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REVIEW OF ECGD FOREIGN CONTENT POLICY

I am pleased to inform you that the Government's Response to the Public Consultation about ECGD's future policy on the provision of cover for foreign content in the contracts that it is asked to support has now been published. The full text is available on ECGD's website (www.ecgd.gov.uk).

In summary, after taking account of the responses made to the Public Consultation, the Government has concluded that ECGD's rules for supporting foreign content should be simplified and made more flexible. In future, for all contracts, whether they are paid for on cash or credit terms, cover for foreign content will be considered for an amount of up to a maximum of 80% of the contract value, subject to risk capacity being available. Cover for local costs will, however, continue to be determined by international agreement through the Organisation for Economic Co-operation and Development (OECD) and may not exceed the level of direct payments (normally 15%). The existing rules that differentiate between contracts valued above or below £10m, between content originating from the EU, Japan and other countries, and between cash and credit business, will be removed.

The outcome of the Public Consultation recognises the changes in the complexion of UK manufacturing and the globalisation of the world economy since ECGD's foreign content rules were first devised over 20 years ago. These had become outdated, increasingly complex and inflexible.

The new foreign content rules will apply to applications submitted to ECGD from today. Additionally, we are also prepared to reconsider the amount of foreign content we can support in respect of any business currently under consideration.

Your ECGD Business Manager will be pleased to answer any questions that you may have concerning the changes to the rules and their implementation.

Patrick Crawford

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INVESTOR IN PEOPLE