



| United Kingdom

20th October 2006

Mr Nick George
Business Division 3
ECGD
PO Box 2200
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Harbour Exchange Square
London
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Dear Nick,

CONSULTATION ON ECGD SUPPORT FOR FOREIGN CONTENT

We refer to your consultation document dated 21 June.

Although ALSTOM no longer has as much need for ECGD support as in previous years, we remain very interested in this subject because our future export projects are likely to include a significant proportion of foreign content. The main reasons for this are that:

- our UK export business is increasingly focussed on high value-added services, such as the refurbishment and retrofitting of existing power stations; and
- the ALSTOM group now has operations, including manufacturing facilities, in many countries.

In our view, there is no longer any merit in imposing arbitrary limits on the amount of foreign content that can be supported by ECGD. Such limits have, in the past, resulted in exporters having to make use of the 'one-stop-shop' arrangements between ECGD and other ECAs. Whilst these arrangements have worked, it would be so much easier for exporters if, in appropriate cases, ECGD had been able to support the financing of the entire project without the complication of involving other ECAs. We accept that there will occasionally be projects where ECGD would welcome a degree of risk-sharing with other ECAs, or where capital constraints mean that you are unable to support the entire requirement, and we do not seek to change that. But for the majority of projects we believe that it would be beneficial to ECGD to support the whole project – not least because of the additional premium income that ECGD would then be able to keep.

We also accept that, for vires reasons, ECGD will always have to satisfy itself that its support is beneficial to the UK economy.

ALSTOM

Taking these factors into account, we believe that there would be advantage in:

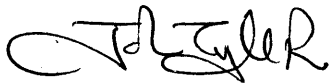
- Introducing a defined level of support for foreign content within which exporters would not need to provide ECGD with any justification for the inclusion of such foreign content. We believe that the defined level of permissible foreign content should be set at 75/80%, and that it should be inclusive of local cost.
- Where the level of foreign content exceeds the defined level, your having the possibility, which you mention at 54.4, of supporting a higher level of foreign content where such additional support is deemed to be beneficial to the UK economy (eg because there is a possibility that, in the absence of such support, the UK exporter/applicant will not win the contract).
- Your allowing exporters the flexibility to exceed the defined level if sourcing plans change between the date of contract and delivery of the goods or services.

All of our above comments relate to your support for medium/long term export finance. We assume that, as now, there will be no restriction on the level of support that you can provide for foreign content under your EXIP and BIP facilities.

We have also assumed throughout this letter that the current arrangements for establishing the country of origin (ie by reference to Certificates of Origin issued by Chambers of Commerce) will continue.

Finally, we urge ECGD to support proposals to remove the current OECD limit on the amount of local costs that can be supported by ECAs, as such a limit is no longer relevant.

Yours sincerely



John Tyler
Director , UK Insurance & Financing