



Dear all,

Some weeks ago, Kerrie Forster kindly disseminated a number of targeted survey questions related to the possible reintroduction of the **Home Shipbuilding Credit Guarantee Scheme (HSCGS)**.

The previous scheme was designed to provide loan guarantees for the purpose of financing the construction, completion or radical alteration of ships and mobile offshore installations in UK yards. **The UK has currently no other financing scheme which would offer a similar arrangement that is not directly linked to exports.**

European competitors such as France, The Netherlands and Germany – as well as those in the Far East such as China, South Korea and Japan, are able to offer more attractive financial packages to their customers due to support they receive from government-backed loan guarantee schemes. Such schemes are available in the UK to support export orders but there is currently no equivalent financial package for domestic orders.

Industry feedback from yourselves and others, suggests that the reintroduction of a HSCGS would go some way in addressing existing disparities in accessible finance between UK Shipyards and shipowners and our international competitors, but we are keen to understand better what any such scheme would need to look like, to be of practical use to you – the potential customer.

Please do include as much detail as you feel would be helpful.

1. What is the balance of ship building/repair you commission (by value) e.g. 60/40?
2. What type of boats do you need to buy? i.e.: Typical gross tonnage, length.

The previous scheme was structured in a way that there was 24m restriction (for vessels over 24m). By removing this eligibility criterion the scheme could potentially benefit a much larger number of yards / vessel builders. Similarly, the 1000 GRT limit was used by the UK in the previous scheme but does not appear to be a stipulation in other loan guarantee schemes in Europe.

3. We could consider lowering the minimum qualifying vessel length, or size (gross tonnage) limits. Would this help you?
4. What are the (potential) emerging shipbuilding/repair markets (e.g. offshore wind farm servicing, fishing)?
5. Where are British yards most competitive (e.g. luxury yachts)?
6. **Do you typically borrow to fund ship building or repair?**
 - a. Do you experience difficulty obtaining loans for this?
 - b. Do you use **export credit if buying abroad**, and what are the **typical/best terms you have been offered?**
 - c. If the yard arranged all the finance and provided the boat on credit (loan to builder rather than buyer) – would this be attractive, even if the eventual cost was higher?

- d. Realistically, **over what time period would you need to repay a govt-backed loan**, bearing in mind that the last scheme repayment was designed to be within 8.5 years – with some scope to extend to 10-12 years?

You will be aware that one of the government's wider, ongoing objectives is for the UK to achieve net zero carbon emissions by 2050.

As part of the government's ongoing drive to achieve this, we are considering introducing a 'green element' to any future scheme. This has yet to be thought through but the idea could be that if a company commissions the build of a vessel with 'green credentials', there may be additional benefits available.

7. Do you think that any new scheme should be more advantageous to companies seeking to build a vessel which is **carbon efficient**, or should we approach this in a more staggered way i.e.: producing a standard finance instrument, capable of being adapted at a later stage to one with a greater focus on green vessel-building?

Your feedback would be most appreciated and our thanks, in advance, for your time and attention.

The deadline for responses is: 20 October 2020.

Best regards,
Ann

Assistant Head of Advanced Manufacturing, Department for Business, Energy & Industrial Strategy, 1
Victoria Street, London SW1H 0ET T: +44 (0)20 7215 6693
ann.volpi@beis.gov.uk