED] is a [REDACTED] – I informed him that he was previously the [REDACTED], but appeared to have [REDACTED], when he was [REDACTED]. Dorothy Pritchard has been a director since 2013.

[REDACTED]

[REDACTED] confirmed what we have previously been told, that from the engagement HIE have had the vast majority of people in the area support the development and that HIE have provided the company with all the information requested. There is a board meeting of the company at the end of the month where directors will vote on the proposal – this will be a secret ballot with a simple majority making the decision whether to proceed.

However, given that there is now a director of the company unhappy enough to have engaged a lawyer, and that the letter refers to a number of members of the company being opposed to the proposal, I have pointed out that a more positive approach to engaging with

directors is necessary – and urgent. I added that you would want to speak to Charlotte about this.

[REDACTED]

*[REDACTED] | Head of Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | t: [REDACTED]*

FYI...

**From:** McAllan M (Mary)  
**Sent:** 03 May 2018 05:47  
**To:** [REDACTED] Rollison R (Richard)  
**Cc:** [REDACTED]  
**Subject:** Re: Update on Spaceport – HIE Board discussion

Can we get a call set up with Charlotte and can I have sight of the advice (substance and handling) on the issue including [REDACTED] both today if possible.

Mary

Sent from my BlackBerry 10 smartphone.

**From:** [REDACTED]  
**Sent:** Wednesday, 2 May 2018 12:39  
**To:** McAllan M (Mary); Rollison R (Richard)  
**Cc:** [REDACTED]  
**Subject:** RE: Update on Spaceport – HIE Board discussion

Mary – some very quick comments for you.

I am working on advice covering [REDACTED] and vertical launch, trying to get that done this week.

On vertical launch, the verbal feedback I had from HIE on the board discussion did not include their concerns about a potential legal challenge from Shetland. Having due diligence carried out by a 3<sup>rd</sup> party was meant to mitigate that risk. The key concern relayed to me was that HIE was being expected to spend £10m on a project where the economic benefits within HIE's area would be relatively limited (the paper to the board really only considered direct impacts), with more benefits accruing in the rest of Scotland and the UK.

UKSA have a total budget of £50m for satellite development support – this was meant to cover the current satellite launch call, plus other smaller technology calls. Even assuming that all £50m is now allocated to the satellite launch call, over £31m is expected to be awarded to the Sutherland site and its two potential operators, £2.355m for infrastructure and the remainder to develop aspects of the launch technologies being used by the two operators (theoretically leaving a maximum of less than £19m for the Cornwall site).

The £2.355m being awarded by UKSA to develop the spaceport infrastructure in Sutherland is the maximum under GBER. I have pushed UKSA on that point and they are clear that is the maximum possible, so the public sector cannot provide any more grant for this aspect of the project. HIE expects a further £5m contribution from the NDA, leaving c.£10m to be found elsewhere. The only funding mechanisms available to the public sector, whether HIE or SG, would be a loan on commercial terms, or a guarantee to enable the project to access funds on the open market. I have asked UKSA for any other possible source of UK support as a matter of urgency, and they are speaking to DIT about anything they might be able to offer, but I am not that hopeful at this stage.

For the HIE board to approve this project my assessment is that SG will need to share the financial risk with HIE. If the Board decides not to support this site then we lose both Lockheed Martin Space and Orbital Express as potential inward investors, as well as the associated supply chain benefits and the basic benefits of companies having easier access to launch facilities. HIE is well aware of this. I have also asked UKSA to work with the two launch companies and HIE to ensure that all potential benefits are properly identified and they are progressing that as a matter of urgency too (eg Orbital Express are considering setting up a manufacturing plant in Scotland, but to date have not been clear about the likely site for that facility). The amount of grant on the table from UKIS is pretty significant and should provide reasonable incentive to both companies to prioritise this.

[REDACTED]

*[REDACTED] | Head of Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | t: [REDACTED]*

**From:** McAllan M (Mary)  
**Sent:** 02 May 2018 11:15  
**To:** Rollison R (Richard); S[REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Fw: Update on Spaceport – HIE Board discussion

Can I have advice on this please. What are the implications if the HIE board refuse support

Should we be advising Ministers on this and if if not now when?

Sent from my BlackBerry 10 smartphone.

**From:** Charlotte Wright <[charlotte.wright@hient.co.uk](mailto:charlotte.wright@hient.co.uk)>  
**Sent:** Wednesday, 2 May 2018 11:09  
**To:** McAllan M (Mary)  
**Cc:** [REDACTED]  
**Subject:** Update on Spaceport – HIE Board discussion

Mary,

Please find attached an update on Spaceport following the HIE Board discussion last week.

We are in the process of arranging a further HIE Board meeting on either 8<sup>th</sup> or 15<sup>th</sup> May (date still to be confirmed) and the Board are keen that you join that session (dial in option will be available).

It would be useful for us to discuss and perhaps we could have a speak tomorrow or Friday. I have copied my PA in so she can liaise with your office to arrange a call.

Thanks  
Charlotte

**Charlotte Wright**  
Chief Executive

Spot on from our perspective, thanks [REDACTED]. See also interesting attached email from UKG!

[REDACTED]

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**From:** [REDACTED]

**Sent:** 21 August 2018 11:32

**To:** ET FMQ/PQ Mailbox <[ETFMQPQ@gov.scot](mailto:ETFMQPQ@gov.scot)>

**Cc:** [REDACTED] Rollison R (Richard) <[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>; McAllan M (Mary) <[Mary.McAllan@gov.scot](mailto:Mary.McAllan@gov.scot)>; [REDACTED]

**Subject:** RE: FMQ Brief - UK Spaceport - Deadline Tuesday 21st at 12:00

Hi [REDACTED]

Please find attached FMQ note on 'UK Spaceport' as requested.

Many thanks

[REDACTED]

<< File: 180821 - UK Spaceport FMQ.docx >>

[REDACTED] | Manufacturing Policy Manager

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED]

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**From:** [REDACTED] On Behalf Of ET FMQ/PQ Mailbox

**Sent:** 17 August 2018 08:43

**To:** [REDACTED]

**Cc:** [REDACTED]>

**Subject:** RE: FMQ Brief - UK Spaceport - Deadline Tuesday 21st at 12:00

Brilliant

Thanks as always [REDACTED]

[REDACTED]

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**From:** [REDACTED]

**Sent:** 17 August 2018 08:39

**To:** ET FMQ/PQ Mailbox

**Cc:** [REDACTED] [REDACTED]

**Subject:** RE: FMQ Brief - UK Spaceport - Deadline Tuesday 21st at 12:00

Hi [REDACTED],

Yes I can lead on this.

Will have something up to you by your deadline.

Cheers  
[REDACTED]

[REDACTED] | Manufacturing Policy Manager

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED]

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**From:** [REDACTED] On Behalf Of ET FMQ/PQ Mailbox  
**Sent:** 16 August 2018 16:02  
**To:** [REDACTED]  
**Cc:** [REDACTED]>; ET FMQ/PQ Mailbox <[ETFMQPQ@gov.scot](mailto:ETFMQPQ@gov.scot)>  
**Subject:** FMQ Brief - UK Spaceport - Deadline Tuesday 21st at 12:00

Hi [REDACTED]

The FMQ team are doing a dry run for FMQs starting up again.

They have asked for a new one to be commissioned on the UK Spaceport and I think this sits with you.

The deadline for this is 12:00 on Tuesday 21<sup>st</sup>

Are you able to take this one on?

Thanks (I have included some guidance on FMQ Briefs below)

[REDACTED]

[REDACTED], FMQ & PQ Support Manager,  
Room 1N.04, St Andrews House, Edinburgh EH1 3DG  
[REDACTED]  
<< File: FMQ Template.docx>>

Please find the FMQ template attached below.

<< OLE Object: Picture (Device Independent Bitmap)>>

**Please see below reminder re formatting of your FMQ brief:**

- **Do not write SG it has to be “The Scottish Government” or “we”.**
- **Words should be typed out in full e.g. 1m should be 1 million**

- **Include punctuation throughout the brief, including full stops at the end of bullet point sentences.**
- **All headings throughout the brief should be no more than 2 lines long max.**

**If the above is not followed the FMQ team will return your brief.**

Please find links to the guidance below:

**Please keep bullet points at a maximum 2 lines per bullet point to enable FM to read these out in chamber.**

**Preparing FMQs Page** – <http://saltire/my-workplace/ministerial-preferences-and-support/best-practice/Pages/Preparing-FMQs.aspx>

**ISSUE: Funding announced for proposals for a small satellite vertical launch facility in Sutherland – the first in Europe.**

- 15/16 July: UK Space Agency (UKSA) announced £2.5m funding towards site infrastructure costs, and R&D funding to Lockheed Martin Space Systems (LMSS) (£23.5m) and Orbex (£5.5m) for the launch technology.
- Separate to this Highlands & Islands Enterprise (HIE) announced a total funding package for infrastructure costs of £17.3m which includes UKSA's funding and £9.8m from HIE's own resources. **[Confidential]** Although funding from the Nuclear Decommissioning Authority is not formally committed, they have given HIE a clear indication of willingness to invest £5m. HIE is currently referring to this as a 'range of other sources'.

*The wider opportunity*

- The UK could compete in a high value market to launch an estimated 2,000 small satellites by 2030 (Source: UK Space Agency, August 2018).
- The industry ambition is to grow the space sector to £4bn by 2030 (Source: ADMS Strategy for Scotland 2016)

*[REDACTED] unsuccessful in their bid for UKSA funding.*

- **[REDACTED]** UKSA announced a £2m development fund for horizontal launch sites. This is not restricted to one bidder, expected to be business case led and intended for preparatory work such as environmental studies.

*Other sensitivities*

- Shetlands Space Centre Ltd (SSCL) raised a formal complaint against HIE, stating that HIE prevented SSCL from bidding into the UKSA funding round. HIE completed a full review of the complaint and a response was issued to SSCL on 6 July concluding that there was no evidence to support the claims raised.
- HIE assessed 3 potential sites for vertical launch facilities [Sutherland, Western Isles and Shetlands]. A decision was made by the HIE Board to support the Sutherland site. Tavish Scott MSP wrote to Fergus Ewing to raise his concerns in relation to the HIE funding process as HIE is the lead site partner in the Sutherland project. A response was provided to reassure Mr Scott that relevant measures were implemented by HIE during the assessment and that decisions were supported by the results of an independent due diligence process.
- LMSS is part of the wider Lockheed Martin Group which has strong emphasis on military and defence applications for its technologies.

**Top Lines**

- Delighted to see plans for Sutherland to host the first spaceport in Europe.
- A spaceport will open up a wide range of market opportunities for Scotland.
- A spaceport will mean we can build in Scotland, launch from Scotland, and operate satellites, all from Scotland.

- Disappointing that no funding was announced by the UK Space Agency for the proposals submitted by [REDACTED].
- Scottish Government and its enterprise agencies will continue to work with any company seeking to pursue an ambition in Scotland's space sector to ensure that the benefits of the first spaceport are felt throughout the whole of Scotland.

**Delighted that Sutherland is to host the first spaceport in Europe**

- The UK Space Agency decision to support the small satellite launch proposals at the Moine reaffirms that Scotland is the best place to host a vertical launch spaceport.
- This £17.3 million project for the site infrastructure will be funded by a range of sources. Confirmed funding includes £2.5 million from the UK Space Agency and a £9.8 million package from Highlands and Islands enterprise.
- Once operational, the spaceport will support up to 40 high quality, skilled jobs in Sutherland but, more significantly, will have a gross impact of supporting around 400 jobs through its supply chain.
- Our enterprise agencies have been absolutely clear that they will continue to work with all sites and companies with strong proposals for activities within the Scottish space sector.

**There are huge opportunities for Scotland in the satellite launch market**

- Scotland already builds more micro-satellites than any other country in Europe.
- Orbex is committed to setting up facilities for the production and integration of launch vehicles in Scotland, with the potential to create 130 jobs.
- Lockheed Martin Space Systems will bring significant experience to the Sutherland spaceport project and the company has started to take requests from potential customers for its first launch.

**[REDACTED]**

**Lockheed Martin Space Systems brings significant experience, from ground systems, to launch vehicles, to on-orbit missions.**

- The Sutherland spaceport is working in partnership with Lockheed Martin Space Systems, a separate trading division within the wider Lockheed Martin group.
- Highlands and Islands Enterprise is supporting the development of the physical infrastructure to enable vertical launch.
- UK Space Agency funding is supporting the development of launch technologies through Lockheed Martin Space Systems and Orbex.

**UKVL PROJECT BOARD**

**Minutes of meeting held on Friday 14<sup>th</sup> September 2018 at 1530 hours.**

Present [REDACTED] Secretariat

**MINUTES**

**1. MINUTES AND MATTERS ARISING**

[REDACTED], Chair was slightly delayed to the meeting, therefore [REDACTED] opened the meeting and thanked everyone for attending.

The minutes of the last meeting were reviewed (UKVLPB(2018)M001 refers). These were accepted as a true reflection of the meeting.

[REDACTED] noted the recent visit of Greg Clark, Secretary of State to the proposed Sutherland site and indicated he had received positive comments from that visit.

The Space Programme Board had met once (in August 2018) and it was noted that this Board was independent of the UKVL Project Board and would maintain its' own administration processes.

[REDACTED] stated he would provide a paper on UKVL to the Space Programme Board as an update.

**2. REPORTS**

Roy Kirk provided an update on the following:

- **Recruitment:** Recruitment was underway for a project manager and an internal vacancy note had been issued on 14<sup>th</sup> September 2018. It was expected that the recruitment process would conclude by mid-October. At present [REDACTED] was supporting the project on a part-time basis.

Recruitment of a project officer was also progressing with support from Human Resource who had indicated that this post would likely be a Grade C.

Support from CNSRP partners was also available with [REDACTED] (Dounreay Site Restoration Ltd) seconded 50% of her time to take on the role of Stakeholder Relations and Communications Manager and [REDACTED] (Cavendish Nuclear) providing support on regulations and is taking forward discussions with UKSA Regulatory team as well as with Lockheed Martin and Orbex.

At this point, [REDACTED] (Chair) joined the meeting.

[REDACTED] noted the ongoing discussions on regulation and stated that this would be critical to the project. [REDACTED] noted that UKSA were at an early stage in their considerations but were keen to work with potential users to ensure regulation was fit for not over burdensome but fit for purpose. He stated that HIE would not be responsible for regulation as this would fall under the

remit of the Launch Service Providers and Launch Site Operator.

- **Project Plan:** [REDACTED] stated that Perfect Circle had been asked to update the project plan and to ensure it was converted to MS Project to allow internal updating as appropriate. He noted that as soon as this was received in the format requested he would circulate to Project Board members for their review.

**Action: UKVLPB(2018)M002/A001[REDACTED] to issue updated project plan when provided in the MS Project.**

- **Risk Register:** [REDACTED] noted that the risk register was currently being updated and this would be available for project board review within the next two weeks.

**Action: UKVLPB(2018)M002/A002: [REDACTED] to issue risk register for Project Board review.**

[REDACTED] asked whether the risk register would be provided to the Risk and Assurance Board on a regular basis for review. [REDACTED] responded that this would be useful and undertook to do this on a quarterly basis.

**Action: UKVLPB(2018)M002/A003: [REDACTED] to provide the HIE Risk and Assurance meeting with the updated risk register (once updated) on a quarterly basis.**

**Terms of Reference:** [REDACTED] tabled a draft Terms of Reference for discussion (UKVLPB(2018)P001 refers). [REDACTED] stated that Scottish Government were keen to be involved in both the Space Programme Board and this meeting. He noted that [REDACTED] would be the nominated representation for the Space Programme Board while [REDACTED] would be the representative for this meeting. [REDACTED] stated he would amend the Terms of Reference to reflect this. He asked for feedback from members by Friday 22<sup>nd</sup> September 2018.

[REDACTED] asked whether the frequency of the meeting was adequate. [REDACTED] responded that he felt monthly meetings were the right frequency.

[REDACTED] asked that those responsible for papers should ensure these are available three working days before the meeting and this should be reflected in the Terms of Reference.

**Action: UKVLPB(2018)M002/A004: All UKVL Project Board members to provide comment on the Terms of Reference (UKVLPB(2018)P001) by Friday 22<sup>nd</sup> September 2018.**

**Action: UKVLPB(2018)M002/A005: [REDACTED] to draft appointment letter for [REDACTED] Scottish Government including Terms of Reference for [REDACTED] signature.**

### **3. BUDGET**

[REDACTED] tabled a written paper (UKVLPB(2018)P003 refers). [REDACTED] asked whether this was on the system in terms of pipeline projects. [REDACTED] responded that this had not yet been done and also noted that figures for 2018/19 were for the remaining 6 months of this financial year.

**Action: UKVLP(2018)M002/A006: [REDACTED] to ensure budget costs for the UKVL is registered in the pipelines before end of this month.**

[REDACTED] noted costs associated with Legal and asked whether this could be subsumed into the existing legal budget [REDACTED] responded he would explore this with the Legal department.

**Action: UKVLPB(2018)M002/A007: [REDACTED] to speak to Legal Department to explore whether UKVL legal costs can be subsumed into existing budget.**

In relation to the budget there was a general discussion on project supports costs as to whether these costs would be capital or revenue. It was suggested that [REDACTED] seek advice from the Finance Director.

**Action: UKVLPB(2018)M002/A008: [REDACTED] to speak to Finance Director with reference to whether costs fall into capital or revenue in relation to project supports costs.**

[REDACTED] asked how robust these figures were. [REDACTED] noted there was a spreadsheet that sat behind the high level information. [REDACTED] felt it would be useful to provide the underpinning information.

**Action: UKVLPB(2018)M002/A009: [REDACTED] to provide underpinning information on budget figures for the next meeting (12<sup>th</sup> October 2018).**

[REDACTED] noted that the HIE Board had been provided with the build costs of £17M but were not sighted on the overall costs and suggested that this should be made available. [REDACTED] noted that there had been statements made to the Board intimating there would be project costs but these had not been quantified. It was agreed that a cash flow report should be provided to the Board providing information on which budgets funding was coming out of and by when.

**Action: UKVLPB(2018)M002/A010: [REDACTED] to draft cash flow information for the entire project detailing the different budgets that this funding would flow from.**

#### **4. STAKEHOLDER ENGAGEMENT**

Roy Kirk reported the following:

- **UKSA:** The UKSA's approach continued to evolve and it had been intimated that it was unlikely that the regulations would be available until the end of 2020. Representatives of UKSA would be visiting Sutherland on the 25<sup>th</sup> September with a meeting with the HIE project team being held in Inverness on the 26<sup>th</sup>. UKSA representatives would also be involved in the Orbex visit on the same dates.
- **Lockheed Martin:** LMSS were working towards completing their first milestone. They are currently defining their ConOps user requirements. [REDACTED], based in Scotland, is part of the team and has become the point of contact for various discussions. Weekly teleconfs with the LMSS team were ongoing.
- **Orbex** [REDACTED] and [REDACTED] had attended a meeting with the Orbex team in Harwell in early September. This meeting was to understand their requirements and opportunities they may bring to the table.

[REDACTED] stated that there was an opportunity for Lockheed Martin and Orbex to meet with Derek Mackay, MSP Cabinet Secretary for Finance, Economy and Fair work, Scottish Government sometime in October.

**Action: UKVLPB(2018)M002/A011: [REDACTED] to check with SG Colleague for the date and check with LM/Orbex.**

## **5. PROCUREMENT**

There was an in-depth discussion on the various aspects of procurement for the project management support contract required to support the programme.

Perfect Circle had provided an indicative cost for continued support for the next six months and it was agreed that this should be further considered by identifying those tasks that were time critical to the programme, ie continued bird studies (at a cost of approx. £154K). A discussion then ensued around the potential framework contracts that this work could be tendered.

It was recommended that Option 5 be pursued seeking approval following further review on the elements of services essential to ensure the programme remained on target.

[REDACTED] stated he believed that Option 5 was a credible option and would provide the timescale required to ensure that the project did not stall.

It was agreed that the project management costs would be reviewed to highlight the essential services required to ensure the programme remained on schedule. [REDACTED] felt that by going down the CCS framework route a contractor could be appointed by mid-November 2018.

**Action: UKVLPB(2018)M002/A012: [REDACTED] to draft a scope and request that Perfect Circle provide a temporary Project Support role.**

## **6. LSO ROLE**

[REDACTED] tabled a written paper (UKVLPB(2018)P002 refers) noting that the paper reflected discussions prior to the Farnborough announcement. Subsequent discussions with both LMSS and Orbex reflected some concerns on third parties (LSO) being responsible for full range services.

[REDACTED] stated that this could be a potential deviation from the business model presented to the HIE Board. He felt this would have to be considered in relation to a number of issues which may need to be reviewed.

[REDACTED] noted that a decision was required urgently to ensure that the ITT could be issued by the 7<sup>th</sup> December which allows the procurement award to be made by 31<sup>st</sup> March 2019.

There was discussion around the potential requirement of oversight which could be undertaken through the framework contracts. It was also suggested that advice on potential financial structures, ie SPV, should be undertaken.

Further work would be required to update the business case to reflect any possible change to the LSO model and this would be required through the project support contract.

Further conversation on the various aspects of this procurement took place and it was agreed that [REDACTED] should seek advice from various HIE colleagues to allow the options paper for LSO to be amended taking comments on board. The paper should be submitted to [REDACTED] early next week and it was agreed that the Board would delegate approval to him on receipt of the updated paper. [REDACTED] intimated he would be happy to support [REDACTED] in the revision of this paper.

**Action: UKVLPB(2018)M002/A013: [REDACTED] (with support from [REDACTED]) to provide a paper to offer how to use CCS to take forward future project support and to ensure that other needs were met.**

## **7. UKSA MILESTONES**

[REDACTED] provided a written report (UKVLPB(2018)P004 refers). He noted that Milestone 1 had been given a two month extension. He noted the meeting with UKSA on 26<sup>th</sup> September that would offer an opportunity to review grant agreement milestones. He emphasised the need for UKVL Project Board members to review the milestone dates to ensure they were achievable and asked for comments by the 24<sup>th</sup> September 2018.

**Action: UKVLPB(2018)M002/A014: All Project Board members to provide comment on UKSA Milestone dates to ensure they are achievable by 24<sup>th</sup> September 2018.**

[REDACTED] asked whether there was a risk to the March 2021 date if thee milestone dates changed[REDACTED] noted that LMSS's pathfinder milestone was dependent on HIE's milestones but did not believe that by potentially changing some milestone dates that the pathfinder milestone would be affected. He did, however, note that any delay in milestones, such as appointment of LSO, would adversely affect the date of possible launch.

[REDACTED] also noted that there was a more descriptive document setting out the details for each milestone and agreed to circulate this to the Board.

**Action: UKVLPB(2018)M002/A015: [REDACTED] to circulate UKSA Milestone document to UKVL Project Board members.**

It was further agreed that the Project Gantt chart and Risk Register (once updated) would be circulated to Board members.

**Action: UKVLPB(2018)M002/A016: [REDACTED] to circulate Project Gantt chart to all Board members.**

## **8. EVENTS – MARKETING**

[REDACTED] noted she was developing an events calendar which would be a living document and updated on a regular basis. Paper UKVLPB(2018)P006. She requested that Board members ensure they provide relevant information to allow her to schedule these into the master diary in order for her to keep this updated.

## **9. ANY OTHER BUSINESS**

[REDACTED] asked whether anyone wished to raise any other business.

- [REDACTED] suggested it would be worthwhile for [REDACTED] to review all HIE Board minutes and papers on this topic to ensure that any actions and/or paperwork required for updating the Board was not lost. [REDACTED] stated he would provide this information for [REDACTED] to review. [REDACTED] added he would be happy to support [REDACTED]

**Action: UKVLPB(2018)M002/A017: [REDACTED] to provide [REDACTED] with HIE Board minutes and papers relating to UKVL project.**

**Action: UKVLPB(2018)M002/A018: [REDACTED] to review HIE Board minutes and papers to ensure all actions arising are captured.**

- [REDACTED] suggested that all paperwork related to the UKVL Project Board should be filed in EDRMS. This was agreed.

**Action: UKVLPB(2018)M002/A019: [REDACTED] to file all UKVL Project Board paperwork in EDRMS.**

**Action: UKVLPB(2018)M002/A020: All UKVL Project Board members to ensure they can access paperwork from EDRMS.**

- [REDACTED] noted that there would be a requirement to conduct a Scottish Government Gateway Review and had recently spoken with [REDACTED]. She had indicated that there was a requirement for a pre-meeting with a six weeks lead time followed by a three day review process. This would be programmed in to the activities required for this project and the outcome of the review would be provided to Charlotte Wright. [REDACTED] noted it may be useful to undertake an internal gateway in due course.
- [REDACTED] noted he was currently working on two Terms of Reference; Infrastructure Development and Benefits realisation/community development. He asked whether it was possible to circulate an all staff email inviting interested staff to take part in this. [REDACTED] asked that a draft email be sent to him for approval before issue.

**Action: UKVLPB(2018)M002/A021: [REDACTED] to provide draft email to all staff to invite them to take part in benefits realisation to [REDACTED] for approval before issue.**

- It was noted that the next meeting would take place on 12<sup>th</sup> October at 1500 hrs.

There being no further business, [REDACTED] thanked everyone for their input and formally closed the meeting.

[REDACTED]

UKVL Project Board Chair  
15<sup>th</sup> September 2018.

**UKVL PROJECT BOARD**

**Minutes of meeting held on Friday 9<sup>th</sup> November 2018 at 1500 hours**

Present	[REDACTED]	Chair
	[REDACTED]	
	[REDACTED]	(by telephone)
	[REDACTED]	(by telephone)
	[REDACTED]	Secretariat

In addition: PWC representatives (agenda item 2).

**MINUTES**

**10. OPENING REMARKS**

[REDACTED] welcomed everyone to the meeting and introduced the PWC representatives.

He noted that the Melness Crofters Estates had voted in favour of continuing to work on the lease option and welcomed this.

[REDACTED] noted that he had now been formally appointed as Senior Project Manager, UKVL Project.

[REDACTED] stated it would be useful to have the discussion with PWC in advance of other agenda items.

**11. PWC PRESENTATION**

PWC provided a presentation on their initial findings with regards the pros and cons of procuring a design, build and operations contract. See UKVLPB(2018)P011 for presentation.

There was a general discussion around the two options presented including the potential risks with each procurement route. It was further noted that while the options were:

- Design, build and operation
- Design and build – with separate operate

[REDACTED] asked whether there was a potential to do three procurements, design – build – operate. PWC noted that there could be different options within the two main options.

[REDACTED] noted a third option could be to separate out some of the elements so that rather than have a longer timescale it could be possible to get LSO on board quickly. His concern was, by splitting the contract up, it could mean that the build out of the spaceport would not be appropriate for the requirements. If the LSO was included in this picture they would be able to input into the design and build elements. [REDACTED] noted that would be similar to option 1.

[REDACTED] noted the comment under option 1 with regards market testing and asked if any market testing had been done.

[REDACTED] stated that one of the important issues was the LSO who would be fundamental in supporting the design of the facility.

[REDACTED] further noted that this was an emerging situation. He noted that [REDACTED] point of the design, build and operation being a higher risk had always been in the Board's thinking. He stated that linking all three would be really challenging and felt that design and build was do-able and the important connection between LMSS and Orbex would be vital to market needs for the requirements for the spaceport.

[REDACTED] noted that, with regard to market awareness, there was some interest already from companies with some indicating they may be willing to take an equity stake.

[REDACTED] stated the it would be appropriate to go out to the market and gather their thoughts of the two options – design/build and design/build/operate. If the market views could be captured there would be more surety in taking one of these options forward.

PWC noted that their recommendation would be to go out and get some market sounding in a targeted and focussed way. This could be done in around three weeks with a simple document, conclusions, timetable and questions which would inform HIE of the procurement appetite.

[REDACTED] asked whether HIE procurement team had done anything similar in the past.

[REDACTED] noted that they had utilised different tools for sounding out the marketing and this could be achieved ensuring everyone with a potential interest was notified.

[REDACTED] felt it would be useful to test the market in this way. [REDACTED] asked how long it would take to analyse the feedback. [REDACTED] felt this could take around 2-3 months.

[REDACTED] noted that this timescale would hurt the project and time was of the essence however he acknowledged that it would provide better confidence if market testing was undertaken.

[REDACTED] asked [REDACTED] to look at the programme and the impact of market testing would have. It was agreed that this would be provided to [REDACTED] who would agree a timeline outside the meeting.

**Action: UKVLPB(2018)M004/A001: [REDACTED] to look at project programme and articulate the impact of market testing would have on the overall programme.**

PWC felt that the timeline for market testing could be undertaken within 4-6 weeks as it was not required to follow public procurement as long as the spirit of this was considered. It was felt that with robust project management it was possible to collate this information and have it finalised before Christmas.

[REDACTED] stated that she felt this had been a useful discussion and it was important that the project board understood the programme timelines so that there was a clear understanding.

[REDACTED] responded that there was a meeting being scheduled with [REDACTED] and [REDACTED] [REDACTED] in the next week (Tuesday 13<sup>th</sup>) to go through some of the detail. He invited [REDACTED] to join them for this meeting if she was available.

[REDACTED] noted that PWC would submit their final report on Friday 16<sup>th</sup> November 2018.

[REDACTED] asked PWC whether they had been in discussion with Scotland's Future Trust and he felt they could receive some valuable input. PWC noted that UK Space Agency had also suggested talking to [REDACTED], Scottish Government and the Regulatory teams at UKSA.

[REDACTED] thanked PWC for their attendance and input. PWC left the meeting and the Board returned to the agenda.

## 12. APOLOGIES

Apologies were received from:

[REDACTED]

## 13. MINUTES OF PREVIOUS MEETING

The minutes of the previous meeting was reviewed – UKVLPB(2018)M003 refers. No amendments were made and the minutes were accepted as a true reflection of the meeting.

