

**AUTOMOTIVE SUPPLY CHAINS**

**SUPPORT MECHANISMS**

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## **Automotive Supply Chain - Support Mechanisms**

### **Availability of Finance**

#### **Measures announced by the Chancellor in the Pre Budget Report**

To help small and medium enterprises (SMEs) facing credit constraints, the Government has announced that it will launch the following:

- A Small Business Finance Scheme to support up to £1 billion of bank lending
- A £1 billion guarantee facility to support bank lending to small exporters
- A £50 million fund to convert businesses' debt into equity
- A £25 million regional loan transition fund.

The Small Business Finance Scheme will help businesses who are finding it difficult to raise finance from banks by giving a government guarantee to the lender that their loan will be repaid even if the business goes into liquidation. Not all of the loan will be covered by the scheme and there will be certain caveats to the scheme that are yet to be announced.

The Export Credit Guarantee will introduce a temporary guarantee scheme to provide smaller exporters with better access to short-term working capital. In addition, the existing Fixed Rate Export Finance Scheme has been extended for another year beyond 2008.

The Government is also creating a capital fund of £50 million to help businesses convert expensive debt finance (loans, overdrafts etc) into more affordable equity finance available from private sector investors. The fund will help introduce businesses to potential investors that can not only provide them with the finance they need but also give them advice on how to survive and grow.

The Regional Development Agencies (RDAs) are using their existing money to fund loans to help viable small businesses through any financial difficulties they might be experiencing. These regional loans, otherwise known as "Transition Funds" will total more than £100m.

All of the above measures are still under development but will be finalised early in the New Year. If you would like to be kept informed about developments and when the schemes are to be launched you should keep in touch with your local Business Link Provider. Further details about how to contact Business Link can be found below.

### **Support from the European Investment Bank**

#### **EIB Loan Scheme for SMEs**

- The European Investment Bank (EIB) has earmarked Euro 15bn over the period 2008-2009 for loans to small and medium-sized enterprises in Europe granted via commercial banks, as part of an overall package of EUR 30bn by 2011.
- The EIB has developed a new lending formula called EIB loan for SMEs, which will still be deployed via commercial banks, but is intended to be simpler, more flexible and more transparent.

- All autonomous firms with fewer than 250 employees are eligible to apply for loans under this scheme, up to a maximum of £12.5m per company. Loans can support all kinds of investment, including working capital.
- HMG has stated that UK banks have so far drawn down £1bn from the EIB SME loans funds, which should be available to UK SMEs by the end of 2008.  
Companies interested in applying should approach their bank for further advice.

#### New EIB Loans for the Automotive Sector

- Still to be finalised, but likely to include Euro 8bn for investment in cleaner cars and greener car manufacturing processes over 2009 and 2010 (this is a doubling of Euro 4bn previously earmarked for this period).
- The EIB is expected to produce an information sheet for companies by mid December.
- Only larger-scale projects are likely to be eligible.
- EIB lending is normally for 50% of each project (i.e. the company has to ensure provision of matching funds). The UK is pushing for EIB lending under this scheme where possible to cover up to 75% of each project.
- For further information, the EIB's London Office can be contacted on 0207 375 9660. Alternatively, the EIB's central office in Luxembourg can be contacted on (+352) 43 79 1 or at [info@eib.org](mailto:info@eib.org)

#### **Other Possible Support Available From the Government**

Earlier this year, the Secretary of State for Business, Peter Mandelson, also announced a range of measures to support business.

They included:

- The offer of a free "Health Check" for all businesses in England through the Business Link support service to help them identify problems early and to offer advice on how to survive in the current financial climate.
- The commitment by government to pay all its invoices within 10 days of receipt. All public sector bodies including the Regional Development Agencies in England, which spend around £750m per year with suppliers, have signed up to this target.
- The offer of subsidised, or in some cases free, training for small and medium sized businesses in England under the Train to Gain initiative to ensure employees have the skills and business knowledge they need.
- A series of publications developed with the Institute of Credit Management providing financial information to help UK businesses maintain cash flow, secure finance and limit problems caused by late or non-payment.

*There are also more established forms of support that you might like to consider if you are experiencing difficulties at the moment.*

### **Manufacturing Advisory Service**

- The Manufacturing Advisory Service (MAS) - MAS has been specifically set up to provide support for businesses in the manufacturing sector. You can contact them by going to their website at [www.mas.dti.gov.uk](http://www.mas.dti.gov.uk)

