



T: 0300 244 4000
E: scottish.ministers@gov.scot

Bruce Crawford MSP
Convener
Finance and Constitution Committee

Finance.Constitution@parliament.scot

COMMERCIAL IN CONFIDENCE

29 March 2018

Dear Bruce,

I write to inform the Committee about the Scottish Government's ongoing support of Burntisland Fabrications Ltd (BiFab).

The Committee will recall that in November 2017 I announced to Parliament that a solution had been brokered among interested stakeholders to lift the threat of administration from BiFab, allowing work to continue on the contracts for the Beatrice offshore wind farm. As part of that agreement, the Scottish Government provided a £15 million loan facility, with BiFab receiving payments on commercial terms to alleviate immediate cash flow difficulties.

Since then the Scottish Government has been working to secure the long term future of the company.

To this end, and in recognition of the level of interest around this particular case, I write to notify the Committee that the Scottish Government has extended our loan facility to BiFab by a further £4 million, on the strength of third party inward investment being secured in the near future.

That third party investment will be contingent upon the provision of financial support from Scottish Government on commercial terms. That negotiation is ongoing. As you will appreciate, those discussions are highly sensitive. The detail of the inward investment and associated support package is commercially confidential. I would be grateful if you could please treat the content of this letter in strictest confidence.

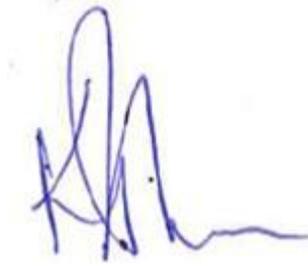
Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



However, I write now to provide as much transparency as is possible in relation to the Scottish Government's ongoing support of BiFab.

Yours sincerely



KEITH BROWN

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot





T: 0300 244 4000
E: scottish.ministers@gov.scot

Bruce Crawford MSP
Convener
Finance and Constitution Committee

Finance.Constitution@parliament.scot

COMMERCIAL IN CONFIDENCE

17 April 2018,

Mr Bruce Crawford MSP,

I write to inform the Committee about the Scottish Government's ongoing support of Burntisland Fabrications Ltd (BiFab).

In my recent letter to the Committee on 29 March, I took the opportunity to notify you that the Scottish Government had extended our loan facility to BiFab by a further £4 million. This was on the basis of our expectation that a third party investor would be secured in the near future. I can now confirm that Canadian based JV Drivers, [REDACTED] [REDACTED] is set to imminently acquire BiFab.

As previously stated, the precise details of the inward investment and associated support package will remain commercially confidential. However, in the spirit of transparency to Parliament, I wish to highlight that the Scottish Government will become a minority shareholder in BiFab. This shareholding could reach up to 38% of the issued share capital of BiFab. By taking such a stake, we are improving the return on our initial investment, and subsequent investments over the longer period.

The Committee should also be aware that once a change of control has been secured, the Scottish Government will make available a separate £10 million restructuring loan for the new owners. This will help secure short term contracts as part of a ten year plan for growth and expansion. This loan will be provided on a commercial basis.

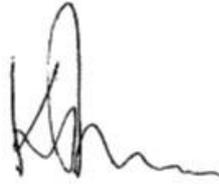
Our enterprise agencies have waived outstanding monies for Methil and Arnish, owned by SE and HIE respectively, as part of a negotiation of new long-term lease agreements, which [REDACTED].

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



I believe our intervention will maintain confidence in an important sector and support the local economy. Our support will also help to create employment and growth in the Scottish economy, which would have been foregone without our support.

As before, I would be grateful if you could please treat the content of this letter in strictest confidence.



KEITH BROWN

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



[REDACTED]

1. Introduction

1.1 [REDACTED]

1.2 [REDACTED]

1.3 [REDACTED]

2. Basis of Government Support

Alignment with government policy

2.1 The Scottish Government are committed to increasing the rate of sustainable economic growth, as outlined in the *Government Economic Strategy*¹, the *Manufacturing Action Plan*², *Labour Market Strategy*³ and our *Economic Action Plan*⁴. [REDACTED]

2.2 Scotland's industrial sector boosts national productivity, sustains high-skilled and well-paid employment and produces positive local and national economic spill-over effects and supply chain linkages. [REDACTED]

2.2 [REDACTED]

¹ Scotland's Economic Strategy, <http://www.gov.scot/Topics/Economy/EconomicStrategy>

² Manufacturing Action Plan, <http://news.gov.scot/news/manufacturing-plan-to-boost-industry>

³ Scotland's Labour Market Strategy, <http://www.gov.scot/Publications/2016/08/2505>

⁴ Economic Action Plan, <https://economicactionplan.mygov.scot/>

2.3 [REDACTED]

2.4 [REDACTED]

2.5 [REDACTED]

Existing Contract Awards

2.6 [REDACTED]

2.7 [REDACTED]

2.8 [REDACTED]

Future Fabrication Opportunities

2.9 [REDACTED]

2.10 [REDACTED]

3. [REDACTED]

3.1 [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

3.2 [REDACTED]

3.3 [REDACTED]

3.4 [REDACTED]

3.5 [REDACTED]

Proposal

3.6 [REDACTED]

3.7 [REDACTED]

3.8 [REDACTED]

Risk Mitigation

3.9 Appropriate measures have been taken to protect and minimise the exposure of Scottish Ministers. [REDACTED]

3.10 [REDACTED]

3.11 [REDACTED]

3.12 [REDACTED]

3.13 [REDACTED]

- [REDACTED]

3.14 [REDACTED]

3.15 [REDACTED]

3.16 [REDACTED]