## 14. ACTION STATUS

The following actions were noted as complete:

- M002/A004: UKVL Project Board members to provide comment on the Terms of Reference (UKVLPB(2018)P001) by 24th September 2018. **Action complete:** no comments had been received. [REDACTED] noted that the Terms of Reference should be issued as a standard agenda item and therefore any changes as the project progresses can be captured and the Terms of Reference amended as appropriate.
- M002/A006: [REDACTED] to ensure budget costs for the UKVL are registered in the pipelines before end of this month. **Action complete:** [REDACTED] noted that discussions had been held with the Finance Director and the costs had been included in the pipeline as well as a four year funding forecast which had been produced.
- M002/A010: [REDACTED] to draft cash flow information for the entire project detailing the different budgets that this funding would flow from to provide to HIE Board. **Action complete.**
- M002/A014: Project Board members to provide comment on UKSA Milestone dates to ensure they are achievable. **Action complete:** No comments were provided. It was noted that this would become a standing item on the agenda.
- M003/A002: [REDACTED] to organise separate meeting for the UKVL Project Board to go through the full programme. **Action complete:** Date of meeting is scheduled for 12<sup>th</sup> December 2018.
- M003/A003: [REDACTED] to organise separate meeting for the UKVL Project Board to review the risk register (including [REDACTED] and [REDACTED]). **Action complete:** Date for meeting is scheduled for 12<sup>th</sup> December 2018.

- M003/A004: [REDACTED] to progress Scape contract with Perfect Circle (for next three months) for Charlotte Wright's approval. **Action complete:** The extension of contract for Perfect Circle had been approved until end December 2018.
- M003/A008: [REDACTED] to extend diary invite for meeting for two hours. **Action complete.**

The following actions were noted as ongoing:

- M002/A003: [REDACTED] to provide the HIE Risk and Assurance meeting with the updated risk register (once updated) on a quarterly basis. **Action ongoing:** The next R&A meeting was scheduled for 4<sup>th</sup> December and the information would be available for that meeting.
- M002/A011: [REDACTED] to check with SG Colleague for the date and check with LM/Orbex in regards a potential meeting with Derek Mackay, Scottish Government Minister. **Action ongoing:** [REDACTED] had spoken with [REDACTED] who would identify a suitable date for this.
- M003/A001: [REDACTED] to provide full programme in Microsoft project to Project Board members. **Action ongoing:** This would be provided following a programme review meeting.
- M003/A005: [REDACTED] to speak with UK Space Agency to gather information on supply chain requirements. **Action ongoing:** [REDACTED] noted he had started this and would complete shortly.
- M003/A006: [REDACTED] to develop an outline communications plan. **Action ongoing:** [REDACTED] noted this was drafted and currently with [REDACTED] for comment.
- M003/A007: [REDACTED] to circulate paper from the Scottish Future Trust to the Project Board. **Action ongoing.**

## 15. UPDATES

[REDACTED] noted the following:

- **GOAB / UKSA meetings:** The GOAB meeting had been a positive one with good challenge. It had been emphasised that regulation was the top risk at present with the dates to take regulation through the process culminating with Queens Ascent around March 2021.

[REDACTED] noted that the relationship with UKSA/SG/HIE was quite transactional and he and Charlotte Wright would be meeting with UKSA in December to discuss how this could move to a working as a partnership approach.

- **UKVL programme:** A planning meeting had been held which had resulted in incorporating a 9-month timescale for land courts. This was being currently explored to look at how this timescale could be reduced.

[REDACTED] noted that it was important to review the programme to look at derisking some of the elements and whether some could be fast tracked. [REDACTED] noted that one of the critical

elements would be the land court.

- **Melness Crofters Estate:** [REDACTED] noted the vote had taken place and had been positive. In terms of timescales it had been estimated that the lease option would be agreed by 14<sup>th</sup> November to meet the UKSA milestone. This was obviously not going to be met and he thought it would be useful to understand the timescale. [REDACTED] felt that a lease option could be delivered by 14<sup>th</sup> January 2019. [REDACTED] asked for a follow up discussion with [REDACTED] and Brodies.

**Action: UKVLPB(2018)M004/A002:** [REDACTED] to organise discussion with [REDACTED] and Brodies to discuss potential timeline for lease option completion.

[REDACTED] noted he would, following a review of the programme, like to hold a meeting with Highland Council and their statutory consultees to ensure all activities required for planning are covered within the programme.

**Action: UKVLPB(2018)M004/A003:** [REDACTED] to organise meeting between HIE ([REDACTED]/[REDACTED]), Highland Council Planning and statutory bodies once programme is finalised.

- **IAC report:** [REDACTED] noted that he had held discussions with SDI and, following discussions with [REDACTED] and [REDACTED] it was felt that the new structure of SDI could be utilised to raise awareness of the opportunities for the supply chain who may be interested in coming to Scotland. SDI had responded positively to looking at this.
- **Procurement:** [REDACTED] noted:
  - the LSO procurement had been covered by the earlier discussions at this meeting.
  - Perfect Circle's support contract had been extended until December 2018.

[REDACTED] asked what progress was being made for the Project management services utilising the CCS framework. [REDACTED] noted that [REDACTED] had drafted a timetable to ensure this was delivered on time. [REDACTED] stated that the document that would go out to everyone was complicated especially in relation to the pricing structure and a detailed specification was required.

[REDACTED] noted that clarity was required on whether there was a need for a design element within the framework. [REDACTED] noted that, with Perfect Circle, there was a certain level of support provided and there would be a requirement to continue with all these services. Perfect Circle would continue with project management services, including design, up until Christmas and this level of support would be required under the new contract.

[REDACTED] stated that the design element of the programme was more critical at this stage than the LSO procurement. By continuing with design activities now allowed an element of de-risking of the programme.

[REDACTED] noted that within the ITT there would be a need to understand what is the risk and liabilities.

[REDACTED] stated that some of the costings were outlined in the OBC which would provide an indicator. [REDACTED] questioned how much of the OBC could be provided to the market. It was agreed that the executive summary could be released. [REDACTED] noted he would check with LMSS and Orbex to make sure there was nothing commercially sensitive within the information that would be released.

[REDACTED] noted that he was content for design to be included in the Project Management Services and asked that [REDACTED], working with Ian Considine and [REDACTED], provide the information required by Monday 19<sup>th</sup> November to mirror the support provided currently by Perfect Circle. [REDACTED] noted that if the documentation is distributed by a week Tuesday it was possible to get returns by 24<sup>th</sup> December 2018. The caveat was that this date could only be reached if companies were asked to respond within three weeks rather than four. [REDACTED] stated he was content to reduce the response time to three weeks.

[REDACTED] asked who would be assessing the bids. [REDACTED] responded that a team of relevant people would be made available for this. [REDACTED] noted he would intervene if there was difficulty in releasing staff to carry out the formal assessment.

**Action: UKVLPB(2018)M004/A004: [REDACTED] and [REDACTED] work up ITT for Project Management Services to be provided to [REDACTED] by Monday 19<sup>th</sup> November 2018.**

Roy Kirk noted earlier discussions around market engagement for the LSO to consider the two options for procuring the design, build and operate contract. [REDACTED] recommended that the market engagement commence as quickly as possible.

## **16. ENGAGEMENT ACTIVITIES**

An updated calendar was tabled – UKVLPB(2018)P006 Rev 2 refers.

The Scotland House event scheduled for 23<sup>rd</sup> November was progressing well with over 70 positive responses so far. The venue had capacity for 85-90 individuals.

## **17. ANY OTHER BUSINESS**

The following was noted:

- [REDACTED] asked if, following discussions at this meeting, there was clear agreement on the procurement activities required and the necessary timeslines. [REDACTED] agreed this was the case.
- [REDACTED] noted she would be stepping down from this group and that someone else would be identified from [REDACTED] department to take over this role. In terms of the information being sent out for this meeting she would have found it immensely helpful to have received a summary of the key issues along with details of the programme major milestones. [REDACTED] noted that this was a useful suggestion and once all procurement activities were completed it would allow this meeting to focus on the delivery of the programme in much more detail. He thanked [REDACTED] for her input to this meeting.

**Action: UKVLPB(2018)M004/A005: [REDACTED] to provide a high level summary document, including programme milestones, for each meeting.**

There being no further business, [REDACTED] thanked everyone for their input and formally closed the meeting.

[REDACTED]

UKVL Project Board Chair

11<sup>th</sup> November 2018

**UKVL Sutherland**  
**Budget considerations – October 2018**

**Background**

This paper provides background on the budget figures for 2019-2021 for the consideration of the Project Board.

**2018-19**

[REDACTED]

The **staff costs** have been worked out in line with HR agreed figures. This includes salaries and costs for Project Director, Project Manager (from October) and Project Officer (from late October). It also includes travel and subsistence for the Stakeholder Engagement and Communications officer (seconded from Dounreay).

[REDACTED]

[REDACTED]

[REDACTED]

**2019/20**

The main variations include longer term cost (i.e. full year) for staff and other line items. The project support costs are estimated but will be known around the end of 2018.

We see an increase in marketing specifically around attendance at conferences in Colorado Spring and Utah and possible increase in marketing into the German market. We will also want to increase activity into the UK market and will consider doing this in partnership with SE and SDI. It may be that resource from SDI or DIT may help reduce the budget. This will be pursued and progress reported to the Project Board.

Other costs are currently indicative.

[REDACTED]  
**Project Director**

**9 October 2018**

## UK Space Agency – proposed Spaceport in Sutherland

### Wild land

Scottish Planning Policy (SPP) says, ‘wild land character is displayed in some of Scotland’s remoter upland, mountain and coastal areas, which are very sensitive to any form of intrusive human activity and have little or no capacity to accept new development’ and that Development Plans should identify and safeguard the character of areas of wild land as identified on the 2014 Scottish Natural Heritage (SNH) map of wild land areas (attached below). This identifies 19.5% of Scotland as areas of wild land.

The mapping involved consultation and analysis of four physical attributes of wildness: perceived naturalness of land cover; ruggedness of terrain; remoteness from public roads/ferries; and visible lack of modern artefacts.

‘Wild land’ is not a designation. SPP recognises wild land as a ‘nationally important mapped environmental interest’ and states that in some circumstances development may be appropriate, subject to any significant effects on the qualities of these areas being substantially overcome by the proposal’s siting, design or other mitigation.

The contentious planning cases which involve wild land usually involve proposals for a wind farm: in the section of SPP which deals with the preparation of spatial frameworks, areas of wild land are included in a group of mapped interests and national/international designations for which there is to be ‘significant protection’ (‘wind farms may be appropriate in some circumstances’ but ‘further consideration will be required to demonstrate that any significant effects on the qualities of these areas can be substantially overcome by siting, design or other mitigation’). This is in contrast to National Parks and National Scenic Areas, where the policy in SPP is that wind farms will not be acceptable.

### Nature Conservation Protected Areas

There are a number of statutory nature conservation designations in the vicinity, including the Caithness and Sutherland Peatlands Special Area of Conservation (designated under the EU Habitats Directive), the Caithness and Sutherland Peatlands Special Protection Area (designated under the EU Birds Directive), the Caithness and Sutherland Peatlands Ramsar Site (designated under the Ramsar Convention) and the (i) Ben Hotic and (ii) A’Mhoine Sites of Special Scientific Interest (designated under the Nature Conservation (Scotland) Act 2004).

### Sutherland development proposal

The A’Mhoine peninsula between Tongue and Durness in Sutherland has been proposed as the site of the UK’s first spaceport to launch satellites. This would help to provide technical jobs and secure income from the rapidly growing market for satellite launches. The UK Space Agency and Highlands and Islands Enterprise (HIE) have earmarked a development package running to millions of pounds. We understand residents are divided about the scheme’s impacts and benefits. It appears that the proposed site is in proximity to wild land area 38 but it is unclear whether or not the site is within the wild land area.

The Highland Council will be the planning authority and principal decision maker once an application is submitted although there may be circumstances in which Scottish Ministers have a future role. For example, if the application was refused, the applicant could appeal to the Planning and Environmental Appeals Division (DPEA) and Ministers could consider recall. Alternatively, should the local authority propose to grant planning permission in the face of an objection from a statutory consultee such as SNH or the Scottish Environment Protection Agency, the local authority is required to notify Ministers who have the facility to call-in the application. Ministers could also

directly call-in the application at any time before it is determined. Given this possible future role, Ministers and officials need to remain impartial and refrain from commenting on the merits of the application.

Thus far, we understand that the UK Space Agency have been engaging with a range of bodies including HIE, the Highland Council and that there has already been engagement with SNH.

The proposal is at pre-application stage. The developers are not yet at the stage of submitting a planning application. They do intend to fully engage with stakeholders when they are at the appropriate stage and there will be opportunities as part of the planning system for anyone with views on the proposal to submit those for consideration.

Planning legislation requires that decisions by planning authorities on applications be made in line with the area's Development Plan unless material considerations indicate otherwise.

**Lines to take:**

- Scotland's planning system aims to strike the right balance between protecting our valued natural heritage and supporting our economy.
- As this proposal could become a live planning application it would not be appropriate for Ministers to comment on the merits of the proposal - this is necessary to avoid prejudicing any future decision that might come before Ministers, e.g. as a notified planning application, a call-in or through the appeals process.
- Scottish Planning Policy and National Planning Framework 3 give significant protection to wild land areas, as identified in the SNH 2014 Wild Land Map. Wild land is not a designation and development may be appropriate where impacts can be 'substantially overcome' by siting and design. Impacts will also depend on the character of each individual wild land area.

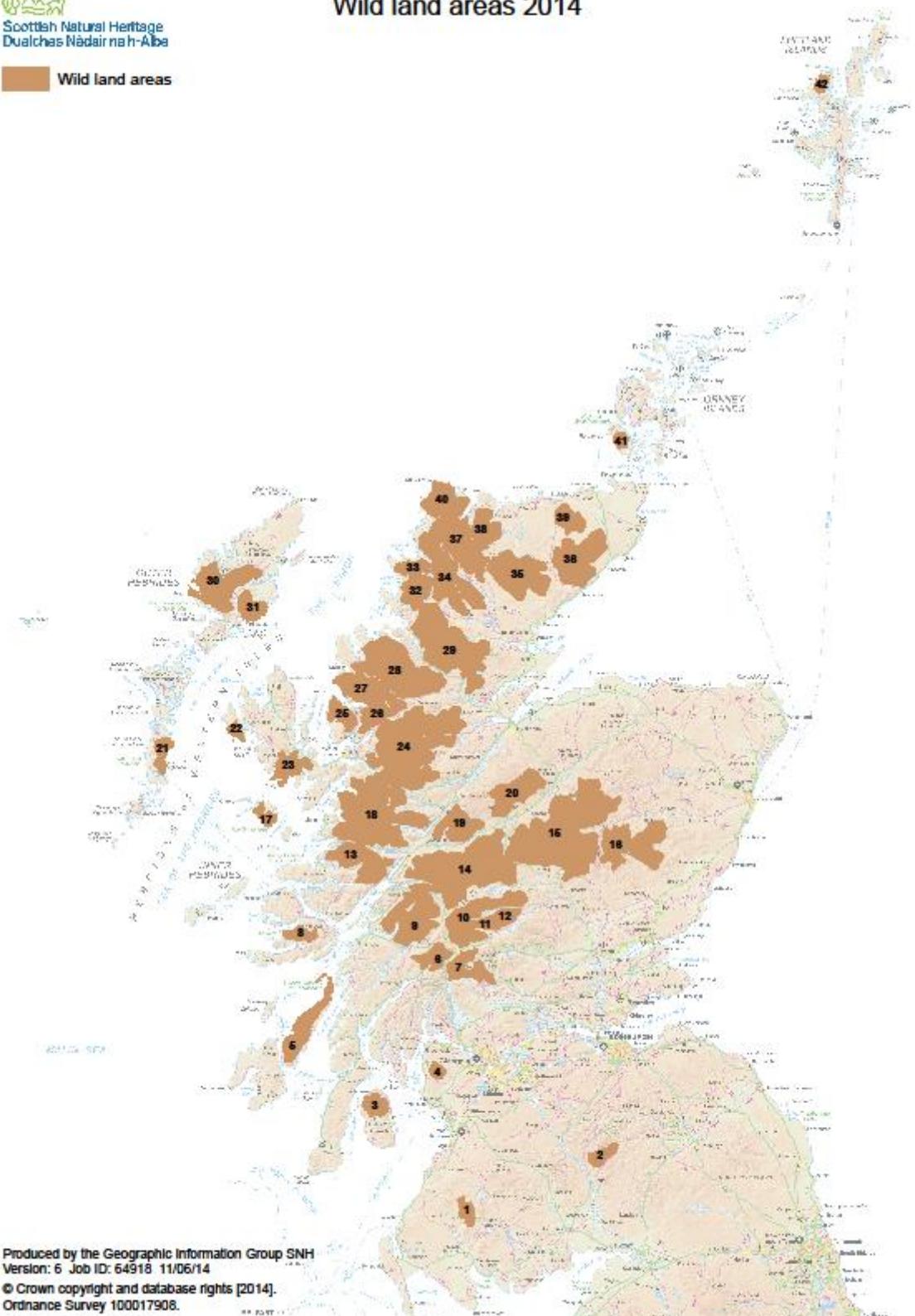
**[REDACTED] – ENFOR:NRD – July 2018 - [REDACTED]**



Scottish Natural Heritage  
Dualchas Nàdair na h-Alba

## Wild land areas 2014

Wild land areas



Produced by the Geographic Information Group SNH

Version: 6 Job ID: 64918 11/06/14

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Ordnance Survey 100017908.

