Agenda

- 08:15 – 08:45  Registration
- 09:00 – 09:15  Economic and Business Minister, Ian Pearson; Welcome and the work of Government with the Automotive Sector
- 09:15 – 09:40  BR1 Head of Management Unit, Simon Edmonds – Automotive Assistance Programme: Setting the Scene
  AAP Director, Ian Gregory – Delivering and Making the programme effective
- 09:40 – 09:55  Head of GBI Policy and Investment, Edwin James – ‘Additionality’ how this should work within the programme
- 10:00 – 10:30  Break
- 10:30 – 10:50  Robert Evans, CEO Cenex – Providing the Green Credentials to your business case
- 10:50 – 11:05  Mike Russell, Banking Consultant – Working with Banks & Securing Finance
- 11:05 – 11:20  AAP Director, Ian Gregory – What happens next; Process and Supporting documentary information
- 11:20 – 11:50  Panel Q & As
- 12:00  Lunch
AAP : Purpose

• New investment vital for the industry to emerge from the current downturn with the skills and technology to compete globally
• Need to develop lower carbon transport/production processes
• AAP will support delivery of investment by sector
  – creates or sustains jobs
  – develops cutting-edge technology
  – brings special value to the UK
  – reduces carbon emissions
  – maintains R&D in UK vehicle manufacturing.
Who can apply

- 'the UK Automotive Sector' and 'the UK Automotive Supply chain'
- products designed for regular road use and move under their own system of propulsion
- in the UK or who propose to be eg. a new inward investor
- turnover of £25m, proposed investment of £5m.
What kind of projects

• All applications assessed on case-by-case basis.

• Investments where EIB lending has been approved under the Bank’s European Clean Transport Facility and EIB requires proportion to be guaranteed

• Investments not eligible for EIB support but bring special value to the UK

• Projects that support Government’s objectives for the low carbon economy

• Projects that deliver new activity/investment that would not happen without Government support.
What kind of costs are covered

- Eligible costs include:
  - Research & development
  - Capital expenditure
  - Staff costs
  - Training costs

- Recoverable indirect taxes are excluded
EC legal framework

- Loan guaranteed can’t exceed total annual wage bill for 2008
- Guarantee can’t exceed 90% of loan
- Guarantees can be issued up to end 2010
- Maximum period for guarantee at a subsidised rate is 2 years
- Premium for guarantee can be reduced for new guarantees for large companies
- Guarantees to companies not “in difficulties” on 1 July 2008 ie. fundamentally viable
Loan guarantees

- Expects to offer loan guarantees rather than direct loans
- Proportion guaranteed assessed case-by-case according to analysis of credit risk and other evidence. Starting point is to guarantee no more than 75%. This should be commercially attractive.
- Will charge an appropriate fee or interest rate to cover costs and risk involved, and aim for good commercial value. Commission impose minimum levels dependent on rate charged by bank
- Likely to require support to be secured against the applicant’s assets or those of parent
- HMG may exceptionally wish to offer loans. But under EC rules the conditions are much more restrictive
European Investment Bank

- European Clean Transport Facility budget doubled to €4bn p.a over next 2 years. EIB will lend a minimum of €50m, up to a maximum of €400m
- Manufacturers/suppliers eligible to apply for funding to lower CO2 emissions from vehicle use or improve energy efficiency in vehicle manufacturing processes
- EIB lend up to 50% of the capex of any project and up to 75% of R&D costs
- EIB may require a proportion of loan to be guaranteed.
- Companies should make early contact with EIB direct to determine eligibility (phone 00 352 4379 87307, RDI@eib.org).
Application Process

• Expression of interest to berr.auto@berr.gsi.gov.uk

• Full application to provide HMG information on:
  – Finance & bank
  – Value for Money
  – “Additionality”:
    – Technology/environmental

• All above pulled into analysis for Government to consider

• We’ll provide forms and templates. At this early stage don’t want to limit our flexibility to consider applications

• First movers may find the process evolves
Value for money

• The wider benefits (eco and social) must be greater than the costs. Cost is the “aid” conveyed by a Government guarantee or loan.

• Evidence:
  – jobs created or safeguarded
  – how much R&D and Innovation expenditure is involved
  – training expenditure
“Additionality”

• Incentive effect of Government support. Don’t want to guarantee a loan for a project that would have gone ahead anyway: has to be “additional”

• This can be tough to demonstrate. But these are not normal economic circumstances and our assessment will take this into account.

• VFM and additionality are both analyses that Government does on existing schemes such as GBI or Launch Investment.
Working with banks

• Mike Russell – former banker
• “partnership” approach with sponsoring Bank and applicant
• Key risk issues:
  – Applicants resources and management quality
  – Cash flow forecasts (plus “what if”) scenarios
  – Repayment source
  – Security
  – Price
• We want AAP to work
Next steps

• Criteria/guidance  
  http://www.berr.gov.uk/whatwedo/sectors/automotive/aap/page50296.html

• Expression of interest to berr.auto@berr.gsi.gov.uk

• One pager on the information we will need

• Very happy to talk further over lunch about any aspects of the scheme

• BERR relationship managers available

• Break out rooms/bulletin boards

• Questionnaire for feedback