



Adran yr Economi, Gwyddoniaeth a Thrafnidiaeth  
Department for Economy, Science and Natural Resources

Llywodraeth Cymru  
Welsh Government

Nick Ramsay AM  
Public Accounts Committee

6 January 2017

Dear Mr Ramsay

Further to your letter of 6 December, I am writing with additional information in relation to the mitigation of risks assessed, considered during the appraisal process for the Kancoat case. They are as follows:

1. Failure to achieve viable level of orders – evidence was provided in the form of a sales contract with one customer and numerous positive email exchanges with other potential customers
2. Failure to obtain the right people – payment of grant was against specific agreed recruitment milestones
3. Failure of Products supplied to customers – intensive product trials were underway with interested potential customers and batch sampling of coatings
4. Failure of Products supplied as incoming stock – the business plan was split equally between toll coating material supplied by customers and coating sourced steel
5. Failure of process equipment – the coating line was already being utilised for product and customer trials
6. Extended prequalification trials – product and customer trials were already underway
7. Failure to supply to customers on time – lead times from Kancoat were considerably shorter than industry standard due to a more flexible approach on smaller batch runs than competitors and the product was to be a mix of customer supplied and directly sourced
8. Loss of Key Personnel – the director was very committed to the project and employed a strong staff team who displayed a strong personal commitment to the success of the business

9. Under achievement of production targets – the volumes indicated in the business plan were significantly below the maximum production capacity of the coating line as stated in initial specifications
10. Energy Price rises – evidence was provided in the form an agreement was in place between Kancoat and Alcoa for long term energy supply, covering pricing and volume
11. Insured Risks – evidence was provided that confirmed all relevant insurances were in place

Yours sincerely

**Mick McGuire**

Director, Sectors and Business