**From:** [REDACTED]  
**Sent:** 15 January 2018 10:05  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Ministerial Visit to Wick - Monday 22 January

Hi [REDACTED]

Note that [REDACTED] been on sick leave but to highlight that we were seeking opportunities for Mr W to visit potential spaceports and this visit might present a welcome opportunity especially as Caithness and Sutherland are one of the two Scottish bidders still in the process for UKSA funding.

The struggle is for these visits not to seem biased in any way as we need to remain supportive of all potential spaceport locations regardless of whether or not they are still in the UKSA funding call as launch activity is not restricted to just those who receive the seed funding. However, sending the Minister off to areas such as Shetlands, Western Isles or Machrihanish was never going to be an easy task.

Happy to take this forward but will more than likely initiate a motion to pen in dates for visits to the other potential sites.

[REDACTED]

**[REDACTED] | Senior Policy Manager**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED] | Mob [REDACTED]

**From:** Rollison R (Richard)  
**Sent:** 10 January 2018 16:30  
**To:** [REDACTED]  
**Cc:** [REDACTED]DG Economy  
**Subject:** Re: Ministerial Visit to Wick - Monday 22 January

Nothing on space port to announce

[REDACTED]  
Deputy Director  
Innovation, Industries and Investment Division  
Directorate for Economic Development  
Scottish Government

T: +[REDACTED][REDACTED]  
M: [REDACTED]  
**From:** [REDACTED]  
**Sent:** Wednesday, 10 January 2018 16:01  
**To:** [REDACTED]  
**Cc:** [REDACTED]DG Economy  
**Subject:** RE: Ministerial Visit to Wick - Monday 22 January

Removing Minister and Cab Sec boxes for now.

Can policy give a bit more background on what the potential visits might look like and whether there are any potential announcements tied to them so that we can give comms advice?

Thanks

[REDACTED]

[REDACTED]

Head of Communications, Economy and Finance

Scottish Government, St Andrew's House

e: [REDACTED]

t: [REDACTED] m: [REDACTED]

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**From:** [REDACTED]) **On Behalf Of** Minister for Business, Innovation and Energy

**Sent:** 10 January 2018 15:20

**To:** [REDACTED]

**Cc:** [REDACTED]

**Subject:** Ministerial Visit to Wick - Monday 22 January

Hi [REDACTED]

Monday 22 January has been suggested as a potential date for a site visit to Strathy South.

The minister has asked for the visit to include;

Visit to potential Wick Space Port site ([REDACTED])

Wick Harbour ([REDACTED] – potential Beatrice activity)

Dounreay Nuclear Decommissioning visit ([REDACTED])

We need to finalise the date / look at flights to Wick.

In the meantime grateful for thoughts from policy areas/Comms before taking any further.

Many thanks

Kind Regards

[REDACTED]

Assistant Private Secretary

Economy, Jobs & Fair Work Portfolio

[REDACTED]

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**From:** [REDACTED]  
**Sent:** 05 February 2018 14:14  
**To:** Cabinet Secretary for Culture, Tourism and External Affairs <[CabSecCTEA@gov.scot](mailto:CabSecCTEA@gov.scot)>  
**Cc:** Cabinet Secretary for the Rural Economy and Connectivity <[CabSecREC@gov.scot](mailto:CabSecREC@gov.scot)>; Cabinet Secretary for the Environment, Climate Change and Land Reform <[CabSecECCLR@gov.scot](mailto:CabSecECCLR@gov.scot)>; [REDACTED] Communications CTEA <[CommunicationsCTEA@gov.scot](mailto:CommunicationsCTEA@gov.scot)>[REDACTED]  
**Subject:** Meeting with Wildland Ltd.

[REDACTED]

As requested please find attached briefing for tomorrow's meeting with Anders Povlsen's company, Wildland Ltd.

As discussed, we were awaiting briefing from Highlands and Islands Enterprise on the satellite launch pad proposed for Sutherland (now included), hence the delay in sending this up.

Regards

[REDACTED]

[REDACTED]

Tourism - Senior Policy Adviser  
Scottish Government - Directorate for Culture, Tourism and Major Events

Area 2-J South  
Victoria Quay

Ext: [REDACTED]

*Please note my working day on Mondays, Thursdays and every second Friday ends at 14:00*



Join the #YOYP2018 celebrations: [yoyp2018.scot](#)

**BRIEFING NOTE FOR FIONA HYSLOP, CABINET SECRETARY FOR CULTURE,  
TOURISM AND EXTERNAL AFFAIRS**

**WILDLAND**

**Date: 6 February 2018**

<b>What does this stem from</b>	Request for a meeting to Private Office following initial MACCS request (2017/0040030) to event to celebrate the restoration of Castle Bharrich in Sutherland
<b>Key Message</b>	Our natural landscape is the main draw for visitors to Scotland - we need to ensure tourism is managed and developed sustainably in our rural areas, to benefit both visitors and communities alike.
<b>Who</b>	Wildland <ul style="list-style-type: none"> <li>• Tim Kirkwood, CEO</li> <li>• Bob Reid, Director of Development</li> </ul>
<b>What</b>	Opportunity to meet with key individuals from Wildland.
<b>Why</b>	Wildland is a private company owned by Anders Povlsen, a Danish billionaire, who owns significant rural estates within the Highlands, and whose remit includes sustainable tourism development that allows visitors to enjoy the best of our natural heritage while supporting fragile rural communities. They have plans for significant investment in the north of Scotland - £25-30m over the next three years and work closely with North Coast 500 Ltd, of which [REDACTED] is the major shareholder.
<b>Where</b>	T3.26, Scottish Parliament
<b>When</b>	6 February 2018 <b>14:30- 15:00</b>
<b>Dress code</b>	Normal business attire
<b>Official(s) attending</b>	[REDACTED] [REDACTED] Mobile [REDACTED]
<b>Media Handling</b>	Private meeting
<b>Annexes</b>	Annex A: Summary Page Annex B: Agenda Annex C: Attendees and Biographies Annex D: Wildland Ltd. Annex E: Space Port Proposals Annex F: Castle Varrich

**SUMMARY PAGE****Purpose:**

- Opportunity to meet with Wildland Limited and hear about their proposals for and significant investment in tourism within the North Highlands, and how this will benefit both tourists and local communities.

**Key Issues:**

- [OUT OF SCOPE]
- HIE note that this development offers significant economic opportunities to the region, and have had ongoing engagement with both [REDACTED] and his company. HIE has some concerns over Wildland's strong position on the proposed satellite launch site and on community engagement and these are outlined in the sensitivities below.

**Lines to take:**

- Our natural landscape is key to attracting visitors to Scotland and we welcome sustainable development that both enhances and encourages enjoyment of our wild outdoors.
- Support investment in tourism initiatives within the North Highlands. Tourism is key to these rural economies, and as has been shown by the success of the North Coast 500, it has the potential for sustainable growth.
- Meeting presents opportunity to hear in more detail what developments are planned and where, and what constraints on development the company is perceiving and how they would intend/wish to see these mitigated.

**Sensitivities:****Satellite launch facility**

- HIE are behind development of a satellite launching station at the Moine on the North coast near Melness. The land is owned by a local crofting estate, but is surrounded by [REDACTED] land. We understand (through both HIE and SNH) that larger elements of Wildland's tourism proposal, and further local investment in the area, have been put on hold until the issue of the proposed launching facility is resolved. It is understood that [REDACTED] views his proposals and the satellite launching proposal to be incompatible.
- It is possible that Wildland may use the meeting to press for the Cabinet Secretary's views on the launch site proposals – SG lines to take are given at Annex E.

**Community issues**

- [OUT OF SCOPE]

## **ANNEX B**

### **WILDLAND – MEETING WITH THE CABINET SECRETARY FOR CULTURE, TOURISM AND EXTERNAL AFFAIRS**

**14:30 – 15:00, 6 FEBRUARY 2018**

#### **AGENDA**

- Introduction to Wildland – purpose of business and its plans for significant investment in tourism in the north of Scotland.
- Conservation and environmental sustainability – rationale as to why this sits at the heart of the company's offer to visitors.
- Promotion of the Highlands – offer from Wildland to inform and support wider efforts to promote the area as a leading world class tourism destination.

## ATTENDEES AND BIOGRAPHIES

### Attendees

- Tim Kirkwood – Chief Executive Officer
- Bob Reid – Director of Development

### Biographies

#### **Tim Kirkwood – Chief Executive Officer**

Tim joined Wildland as CEO in early 2017. He has over 30 years of experience in rural estate management starting his career managing the Tulchan and Ahmuinnsuidhe estates. In 1992 Tim joined the small land agency firm of Finlayson Hughes as Managing Partner. He led the business for the next 25 years growing it organically and through merger and acquisition to become one of the leading Chartered Surveying practices in Scotland. Galbraith includes Sporting Lettings, Scotland's premier sporting agency and Tim is also Managing Director of Cottages and Castles Ltd, having developed it into a market leading holiday letting agency focused on cottages, large houses and castles in the self-catering tourism market in Scotland. He stepped down as Chief Executive of Galbraith in December 2017. Professionally qualified and with a degree in Ecological science Tim brings relevant experience and a deep understanding to the running and development of Wildland's unique and exciting business



#### **Bob Reid – Director of Development**

Bob Reid joined Wildland Limited as Development Director in January 2017 and is responsible for all aspects of company development from policy through to implementation; high mountain tops to lowland castles; conservation and tourism. Bob has been a Town and Country Planner for over 35 years. He has worked in all aspects of planning, from new towns, through local planning in Glasgow's East End to development control in its City Centre. He became Assistant Director of Economic Development and Planning at Grampian Region in 1993. At reorganisation in 1996 he moved to Aberdeen City Council as Assistant Director of Planning. In March 2002 he was appointed Head of Physical Development with responsibility all planning and building control matters in the new Aberdeen City Development Service. He moved to the private sector in 2004 when he was appointed Planning Director at Halliday Fraser Munro, undertaking a wide range of consultancy work across Scotland, England and Northern Ireland. He was Convenor of the Royal Town Planning Institute in Scotland in 2012. Since the 1990s Bob has been a leading authority on Scottish land reform and one on the architects on Scotland's countryside access rights. He is a keen mountaineer and former chair of the Mountaineering Council of Scotland (now Mountaineering Scotland).



**WILDLAND LTD.****Background**

[OUT OF SCOPE]

**Highlands and Islands Enterprise**

HIE have met Wildland ([REDACTED], [REDACTED] and [REDACTED]) both to discuss their plans for Wildland as well as in relation to their opposition to HIE's ongoing development of a Vertical Launch site for satellites in the land adjacent to their land (but owned by Melness Crofters Estate).

[OUT OF SCOPE]

Satellite launch site

HIE report that they are aware that [REDACTED] is opposed to its plans to develop a Vertical Launch site for satellites on the Moine peninsula near Melness (on land owned by Melness Crofters Estate).

In a meeting it had with [REDACTED] he was asked to articulate his concerns and that if possible HIE would attempt to mitigate them. To date HIE have yet to have a response.

[REDACTED] did text HIE to say that if the community wanted the Vertical Launch site to progress he would not stand in its way, although HIE are aware that Wildland has lobbied to have this project stopped and continues to work against it. HIE have concerns that Wildland may use the opportunity of the meeting to indicated that if the launch project is not stopped he will stop his investment.

HIE argue that the satellite project offers a significant prospect for Highland, Scotland and the UK. While HIE is still to make a decision on how to progress this or any site, discussions are very advanced with the UK Space Agency who are expected to reach a decision on the Sutherland site around March. HIE believes that the project would bring a range of job opportunities to the North and offer significant opportunities to Scotland's space sector, including more technical and skilled jobs than within the tourism sector.

HIE note that the use of [REDACTED] large amount of resource was displayed when he funded a challenge to the windfarm at Altnaharra. This was defeated and the wind farm is progressing with local support.

HIE recommend that both projects could be beneficial to the area and that it would rather see a future of diversified economic development rather than one solution that is driven by a private landowner.

[OUT OF SCOPE].

Satellite launch site

SNH have also reported that it is its understanding that the larger elements of the tourism proposal, and further local investment, have been put on hold until the issue of the proposed satellite launching facility at the Moine is resolved. SNH also report that [REDACTED] views his proposals and the satellite launching proposal to be incompatible.

The satellite proposal would fall partly within the Kyle of Tongue NSA and on the edge of the Caithness and Sutherland Peatlands SPA and SAC. At this stage it looks likely that a number of elements may not be compatible with the interests of these protected areas and SNH advised the applicants of this through a pre-application consultation in February 2017. SNH have not yet seen detailed plans which would allow it to give a more definitive response.

The land-based infrastructure would be considered through a planning application by Highland Council. However, there is no current Scottish/UK legislation to cover launching such structures into space, although early steps have been made at Westminster to start that process. Such legislation may not be in place until 2019/2020, so we would not expect any application prior to then.

[OUT OF SCOPE]

## SPACE PORT PROPOSALS

### TOP LINES

- We are very aware of the locational sensitivities raised in relation to the planned project for a space port in the Moine peninsula.
- This proposition for a space port is subject to the same planning process as with any other project.

