



Waterborne Freight Grant



A guide for applicants in Scotland

WATERBORNE FREIGHT GRANT SCHEME (WFG)

A GUIDE FOR APPLICANTS

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INTRODUCTION

About Freight Grants

Taking freight off congested roads and moving it by water can have environmental and wider social benefits but it can be more expensive. Freight Grants may therefore be available to help meet the extra costs generally associated with moving freight by water. There are two types of grants:-

(i) **Freight Facilities Grants (FFG)** - to assist with capital costs associated with moving freight by water (also available for rail) (separate Guide for Applicants are available – see contact details in Annex G), and

(ii) **Waterborne Freight Grant (WFG)** - to assist with operating costs associated with moving freight by water.

In certain circumstances both grants may be available (see paragraph 22).

About this Guide.

This Guide tells you:

- who can apply for grant;
- the sorts of schemes that are likely to be eligible;
- when grant is likely to be awarded and when not;
- how to make a grant application;
- the assessment and decision process;
- how grant will be paid; and
- where to find out further information.

WATERBORNE FREIGHT GRANT

Who can apply and what routes are eligible for grant support?

1. Any company wishing to move freight by water using UK ports, harbours or inland waterways and which results in the removal of freight from British roads may apply for WFG. Routes wholly within UK waters as well as short sea shipping routes to the rest of Europe will be eligible. This Guide is concerned with applications for WFG for water freight routes starting or ending in Scotland.

Which freight operations are eligible for grant support?

2. While Scottish Ministers recognise the environmental benefits of removing freight from our roads, they also recognise that the costs of moving freight by water may be greater to operators than the road alternative. Provided therefore there is evidence to indicate that the proposed waterborne freight operation will be economically viable within three years of any award of grant, proposed waterborne freight operations will be considered for WFG where it is clear that in the absence of the waterborne alternative, the freight would be moved by road.

The core requirements of a WFG award?

3. Strict conditions will be applied to any awards of WFG as laid down in this Guide and in accordance with the EC State Aid approval of the UK WFG scheme. Any applicant failing to meet these conditions will not be offered grant.

4. Prior verification will be required, through either a feasibility study or business plan, that the project will be viable in not more than three years if grant is awarded. Exceptionally the Scottish Executive may be prepared to contribute to the cost of producing a feasibility study, by match funding, where it believes the potential environmental benefits are substantial.

5. Grant recipients will be required to set up or amend their current accounting system to enable the applicant to extract the relevant income and expenditure figures of the WFG funded operation for monitoring purposes. Grant recipients may also be required to set up a separate legal entity between partners in the project and to produce evidence that they have done so.

6. The costs associated with formulating a feasibility study or business plan, setting up or amending their current accounting system or setting up a separate legal entity may themselves be eligible for WFG as part of the total water operating cost.

7. The Scottish Executive will look closely at any negative competition effects arising from a proposal (such as diversion of business from neighbouring ports or other services) and may at its discretion decline to offer grant.

How much grant could I get?

8.1. Grant offered will, in all cases, be restricted to a period not exceeding three years. In relation to a specified volume of freight, grant will be the lowest of :-

- (i) the value of the environmental benefits generated by transferring the relevant freight from road to water, or
- (ii) the need for grant support as determined by a financial appraisal of the proposal which compares the costs of transporting freight by water with the costs of the road alternative (see Annexes B & C), or
- (iii) 30% of the total operating costs of the water movement of the relevant freight; or
- (iv) €2,000,000.

8.2. Although there is an upper limit of €2,000,000 any grant award will be made in Sterling. The exchange rate will be based on the average £/€ exchange rate of the previous financial year as published by the Inland Revenue (www.inlandrevenue.gov.uk/exrate). For example the €2,000,000 upper limit for an application for WFG made between 1 April 2004 and 31 March 2005 will be £1,388,888. This is calculated by using the average Sterling value of £0.694 per Euro for the year to 31 March 2004.

