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Dear Nick,

Export Credit Guarantees

Consultation on Support for Foreign Content

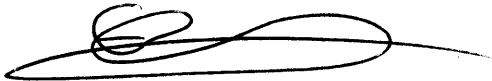
Note by Shipbuilders and Shiprepairers Association

1. The Shipbuilders and Shiprepairers Association (SSA), the principal trade association for the sector, has within its membership a number of companies, which from time to time are involved in major export contracts.
2. The SSA welcomes the opportunity to make an input to the ECGD Consultation on support for foreign content, notwithstanding that shipyards in the UK have not traditionally sought to avail themselves of ECGD facilities. This is essentially because until recently credit arrangements explicitly tailored to shipbuilding and ship-conversion work have been available under the Shipbuilding Mortgage Finance Corporation scheme (administered under powers enjoyed by the DTI and underwritten by HM Treasury). However, now that the SMFC scheme has become closed to new applications, it is clearly relevant to establish the scope for the more generic ECGD facilities to form part of the commercial regime for shipyards in pursuing export opportunities.
3. Commercial shipbuilding and ship-conversion operates in a global market-place. Not only that, but for most major contracts, the customer (i.e. the buying ship-owner) will specify the design and sourcing of critical sub-systems. The UK prime-contractor, the shipyard undertaking the construction or conversion of the vessel, is likely to have, at best, only limited freedom on technical grounds to determine the source of much of the sub-systems and equipments to be integrated into the vessel. Moreover, even where the prime contractor does enjoy such freedom, the need to secure best value in this highly competitive global business may well require, on commercial grounds, accepting a significant degree of non-UK sourced content.
4. It might be argued, in the case of shipyards, that to the extent that such "foreign content" becomes integrated, even embedded, into the vessel prior to its delivery to the customer, its actual source should be disregarded. However, there are post-delivery implications. There is normally a continuing through-life upkeep requirement on vessels (often forming part of the initial supply contract) which may well entail ongoing foreign sourcing of sub-system components during subsequent circumstances in which such components are delivered directly by the foreign supplier to the ship-owner, or an overseas shipyard, never coming to the UK.

5. The shipbuilding and ship-conversion sector, as noted above, has little direct practical experience of the ECGD arrangements per se. On the basis of its general experience in export activity, however, we are inclined to support Option 2 in the Consultation on the grounds that the "national interest" criterion is one which already pervades much of the governmental intervention (in Europe, North America, and the Far East) where shipbuilding etc activity is involved. But we do, of course, recognise that such a policy would probably introduce for the general range of exporters a greater degree of uncertainty than Option 3.

6. Please feel free to seek any elaboration of the foregoing comments, if that would be helpful as the consultative process moves forward.

Yours Sincerely



Pp Tom Dougherty
Director