### SUTHERLAND

- HIE has been working with a number of interested parties to develop a vertical launch facility just west of the village of Melness on the Moine peninsula. The launch complex would consist of an assembly building, control office and launch pad along with associated launch equipment, including lightning conductors, fuel supply, flame trench, water deluge systems and command and control systems. This facility would be used to launch small satellites into low earth orbits.
- HIE has been investigating the Sutherland site for about two years and has completed a feasibility and options appraisal work to develop a strategic outline case and a planning application.
- An bid was submitted to the UK Space Agency (UKSA) Satellite Launch Programme and the Sutherland proposal is the only vertical launch site still involved funding round. There are two companies interested in this site that are going through the due diligence process with UKSA.
- In terms of economic impact, early estimates are that this project could support over 300 jobs, and would also be very helpful locally in reducing the impact of the decommissioning of the Dounreay facility in nearby Caithness.
- The land proposed for the development is owned by Melness Crofters Estate.
- HIE have met Wildland ([REDACTED], [REDACTED] and [REDACTED]) and are very aware of the company's opposition to HIE's ongoing development of a launch site in land adjacent to their land.
- HIE wish to see a future of diversified economic development across the north Highlands rather than one solution driven by a private landowner.

### UK SPACE AGENCY: SATELLITE LAUNCH PROGRAMME

- For those proposals that have progressed the next stage, UKSA have been working closely with bidders to clarify plans and conduct more in-depth due diligence. These proposals are considered to have the most potential to proceed rapidly to meet the UKSA's target of having launch capabilities in place in the UK from 2020. This could also mean that none of the bids will receive funding if all of the six proposals do not pass their test of diligence as any business case needs to be viable to underpin public sector funding.

- It should be noted that UKSA are not closing the door on the other proposals and remain willing to work with their various partners involved on their longer term plans.

**ANNEX F**

**[REDACTED]**

**From:** [REDACTED]  
**Sent:** 27 February 2018 22:54  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** HIE comments for your meeting with Mr Ewing

Hi [REDACTED]

Ahead of your meeting with Mr Ewing, we would comment as follows:

HIE is expecting a business plan on the 1<sup>st</sup> of March from Shetland Space Centre Ltd and the business case for the Sutherland site will be ready for review then too. We do not believe that the Western Isles are going to submit a business plan for HIE to consider at this time, but we continue to work with them. Our intention is to have the due diligence undertaken by a third party, looking at key themes such as Economic Impact, Market Review, and assessment of each individual business plan's assumptions around costs, funding, and income, for example. This will be the result in recommendations being made to the HIE Board for their consideration of any HIE support requested.

HIE is looking to provide information into this process to the benefit of all the sites, which will include SSCL, who have been consulted on what we want to do.

With regards to LHM and Orbex, following a recent meeting between SSCL and HIE, we are making arrangements to talk with them. We have written to them stating that HIE remains open minded about any site across the HIE region, and encouraged them to contact each of the sites and HIE's local offices.

Recent publicity around the Sutherland site, arose when the Highland Council Sutherland Area Committees invited our local Area Manager, [REDACTED] to attend a meeting to provide an update. As a routine part of that, a public statement was put out by Highland Council. HIE was invited to contribute to that statement, and did so, in the interest of public accountability. Much of our input, but not all, was picked up by the BBC in the link you shared. For your information, I attach the full text HIE provided at the end of this email. A BBC reporter attended the meeting today, so further coverage is expected.

We would note that each of Scotland's three potential vertical launch sites is in the public domain, and understandably local stakeholders, especially Local Authorities, are interested in updates. For example, Spaceport 1 Ltd is closely involved with Western Isles Council, and there have been updates to Western Isles Council Elected Members on matters, and there have been reports in the press on plans for creating a spaceport there. Similarly, SSCL have presented to the Unst Community Council and the wider Shetland Islands Council, and again there has been understandable press interest in this project.

[REDACTED] has seen and commented recently on an earlier brief of what HIE intends to commission. This has had to change, but we still intend to provide a report on the market to SSCL. We would also look to see if there is other general market information that we can make available.

HIE is at the final stages of an internal review.

HIE has commented to [REDACTED] email of the 23<sup>rd</sup>, and will reply separately to his email of the 26<sup>th</sup>.

I hope that the above is helpful, and should be contactable tomorrow morning if I can be of any further assistance.

Kind regards

[REDACTED]

Regional Head of International and Key Sectors

Mob: [REDACTED] | DD: [REDACTED] | Reception: +44 (0)1463 245245



Highlands and Islands Enterprise | lomairt na Gàidhealtachd 's nan Eilean  
An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA

**From:** [REDACTED]  
**Sent:** 17 April 2018 11:33  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** FW: SPACE - Sutherland HIE State aid advice

[REDACTED]

HIE are looking for some SG input on their interpretation of state aid rules in relation to the proposed vertical launch site at Sutherland (spaceport). The site has been considered by the UK Space Agency for funding under a scheme that UKSA structured to be GBER compliant which I understand means that grant is limited to 15% of capital costs. If the project were to receive such funding I think that any further investment from HIE would need to be on MEIP terms?

If the attached is not sufficient for you would you be available for a telecom to discuss this with HIE?

Many thanks

[REDACTED]

*[REDACTED] | Head of Manufacturing & Construction | Innovation, Investment & Industries Division |  
The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | t: [REDACTED]*

**From:** [REDACTED]  
**Sent:** 12 April 2018 17:30  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** FW: SPACE - Sutherland HIE State aid advice

Hi [REDACTED]

It was nice to talk to you and [REDACTED] this morning; please find attached the Advice to HIE on interpretation on state aids. As we discussed, it would be good to have a call with Scottish Government (you and State Aids team, and anyone else you think relevant) to consider the advice on interpretation, and what this potentially means. Sometime early next week would be good, if it can be managed. We may want to engage with UKSA, as we discussed.

Kind regards

[REDACTED]

Regional Head of International and Key Sectors

Mob[REDACTED] | DD: [REDACTED] | Reception: +44 (0)1463 245245



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An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA



**From:** [REDACTED]  
**Sent:** 12 April 2018 15:18  
**To:** [REDACTED] [REDACTED] [REDACTED]  
**Subject:** SPACE - Sutherland HIE State aid advice

Further to our call this morning I now attach the email correspondence concerning the HIE and other public funding (NDA) proposed for the project.

There are two separate considerations under Regional Aid (Article 14) –

1. That as HIE is a large enterprise the maximum grant assistance is 15% in the Sutherland area, hence UKSA seeking reassurance that the other public funding is not awarded as State aid and requirement to demonstrate that HIE and NDA funding is provided on commercial terms; and
2. The interpretation of GBER Article 14(14) that says 25% of the eligible costs must contributed through own resources or external financial in a form exempt from public support. As HIE and NDA are public bodies we sought legal advice on whether HIE's own resources can be considered exempt from public support.

The first attachment contains the final wording that was to be included in response to a UKSA on this point.

The second attachment includes the reference source, rationale for landing on our interpretation and the risk.

Let me know if you need anything further.

[REDACTED]

**[REDACTED]**  
State Aid Manager

DD: [REDACTED] | Mob: [REDACTED] | Reception: +44 (0)1463 245245



Highlands and Islands Enterprise | lomairt na Gàidhealtachd 's nan Eilean  
An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA

[REDACTED]

**From:** [REDACTED]  
**Sent:** 17 April 2018 17:09  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: SPACE - Sutherland HIE State aid advice

[REDACTED] – I am working from home tomorrow morning and won't be available from 1pm for most of the afternoon. If this meeting is set up for the afternoon could you invite [REDACTED] who is up to speed. For ease of reference the external legal advice we received is included below. This moved us on a bit from [REDACTED] research on the definition of "public support" within the Regional Aid regulation and forms part of the justification for being able to provide all funding (other than the UKSA grant) into the project on commercial loan terms to meet MEIP.

Kind regards

[REDACTED]

**[REDACTED]**  
State Aid Manager

Highlands and Islands Enterprise | Iomairt na Gàidhealtachd 's nan Eilean  
An Lòchran, 10 Inverness Campus, Inverness IV2 5NA

T [REDACTED]  
E [REDACTED]  
M [REDACTED]

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**From:** [REDACTED]  
**Sent:** 26 January 2018 17:08  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: UKVL Sutherland compliance with GBER Art. 14(14) [BURNESPAULL-Live.FID22973416]

All,

[REDACTED]

**From:** [REDACTED]  
**Sent:** 17 April 2018 15:13  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: SPACE - Sutherland HIE State aid advice

Thanks [REDACTED]

Our team have been working with [REDACTED], [REDACTED] colleague, so wondered about a call with [REDACTED], yourselves and HIE if diaries will allow in the next 26 hours?

Regards

[REDACTED]

Regional Head of International and Key Sectors

Mob: [REDACTED] | DD: [REDACTED] | Reception: +44 (0)1463 245245



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An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA



**From:** [REDACTED]

**Sent:** 17 April 2018 11:48

**To:** [REDACTED]

**Cc:** [REDACTED]

**Subject:** FW: SPACE - Sutherland HIE State aid advice

[REDACTED]

Initial comments from our state aid colleagues below. Do you want a telecom as well?

[REDACTED]

[REDACTED] | Head of Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | t: [REDACTED]

**From:** [REDACTED]

**Sent:** 17 April 2018 11:38

**To:** [REDACTED])

**Cc:** [REDACTED]

**Subject:** RE: SPACE - Sutherland HIE State aid advice

[REDACTED]

You are correct that any additional funding HIE would want to provide would have to be done either through MEIP or a commercial loan. The percentage of funding provided by the UKSA is all the public money that can be utilised

Happy to be included in a conference call if required

[REDACTED]

DIRECTORATE FOR ECONOMIC DEVELOPMENT  
Scottish Government – State aid team  
State Aid and Territorial Programmes Unit  
3rd Floor  
5 Atlantic Quay  
150 Broomielaw  
GLASGOW  
G2 8LU  
Tel: [REDACTED]



**From:** [REDACTED]  
**Sent:** 04 May 2018 12:14  
**To:** [REDACTED]  
**Subject:** FW: HIE - Sutherland Spaceport

FYI

**[REDACTED] | Manufacturing Policy Officer**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED]

**From:** [REDACTED]  
**Sent:** 12 February 2018 12:28  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: HIE - Sutherland Spaceport

[REDACTED]

Thank you; that is helpful.

We will review and revert back should we need to .

Kind regards

**[REDACTED]**

Regional Head of International and Key Sectors

Mob: [REDACTED] | DD: [REDACTED] | Reception: +44 (0)1463 245245



Highlands and Islands Enterprise | lomairt na Gàidhealtachd's nan Eilean  
An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA



**From:** [REDACTED]  
**Sent:** 12 February 2018 10:59  
**To:** [REDACTED]  
**Cc:** [REDACTED] [REDACTED]  
**Subject:** HIE - Sutherland Spaceport

Hi [REDACTED]

Apologies for the delay in getting back to you— [REDACTED] is out of the office today so picking this up in his absence.

We have discussed the issue of the Sutherland spaceport with colleagues in SG finance and agree that in accordance with the SPF M, the SG cannot allow HIE to take a commercial loan as a means of increasing spending power and we therefore suggest that HIE seek alternative ways to fund this project.

In the event, that all other possible avenues of funding have been exhausted, the Enterprise and Towns Act does allow for HIE to borrow commercially with the consent of the Cabinet Secretary. However, this would only be possible with the receipt of a comprehensive business case illustrating all other alternatives explored and how they cannot be pursued. Officials would then use the business case to inform a briefing for the Cabinet Secretary to consider and make a decision.

My colleague [REDACTED] from our finance team (cc'd) would be happy to discuss this in more detail if that would be helpful.

Many thanks  
[REDACTED]

[REDACTED]  
Enterprise Sponsorship Manager  
The Scottish Government  
Tel. [REDACTED]

**From:** [REDACTED]  
**Sent:** 04 May 2018 12:14  
**To:** [REDACTED]  
**Subject:** FW: Sutherland Spaceport

FYI

[REDACTED] | Manufacturing Policy Officer

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED]

**From:** [REDACTED]  
**Sent:** 02 February 2018 14:40  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Sutherland Spaceport

Hi [REDACTED]

It was nice to talk to you yesterday.

Please find attached a recent paper that is a summary of matters that should be helpful – we can perhaps catch up on the phone next week to discuss further.

Kind regards

[REDACTED]

Regional Head of International and Key Sectors

Mob: [REDACTED] | DD: [REDACTED] | Reception: +44 (0)1463 245245



Highlands and Islands Enterprise | lomairt na Gàidhealtachd's nan Eilean  
An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA



**From:** [REDACTED]  
**Sent:** 29 January 2018 12:41  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Sutherland Spaceport

Afternoon [REDACTED]

As I work in the Sponsor Team for Highlands and Islands Enterprise [REDACTED] has been in touch with me regarding the above and the possibility of HIE taking a commercial loan to part fund the project.

Without more detailed information (business case with full details, risks and mitigations to begin) I wouldn't be able to seek views one way or the other. Does HIE have a fully worked up business case you can share with us?

Thanks and happy to discuss.

[REDACTED]

[REDACTED] | Finance and Governance Officer | Sponsorship and Better Regulation Enterprise and Cities Division | Scottish Government | Directorate for Economic Development  
3<sup>rd</sup> Floor | Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | ☎: [REDACTED]

**My normal work pattern is Monday to Thursday 07:00–14:45 and Friday 07:00–16:00**

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**From:** [REDACTED]  
**Sent:** Friday, 20 April 2018 13:28  
**To:** Minister for Business, Innovation and Energy  
**Cc:** [REDACTED]  
**Subject:** RE: Sutherland Spaceport

Thanks for checking [REDACTED]. I appreciate the Minister's diary will be fully booked with his wide ranging portfolio.

If it were possible for the Minister to fit in time for a short call it really would be appreciated. I would highlight that the Western Isles and Shetlands sites have already had Ministerial engagement.

For the call to take place before the HIE board, it would help us show support for all three sites and not be seen to show preference for any one over the other. I've spoken to [REDACTED] who is leading the Sutherland proposal for HIE and he can arrange for the industry operators to be on the call if it were to be in the afternoon (7 hour time delay as based in America). As such it would be good to outline the Government's full support for Sutherland, particularly as Sutherland is the only vertical bid to remain in the UKSA funding round. The commercial partners to the Sutherland site might learn, if they do not already know, of the Ministerial engagements with the other two potential sites. This short meeting would also provide the added value of helping to reassure these commercial partners that SG supports all sites equally, emphasising that their investment in the Sutherland site is not without merit.

At this crucial time for the development of the three proposals, in the Highland and Island areas, it's important that we work with all potential sites looking to pursue this opportunity.

The HIE board meets at 9am on Wednesday. Unfortunately, I don't think there would be an alternative to a call in terms of this action.

A meeting with the Sutherland site following a decision by the HIE board would be a very different form of engagement altogether. This is about managing expectations.

I hope this helps.

Kind regards,  
[REDACTED]  
**[REDACTED] | Manufacturing Policy Officer**  
Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED]

---

**From:** [REDACTED](MPO) **On Behalf Of** Minister for Business, Innovation and Energy  
**Sent:** 20 April 2018 12:06  
**To:** [REDACTED]Minister for Business, Innovation and Energy  
**Cc:** [REDACTED]  
**Subject:** RE: Sutherland Spaceport

Hi [REDACTED],

As discussed, I never had a chance to speak to him about this last week. He really has no availability on Tuesday to do this.

What time on Wednesday is the meeting? How important is the call? And is there any alternatives, or it the alternative just not doing a call?

Many thanks,  
[REDACTED]

[REDACTED] | Minister for Business, Innovation and Energy | The Scottish Government |  
[REDACTED]

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**From:** [REDACTED]  
**Sent:** 17 April 2018 17:07  
**To:** Minister for Business, Innovation and Energy  
**Cc:** [REDACTED]  
**Subject:** Sutherland Spaceport

Hi [REDACTED],

As discussed I would be grateful if you could look into the possibility of arranging a telephone call/VC (given the logistics) with Mr Wheelhouse and the Sutherland spaceport leads. The meeting would need to take place before the HIE board which is next week on Wednesday 25<sup>th</sup> April.

The HIE board will consider all 3 spaceport projects in the highlands and islands. Mr Wheelhouse has already visited the Western Isles project and Mr Ewing will be meeting with Tavish Scott on Thursday to discuss the Shetland project. It would be good if we engaged with Sutherland to show our support for all potential spaceport developments.

I'm currently trying to get a hold of HIE to find the project lead for the Sutherland spaceport and will come back as soon as this is confirmed.

Please let me know if this would be possible and apologies for the short deadline.

Kind regards  
[REDACTED]

**[REDACTED] | Manufacturing Policy Officer**  
Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED]

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**From:** [REDACTED]  
**Sent:** 14 May 2018 15:40  
**To:** [REDACTED]  
**Cc:** [REDACTED] <[REDACTED]  
**Subject:** HIE spaceport and state aid

[REDACTED]

I'm just out of a meeting with Mary and Charlotte Wright and think it would be helpful to have a chat with you about HIE's state aid position for the Sutherland spaceport proposal. HIE are of the view that they can put direct funding into the project as they would own it. I was under the impression that the grant from UKSA would effectively exhaust state aid cover for such support, but will freely admit that I am no expert in this area.

I have attached the main relevant extracts from the latest HIE board paper – if you are around tomorrow could we discuss?

Many thanks

[REDACTED]

*[REDACTED] | Head of Manufacturing & Construction | Innovation, Investment & Industries Division |  
The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | t: [REDACTED]*

## **EXTRACTS FROM HIE BOARD PAPER ON SPACEPORT**

We understand that the submission has been successful in its grant funding application to the UKSA ....

The funding award means that the site has secured 15% of its total capex requirement. Discussions are ongoing with the NDA on a potential 3 year grant potentially linked to HIE spend in the Caithness North Sutherland area (their particular area of interest). Clarification response states that the NDA provided a 'letter of support' as part of the UKSA's grant award process and the project team believes support from HIE and UKSA will influence the outcome with the NDA. HIE will need to consider this dependency in its decision making. Assuming public sector grant monies were made available as envisaged by the project team, there is still a £4.5m financing gap which is proposed to be covered by a loan on commercial terms for State Aid reasons. The current structuring of this loan by the HIE into the project is unclear and likely to be challenging; as such further work is required to test the modelling assumptions (3.5% over 25 years). The market engagement undertaken by the project team has identified that Launch Service Operator equity financing, potentially through minority ownership of a project SPV (were this to be the chosen route), could also be an alternative

This is an own hand project and as the HIE/NDA funding is input as non-State aid, HIE will not require to assess itself against the technical in difficulty test. We can assume that UKSA will seek assurance that HIE does not meet these criteria before they grant the State aid to HIE. HIE Financial Services will be able to complete the declaration (in the form of HIE's FIDc spreadsheet) on behalf of HIE, close to the date of granting

### **Legal structure**

This is a project that is being led by HIE. The exact nature of the legal structure that project manages, commissions, pays, and owns the launch site is to be considered as part of the next phase. This will allow HIE and advisers the opportunity to look at options, such as a Special Purpose Vehicle, and the nature and make up of its ownership.

For example, it is known from discussions that some of the rocket launchers and some of the Launch Site Operators are interested in an equity involvement. The practicality, possibility and options for swapping in third party equity can be explored in this next phase.

For the time being, as set out below, HIE will manage this project directly via a Project Board, HIE Staff and some third-party contractors.

### **Management capability of third party**

As set out above and below, HIE is planning to contract out the operation of the launch site to a third party. This procurement process will be explored in the next phase, and matters taken to a sensible point to inform Management Capability for a subsequent paper to the HIE Board.

### **Procurement**

As HIE are the potential lead on Sutherland there will be a procurement process to be followed which is likely to be at OJEU level. Procurement timelines are included in the Sutherland submission and would be followed through close liaison with HIE Procurement team. A stage gate approach is planned with go/no go decisions along the way.

Other third-party support will be drawn down from existing Framework contracts, support by the HIE Procurement team.

## **State aid**

The State aid position has been discussed between HIE/Scottish Government and UKSA. The project will be the beneficiary of State aid from UKSA while HIE and NDA funding will not be State Aid.

The funding package for the development of the launch facility in Sutherland needs to be State aid compliant. HIE accepts that the UKSA funding can only be provided as grant in aid into the project; this will be awarded under the GBER Regional Aid, Article 14. The maximum grant is 15% reflecting the Assisted Area limit where the applicant, HIE, is a large enterprise. HIE must provide the 85% balance of funding on commercial terms in order to satisfy the market economy investor principle (MEIP) i.e. the rest of the funding package is not public aid. HIE's contribution will be gross of the proposed NDA funding.

There is a stipulation within the Regional Aid conditions that requires a minimum of 25% of the funding package to come from own resources or external financing in a form exempted from any public financial support. For HIE to confirm to UKSA that we would fully comply with the terms of the GBER Article 14 we sought legal advice to interpret this and whether HIE funding, as a public body itself, could be considered exempt from public support. The advice drew on the Guidelines on Regional State Aid 2014-2020 and a specific reference to examples of what is not exempt which includes "public participations which do not meet the market investor principle". The interpretation of this double negative is that "public support" requires an element of State aid or subsidy.

Accordingly, HIE considers that it can meet the requirement of paragraph 14 of Article 14 of the GBER by utilising its own resources on the basis that such resources will be provided in accordance with the MEIP. This requires funds for this project to be accounted for separately from our other resources and we should obtain an independent accountant's opinion that our contribution to the project will be made in accordance with requirements of MEIP.

The assumed procurement and lease to the LSO will provide a commercial return on HIE's funding, and this has been modelled on a 25-year payback. This means no State aid will be present at the LSO level.

The funding from NDA will be invested by HIE into the project as part of the MEIP package i.e. non-State aid. The European Commission requires State owned enterprises to hold separate accounting systems for commercial undertakings.

It is important to note that the State Aid position is open to interpretation. HIE have sought both legal advice and advice from the Scottish Government's State Aid Team, both of whom are supportive of HIE's position and interpretation of the state aids.

Concluding the nature of the funding package and HIE's administration of the project is a work strand of the next phase.

HIE's funding of the launch site will not involve State Aid; HIE is proposing to provide funds on commercial terms.

## Annex 35

**From:** [REDACTED]  
**Sent:** 30 October 2018 18:50  
**To:** Cabinet Secretary for the Rural Economy <[CabSecRE@gov.scot](mailto:CabSecRE@gov.scot)>; [REDACTED] <[\[REDACTED\]](#)>  
**Cc:** Communications Economy <[CommunicationsEconomy@gov.scot](mailto:CommunicationsEconomy@gov.scot)>; News Desk <[Newsdesk@gov.scot](mailto:Newsdesk@gov.scot)>; [REDACTED] McAllan M (Mary) <[Mary.McAllan@gov.scot](mailto:Mary.McAllan@gov.scot)>; [REDACTED]; Rollison R (Richard) <[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>; Communications Rural Economy & Environment <[CommunicationsRuralEconomy&Environment@gov.scot](mailto:CommunicationsRuralEconomy&Environment@gov.scot)> [REDACTED] Cabinet Secretary for Transport, Infrastructure and Connectivity <[CabSecTIC@gov.scot](mailto:CabSecTIC@gov.scot)>; Minister for Energy, Connectivity and the Islands <[MinisterECI@gov.scot](mailto:MinisterECI@gov.scot)>; Cabinet Secretary for the Environment, Climate Change and Land Reform <[CabSecECCLR@gov.scot](mailto:CabSecECCLR@gov.scot)>; Minister for Trade, Investment and Innovation <[MinisterTII@gov.scot](mailto:MinisterTII@gov.scot)>  
**Subject:** RE: Line to clear - Spaceport HIE Sutherland - P&J

Thanks [REDACTED]. I'll issue now.

[REDACTED]

**[REDACTED] | Communications**  
Senior media manager  
Scottish Government, St Andrew's House  
**e:** [\[REDACTED\]](#)  
**t:** [REDACTED] **m:** [REDACTED]  
[www.scotland.gov.uk](http://www.scotland.gov.uk) | @ScotGov

**From:** Cabinet Secretary for the Rural Economy  
**Sent:** 30 October 2018 18:46  
**To:** [REDACTED]  
**Cc:** Communications Economy <[CommunicationsEconomy@gov.scot](mailto:CommunicationsEconomy@gov.scot)>; News Desk <[Newsdesk@gov.scot](mailto:Newsdesk@gov.scot)>; [REDACTED]; McAllan M (Mary) <[Mary.McAllan@gov.scot](mailto:Mary.McAllan@gov.scot)>; [REDACTED]; Rollison R (Richard) <[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>; Communications Rural Economy & Environment <[CommunicationsRuralEconomy&Environment@gov.scot](mailto:CommunicationsRuralEconomy&Environment@gov.scot)>; [REDACTED] Minister for Trade, Investment and Innovation <[MinisterTII@gov.scot](mailto:MinisterTII@gov.scot)>  
**Subject:** RE: Line to clear - Spaceport HIE Sutherland - P&J

[REDACTED]

Mr Ewing is content.

Thanks

[REDACTED]  
Private Secretary  
[REDACTED]  
[REDACTED]

---

**From:** "[REDACTED] <[\[REDACTED\]](#)>"  
**Sent:** 30 Oct 2018 17:16  
**To:** Cabinet Secretary for the Rural Economy <[CabSecRE@gov.scot](mailto:CabSecRE@gov.scot)>  
**Cc:** Communications Economy <[CommunicationsEconomy@gov.scot](mailto:CommunicationsEconomy@gov.scot)>; News Desk <[Newsdesk@gov.scot](mailto:Newsdesk@gov.scot)>; "[REDACTED]"; "McAllan M (Mary)"

<[Mary.McAllan@gov.scot](mailto:Mary.McAllan@gov.scot)>; "[REDACTED] <[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>; [REDACTED]; "Cabinet Secretary for Transport, Infrastructure and Connectivity" <[CabSecTIC@gov.scot](mailto:CabSecTIC@gov.scot)>; "Minister for Energy, Connectivity and the Islands" <[MinisterECI@gov.scot](mailto:MinisterECI@gov.scot)>; "Cabinet Secretary for the Environment, Climate Change and Land Reform" <[CabSecECCLR@gov.scot](mailto:CabSecECCLR@gov.scot)>

**Subject:** Line to clear - Spaceport HIE Sutherland - P&J

Hi [REDACTED]

The P&J has asked us about objections to the spaceport work being done for Sutherland. You'll see they are asking about the processes being followed and possible alternative sites – "*HIE appears to be the main driving force behind Sutherland proposal. At what stage are HIE and UKSA with the proposal – are there any firm plans laid out? Did HIE and other agencies look at the legalities of land use, etc, before deciding on Sutherland?*"

I would be grateful for clearance of the following line that has been agreed with policy, comms and spads.

**A Scottish Government spokesperson said:**

"Highlands and Islands Enterprise are leading on the spaceport project and we are assured by the agency that they are giving due consideration to the concerns raised in relation to the use of the land in Melness. This includes engagement with the local community, planning authorities and other stakeholders to give active consideration to these issues."

**[REDACTED], HIE's spaceport project director:**

"Melness was identified by UKSA as the preferred site and approved a £2.5m grant to HIE towards the facility's development. We have always stressed the project is subject to agreement being reached with the Melness Crofting Estate and that this is something on which they will need to consult their members before entering into any formal agreement.

"Meantime we are developing the proposals with a view to submitting consent applications within the timescales set out, but again this is all subject to land lease agreement being reached with the estate.

"We believe the spaceport will bring many benefits for the local economy and community, notably through rural job creation and community resilience."

Thanks

[REDACTED]

[REDACTED]

Newsdesk

[REDACTED]

## Annex 36

**From:** [REDACTED]  
**Sent:** 05 November 2018 16:29  
**To:** McAllan M (Mary) <[Mary.McAllan@gov.scot](mailto:Mary.McAllan@gov.scot)>  
**Cc:** [REDACTED]  
**Subject:** CONFIDENTIAL UKVL - Melness Crofters Estate Risk and Options Review

Mary,

Further to your discussions with Charlotte last week, I attach a confidential paper setting out the current position with regard to the Melness Crofters Estate,(MCE), short term action plans, alternative options and communication plans.

I would stress that based on our discussions at a Sutherland level, we are currently anticipating a positive vote by MCE members. The development as proposed will never attract 100% support, but our current view is that whilst there is some opposition to the development, the majority of the local community remains in favour of the development.

In the paper, we have outlined the current position and the short term activity which is underway. You will note there is a short term option for a proactive press release before the vote closes, potentially with ministerial input. We are NOT recommending this as an option, but have included it for completeness

We have also identified options for other sites in the Highlands and Islands as contingency plans. Having discussed these with UKSA, it is clear the only options they could consider currently are the Melness site as is, or another similar site on North Coast of Mainland Scotland. Whilst that is technically possible, there would be challenges in achieving the launch timetable as , for example, no environmental studies have yet commenced. Therefore options 1,Melness as is, and 2, ANO Sutherland site are being progressed and we will provide more details on those subsequently.

Draft press releases have been prepared and are included in the document, which will be dependent upon the result. UKSA are keen to have sight of these to align messages post 7 November, but as yet we have not shared them with UKSA

The UKVL project has been assessed as novel and contentious by Scottish Government, and we are keen to continue to work proactively with Scottish Government and all its agencies to deliver this project. Gaining approval from MCE has been a clear and early milestone throughout the project, and has been identified on the project risk register and discussed at the UKVL Project Board on which Scottish Government are represented.

There will be other challenges to be dealt with, milestones to be achieved as we go forward, e.g. planning consent, and we will continue to share project plans with Scottish Government colleagues. We would welcome Ministerial support to deliver this opportunity for Scotland, and Charlotte and I would seek an early discussion, both on the attached document and the longer term plans for delivery, which will require a coordinated approach across Government, particularly to ascertain how we can accelerate timescales if required

Regards,

[REDACTED]

## **Director of Business & Sector Development**

Highlands and Islands Enterprise | Iomairt na Gàidhealtachd 's nan Eilean  
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Executive Support –

[REDACTED]

T: [REDACTED]

E: [\[REDACTED\]](mailto:[REDACTED])



**UKVL Programme – Detailed Review of Risk and Options for preferred site of Melness Crofters**

**Estate**

**Background**

A key milestone in the development of the UK's first Spaceport is the agreement of the lease of land from Mellness Crofters Estate, (MCE). This has always been a critical part of the programme, and HIE have continually engaged with MCE Board since initial discussions in early 2016. Specific engagement with the wider membership has been involved meetings and presentations on 30 Oct 2017, 19 April 2018 and 20 Aug 2018. Partners such as Lockheed Martin and Orbex have also been involved.

Key messages at these meetings have been

- The Moine is an ideal location for the establishment of the UK's first vertical launch facility
- We anticipate a positive economic impact for the North Sutherland, wider Caithness and Sutherland area and Scotland for this development
- Timescales for growth fit well with the anticipated Dounreay decommissioning timescales
- As well as direct jobs, indicated as 40 locally, we anticipate supply chain opportunities for existing C&S companies, and new companies coming to the area
- Community Engagement is valued and an essential part of the process
- North Sutherland is a fragile area and we believe this will positively impact on the area
- Revenue will support sustainability of MCE and create opportunity for reinvestment in crofting

Whilst we have never anticipated unanimous support for this proposal, public indications have been positive throughout as evidenced by MCE attending Farnborough Airshow in July when the UKSA announcement was made, and their positive contribution to the recent 'Sky at Night' programme.

**Lease Options**

HIE are seeking to enter into a long term lease with MCE. Following discussions with HIE solicitors and MCE solicitors, involving HIE Property team, a proposed lease of 75 years at £70,000 has been confirmed as acceptable by MCE. Subject to a positive vote, HIE are now seeking formal agreement of a lease option for a period of up to 5 years. The lease option is expected to be implemented shortly after a positive vote, and is expected to be in place for 2-3 years whilst the full lease is agreed with a payment of £8000 p.a for the lease option. Once the lease option is agreed, HIE and MCE will progress to formal Heads of Terms on a lease which will include an initial break option at year 5, and annually thereafter.

**Current Timescale**

24<sup>th</sup> October – MCE solicitors issued voting forms to all members

7<sup>th</sup> November – MCE solicitors will open ballots, (including emails received from those out of country) and will verify outcome of vote. MCE Board to be advised of result

8<sup>th</sup> / 9<sup>th</sup> November – MCE will discuss with solicitors next steps

HIE are seeking verbal update from MCE solicitors, after the MCE Board has been advised of outcome followed by confirmation in writing and subsequent engagement with MCE

Over recent weeks it has become clear that an element of the wider MCE membership are opposed to the development, and have established the 'Protect the Moine' campaign group. Initial indications are that there are 3 members of this group who have resigned from MCE Board. The first meeting of this group was held on 1<sup>st</sup> November, and indications are that turnout was 10 people. Based on our long term engagement with MCE, we remain positive about the outcome of the vote.

**Action Plan - What can be done between now and 7 November**

Options

Potential Action	Pros	Cons	Recommendation
Meeting/Discussion with MCE Board and or Chair	Emphasises the positive opportunity; Showcases the importance of the vote; Gain better understanding of current expected outcome Better understand the issues and implications around the resignation of 3 members to form the 'Protect the Mhoine' campaign group		Recommended and underway – [REDACTED] progressing discussions with Chair.
Provide further briefing to MCE	Emphasises the positive opportunity	MCE have already had all the information they require Timing	Will be done but likely to have little impact as voting underway. Action [REDACTED]
Produce Press Statement advocating MCE support of key opportunity potentially to be used by HIE and/or Scottish Government	Emphasises the positive opportunity; Showcases the importance of the vote	Could be seen as Government pressurising MCE Timing	Draft release – action [REDACTED]; Not recommended , options around release to be discussed with Scottish Government. – Action [REDACTED]
Ministerial visit to Site	Highlights the importance UK and Scottish Governments place on this vote	Could be seen as Government pressurising MCE; Challenging to arrange at short notice; UK Ministers have already visited relatively recently with positive press coverage locally and nationally	Not recommended, Timescales mean unrealistic

## Status and Risk Update on Site Options Overview

Ahead of the MCE vote result, HIE have looked at the mitigations which can be put in place for the result of the vote. These are summarised below, and are subject of more detailed plans which will be shared.

	OPTION	STATUS	LEAD	RISK (RAG)	ACTIONS AND MITIGATION	TIMELINE	IMPLEMENTATION PLAN	COMMS
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1	Melness Crofters' Estate	Live and Preferred	HIE	R Lease negotiations subject of a vote by eligible crofters	Ensure all positive information on benefits has been shared with community prior to vote. Range of options available, subject to outcome.	7-8 November for outcome of vote	Detailed plan for all possible outcomes in development	Detailed plan for all possible outcomes
2	Alternative site in Sutherland	Outline	HIE	R Confirmation of owner's views and overall feasibility Survey Work	Clarify ownership through background searches Scope out initial feasibility UKSA have advised this is a possible option, but would need to understand implications on launch date	5 November	Outline, further detail required. Will be assessed as a back up to Option 1	Prepare draft
3 .	Unst	Live	SSC	R/A Private sector has undertaken work, has site ownership. Impact on UKSA technology development funding Survey work	UKSA have advised that they would not consider this a viable option, and would potentially need to restart the call for funding if	5 November	Some feasibility and business planning. Private sector actively pursuing.	Prepare draft

					MCE vote was negative  Further discussions at UK/Scottish Government if needed			
4.	North Uist	Live	CnE S	R/A Some work undertaken Site ownership MoD Survey Work Impact on UKSA technology development funding	UKSA have advised that they would not consider this a viable option, and would potentially need to restart the call for funding if MCE vote was negative  Further discussions at UK/Scottish Government if needed	5 November  Post MCE vote result if needed	Some feasibility and business planning.	Prepare draft

It is clear from conversations with UKSA, that a Spaceport outwith Sutherland provides serious challenges.

#### Current Timescale

Key dates in the Project Plan are currently:-

Action	Date
<b>MCE vote on lease</b>	7 November 2018
<b>Commence procurement Launch Site operator</b>	Q4 2018
<b>Ground Surveys and Groundwork investigations commence</b>	Q4 2018
<b>Building Warrant Applied</b>	Q4 2019

<b>Building Warrant Received</b>	Q1 2020
<b>HIE Board Final Business Case</b>	Q4 2019
<b>Planning Permission Application</b>	Q4 2019
<b>Planning Permission Approval</b>	Q1 2020
<b>Construction Commences</b>	Q2 2020
<b>Construction Complete</b>	Q1 2021
<b>Pathfinder launch</b>	Q2 2021
<b>First commercial launch</b>	Q3/4 2021

#### Communications

There is likely to be significant press interest in the outcome of the vote, and we have prepared draft comms lines. There is the option for a proactive press release before the vote closes, (option 0) below, but we do not recommend this as an action.

#### UKVL Press Approach – MCE Vote - November 2018

#### DRAFT Press release 0 – Before the Vote – **Optional** – Must be released by Tuesday 6<sup>th</sup> Nov'18

Members of the Melness Crofters Estate are heading to the polls this week to express their view about the intended spaceport on the Moine. The ambitious project, which is being led by Highlands and Islands Enterprise is set to deliver 40 jobs locally and 400 jobs across the region.

If it is positive, the enterprise agency has promised ongoing community consultation, leading up to seeking planning permission on early 2020. In addition, there will be significant dialogue with ecological interest groups.

Roy Kirk, UKVL Project Director said “Community empowerment is at the core of how HIE’s approaches our activities. We greatly welcome the vote which is measuring the community’s support for the Vertical Launch project. We have greatly appreciated the open and honest dialogue with the local community since the announcement that the Moine was the preferred location earlier this year. We believe it will create new jobs and prosperity for North Sutherland and the Highlands & Islands.”

**Scottish Government Minister said** “The Scottish government looks forward with interest to the outcome of the Crofter’s vote. Projects of this global ambition do not come along every day, so we are committed to the full exploration of this project to see if it is welcomed by the majority of the community. The Scottish Government believes that communities are best placed to make decisions

about new development, we welcome the vote and look forward to hearing the outcome later this week".

**If there is a yes vote we will:**

- Welcome the vote as a positive step forward. State that we will commit to working with the Crofters estate to regularly consult with them on the progress of the project.
- Announce a series of public meetings with the Launch Service Providers and HIE to answer any new questions the community have.
- Arrange a public visit by a senior politician.
- Commit to sending a newsletter every quarter as one means of informing the community.
- Set up social media channels, including Twitter and Facebook to receive and respond to real time public feedback.
- Announce that we are launching a competition for local school children to design a new logo and name for the Site.
- Highlight that we look forward to entering into a dialogue with those that support as well as those who do not support the project to try and work towards a consensus.
- In mid-November we will announce (in partnership with Orbex) the opening of their new UK headquarters in Moray.

**DRAFT Press release 1 - Positive**

**SPACE PROJECT GETS GO AHEAD ON MCE LEASE OPTION**

Melness Crofters Estate have today confirmed their intention to agree a lease option for the potential spaceport on the Moine.

This allows the project to move on to the next phase which includes commencing studies to address all the necessary safety and environmental issues that will be needed for a planning application to be submitted to The Highland Council around November/December 2019.

[REDACTED] UKVL Project Director said "This was a major milestone for us to ensure that the MCE were content to move to the next stage of this project.

We are aware there are a number of residents who are opposed to this development on environmental grounds and over the next year we will be working hard to gather all the necessary information to address these. There is still a huge amount of work to be done to get the point of submitting a planning application.

We also understand the frustration of local residents who feel they have not been provided with sufficient information at this stage and while we have undertaken three community engagement sessions we were not keen to do too much until such times as MCE had made their decision.

There agreement to continue negotiations is great news for us and we can now start to do a lot more of the upfront work required to inform planning and of equal importance we can now hold further community meetings to update people as we move forward and more importantly listen to their issues and concerns in order that we can try to address these through the planning process.

Right now, we still have a lot of work to do and we recognise, at this point, we do not have all the answers that residents are seeking but as this information evolves we will continue to update the community. This project is still not a 'done deal' as we have a number of environmental studies to

undertaken and obviously by the time we get to planning there will be a full consultation to undertaken with statutory consultees as well as members of the public.”

Dorothy Pritchard, Chair of MCE said “The MCE held a ballot that resulted in the agreement of a lease option. This simply means we are happy to continue to hold discussions with HIE to work towards a conclusion on the land lease.

The onus will be on HIE to demonstrate a sensitivity towards safety and the environment. While those who voted in favour see many local advantages with potential jobs to the area, STEM activities and the opportunity for our young people to get involved in this exciting industry, like those opposed to the development we will want to see this done in a way that the environmental impact is kept to a minimum and that all safety considerations have been adequately addressed.”

The UKVL Sutherland project got the go ahead from the UK Space Agency when it announced in July 2018 that grant funding had been approved together with funding awards to industry partners Orbex and Lockheed Martin who both plan to see initial launches carried out in the early 2020s.

**If there is a resounding no vote we will:**

- Subject to agreement from partners, we should seek to endorse and switch support to alternative sites.
- Be clear that it is both a surprise and a significant setback to our plans. Highlight we will work with MCE to establish the reasons of the no vote, and if any of these can be mitigated.
- Highlight that getting the lease option was always one of the first key tasks in the project plan following the announcement of Sutherland being chosen as the preferred vertical launch site by the UK Space Agency. Put the decision in the context that it is right communities are empowered to make decisions that define their future.
- Highlight that we will consult with the project stakeholders, for example the UK Space Agency, Scottish Government, Lockheed Martin and Orbex about potential alternative options.

**DRAFT PRESS RELEASE 2 – negative outcome**

**NO DEAL FOR MOINE SPACEPORT**

Disappointment has been expressed on the decision made by MCE not to pursue a lease option on the Moine for the first spaceport in the UK.

Speaking today, [REDACTED] UKVL Project Director said “It is disappointing that members of MCE felt they could not support a lease option for the Moine. It would have effectively allowed us to continue with our programme of work that would have encompassed all the relevant environmental and safety considerations required to work towards submitting a planning application.

We always recognised that the decision would be up to the MCE to approve this going forward and while we had undertaken some work at our own risk to ensure we could continue with a very challenging programme of work there were still a lot of unknowns that we simply could not provide responses to at this stage because the work had quite simply not been done.

We are obviously disappointed as we believed some real investment in the area would have been forthcoming but we have to respect the local residents, it is clearly a significant setback to our plans.”

**If there is a close no vote we will:**

- The same as if there is a resounding no vote (minus the significant setback, and alternative options point).
- Mention that we will seek further dialogue and we are hopeful of holding another vote within the next three months. Concern at this, as it could work the other way.

Regardless of the outcome of the vote HIE will closely engage with the Scottish and UK Governments to agree public lines before issuing to the media.

**DRAFT PRESS RELEASE 3 – close negative outcome**

**NO DEAL YET FOR MOINE SPACEPORT**

Disappointment has been expressed on the decision made by MCE not to pursue a lease option on the Moine for the first spaceport in the UK.

Speaking today, [REDACTED] UKVL Project Director said “It is disappointing that members of MCE felt they could not currently support a lease option for the Moine.

We will need to re-consider our programme of work that would have encompassed all the relevant environment and safety considerations required to work towards submitting a planning application.

We always recognised that the decision would be up to the MCE to approve this going forward and while we had undertaken some work at our own risk to ensure we could continue with a very challenging programme of work there were still a lot of unknowns that we simply could not provide responses to at this stage because the work had quite simply not been done.

We plan to work with the MCE Board and the wider community to establish the reasons why the vote narrowly did not go through, and establish whether or not any of these could be mitigated with further investigations into specific concerns.”

**Annex 38**

[REDACTED]

Good to speak with you. Please see an update on the UKVL Sutherland project.

I hope this is helpful and let me know if you need any more.

Kind regards

[REDACTED]

HIE area manager - Caithness and Sutherland

Tel: [REDACTED]

Mob: [REDACTED]

Web: [www.hie.co.uk](http://www.hie.co.uk)

**UKVL Sutherland**  
**Update – 1 September 2017**

I know you will be aware that UK Space Agency (UKSA) has taken forward two proposals with the UKVL Sutherland site (one with Lockheed Martin and one with Orbital Express). We know that this is the only vertical launch site that UKSA is undertaking due diligence with.

**Description of Project**

The UKVL Sutherland project seeks to deliver the first phase of a satellite launch facility for vertical launch vehicles in the UK. The project is to be based on the Moine peninsula just west of the village of Melness. This is just west of the village of Tongue, Sutherland on the North mainland of Scotland. The project would provide a licensed launch facility with a licensed space range with appropriate equipment. This is likely to include a road coming off of the A868 and heading north to a launch complex. The launch complex would comprise of an assembly building, control office and launch pad with the appropriate launch equipment (lightening conductors, fuel supply, flame trench, water deluge systems and command and control systems).

As well as the physical infrastructure there would be significant interest in developing a local, Scottish and UK supply chain for this new sector.

The market interest is driven by the need for low cost access to space. The focus is on small satellite development of the potential of large numbers of satellites being needed for constellations of satellites (by organisations such as OneWeb and Google). This is driving the commercial need for such a facility. UKSA has identified this as an opportunity to develop the UK space sector. The satellites would be mainly focussed on Low Earth Orbits (around 500 to 700 Km) and mainly on Polar or Sun Synchronous orbits.

**Interested parties**

The two companies who are also going through due diligence with UKSA are Lockheed Martin and Orbital Express. Lockheed Martin has significant expertise in launcher operations and expertise in this area. Orbital Express is a smaller newer company who are looking to provide a mainly UK produced launcher. Both companies are keen to proceed. Both will bring different types of opportunity.

As well as discussions through UKSA and their call for proposals we are also in serious discussions about the following companies using UKVL Sutherland as a launch site. These discussions are confidential and at an early stage.

Airbus – operating through Ariane Group

Boeing

Firefly – unsuccessful on the call for proposals but speaking with their parent company about the desire to use the site

OHB SE – One of the biggest space companies in Europe – German led.

There are a range of possibilities for other companies to be involved in the wider supply chain.

### **Activities being undertaken by HIE**

HIE has been investigating the Sutherland site for around two years. We have a project plan to deliver the first launch around 2020. We have completed feasibility; options appraisal and currently have a Strategic Outline Case that we expect to present to our Board in October.

This contains costing for development (currently over £2m) and capital costs (currently under £17m). We are seeking to have contributions from UKSA (£5.5m) and the Nuclear Decommissioning Authority (£5m). We are in discussion but no funding is yet confirmed.

We continue to develop a planning application by providing an Environmental Statement and Planning application. We are in discussions with the landowner of the site (Melness Crofters Estate) and these are all proceeding positively.

We have built relationships with other similar organisations and facilities around the world. Reference visits have already taken place to sites in the US and shortly to New Zealand.

We continue to build our knowledge of the sector and the various elements of the supply chain that could be brought to Scotland to make this a major success for the future.

### **Impacts**

A report was undertaken by Frontline consultants on the Economic Impact of the project at that time. The indicative figures were that by 2023 the following jobs would be created in the local area, Highlands and Scotland. These include direct jobs, indirect and induced jobs. While we would suggest some caution at this stage they do indicate the scale of the opportunity with Launch.

**Indicative estimate of   Highlands and Islands   Scotland  
economic impacts,  
conservative scenario,  
2023 Caithness and  
Sutherland**

#### **Net Direct impact**

FTE employment	325	319	312
impact			

#### **Net direct, indirect and induced impacts**

FTE employment	568	636	788
impact			
Turnover impact	63.5	67.8	77.0
(£m)			

As well as these impacts we note that this would be very helpful locally in reducing the impact of the decommissioning of the Dounreay facility in Caithness.

**[REDACTED]**

**HIE: Caithness and Sutherland**

**September 2017**

## Annex 40

[REDACTED]

Thank you; that is helpful.

We will review and revert back should we need to .

Kind regards

[REDACTED]

Regional Head of International and Key Sectors

Mob: +[REDACTED] | DD: +[REDACTED] | Reception: +44 (0)1463 245245



Highlands and Islands Enterprise | Iomairt na Gàidhealtachd 's nan Eilean  
An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA



**From:** [REDACTED]  
**Sent:** 12 February 2018 10:59  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** HIE - Sutherland Spaceport

Hi [REDACTED]

Apologies for the delay in getting back to you— [REDACTED] is out of the office today so picking this up in his absence.

We have discussed the issue of the Sutherland spaceport with colleagues in SG finance and agree that in accordance with the SPF, the SG cannot allow HIE to take a commercial loan as a means of increasing spending power and we therefore suggest that HIE seek alternative ways to fund this project.

In the event, that all other possible avenues of funding have been exhausted, the Enterprise and Towns Act does allow for HIE to borrow commercially with the consent of the Cabinet Secretary. However, this would only be possible with the receipt of a comprehensive business case illustrating all other alternatives explored and how they cannot be pursued. Officials would then use the business case to inform a briefing for the Cabinet Secretary to consider and make a decision.

My colleague [REDACTED] from our finance team (cc'd) would be happy to discuss this in more detail if that would be helpful.

Many thanks  
[REDACTED]  
[REDACTED]Enterprise Sponsorship Manager  
The Scottish Government  
Tel[REDACTED]

FYI

**[REDACTED] | Manufacturing Policy Officer**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED]

**From:** [REDACTED]  
**Sent:** 24 January 2018 14:15  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Sutherland Spaceport

Thanks [REDACTED]

I appreciate you taking this forward.

Kind regards

**[REDACTED]**

Regional Head of International and Key Sectors

Mob: +[REDACTED] | DD: +[REDACTED] | Reception: +44 (0)1463 245245



Highlands and Islands Enterprise | lomairt na Gàidhealtachd 's nan Eilean  
An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA



**From:** [REDACTED]  
**Sent:** 24 January 2018 12:29  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Sutherland Spaceport

Hi [REDACTED],

I just wanted to give you an update. The SG sponsorship team will be in touch with you shortly to gather further information. An early indication is that we will need to go through an internal process but that it's not impossible. They will be able to provide you with further information when they get in touch.

I hope this is helpful and apologies for the delay.

Kind regards  
[REDACTED]

**[REDACTED] | Manufacturing Policy Officer**

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED]

**From:** [REDACTED]  
**Sent:** 17 January 2018 15:04  
**To:** [REDACTED]  
**Subject:** RE: Sutherland Spaceport

Hello [REDACTED]

It seems like a long time ago now, but I hope that you had a nice Christmas and New Year.

I wondered if you had any news on the point below, exploring whether HIE can take a commercial loan, etc., please?

Kind regards

**[REDACTED]**

Regional Head of International and Key Sectors

Mob: +[REDACTED] | DD: [REDACTED] | Reception: +44 (0)1463 245245



Highlands and Islands Enterprise | Iomairt na Gàidhealtachd's nan Eilean  
An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA



**From:** [REDACTED]  
**Sent:** 21 December 2017 12:40  
**To:** [REDACTED]  
**Subject:** RE: Sutherland Spaceport

Hi [REDACTED]

Thank you for your email, and I look forward to working with you on matters as they progress.

The proposal is that HIE would lead the development of a space port in Sutherland. It would therefore be owned by the Public Sector. It would be leased to a private sector operator: HIE does not want to operate such a facility.

The initial proposed funding model was as follows. HIE had discussed a state aid compliant route with UKSA (with the Scottish Government State Aid Unity)

and that was included in the UKSA application for funds (this is in part the basis of leasing the site to a commercial operator):-

Funding Source	[REDACTED]
HIE	[REDACTED]
UKSA	[REDACTED]
Nuclear Decommissioning Authority	[REDACTED]
[REDACTED]	[REDACTED]

Where we have reached at the end of last month is:-

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

This latter funding structure is a result of UKSA taking a firm line on their interpretation of the wording in their call for funding around state aids. This follows lengthy dialogue. The consequence of this is that State Aids require 25% of the funds to come from private sector commercial sources – a loan. Hence, HIE, should we wish to proceed, has to consider taking a private sector loan.

This is a unique situation: HIE has never taken commercial debt before. Therefore, whilst matters of business case, impact, value for money, etc., are still being determined, there is a question of can we?

Therefore, HIE seeks to know whether the Scottish Government would allow this, what the process would be, and what the potential consequences might be. For example, all other things being equal, if HIE takes a commercial loan, does that have a net impact on our funding from Government –would HIE end up paying twice, once for the loan, and once for a cut in budget.

Happy to discuss further.

Kind regards

[REDACTED]Regional Head of International and Key Sectors

Mob: +[REDACTED]| DD: +[REDACTED]| Reception: +44 (0)1463 245245

Highlands and Islands Enterprise | lomairt na Gàidhealtachd 's nan Eilean An Lòchran, 10 Inverness Campus, Inverness, IV2 5NA

[www.hie.co.uk](http://www.hie.co.uk) | [facebook](#) | [twitter](#) | [LinkedIn](#)



**From:** [REDACTED] [REDACTED]  
**Sent:** 21 December 2017 12:04  
**To:** [REDACTED]  
**Subject:** Sutherland Spaceport

Hi [REDACTED]

Thank you for the phone call yesterday regarding the spaceport at Sutherland. I'm fairly new to the SG manufacturing policy team and will be leading on space policy.

[REDACTED] has given me an action to speak to our sponsorship team around the state aid rules for private funding through a commercial loan. I just want to check my understanding around this is correct and would be grateful if you confirm the following details before I follow this up with our sponsorship team. Sutherland is a consortium made up of a 1/3 of HIE, the UK space agency and NDA. The project capital is £15M, with the space agency funding [REDACTED] NDA [REDACTED] and the rest would come from HIE. HIE require to increase their grant funding [REDACTED] and under state rules would need to do this through private investment through a commercial loan. HIE are concerned that gaining the additional funds through a commercial loan may reduce the current SG funding and would be grateful if you could advise.

I would be grateful if you could check through this and confirm if the above is correct.

Thanks for your help.

Kind regards  
[REDACTED]

[REDACTED] | Manufacturing Policy Officer  
Manufacturing & Construction | Innovation, Investment & Industries  
Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU |  
[REDACTED]

**Annex 42**

[REDACTED]

Just to follow up on this, I met with HIE this morning and can shed some light.

The money received from UKSA is indeed State aid as you have described. All of the additional public funding will be introduced on a commercial basis under the Market Economy Operator Principle (MEOP). Funding under MEOP is not State aid, hence the slight crossed wires here.

I'm travelling this afternoon but happy to discuss further as necessary

[REDACTED]

[REDACTED]  
Scottish Government - State Aid Team

*Office - [REDACTED]*  
*Mobile - [REDACTED]*  
[www.stateaidscotland.gov.uk](http://www.stateaidscotland.gov.uk)



**From:** [REDACTED]  
**Sent:** 14 May 2018 19:58  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Re: HIE spaceport and state aid

[REDACTED]

I'm actually in Inverness on Tuesday (and meeting with HIE amongst others)

Would a call at around 12 noon be suitable?

[REDACTED]

Sent from my BlackBerry 10 smartphone.

**From:** [REDACTED]  
**Sent:** Monday, 14 May 2018 15:40  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** HIE spaceport and state aid

[REDACTED]

I'm just out of a meeting with Mary and Charlotte Wright and think it would be helpful to have a chat with you about HIE's state aid position for the Sutherland spaceport proposal. HIE are of the view that they can put direct funding into the project as they would own it. I was

under the impression that the grant from UKSA would effectively exhaust state aid cover for such support, but will freely admit that I am no expert in this area.

I have attached the main relevant extracts from the latest HIE board paper – if you are around tomorrow could we discuss?

Many thanks

[REDACTED] | Head of Manufacturing & Construction | Innovation, Investment & Industries Division |  
The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | t: [REDACTED]

**Annex 43**

Hi [REDACTED]

Latest risk register attached. We had a quick refresh of it today to make sure it's still up to date.

Happy to discuss further anytime.

Kind regards,

[REDACTED]

**From:** [REDACTED]

**Sent:** 16 January 2019 11:44

**To:** [REDACTED] <[REDACTED]>

**Cc:** [REDACTED]

**Subject:** RE: UKVL - Risk Register

Thanks [REDACTED].

[REDACTED], grateful for your assistance – the Minister has asked for sight of this today.

Many thanks

[REDACTED]

[REDACTED] | Manufacturing Policy Manager

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government

3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED] [REDACTED]

**From:** [REDACTED]

**Sent:** 16 January 2019 09:32

**To:** [REDACTED]

**Cc:** [REDACTED]

**Subject:** FW: UKVL - Risk Register

[REDACTED] – can you make sure [REDACTED] has most up to date one please?

[REDACTED]

**From**[REDACTED]]

**Sent:** 15 January 2019 17:06

**To:** [REDACTED] <[REDACTED]>

**Cc:** [REDACTED]

**Subject:** UKVL - Risk Register

To all,

Hope you all had a good festive break – although it was about a fortnight ago!

Would someone be able to send me on the most up to date version of the UKVL project risk register please?

Kind regards  
[REDACTED]

[REDACTED] | Manufacturing Policy Manager  
Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED] [REDACTED]

## Annex 44

[REDACTED]

Sorry. I had attached the MS Project file. Please see a PDF version.

I will have the report with you shortly. It wasn't done by PwC but was an internal summary.

Speak soon.

Kind regards

[REDACTED]

Project Director UKVL  
Highlands and Islands Enterprise

Tel: +[REDACTED]

Mob:+[REDACTED]



**From:** [REDACTED]

**Sent:** 24 January 2019 09:26

**To:** Roy Kirk <[REDACTED]>

**Cc:** [REDACTED]

**Subject:** RE: Updated Project Plan UKVL

Thanks [REDACTED] I can't seem to open the file though.

Have you also managed to dig out the market testing report from PWC also following our emails last week?

[REDACTED]

[REDACTED] | Manufacturing Policy Manager

Manufacturing & Construction | Innovation, Investment & Industries Division | The Scottish Government  
3rd Floor, Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU | [REDACTED] [REDACTED]

**From:** [REDACTED]<[REDACTED]>

**Sent:** 24 January 2019 08:56

**To:** [REDACTED]

**Cc:** [REDACTED]>

**Subject:** Updated Project Plan UKVL

**Importance:** High

[REDACTED]

Please see attached the latest Project Plan for the UKVL project. It is still dynamic and we have had discussions on this with UKSA and Orbex and having further discussions with LM next week. It offers some significant advances in meeting the requirements.

I will call to discuss.

Kind regards

[REDACTED]  
Project Director UKVL  
Highlands and Islands Enterprise

Tel: [REDACTED]  
Mob[REDACTED]



**ISSUE:** Press & Journal published an article on 1 November highlighting concerns raised in relation to the development of a spaceport in Sutherland.

- Campaign group Protect The Mhoine (PTM) has been set up to oppose the proposals for the UK's first small satellite launch site at Melness, near Tongue.
- Concerns have been raised on the impact on the environment, archaeology and roads, the potential risk to the public, and noise pollution – while some crofters have raised issues over land ownership.
- Crofter [REDACTED] has voiced his personal opposition to the project, questioning the legality of using land which is subject to crofting rights.
- The site required for the spaceport is owned by the Melness Crofters Estate. A postal vote was issued to members on 24 October on whether to proceed with the lease of the site to HIE. Results of the vote is expected 1 or 2 November.
- HIE's assessment based on local engagement was that the majority of the Estate were positive about the proposals, and 5-6 individuals actively against.
- [REDACTED] one out of the eight currently registered Directors, wrote to the UK Space Agency and copied to Fergus Ewing, Cabinet Secretary for Rural Economy to highlight the same concerns raised in the Press & Journal article.
- HIE are leading on the spaceport project and they state they are giving due consideration to the concerns raised in relation to the use of the land in Melness.
- HIE has had a range of discussions with planning authorities including Scottish National Heritage and to date no substantial reason for planning consent not to be awarded has emerged. HIE have done one pre-planning application, and are preparing a further pre-planning application, to be submitted this year, to identify and mitigate any emerging risks. Full planning application is due to be submitted in 2019 followed by an application to the Scottish Land Court.

**Top Lines**

- A spaceport will mean we can build in Scotland, launch from Scotland, and operate satellites, all from Scotland – supporting Scotland's ambition to grow our space sector to a £4 billion industry.
- Highlands and Islands Enterprise (HIE) are determined that the Sutherland project will deliver strong community benefits.
- However, this can only happen with support from the local people.
- HIE will share details of its plans and invite feedback that will inform the package of community benefits it expects to be delivered.
- It has already held a number of meetings with the Melness Crofters Estate, having met with their Board members on several occasions since 2016.

**A spaceport will open up a wide range of market opportunities for Scotland.**

- It will attract businesses who want to be close to the launch site, which in turn will provide local jobs and wider supply chain opportunities to other businesses.
- A spaceport will also attract talent and more economically active people to our region to ensure our economy and communities continue to grow and prosper.
- HIE estimates that once operational, the spaceport will support up to 40 jobs in the area, with wider benefits to the Scottish and UK economy.  
Once operational, HIE estimates that around 400 jobs could be supported in the region.