8.3. WFG will be split into three annual tranches equal to 1/2 , 1/3 and 1/6 of the total award. For example, where the grant award is limited to £1,200,000, the amount of grant which would be paid out each year would be:-

Year 1 a maximum of £600,000

Year 2 a maximum of £400,000

Year 3 a maximum of £200,000

8.4. Grant will be paid at a fixed rate per tonne calculated separately for each year of the project. The annual grant per tonne figure will be calculated by dividing the potential maximum WFG payable for each year by the number of tonnes which is projected to be carried during that year. For example if as above the award of WFG totalled £1,200,000 and the projected tonnage to be carried was 20,000 tonnes in year one, 40,000 tonnes in year two and 60,000 tonnes in year three the grant payable would be calculated as follows:-

Year 1 £600,000 ÷ 20,000 tonnes = £30 per tonne

Year 2 £400,000 ÷ 40,000 tonnes = £10 per tonne

Year 3 £200,000 ÷ 60,000 tonnes = £3.33 per tonne

Note - Where the award of WFG is constrained by paragraph 8.1.(ii) above, the annual grant rate per tonne will be adjusted in years 2 and 3 to reflect inflation (see paragraph 12 of Annex B for further information).

8.5. If an application for WFG includes more than one flow of traffic each flow will be awarded a separate £ per tonne rate. These rates will be based on the relative share of the total environmental benefits generated by each traffic flow.

How are environmental benefits calculated?

9. WFG reflects the environmental benefits of removing lorries from roads. Broadly, these are calculated by firstly identifying the alternative road route which would otherwise be used in the absence of the waterborne freight operation and, secondly, the lorry journeys that would be saved. A pre-determined environmental benefit value for that particular route is then applied to each saved lorry journey. Further information on how environmental benefits are calculated is contained in Annex A.

How is the Financial Appraisal undertaken?

10. The appraisal compares the costs and revenues generated by the water based scheme being proposed with those of the road based alternative. An explanation of how we calculate the amount of grant needed to make the water based scheme as financially attractive as its road alternative is contained in Annexes B and C.

Impact of Freedom of Information (Scotland) Act?

11. In accordance with the Freedom of Information (Scotland) Act 2002 Scottish Ministers may be required to make details of any application for grant available for public scrutiny. When applying for grant, please identify any information included in your application or supporting papers which would prejudice substantially your commercial interests if they were made public. Please note there may nevertheless be a public interest in publishing the material submitted. In addition it should be noted that details of awards of grant will be published as a matter of procedure. This information will include the name of the company awarded grant, the level of grant provided and the origin and destination of the grant funded freight traffic.

What costs will be eligible for WFG support?

12. The Freight Facilities Grant scheme covers the capital costs of handling equipment and associated infrastructure. Only operating costs *directly* attributable to the freight being transferred from road to water will be eligible for WFG. These might include:-

- the cost of hiring or leasing of combinations of vehicles (lorries, trailer, semi-trailers, swap bodies or containers of 20 feet or more);
- the cost of hiring or leasing of inland waterway and sea going vessels;
- the cost of hiring or leasing of installations enabling transshipment between inland waterways, shipping routes, railways and roads;
- the cost of using inland waterway and maritime infrastructures;
- administration costs including additional accountancy fees and the cost of staff training; and
- harbour dues, fuel and crew costs.

Applying for WFG – Key Steps for Applicants

- 13.1. Develop your proposal following discussion with relevant Navigation or Port Authorities.
 - 13.2. Undertake a feasibility study and/or produce a business plan.
 - 13.3. Approach the Scottish Executive Freight and Inland Waterways Branch who will offer informal advice on the eligibility of your proposal. This advice will be given entirely without prejudice and will not commit Scottish Ministers to making a formal offer of grant. An initial meeting with the Freight Branch may be the best way forward and can save unnecessary work.
14. The Freight Branch will initially need to know:
- the estimated annual tonnage and the period for which this can be committed to;
 - the origin and destination of the traffic, the road routes which would otherwise be taken, the payload of the lorries which would be used and details of any backloads;
 - details of any discussions with Navigation Authorities and any other interested parties; and
 - whether road haulage would be used as part of the water operation and if so what routes would be used.
15. If it is established that the proposal could qualify for WFG, you should complete an application providing the information and documentation listed in the application form, a blank copy of which can be found at Annex E.
16. No contracts relevant to the application should be signed prior to a WFG decision being made as this would imply that you are able to proceed without the need for grant. In such circumstances WFG will not be available.

How long will it take to process grant applications?

17. This will depend to a large extent on the quality of the information provided by the applicant and the level of verification required. However we will normally aim to process an application within 12 weeks of receipt.

How will I be informed of the decision?

18. If your application is successful you will be issued with a formal offer of grant which will specify the amount of grant, the conditions of grant and how you should claim payment. You will be given 28 days to accept this.

Can I apply for grant when tendering for new freight business?

19. You may intend to tender for a contract and want to include a water option for some or all of the freight operation eg importation of raw materials or removal of waste.

20. Upon request, the Scottish Executive will provide an indication of whether the water freight operation is likely to be eligible for grant support and the level of grant which **may** be

payable. Such an indication will be given **entirely without prejudice** and will not commit Scottish Ministers to making a formal offer of grant; a full assessment of the case will still be needed.

21. In order to provide an early indication of eligibility and possible level of grant support applicants will still need to supply fully costed information on the water and road options before an assessment can be undertaken.

Is it possible to get both WFG and FFG for the same traffic?

22. Where there are both capital and operating costs associated with a proposed application involving moving freight by water and the grant requirement can be wholly funded by either FFG or WFG alone then any award of grant will normally only be made from one of these schemes. However where the grant requirement cannot be wholly funded by either FFG or WFG, a combination of awards from both schemes may be awarded to a project. In this circumstance an award of both FFG and WFG can be made subject to **an overall and absolute ceiling of 30% of the total water freight project cost.**

23. For the avoidance of doubt, this means 30% of the total capital costs of any handling equipment or additional infrastructure needed to move the freight by water plus any operating costs directly attributable to moving the freight by water but not required under the road alternative over the 3 years of WFG funding.

24. Within this 30% figure, the limits applying to the two separate schemes will also apply. Therefore an applicant could for example be awarded FFG of up to or, exceptionally greater than, 50% of the costs of capital items (see separate FFG Guide for details) and WFG of up to 30% of water operating costs, provided that in total the grants do not exceed 30% of the overall water freight project cost. In normal circumstances where a project is eligible for FFG and WFG support the FFG financial appraisal will be undertaken first. Once the potential level of FFG support has been identified the WFG financial appraisal will be undertaken. This second appraisal will take into account the reduction in capital costs resulting from the potential award of FFG. By applying for both grants applicants will not be able to secure FFG and WFG in excess of the limits for each set out in this Guide. See Annex D for worked example.

25. Where FFG is not required but WFG is to be combined with other national or European Community aid schemes, an overall ceiling of 30% of operating costs will apply to the combined total of national and Community aid.

Can I get WFG in respect of a service I am already operating, which is not viable and which is in danger of reverting to road ?

26. In exceptional circumstances, existing water based services, which will definitely cease without WFG and therefore put traffic back on roads, *may* qualify for grant. The Scottish Executive will however look closely at the reasons behind the service failure and in particular at any inefficiencies which may be contributing to or even causing the failure. We will also consider whether the service could be carried out more efficiently by another operator for less or no grant.

How will WFG be paid?

27. Payment will be made in arrears and must be made by completing a claim for payment form which will be issued to you when an award of WFG is made and must be submitted through Independent Accountants (subject to the conditions set out in Annex F), and be accompanied by evidence indicating the tonnage moved. The Freight Branch will reserve the right to verify tonnage with Navigation or Port Authorities as it sees fit. Claims for payment may be made on a monthly, quarterly, biannual or annual basis. This will be agreed with the Freight Branch before any award of WFG is made.

28. The Independent Accountants will be required to submit a letter of assurance with each grant claim which should detail the tonnage moved by port of loading and discharge and incorporate the Independent Accountant's opinion as to whether the claim is an accurate view of the monies that the grant recipient is entitled to, taking account of the conditions of grant laid down in the grant offer letter.

What happens if the project moves more tonnage than forecast in the application?

29. In the event of more tonnage than forecast moving by water grant will cease to be paid when the upper limit of grant is reached in any particular year. Using the figures given in paragraph 8.3 as an example, grant would cease to be paid when the initial £600,000 has been paid. Payment would resume for tonnage moved after the first anniversary of commencement of the grant aided traffic but would cease when a further £400,000 has been paid. Payment would resume in respect of tonnage moved after the second anniversary date of the commencement of the grant aided traffic and would cease altogether when the final £200,000 has been paid.

What happens if the project moves less tonnage than forecast in the application?

30. The Scottish Executive will expect traffic forecasts in applications to be robust and there should therefore be little variation. In the event of less tonnage than forecast moving by water at any time during the three year period, again using the figures given in paragraph 8.3 as an example, this profile of payment will continue to apply. Therefore if only £500,000 is paid by the end of year one, only £400,000 would be available in year two and £200,000 in year three.

31. However, given that the grant is at the outset based upon a firm expectation of viability at the end of year three, the Scottish Executive may at any time during the grant period decide to look closely at the circumstances leading to the shortfall and, if the Scottish Executive is not satisfied that viability can ultimately be achieved, may withdraw its undertaking to pay grant.