- [REDACTED]
- [REDACTED]

3.17 [REDACTED]

3.18 [REDACTED]

Legal Authority

3.19 The Scottish Government has the necessary power to enter into this transaction under section 7 of the Industrial Development Act 1982, which enables selective financial assistance to be given to promote industry which will safeguard or

develop jobs. [REDACTED]

Due diligence

3.20 In order to minimise and manage financial risks, ascertain key information on business viability and consider all necessary legal issues the Government has undertaken extensive due diligence. MacRoberts LLP have provided legal advice on the transaction and Grant Thornton (GT) have undertaken commercial due diligence [REDACTED]

State Aid & Market Economy Investor Principle (MEIP) Compliance

3.21 In applying the MEIP test Scottish Government's actions would be compared with what a 'normal market operator' or investor would have done under the same circumstances, identifying risks that would have been taken into account by a private operator in the same situation as Scottish Government.

3.22 In conjunction with both our legal and commercial advisors, we have undertaken extensive and arduous negotiations with [REDACTED], which have led to improved commercial terms for the Scottish Government on our shareholding [REDACTED]. Scottish Government has concluded that a normal market operator would have done the same and on that basis, the presence of an advantage can be excluded and the MEIP test taken as having been met.

3.23 This has been validated by our legal advisors that the arrangements in support of the [REDACTED] Contract should fall within MEIP exceptions and should not contravene state aid rules.

4. Conclusion

4.1 The Scottish Government seeks the committee's agreement that this proposal provides stability and security to the company, [REDACTED]

4.2 [REDACTED] proposal for maintaining and developing their [REDACTED] is consistent with the Scottish Government's strategic approach to sustainable economic growth. In particular, the proposal:

- [REDACTED]
- Supports our **Economic Action Plan** together to build a strong, vibrant and diverse economy that promotes wellbeing and attracts investment
- Supports our **Manufacturing Action Plan** and its emphasis on boosting productivity and supporting inclusive growth by addressing regional

imbalances through local economic spill-overs and supply chain linkages and creating highly-skilled and well-paid jobs.

- Delivers on our **Trade and Investment Strategy** by attracting [REDACTED] to Scotland and that investment delivers to the wider economy in terms of productivity, innovation and exports.
- Supports our **Labour Market Strategy** by maintaining quality high paid jobs in the local area.
- Protects the Scottish Government's existing investment to what has been deemed a low risk approach.

Scottish Government
14 January 2019

CONFIDENTIAL

[REDACTED]



T: 0300 244 4000
E: scottish.ministers@gov.scot

Bruce Crawford MSP
Convener
Finance and Constitution Committee
The Scottish Parliament
Finance.Constitution@parliament.scot

COMMERCIAL IN CONFIDENCE

11 January 2019

Dear Convener

Further to my letter of 20th December 2018, I thank the Committee for agreeing to hold a private session, so that I can present matters concerning on a commercially confidential basis.

As you are aware, the written agreement between the Scottish Government and the Parliament requires Finance and Constitution Committee approval for guarantees outwith the normal run of Government business and where the exposure exceeds £2.5 million. Our assessment is that the arrangement under consideration requires approval by the Committee.

In advance of my appearance on 16th January 2019, I attach background on

The material attached identifies the parties involved and is highly commercially sensitive.
[REDACTED]

The parties involved in the transaction have consented to the material being made available for the Committee's assessment but they have not agreed to it being shared in the public domain. [REDACTED]

For this reason, the release of any material would cause severe detriment and, consequently, I am grateful for your agreement to consider the matter in private.

This information is confidential and should be treated as sensitive and not for disclosure under the Freedom of Information (Scotland) Act 2002. It was provided in circumstances which imposed an obligation on the Scottish Government to maintain that confidentiality and unauthorised disclosure would be to the detriment of those who provided the information.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

The briefing attached sets out the proposed contingent liability, the benefits and risks associated, mitigations and protections designed to ensure [REDACTED] long-term viability and realisation of further industrial employment opportunities for [REDACTED]

I welcome the opportunity to discuss this with the Committee and I offer the opportunity for our advisors to engage with the Committee's advisors in advance of my appearance.

A handwritten signature in black ink, reading "Derek Mackay", is enclosed within a thin, light-colored rectangular border. The signature is written in a cursive style.

DEREK MACKAY

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot





T: 0300 244 4000
E: scottish.ministers@gov.scot

Bruce Crawford MSP
Convener
Finance and Constitution Committee
The Scottish Parliament
Finanee.Constitution@parliament.scot

COMMERCIAL IN CONFIDENCE

20th December 2018

I would like to make you aware of an economic development matter, [REDACTED]
[REDACTED]

[REDACTED] My intention is to bring this to the attention of the Finance and Constitution Committee on 16th January 2019. I would wish the session to be held in private due to the commercially confidential nature of the situation.

[REDACTED]

As you are aware the written agreement between the Scottish Government and the Parliament requires Finance and Constitution Committee approval for guarantees outwith the normal run of Government business and where the exposure exceeds £2.5 million. Our assessment is that the arrangement under consideration would require approval by the Committee.

The Government has engaged with the commercial parties involved and has commissioned external expert advice to appraise the merits of a guarantee. Therefore the purpose of the meeting on 16th January is to discuss this advice with your Committee and seek their approval to grant the guarantee.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbyingscot.gov.uk



I would be grateful if you could acknowledge this letter and confirm the Committee would be willing to give this matter its earliest attention.



DEREK MACKAY

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See [www.lobbyingscot](http://www.lobbyingscot.gov.uk)

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot