

Waterborne Freight Grant



A guide for applicants

WATERBORNE FREIGHT GRANT SCHEME (WFG)

A GUIDE FOR APPLICANTS

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Introduction

About this guide

This guide outlines the criteria and processes in place for applying for support from the Waterborne Freight Grant scheme, also known as WFG. **Although information is correct at the time of publication, it is advisable that potential applicants contact the appropriate administrative body for the most up to date information before submitting a formal application for grant.**

It should be noted that there is no automatic entitlement to grant support and any offer of grant which may be made remains entirely at the discretion of the appropriate administrative body.

What is WFG?

WFG assists companies with the operating costs associated with running waterborne freight transport instead of road, where transport by water is more expensive. It is designed to facilitate and support modal shift, generating environmental and wider social benefits from reduced lorry journeys on Britain's roads.

Who administers the scheme?

WFG is administered by:

- **Department for Transport:** For flows entirely within England and for cross border flows where the majority of environmental benefits fall in England.
- **Scottish Government:** For flows entirely within Scotland and for cross border flows where the majority of environmental benefits fall in Scotland.
- **Welsh Assembly Government:** For flows entirely within Wales and for cross border flows where the majority of environmental benefits fall in Wales.

Contact details for all the above organisations can be found in Annex G.

How long will WFG operate for?

WFG has been approved by the European Commission to operate until 31 March 2015. Any offer of grant made will therefore be limited by this date. Individual awards issued will provide support for a maximum of three years.

What happens after 31 March 2015?

Prior to the approval expiring, the scheme will be evaluated to ascertain whether an extension will be pursued.

What other grants are available?

In addition to WFG, two other grant schemes are also offered, both designed to facilitate and support modal shift of freight onto water and rail, thereby generating environmental and wider social benefits. These are

- **Freight Facilities Grant (FFG)** which helps offset the additional capital cost of providing water freight handling facilities.
- **Mode Shift Revenue Support (MSRS)** which helps offset the additional operating costs of inland waterway and rail freight movements.

Specific guidance is available on the websites listed in Annex G.

What if I'm interested in applying for a FFG, as well as MSRS?

In principle, applicants can seek grant support through the WFG scheme, as well as a Freight Facilities Grant. In assessing the application, the administrative body leading on the FFG application will assess the total grant requirement and total environmental benefit of the proposal. It is strongly advisable therefore that those interested in applying for more than one grant first seek advice before submitting an application and where possible submit an application for grant for both schemes at the same time.

In the event that the environmental benefits have already been utilised as part of an application for FFG, grant support through WFG will not be available. Double counting of environmental benefits is not permitted in any circumstance.

What if I am seeking or have sought other public funding?

It is advisable that you seek advice from the administrative body on how this will affect the assessment of your application in advance of submitting it. Each assessment will be dealt with on a case by case basis depending on the specific details of the proposal.

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 or harbours 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. Grant support for inland waterway movements is available through the REPS (Bulk) scheme until 31 March 2010, this will then be replaced by the MSRS (Bulk and Waterways) scheme.

Which freight operations are eligible for grant support?

2. While the Government recognise the environmental benefits of removing freight from our roads, it also recognises 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 during any period up to a maximum of three years from 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 at the end of the period of WFG support. Exceptionally the relevant administrative body 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 relevant administrative body 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. Grant offered will, in all cases, be assessed over a period of up to but not exceeding 3 years and will be paid over the same time period. 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.

8.2.1 Although there is an upper limit of €2,000,000 grant awards may be made in Sterling. The exchange rate used will be based on the average £/€ exchange rate of the previous financial year as published by the Inland Revenue (<http://www.hmrc.gov.uk/exrate>). For example the €2,000,000 upper limit for an application for WFG made between 1 April 2009 and 31 March 2010 will be £1,660,000. This is calculated by using the average Sterling value of £0.830 per Euro for the year to 31 March 2009.

8.2.2 Awards can also be calculated and paid in Euros if this is requested by the grant recipient.

8.3. The period of assessment and payment will run from the start of the project until the point where the service is projected to be viable without WFG support. This period can be no more than 3 years. 50% of grant can be claimed during time period one, 33.3% in time period 2 and 16.7% in time period 3. For example, where the grant award is limited to £1,200,000, the amount of grant which would be paid out each time period would be :-

Time period 1 a maximum of £600,000
Time period 2 a maximum of £400,000
Time period 3 a maximum of £200,000

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

Time period 1	$\pounds 600,000 \div 20,000 \text{ tonnes} = \pounds 30 \text{ per tonne}$
Time period 2	$\pounds 400,000 \div 40,000 \text{ tonnes} = \pounds 10 \text{ per tonne}$
Time period 3	$\pounds 200,000 \div 60,000 \text{ tonnes} = \pounds 3.33 \text{ per tonne}$

8.5. If an application for WFG includes more than one flow of traffic each flow will be awarded a separate £ or € per tonne/container 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?

9.1 Environmental benefits measure the effect of removing freight from Britain's roads. Specific values have been identified, known as Mode Shift Benefits (MSB), which quantify the value of taking a lorry off different categories of road. In some cases there may also be onward road journeys from the end water destination. These journeys are classed as disbenefits and will need to be subtracted from the calculated benefits.

9.2 Applicants use routing software such as Transport Direct¹ to identify the distances travelled by road. These distances are totalled for each of the 4 MSB road categories and multiplied by the relevant MSB value. Further details on road categories and their associated MSB values, along with a worked example are provided in Annex 4.

9.3 In occasional cases where the distance by rail or water is significantly different (by more than 25%) to the road distance, separate calculations will be needed to value each mode. An applicant's environmental benefit calculations will be verified by the administrative body during the assessment period.

9.4 Information on the fuel use of the proposed new service must be provided to ensure that the use of MSB figures is appropriate. If significant differences are identified between the assumptions, on which the MSB values are based, the assessment of the disbenefits of the proposed new service will be adjusted to ensure mode shift is actually beneficial to the environment.

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 Act 2000] and the Freedom of Information (Scotland) Act 2002 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

¹ All applications are checked and verified by the relevant administrative body using Transport Direct.

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 vessels;
- the cost of hiring or leasing of installations enabling transshipment between, shipping routes and roads;
- the cost of using 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 relevant administrative body who will offer informal advice on the eligibility of your proposal. This advice will be given entirely without prejudice and will not commit Ministers to making a formal offer of grant. An initial meeting with the relevant administrative body may be the best way forward and can save unnecessary work.
14. The relevant administrative body will initially need to know:
 - the estimated tonnage for each time period 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 e.g. importation of raw materials or removal of waste.

20. Upon request, the relevant administrative body 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 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 period 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 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, such as Marco Polo, 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 relevant administrative body 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 relevant

administrative body 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 relevant administrative body 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 time period. 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 start of the next time period but would cease when a further £400,000 has been paid. Payment would resume in respect of tonnage moved on commencement of the third time period 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 relevant administrative body 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 period of the grant, 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 first time period, only £400,000 would be available in the second time period and £200,000 in the third time period.

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

Financial Monitoring of project by relevant administrative body

32. WFG recipients are required to provide a summary of the financial performance of the project at the end of each financial year. 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.

WFG – How Environmental Benefits are calculated

1. The calculation of environmental benefits is an essential part of a WFG application. This annex aims, through a step by step process, to provide guidance as to how this can be achieved. In addition to this annex, it is recommended that applicants read the more detailed information on environmental benefits which is available from each of the administrative bodies listed in Annex G.

Step 1: Identifying flow details

2. Applicants as a first step will need to know some basic information before progressing to calculate the environmental benefits. This will include details on the:

- origin and destination of the traffic, preferably by postcode;
- average payload of the lorries used; and
- whether there are any backload or lorries returning empty to the origin.

3. Once you have this information to hand, progress to step 2.

Step 2: Understanding Mode Shift Benefit Values

4. The administering bodies for MSRS have valued the environmental and social benefits of removing one lorry mile of freight from road and transferring it to water. These are known as Mode Shift Benefit (MSB) values. Table 1 outlines these by the 4 identified road categories. These values are used by applicants in calculating the environmental benefits.

Table 1: Mode Shift Benefit Values

Road type	Value
Motorways standard	£0.07
Motorways high value	£0.86
A Roads	£0.74
Other Roads	£1.43

5. For details of which sections of motorway are high value and the distances between the junctions on these sections, please see table 2.

6. In cases where the distance by rail or water varies by more than 25% from the road journey, a separate calculation of the environmental benefits of rail or water and road will need to be undertaken. As this is not standard practice, it is strongly recommended that you contact us in advance of starting work on an application to seek advice.

Table 2: High value motorways and distances between junctions²

M1		J15a	J16	J17
	J15	2.7	6.6	15.2
	J15a		3.9	12.5
	J16			8.6

M1		J29	J30	J31	J32	J33	J34	J35	J35a
	J28	6.8	13.6	19.2	22.5	24.9	27.5	31.4	32.9
	J29		6.8	12.4	15.7	18.0	20.7	24.5	26.1
	J30			5.6	8.9	11.2	13.9	17.8	19.3
	J31				3.3	5.7	8.3	12.2	13.7
	J32					2.4	5.0	8.9	10.4
	J33						2.7	6.5	8.1
	J34							3.9	5.4
	J35								1.5

M3		J10	J11	J12	J13	J14
	J9	1.4	2.7	6.3	8.0	9.1
	J10		1.3	4.8	6.5	7.7
	J11			3.5	5.2	6.4
	J12				1.7	2.9
	J13					1.2

M4		J5	J6	J7
	J4b	2.1	5.8	7.5
	J5		3.7	5.5
	J6			1.7

M4		J32	J33
	J30	5.6	9.0
	J32		3.4

² These values will apply between the junctions stated on the following motorways.

M6		J4a	J5	J6	J7	J8	J9	J10	J10a
	J4	2.7	4.8	8.0	12.4	12.9	15.8	17.3	20.8
	J4a		2.1	5.3	9.7	10.2	13.0	14.5	18.1
	J5			3.2	7.6	8.1	11.0	12.5	16.0
	J6				4.4	4.9	7.8	9.3	12.8
	J7					0.5	3.4	4.8	8.4
	J8						2.9	4.3	7.9
	J9							1.5	5.0
	J10								3.5

M6		J16	J17	J18	J19	J20	J21	J21a
	J15	9.4	15.5	19.3	27.4	32.0	35.1	38.0
	J16		6.1	9.8	18.0	22.6	25.7	28.6
	J17			3.7	11.9	16.5	19.6	22.5
	J18				8.1	12.7	15.8	18.8
	J19					4.6	7.7	10.6
	J20						3.1	6.0
	J21							2.9

M8		J9	J10	J11	J12	J13	J14	J15	J16	J17	J19
	J8	1.2	2.1	3.2	4.5	5.1	5.8	6.5	7.1	7.8	8.5
	J9		0.9	2.0	3.2	3.9	4.5	5.3	5.9	6.6	7.3
	J10			1.1	2.4	3.0	3.7	4.4	5.0	5.7	6.4
	J11				1.2	1.9	2.5	3.3	3.9	4.6	5.3
	J12					0.7	1.3	2.0	2.7	3.3	4.0
	J13						0.6	1.4	2.0	2.7	3.3
	J14							0.7	1.4	2.0	2.7
	J15								0.6	1.3	2.0
	J16									0.7	1.4
	J17										0.7

M25	All
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M42		J4	J5	J6	J7
	J3a	2.1	4.5	8.1	10.4
	J4		2.4	6.0	8.3
	J5			3.6	5.9

J6				2.3
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M60	All
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M62		J19	J20	J21
	J18	3.0	5.2	7.5
	J19		2.2	4.5
	J20			2.2

M62		J27	J28	J29	J30
	J26	4.5	7.5	10.3	12.5
	J27		3.0	5.7	7.0
	J28			2.8	4.0
	J29				2.2

Step 3: Calculating total mileage for each road type

7 To identify the mileage on the categories of road set out in table 1, enter your origin and destination details into routing software. This will provide an output of the journey on different road types.

Step 4: Using MSBs to calculate route value

8 From the information obtained so far, you will know the mileage travelled by each road type (note that slip and link roads are considered to be part of the previous road type even if they have no road category of their own). Step 4 is now multiplying the mileage for each road type by the relevant rate shown in table 1. This will give you the value of the route. This same step needs to be undertaken for any onward road journeys, known as disbenefits. It is anticipated that in autumn 2009 this calculation will be automated through Transport Direct.

Step 5: Calculating the number of removed lorry journeys

9 To calculate the number of lorry journeys removed, you will need to divide the annual tonnage to be moved by the average payload of the lorry. This gives the number of one-way lorry trips required. If lorries would return empty, you will need to multiply this figure by 2 to show the return journeys removed. However, if there are backloads which wouldn't be removed by the funding, then these cannot be counted as removed lorry journeys.

Step 6: Calculating the environmental benefit

10 The final step is to calculate the value of the environmental benefits by multiplying the route value, already identified in step 4 by the number of lorry journeys as identified in step 5. This will give you the value of the environmental benefits.

Environmental Benefit Worked Example

Using the above step by step approach the following example aims to show how fictitious company *Admin Logistics (AL)* calculates its environmental benefits.

Step 1: Identifying the flow details

AL is interested in applying for support through WFG. The company runs a service between X and Y currently carrying 20,000 tonnes a year. It is expected that this will rise to 40,000 tonnes in year 2 and 50,000 tonnes in year 3. The company has identified that the lorries have a payload of 24 tonnes and for each trip the lorries return empty.

Step 2: Understanding Mode Shift Benefit Values

AL has read and understood the MSB values, how they have been derived and is now ready to calculate the total mileage for each of the identified road types.

Step 3: Calculating total mileage for each road type

Routing software should be used to establish the road route taken and the amount of the journey undertaken on each type of road. This is then summarised into table 3.

Step 4: Using MSBs to calculate the route value

Now that the mileage on different road types has been established, *AL* is able to use the MSBs to calculate the route value. This is then added to table A4.3.

Table 3: Calculating the route value

Road type	Mileage	MSB Value	Route Value
Motorways standard	26	£0.07	£1.82
Motorways high value	0	£0.86	£0.00
A Roads	35	£0.74	£25.90
Other Roads	21	£1.43	£30.03
Total	77		£57.75

Step 5: Calculating the number of removed lorry journeys

Using the payload information and tonnage that the company identified through step 1, the number of lorry journeys can be calculated. In this case there are no return journeys.

Step 6: Calculating the environmental benefit

The final step for the company is to calculate the value of the environmental benefits. This is done by multiplying the route value, already identified in step 4 by the number of lorry journeys as identified in step 5. This can then be divided by the tonnage to give a benefit per tonne figure. Table 4 below pulls together this information.

Table 4: Environmental Benefit Calculation

Year	Tonnage	Payload	Lorry Journeys	Route Value	Benefit per tonne
1	20,000	25	800	£57.75	£2.31
2	40,000		1,600		£2.31
3	50,000		2,000		£2.31
Total	110,000		4,400		

The example above shows the environmental benefits are valued at £2.31 per tonne. However, this is not an indication of the level of grant that may be offered, but is the ceiling above which no offer can be made. Other elements of the application will determine the exact amount of grant offered, including the financial appraisal, minimum value for money, prioritisation and budget availability.

In this case the financial need was assessed at £1.50 per tonne for year 1 (see annex 5). The applicant could apply for grant at £1.50 per tonne moved. The value for money on that basis would be a benefit/cost ratio (BCR) of 1.54:1 (£2.31 benefit / £1.50 cost).

NOTE – The environmental benefits generated by traffic movements which will take place prior to 1 April 2010 will be calculated based on the Sensitive Lorry Miles values – advice will be provided on this by the relevant administrative body.

Annex B – Financial Appraisal

Waterborne Freight Grant is payable where:

- I. there are environmental benefits to be gained by transporting goods by water rather than road,
- II. the initial operating costs of transporting freight by water are greater than by road, so that the scheme would not be financially viable by water without a grant.
- III. the scheme will become financially self-sufficient over no more than three years.

Why complete a financial appraisal?

The aim of the financial appraisal is to compare the overall operating costs of the waterborne scheme with that for the road equivalent. The appraisal is carried out over four fixed time periods to demonstrate that there is a shortfall during the first three equal time periods, but that the scheme is self sufficient during the fourth period.

The periods chosen may be a year each or they can be shorter. Whatever period you choose this should be consistent with the period used to calculate the Environmental Benefits.

The appraisal sets out a breakdown of the operating costs incurred over the four periods under the proposed scheme and compares them with the road alternative. These are then set against any difference in the revenues to derive the cash flows for both options. All cash flows are expressed in ‘real’ prices, that is, present day prices.

Completing your financial appraisal

In completing your financial appraisal you will need to assemble all the relevant information on the tonnage, revenues and operating costs associated with the water and road options and enter this information onto a spreadsheet like that shown in Annex C.

Information should be provided for each of the 4 periods. Please be aware that the 4th period should show that the service is able to operate without grant support. Your appraisal should cover:

Tonnage/containers – You should forecast the tonnage/containers moved for each flow in each of the periods. Your grant will be calculated as a rate per tonne/container of goods moved and paid on the basis of the actual goods moved.

Cost of commodity – evidence of the cost of the commodity to be moved under the road and water options.

Revenue – If the revenue would be the same whether the goods are transported by road or by water no revenue need be identified. However, where there is a difference this should be identified. Only the difference needs to form part of the calculation.

Operating costs for the road and water options - You should include within your appraisal all costs which are directly attributable to the road or water based option. Where an operating cost is the same for both the road and water option it need not be included in your analysis. For example this may include:

- harbour dues, fuel, repairs, maintenance and crew costs
- the cost of using maritime infrastructure
- administration costs including additional accountancy fees and the cost of staff training
- the cost of hiring or leasing equipment including:
- combinations of vehicles (lorries, trailers, semi-trailers, swap bodies or containers of 20 feet or more)
- vessels
- installations enabling transshipment between shipping routes and roads.

Costs and revenues should be expressed in today's prices. Either Sterling or Euros may be used throughout: other currencies should be converted using current exchange rates.

In completing the financial appraisal, if the total cost over the first three periods is negative, but positive in the fourth period, there is a need for WFG support. However, if the scheme cannot demonstrate by the fourth period that it will be viable without grant, then WFG support cannot be provided.

Supporting Evidence

The information supplied must be supported by full evidence, provided in an annex. Much of the necessary evidence will already have been assembled to substantiate your answers to other questions in the application.

Your forecasts should be supported by evidence such as contracts or letters from prospective customers to verify the tonnage levels. Information about the costs associated with road haulage should be supported by at least two written road haulage quotations.

Calculating the amount of grant awarded

The potential level of grant support will be based on the lowest of:

- I. The financial need for grant based on the cumulative difference between the road and water options over the 3 periods, or
- II. the value of environmental benefits, or
- III. 30% of the operating costs over the period of grant, or
- IV. €2,000,000.

The total grant provided will decrease over the three periods as follows:

- I. 50% of the grant available in the first period
- II. 33.3% available in the second period, and
- III. 16.7% available in the third period.

Grant will be provided on a per tonne or per container basis. It is calculated according to the volume you expect to move in a period, divided by the grant applicable in that period.

Annex C - Financial Appraisal: Worked example

In this example a fictitious firm, Freight WaterLogistix Ltd., is looking for grant to help it move part of its business to a short sea route. There is an existing commitment to move 30,000 tonnes in the first year, growing to 50,000 tonnes in the second year, 70,000 in year three, and then 90,000 in year four³.

Freight WaterLogistix identifies the individual elements that make up the overall road cost and enter this information onto the spreadsheet. Where costs are provided, for example haulage costs, these are supported with haulage quotes. The company does the same for the water costs, entering each element on to the spreadsheet and backing this up with evidence.

³ Please note that although this illustration is worked in tonnes, if you have made calculations per container, there is no need to rework them to apply for a grant.

WFG Financial Appraisal																
	Period 1				Period 2				Period 3				Period 4			
	ROAD		WATER		ROAD		WATER		ROAD		WATER		ROAD		WATER	
	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL
Tonnage		30,000		30,000		50,000		50,000		70,000		70,000		90,000		90,000
Cost of Commodity	£5.00	£150,000	£5.00	£150,000	£5.00	£250,000	£5.00	£250,000	£5.00	£350,000	£5.00	£350,000	£5.00	£450,000	£5.00	£450,000
Haulage	£6.80	£204,000	£7.40	£222,000	£6.80	£340,000	£7.10	£355,000	£6.80	£476,000	£6.70	£469,000	£6.80	£612,000	£6.20	£558,000
Handling	£0.20	£6,000	£0.30	£9,000	£0.20	£10,000	£0.30	£15,000	£0.20	£14,000	£0.30	£21,000	£0.20	£18,000	£0.30	£27,000
Onward road cost	£0.00	£0	£0.30	£9,000	£0.00	£0	£0.30	£15,000	£0.00	£0	£0.30	£21,000	£0.00	£0	£0.30	£27,000
Other cost 1	£0.00	£0	£0.15	£4,500	£0.00	£0	£0.15	£7,500	£0.00	£0	£0.15	£10,500	£0.00	£0	£0.15	£13,500
Other cost 2	£0.00	£0	£0.00	£0	£0.00	£0	£0.00	£0	£0.00	£0	£0.00	£0	£0.00	£0	£0.00	£0
TOTAL COSTS	£12.00	£360,000	£13.15	£394,500	£12.00	£600,000	£12.85	£642,500	£12.00	£840,000	£12.45	£871,500	£12.00	£1,080,000	£11.95	£1,075,500
TOTAL REVENUE			£9.50	£285,000			£11.10	£555,000			£11.80	£826,000			£12.00	£1,080,000

In reviewing the data entered, Freight WaterLogistix are able to identify that over the first 3 periods, the water option becomes increasingly competitive, so that by period 4 grant is no longer needed.

Using this information Freight WaterLogistix are then able to calculate the basis of their grant, which would be the lowest of

- I. The financial need for grant support based on the difference over 3 years of the road and water option; ie £108,500.
- II. the value of environmental benefits, or
- III. 30% of the operating costs over the period of grant of the water operation ($£1,908,500 \times 0.3 = £572,550$), or
- IV. €2,000,000.

Assuming that the environmental benefits are higher at £378,000; the maximum allowable grant over the three years would be £108,500. In the first year 50% of this grant would be provided (ie £54,250), in the second year 33% is available (ie £35,805) and in the third year 17% is available (ie £18,445). This grant would be paid on a per tonne basis.

ANNEX D

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 :

<p>Background – company information</p> <p>Include information on turnover and number of employees, status (plc, limited company etc.), and details of associated companies including parent / group / subsidiaries</p> <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
- The period of time which the financial appraisal will be made and the grant paid. This period can be no longer than 3 years and will cover the period up to the point where the service is projected to be viable without grant support.

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 time periods of the WFG support and the following year
- 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	Time period 1	Time period 2	Time period 3		Time period 4
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 Government, 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:-

England

Freight Grants Team, Department for Transport, Zone 2/14, Great Minster House, 76 Marsham Street, London, SW1 4DR

Tel: 020 7944 6848

Website: www.dft.gov.uk/pgr/freight
www.freightbestpractice.org.uk

Scotland

Freight Grants Team, Transport Directorate, Aviation, Ports, Freight and Canals Division, Scottish Government, Area 2-G (North) Victoria Quay, Edinburgh, EH6 6QQ

Tel: 0131 244 0575 / 1526

Website: www.scotland.gov.uk

Wales

Integrated Transport Division, Department for the Economy & Transport, Welsh Assembly Government, Cathays Park, Cardiff, CF10 3NQ

Tel: 029 2082 6104

Website: www.wales.gov.uk