### **Train to Gain – Support for Automotive.**

- Semta, the sector skills council for science, engineering and manufacturing technologies, is encouraging automotive companies to counter the impact of the economic downturn by investing in training. Automotive companies are being encouraged to use a share of a £65m funding agreed between the Government and Semta, to reskill the workforce, help them become more adaptable and be better prepared to prosper when we emerge from the downturn.
- Support will be accessed by automotive manufacturers and their supply chain through "Train to Gain," the government's flagship training and skills brokerage service in England. Funding for a wide range of skills needed by the sector will be available, including apprenticeships, management and leadership (for companies with between 5 - 250 employees) and business improvement techniques (at either level 2 or level 3, with level 4 available in 2009) and Skills for Life (such as literacy, numeracy and English as a foreign language).
- Train to Gain Skills Brokers will work alongside Semta advisors who will help employers identify their business needs and develop a training plan. Semta's advisors also set improvement targets and measure the impact while the Skills Academy offers programmes specifically developed by automotive industry experts. Smaller companies will also be eligible for grants to develop Management and Leadership.
- The £65m will be available through the Train to Gain budget; up to 30% of the budget for level 2 and level 3 learning will now be available to train employees who already hold GASES or A-level equivalents but who need more specific, or more up-to-date, business qualifications. Government investment in Train to Gain will rise to over £1 billion by 2010-11, supporting over 800,000 learners to improve their skills and gain new qualifications.

### **Technology Strategy Board - Low Carbon Vehicles Innovation Platform**

The Technology Strategy Board's Low Carbon Vehicles Innovation Platform (LCVIP) was launched in May 2007. It is the key delivery agent for the Government's research & development funding on low carbon vehicles with the following goals:

Promote Low Carbon Vehicle research, development and demonstration in the UK to deliver:

- carbon reduction in domestic and international vehicle markets;
- faster than "standard market driven" introduction of low carbon vehicles; and
- a UK automotive sector benefiting from growing demand - domestic and international

### **LCVIP Integrated Delivery Programme**

The Integrated Delivery Programme (IDP) is a new £200 million investment programme, jointly funded by Government and business that will help to speed up the introduction of new low carbon vehicles onto Britain's roads. The Programme will co-ordinate the UK's low carbon vehicle activity from initial strategic research through collaborative research and development, leading to the production of demonstration vehicles.

The IDP is supported by an industry-led advisory panel that will help shape the technological direction and priorities for the programme. It will be composed of representatives of leading elements of the UK automotive industry and low carbon vehicle technology developers, as well as relevant academic experts.

The IDP features:

- A strategic programme of university based research targeted towards future technologies for which there are good prospects of commercialisation in the long term;
- Flexible rolling opportunities for industry to seek support for high quality collaborative research and development proposals which take technology through to system; or
- vehicle concept readiness. The first call focuses on technologies and systems for the electrification of transport with the following timing:
  - Competition opens 19 Jan 2009
  - Expressions of Interest closing date 26 Feb 2009
  - Full Stage closing date 30 April 2009
  - Offer letters issued 29 May 2009

Further calls will be announced at regular intervals.

#### LCVIP Ultra Low Carbon Vehicle Demonstrator

In parallel the ultra low carbon vehicle demonstration competition aims to see up to 100 new innovative cars on the road in several locations around the UK by the end of 2009 and recognises the considerable value of demonstrating new and emerging low carbon vehicle technology in real world situations.

The demonstration competition has up to £10m of funding available and will provide a portion of the costs for business led demonstration projects of vehicles with tailpipe emissions of 50g CO<sub>2</sub>/km or less and a significant zero (tailpipe) emission only. The following timing has been announced:

- briefings and workshops November/December 2008
- competition opens Jan 2009
- offer letters issued end March 2009

#### Automotive Supply Chain Development/Support.

##### Pilot automotive supply chains project

BERR is providing support in conjunction with the National Skills Academy for Manufacturing and SMMT Industry Forum for an automotive supply chains pilot project. This pilot project involves the three main Japanese automotive manufacturers (Honda, Toyota and Nissan) and a small number of their suppliers with the aim of increasing the competitiveness of the companies involved through improvements in leadership/management skills and quality, cost and delivery. This builds on the recommendations of the BERR "Report on the Business Environment for Japanese Automotive Supply Companies in the UK".

### **Where Can You Go To Get Help And Support?**

#### **Business Link**

Business Link was created to help all businesses regardless of their size or sector to get access to the help and support they need to start and grow their business. The service offers a wide range of support including information on all publicly funded schemes and initiatives, support to diagnose business issues and a brokerage service, which helps connect people to experts in both the public and private sector.

If you would like to be kept informed about the measures announced in the PBR or if you want to take up the offer of a free Health Check, you need to get in touch with your local Business Link provider on 0845 600 9 006 or by visiting the website at [www.businesslink.gov.uk](http://www.businesslink.gov.uk).

#### **Train to Gain**

Employers who are interested in finding out more about the funding available should email [customerservices@semta.org.uk](mailto:customerservices@semta.org.uk) or visit [www.semta.org.uk](http://www.semta.org.uk) or call Train to Gain on **0800 015 55 45** or visit [www.traintogain.gov.uk](http://www.traintogain.gov.uk)

#### **Technology Strategy Board (TSB)**

Further information on TSB programmes and how to access them can be found at [www.innovateuk.org](http://www.innovateuk.org) and [www.innovateuk.org/ourstrategy/innovationplatforms/lowcarbonvehicles.ashx](http://www.innovateuk.org/ourstrategy/innovationplatforms/lowcarbonvehicles.ashx)

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