Financial Monitoring of project by Freight Branch

32. WFG recipients will be required to provide a summary of the financial performance of the project at the end of each year of operation. The figures should be certified by an Independent Accountant (subject to the conditions set out in Annex F). The information required is the same as that required in the financial information section of the application form.

HOW ENVIRONMENTAL BENEFITS ARE CALCULATED

Route valuation

1. The Scottish Executive will value the environmental benefits of grant applications by applying the following rates per lorry mile to road journeys avoided over the qualifying routes by switching to water based transport:

Motorway by Congestion Band

High	£0.69
Medium	£0.27
Low	£0.04

Conurbation

Trunk & Principal	£1.38
Other	£1.74

Rural and Urban

Trunk & Principal	£0.53
Other	£0.45

2. Specific routes can be entered into a calculator available on the Strategic Rail Authority website at www.railfreightonlinesm.co.uk. This will calculate the exact value using the variables above. If you do not have access to this website please contact the Freight Branch who will provide the relevant road values on request. The table below shows how this calculation is made.

Road category	Lorry miles	Road value £	Route valuation £
Motorway – Medium	5	0.27	1.35
Motorway - Low	28	0.04	1.12
Conurbation – Other	1.5	1.74	2.61
Rural and Urban – Trunk and Principal	8	0.53	4.24
Rural and Urban – Other	20	0.45	9.00
TOTAL	62.5		18.32

3. Two points to note:

- Servicing a water facility by road may lead to an increase in lorry traffic in the locality. For the purposes of the grants, these dis-benefits will be taken into account to arrive at the **net** benefits of the water scheme;
- Non public roads, e.g. those providing access to a power station or industrial complex, are excluded.

Calculation of Environmental Benefits

4. Benefits per annum are obtained by multiplying the number of lorry **trips** by the route valuation.

5. The number of loaded journeys is calculated by dividing the annual tonnage by the average payload of the lorries which will be used. But lorries will have to return either empty or with a "back load". In the case of empty returns or back loads associated with the scheme, then total lorry **trips** = loaded journeys multiplied by 2. If there are back loads **not** associated with the scheme (i.e. lorry journeys will continue to happen), total lorry trips will be correspondingly lower.

6. The stream of future environmental benefits is calculated on a discounted basis so that it is expressed in the same way as costs. A 3.5% discount rate is used to derive the grant potential for any given period.

Example of the calculation of Environmental Benefits

Lorry trips = tonnage divided by average payload. In this example lorries are assumed to return empty (i.e. no back loads), therefore total lorry trips = loaded lorry trips multiplied by 2.

Tonnage per annum: 40,000 rising to 75,000

Average payload: 20 tonnes

Year	Tonnage	Total Lorry trips	Route valuation £	Benefits £	Discount factor	Grant potential (discounted benefits) £
0					1.000	
1	40,000	4,000	18.32	73,280	0.9662	70,803
2	60,000	6,000	18.32	109,920	0.9335	102,610
3	75,000	7,500	18.32	137,400	0.9019	123,921
Total	175,000	17,500				297,334

Maximum grant potential

7. For the worked example the total environmental benefits are £297,334 over 3 years and therefore the maximum grant potential is £297,334. However, the grant potential is not an indication of the level of the grant that the Scottish Executive will offer. It is the ceiling which the environmental benefits will allow, above which no offer can be made.

8. If route includes roads in England and/or Wales the environmental benefits generated in each country should be shown separately.

FINANCIAL APPRAISAL

1. The financial appraisal of a Waterborne Freight Grant (WFG) is similar to the financial appraisal for a Freight Facilities Grant (FFG). The appraisal takes the operating and capital costs incurred and revenues received by the applicant for the water based scheme being proposed, and compares them with the operating and capital costs incurred and revenues received of a road based alternative. This Guide explains how the amount of grant is calculated that would be needed to make the water based scheme as financially attractive as road.
2. This is a general Guide on the preparation of a financial appraisal. It may not cover all of the issues specific to the appraisal of individual schemes. The Freight Branch will give more detailed guidance on individual schemes as appropriate.
3. The financial appraisal will be undertaken by the Scottish Executive based on information on tonnages, costs and revenues associated with the project provided in the financial summary table of the application form. The appraisal is presented as a year by year breakdown of the revenues, capital and operating costs under the water and road alternatives. All cash flows should be expressed in real (present day) prices to exclude the effects of general inflation in future years.
4. The capital costs of assets owned by the organisation promoting the project and specifically purchased for either the water or road based alternative scheme should be recorded as and when incurred and not shown as depreciation or interest. However capital allowances that can be set against corporation tax should be recorded as appropriate, but because they are calculated on a current price basis, the effect of allowances has to be converted to constant prices to be consistent with the rest of the appraisal. If assets are purchased through an HP agreement or other loan-based agreement the principle element of each payment should be recorded as capital expenditure but the interest element should not be included.
5. Operating costs for the road alternative should include road haulage costs, handling costs and other recurring costs. Operating costs for the water alternative should include all those costs listed in paragraph 12 of the main text. Operating costs may also include annual costs that are related to capital items that are hired, leased or chartered from other organisations.
6. Corporation tax is calculated as a proportion of the cash flows, after including any allowances, at the corporation tax rate appropriate for the company. Corporation tax is treated as being paid 50% in the year in which the cash flow appears, and 50% in the following year.
7. For companies who have elected to use the shipping tonnage tax regime, the system of tax allowances mentioned in this guidance is not applicable. Tax liability should be calculated according to the tonnage tax schedule of notional profit and the appropriate corporation tax rate.
8. Capital costs already incurred, or operating costs and revenues that would arise regardless of the mode of transport are ignored for the purposes of these appraisals. Capital

costs and related allowances should be shown net of any grants arising from other public funding. Such grants should be described as to the amount and programme under which they have been awarded.

9. Financial appraisals for WFG should normally be conducted over a three-year period to match the period over which grant is paid and be consistent with the period over which environmental and other benefits have been calculated. However the financial analysis should be extended to cover a further three years.

10. The final step in the financial appraisal process (shown on the last page of Annex C) is to subtract the cash flow of the road alternative from the real after tax cash flow of the water alternative. This net cash flow is then discounted at a real, post-tax discount rate of 8% and summed to give the Net Present Value (NPV). A negative NPV indicates that there is a need for WFG support as the water alternative is not financially viable without grant.

11. In cases where the financial appraisal indicates that there is a need for grant the potential level of grant support will be based on the cumulative undiscounted net cash flow. The level of grant actually awarded will however be limited to the lowest of:

- The financial need for grant support based on the cumulative undiscounted net cash flow, or
- the value of environmental benefits, or
- 30% of the operating costs over the 3 years of the water operation, or
- €2,000,000.

12. WFG will be paid as a rate per tonne actually moved, and paid in arrears. Paragraph 8.3 of the main text gives an example of how the grant will be split over the three year period of support. In cases where the grant is constrained by the financial need for grant support as determined by the financial appraisal, the amount of grant paid per tonne should be calculated as the cumulative undiscounted net cash flow divided by the expected tonnage for each year of the 3 year grant period (as shown in paragraph 8.4 of the main text). However because the cash flow calculation is in real terms the actual cash rate per tonne of grant will be adjusted annually using the Retail Price Index figure published by National Statistics (available at www.statistics.gov.uk/cci/nugget.asp?id=19) for the month prior to the start of years 2 and 3.

13. In cases where the value of the environmental benefits, the €2,000,000 upper limit or the 30% operating cost constraint come into effect, the grant should be calculated by taking whichever item is the constraint and dividing by the expected tonnage for each of the three years as per paragraph 8.4 of the main text. This potential level of grant support will remain unchanged throughout the 3 year period.

FINANCIAL APPRAISAL EXAMPLE

This Annex gives an example of a financial appraisal. The different elements of the costs and revenues of the road and water alternatives are reported and then compared in the net post-tax cash flow. The shaded section does not affect that calculation of the grant requirement.

Standard WFG and FFG Financial Appraisal Assumptions

Corporation tax rate	30%
Inflation rate	2.5%
IBA capital allowance per annum (Industrial buildings allowance)	4% (calculated on a straight line basis)
PMA capital allowance per annum (Plant and machinery allowance)	25% (calculated on a reducing balance basis)
Post tax rate of return	8%

Data Used in Following Worked Example**Road Transport costs**

Haulage costs	£3.00 per tonne
Other ongoing operating costs	£1.00 per tonne
Other fixed operating costs	£1,000 per year
Capital Costs	nil

Water Transport Costs

Haulage costs	£3.30 per tonne
Other ongoing operating costs	£0.60 per tonne
Other fixed operating costs	£2,000 per year
Capital costs	£10,000
IBA Asset	£7,500
PMA Asset	£2,500
Residual Value	£1,000

Example

ROAD ALTERNATIVE

Year (4* denotes year 3 tax liability due in year 4)	0	1	2	3	4*	4	5	6	7
Tonnage p.a		3000	5000	7000		10000	12500	15000	
Revenue (zero if no difference with water alternative)		0	0	0		0	0	0	
	<i>Rate per tonne</i>								
Haulage Costs	£3.00	-9000	-15000	-21000		-30000	-37500	-45000	
Total		-9000	-15000	-21000		-30000	-37500	-45000	
Other ongoing variable operating costs	£1.00	-3000	-5000	-7000		-10000	-12500	-15000	
Other fixed operating costs	£1,000	-1000	-1000	-1000		-1000	-1000	-1000	
Total operating costs		-13000	-21000	-29000		-41000	-51000	-61000	
Capital Expenditure (if any)	IBA	0							
	PMA	0							
	Residual Value								
Total Pre-tax cash flow		-13000	-21000	-29000		-41000	-51000	-61000	
Capital Allowances									
IBA at 4%									
PMA Balance (Start Year)									
PMA at 25%									
Total Nominal Allowance		0	0	0		0	0	0	
Inflation Factor									
Total Real Allowances									
Taxable Cash Flow		-13000	-21000	-29000		-41000	-51000	-61000	
Corporation Tax liability	30%	1950	5100	7500	4350	10500	13800	16800	9150
Total post tax real cash flow: ROAD		-11050	-15900	-21500	4350	-30500	-37200	-44200	9150

**WATER
ALTERNATIVE**

Year (4* denotes year 3 tax liability due in year 4)	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4*</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
Tonnage p.a		3000	5000	7000		10000	12500	15000	
Revenue (zero if no difference with water alternative)		0	0	0		0	0	0	
	<i>Rate per tonne</i>								
Haulage Costs	£3.30	-9900	-16500	-23100		-33000	-41250	-49500	
Total		-9900	-16500	-23100		-33000	-41250	-49500	
Other ongoing variable operating costs	£0.60	-1800	-3000	-4200		-6000	-7500	-9000	
Other fixed operating costs	£2,000	-2000	-2000	-2000		-2000	-2000	-2000	
Total operating costs		-13700	-21500	-29300		-41000	-50750	-60500	
Capital Costs (if any)		0	0	0		0	0	0	
IBA	-7500								
PMA	-2500								
Residual Value					1000				
Total Pre-tax cash flow		-10000	-13700	-21500	-29300	1000	-41000	-50750	-60500
Capital Allowances									
IBA at 4%	-300	-300	-300	-300		-300	-300	-300	
PMA Balance (Start Year)	-2500	-1875	-1406	-1055		-791	-593	-445	
PMA at 25%	-625	-469	-352	-264		-198	-148	-111	
Total Nominal Allowance		-925	-769	-652	-564	-498	-448	-411	
Inflation Factor	1.00	1.03	1.05	1.08		1.10	1.13	1.16	
Total Real Allowances (if any)		-925	-750	-620	-523	-451	-396	-355	
Taxable Cash Flow		-925	-14450	-22120	-29823	-41451	-51146	-60855	
Corporation Tax liability	30%	139	2306	5486	7792	4474	10691	13890	16800
Total post tax real cash flow: WATER		-9861	-11394	-16014	-21508	5474	-30309	-36860	-43700
									9128

**CALCULATION
OF FINANCIAL
DEFICIT**

Year		<u>1</u>	<u>2</u>	<u>3</u>	<u>4*</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	
Real post-tax cash flow	Road		<u>-11050</u>	<u>-15900</u>	<u>-21500</u>	<u>4350</u>				
	Water	<u>-9861</u>	<u>-11394</u>	<u>-16014</u>	<u>-21508</u>	<u>5474</u>	<u>-30500</u>	<u>-37200</u>	<u>-44200</u>	<u>9150</u>
	Net	-9861	-344	-114	-8	1124	191	340	500	-22
Discount factor	1	0.93	0.86	0.79	0.74	0.74	0.68	0.63	0.58	
Discounted Net cash flow		-9861	-318	-98	-7	826	141	231	315	-13
NPV (water less road for years 1-4*)			-9459							
Undiscounted Post-Tax Net Cash Flow (years 1-4*)			-9204							
<u>WFG award (paid over 3 years)</u>			<u>£9204</u>							
			WFG	Tonnes	Grant per tonne (£)					
	Year 1	£4602	3000	1.534						
	Year 2	£3068	5000	0.614						
	Year 3	£1534	7000	0.219						
Total operating costs			-64500							
30% operating costs constraint			-19350							
Total Water Project Costs			-74500							
30% Water project Costs Constraint (FFG & WFG)			-22350							

AWARD OF FREIGHT FACILITIES GRANT AND WATERBORNE FREIGHT GRANT FOR THE SAME TRAFFIC

Worked Example demonstrating the impact of the State aid upper limits on potential FFG and WFG support.

Project details

A 3 year project to transport 80,000 tonnes per annum by water rather than road.

Costs of water option	Operating costs	£960,000 (£4 per tonne)	
	Capital costs	£400,000 (for handling equipment)	
Total water transport costs		£1,360,000	
Cost of road option	Operating costs	£840,000 (£3.50 per tonne)	
	Capital costs	nil	
Total road transport costs		£840,000	
Financial imbalance		£520,000	(£1,360,000 - £840,000)

Upper limits on award of WFG only

Limit of environmental benefits	£900,000	
Financial imbalance (see above)	£520,000	
Limit of 30% of water operating costs	£288,000	(30% of £960,000)

Upper limits on award of FFG only

Limit of environmental benefits	£900,000	
Financial imbalance (see above)	£520,000	
Maximum FFG payable	£200,000	(50% of £400,000)

Upper limit on a combined award of WFG and FFG

Limit of environmental benefits	£900,000	
Financial imbalance (see above)	£520,000	
Limit of 30% of total water costs if FFG and WFG payable	£408,000	(30% of total water transport costs of £1,360,000).

Where a project is eligible for FFG and WFG support the FFG financial appraisal will be undertaken first. Once the potential level of FFG support has been identified the WFG financial appraisal will be undertaken. This second appraisal will take into account the reduction in capital costs resulting from the potential award of FFG. In this case the level of WFG is limited to less than 30% of the water transport operating costs as the maximum FFG of £200,000 leaves a balance of only £208,000 available for WFG.

Maximum possible award of FFG	£200,000	
Maximum possible award of WFG	£208,000	(30% of total transport costs of £408,000 less maximum possible award of FFG).

NOTE – This worked example has been simplified to demonstrate how WFG and FFG interact. It does not attempt to show the appropriate full WFG and FFG financial appraisal calculations which would be undertaken and which take account of the impact of tax etc.

APPLICATION FOR WATERBORNE FREIGHT GRANT

YOUR DETAILS
Full Name:
Trading Name:
Contact Person:
Business Address:
Telephone no:
Fax no:
E-mail address :

Background – company information
Include information on turnover and number of employees, status (plc, limited company etc.), and details of associated companies including parent / group / subsidiaries
<ul style="list-style-type: none">• Description of company' s main activities and or products and trading history• Include copies of last three years audited Annual Reports and Accounts• Details of any previous use of water freight and any previous freight grant applications whether successful or otherwise

The Proposal – project details

Provide a brief overview of the proposal including the purpose and business benefits. Include:-

- Details of the traffic which is the subject of the application indicating whether this is traffic new to water (if so, provide description of current operation) or existing water traffic which would otherwise revert to road
- If the application is based entirely or partially on retained traffic explain clearly why this traffic will revert to road haulage in the absence of the aid sought
- Draft contract or letter of intent / support from consignor of traffic if appropriate or historic data / forecasts

Water Operation - Description and Costs

Description of the proposed water transport operation and full explanation and evidence of operating and capital costs including:-

- costs of water haulage, onward road haulage if applicable and loading / unloading and intermediate handling costs for the 3 years of the WFG support and the following 3 years
- Details of capital works and equipment (if required) and explanation of why they are needed
- A programme of any construction works, including start and completion dates with any significant stages in between
- Three recent supporting quotations (less than 6 months old) or independent professional estimates for any capital expenditure
- Financial details of any leases proposed whether for land, buildings or equipment
- All cash flows should be shown in real (present day) prices to exclude the effects of general inflation
- If appropriate a clear letter of intent from a water freight operator that they are prepared to carry the proposed traffic

NOTE – all information on costs and revenues of the water operation should be included in the Financial Summary Table.

Alternative Road Operation

Description of alternative road operation including costs for road transport supported by three independent quotes as well as loading and unloading costs to provide a like for like comparison with the proposal.

NOTE – all information on costs and revenues of the road operation should be included in the Financial Summary Table.

Environmental Benefits

Exact location including post code for depots and sites included in the application, illustrative maps are helpful

- Details of the routes that would be taken and the type and payload of road vehicles in both the proposed water-based (if any) and alternative road-based operations
- Explanation of the likelihood of backloads being available for any of the road or water movements

Planning Issues
Is planning permission required for any aspect of the proposed water operation?
Yes/No
If yes has planning permission been obtained?
Yes/No
If yes evidence should be attached with application.
If planning permission is required but not obtained as yet, please provide information on current status.
Please also give details of any planning constraints on the alternative road option and also indicate the view of the Navigation Authority (a letter of support will be needed).

Other Grant Schemes
Details of any other Central Government support (including Freight Facilities Grant), Local Government, EC or other grants being applied for or having previously been applied for in relation to the project.

Payment of WFG
Paragraph 27 and 28 of the Guide for Applicants gives details of requirements for the grant payment process. Please indicate how frequently you wish to claim grant payment.
Monthly
Quarterly
Biannually
Annually

FINANCIAL SUMMARY TABLE	Year 1	Year 2	Year 3		Year 4	Year 5	Year 6
Tonnage/number of containers per annum							
Road transport alternative							
Revenue (zero if no difference with water alternative)							
Haulage costs							
Other ongoing variable operating costs							
Other fixed operating costs							
Total operating costs							
Capital costs							
Total costs of road transport alternative							
Water transport alternative							
Revenue (zero if no difference with road alternative)							
Haulage costs							
Other ongoing variable operating costs							
Other fixed operating costs							
Total operating costs							
Capital costs							
Total costs of water transport alternative							

- 1) This table should contain detailed cash flow information in order to capture all the costs and revenues associated with the freight business.
- 2) Use a separate line for each type of cost. Please expand table as appropriate.

DECLARATION

I/We certify that:

- a) this traffic will not be moved without Waterborne Freight Grant aid;
- b) there are no planning restrictions limiting the use of the road routes included in this application;
- c) no contracts have been let or orders placed;
- d) the project is not already in operation/is in operation but without Waterborne Freight Grant aid the freight traffic will transfer/revert to the road;
- e) should I/We subsequently apply for any other Scottish Executive, UK Government, European Community or Local Authority grant for this traffic, I/We undertake to notify Scottish Ministers immediately;
- f) I/We declare that the information provided in this application is, to the best of our knowledge accurate and truthful.

Signature

Date

Position within the Company

APPOINTMENT OF ACCOUNTANCY FIRMS

INDEPENDENT ACCOUNTANTS QUALIFICATIONS REQUIREMENTS

(a) All reports on grant claims and certificates required for other forms of assistance from companies, and businesses that are not incorporated under the Companies Act and where the total offer is over £25,000, must be made by an independent accountant eligible under the terms of section 25 of the Companies Act 1989 for appointment as a company auditor, except that a person eligible under section 34(1) of the Companies Act 1989 for appointment as auditor of an unquoted company (as defined in that section) may report on claims made by such a company or from businesses that are not incorporated under the Companies Acts.

(b) Reports on grant claims and certificates required for other forms of assistance from businesses that are not incorporated under the Companies Acts and where the total offer is no more than £25,000 may be made by:

- i) those qualified as defined in (a) above; or by
- ii) members of the following specified accountancy bodies:
 - The Institute of Chartered Accountants in England and Wales
 - The Institute of Chartered Accountants of Scotland
 - The Institute of Chartered Accounts of Ireland
 - The Chartered Association of Certified Accountants
 - The Chartered Institute of Management Accountants
 - The Institute of Company Accountants
 - The Association of International Accountants
 - The Chartered Institute of Public Finance and Accountancy

In every case the accountant must be independent of the business submitting the claim.

FREIGHT GRANTS IN GREAT BRITAIN – CONTACTS:-

Scotland (water and rail):

Scottish Executive
Freight and Inland Waterways Branch
Area 2D
Victoria Quay
Edinburgh EH6 6QQ

Tel : 0131 244 1526

Email: justin.huthersall@scotland.gsi.gov.uk

Any queries relating to freight grants for projects largely based in England or Wales should be referred to:-

Wales (water and rail):-

Welsh Assembly Government
Crown Buildings
Cathays Park
Cardiff CF1 3NQ

Tel : 02920 825111 Ext 6516

England (water) :-

Department for Transport,
Water Freight Branch
Zone 2/22 Great Minster House
76 Marsham Street
London SW1 4DR

Tel : 020 7944 6847/6848/6846

England (rail) :-

Strategic Rail Authority
Freight Team
3rd Floor
55 Victoria Street
London SW1H 0EU

Tel : 020 7654 6440