

# Guide to the Waterborne Freight Grant (WFG) Scheme



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# 1. Introduction

## What is a Waterborne Freight Grant (WFG)?

- 1.1** WFG can assist a company with the operating costs associated with running waterborne freight transport instead of road, where transport by water is more expensive. The grant applies to coastal and short sea shipping and can assist a company for up to 3 years. It will be operational until 31 March 2015.

## Why is the government offering these grants?

- 1.2** WFG is designed to facilitate and support modal shift to waterborne freight services, generating environmental and wider social benefits from reduced lorry journeys on Britain's roads. We recognise that making the shift from road to water can sometimes be expensive and WFG is intended to offset some of the additional costs of switching to a more environmentally friendly mode of transport.
- 1.3** In exceptional circumstances, WFG can be used to support existing services; however its primary aim is to provide time limited support for the inception of new services.

## What type of services can receive grant support?

- 1.4** WFG can support coastal<sup>1</sup> or short sea shipping<sup>2</sup> services, on condition that, after a period of grant aid (maximum 3 years), the service will be economically viable without grant support. Your application should demonstrate that this is the case.
- 1.5** The applicant will also need to demonstrate that in the absence of the waterborne grant, the freight would be moved by road.

## Who can apply?

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<sup>1</sup> Coastal shipping services take place entirely within the waters of the UK. An example might be shipments of grain by bulk from Newcastle to London.

<sup>2</sup> Short-sea shipping involves transportation of goods from the UK to other destinations in Europe, for example Rotterdam or Lisbon.

- 1.6** Any public or private company or nationalised industry 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 a WFG.<sup>3</sup>

### What costs are eligible for support?

**Table 1.1 Eligible and Ineligible costs**

Eligible costs	Ineligible costs
<p>Operating costs directly attributable to the freight being transferred from road to water will be eligible for WFG. These may include:</p> <ul style="list-style-type: none"><li>• the cost of hiring or leasing combinations of vehicles (lorries, trailers, semi-trailers, swap bodies or containers of 20 feet or more);</li><li>• the cost of hiring or leasing a vessel(s);</li><li>• the cost of hiring or leasing of installations enabling transshipment between shipping routes and roads;</li><li>• the cost of using maritime infrastructures;</li><li>• harbour dues, fuel and crew costs;</li><li>• administration costs including additional accountancy fees and the cost of staff training.</li></ul>	<ul style="list-style-type: none"><li>• Support for transportation which is predominantly along inland waterways, (see guidance on the Mode Shift Revenue Support scheme).</li><li>• Capital costs associated with the provision of infrastructure, for example, for the extension or adaptation of dock facilities.</li></ul>

### How much grant can I get?

- 1.7** Any grant offered will be limited to the lower of:
- The value of the Environmental Benefits generated by transferring the relevant freight from road to water, or

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<sup>3</sup> If the application is to be made by a partnership of companies, early discussion will be required to ascertain how the application, payment of grant and monitoring of the operation can best be handled.

- The financial need for grant determined by a financial appraisal comparing the costs of transporting freight by water with the costs of the road alternative, or
- 30% of the total operating costs of the water movement of the relevant freight, or
- €2,000,000<sup>4</sup>.

## **How is the value of Environmental Benefits calculated?**

**1.8** Environmental Benefits are calculated by taking the tonnage/containers that you can commit to move by water over an agreed number of years and working out how many lorry journeys your scheme will remove from roads in England, Scotland and Wales. Details of how to calculate your environmental benefits are explained in Annex A.

## **Why do I need to complete a financial appraisal?**

**1.9** Applicants need to demonstrate through a financial appraisal that the cost of moving freight by water is greater than by road and that, without a grant, the scheme would not go ahead. WFG can only be paid if without grant support the freight in question would go by road, it can be demonstrated that the service would be viable without grant within 3 years, and it is in the public interest for the freight to be carried by water. To demonstrate this we need to see soundly-based evidence to support a prediction of the type and quantity of goods that will use the proposed service. Guidance on the financial appraisal is provided Annex B.

## **Are there any other restrictions I may need to know about?**

**1.10** You should be aware that:

- A WFG is a one-off grant – it cannot be extended beyond the original time period agreed;
- Only one grant is permitted per shipping line; and
- Grant is awarded on a declining profile for any period up to a maximum of 3 years<sup>5</sup>.

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<sup>4</sup> The award of grant is subject to European Union state aid rules which allow for a maximum upper limit of €2,000,000 in grant

<sup>5</sup> An applicant could seek support to establish a service over a shorter period, for example a service could be supported over a period of 12 months, which would result in a shorter period of assessment and monitoring. Grant is awarded in three fixed tranches of 50%, 33% and 17%.

- These are stipulations of the European Maritime State Aid rules under which WFG operates.

### **What evidence do I need in order to apply?**

#### **1.11** You will need to outline:

- the environmental benefits of the scheme, including the traffic that will move from road to water as a result of the scheme being grant supported;
- a financial need for grant (shown over 4 equal periods) comparing the costs and revenues of moving the traffic by water as opposed to road. The 4th period should show the service is viable without grant.

### **What should I do first?**

**1.12** The first step is to read this guidance and complete the Initial Enquiry Form which can be found in Annex D. Once you have completed this form with the basic information about your proposed scheme, the origin and destination of the traffic and the tonnages or number of containers involved, you should send it to the relevant administration (see contact details below) and they will soon be in touch to arrange a preliminary meeting.

### **Who do I submit my application to?**

**1.13** Where a project removes lorry journeys from the roads of England and/or Wales only, you should contact the Department. Where a project removes lorry journeys from the roads of Scotland only you should contact the Scottish Government. Where a project will remove lorries from the roads of Scotland and England/Wales it will usually be dealt with by the administration of the country in which the majority of the environmental benefits will be generated. You can contact DfT or the Scottish Government for advice on how to proceed in such a case.

## Who do I contact?

Table 1.2 Contacts	
England and Wales	Scotland
<p>Freight Grants Team, Department for Transport Zone 3/24 Great Minster House 76 Marsham Street, London SW1P 4DR Tel: 020 7944 6848 Email: <a href="mailto:wfg@dft.gsi.gov.uk">wfg@dft.gsi.gov.uk</a> Web: <a href="http://www.dft.gov.uk/topics/freight/grants/">http://www.dft.gov.uk/topics/freight/grants/</a></p>	<p>Freight Grants Team Scottish Government Aviation, Maritime Freight and Canals Directorate Victoria Quay Edinburgh EH6 6QQ Tel: 0131 244 0575/1526 Web: <a href="http://www.transportscotland.gov.uk/road/policy/freight/Freight-Mode-Shift-Grants">http://www.transportscotland.gov.uk/road/policy/freight/Freight-Mode-Shift-Grants</a></p>



## 2. Your Questions Answered

### How long will it take to get a decision?

- 2.1** Once you have completed an application we aim to process it within 12 weeks of receipt, though this may be longer if information is missing or extensive verification of figures and projections is required.
- 2.2** You may find that a bid round is in operation, in which case the closing dates of each funding round are published at the beginning of each year. Details of bid rounds currently in effect in England can be found on the Department's website<sup>6</sup>. Once a WFG application has been processed, an applicant can expect to receive an 'in-principle' decision within four weeks of the bid round.
- 2.3** If demand for grants exceeds the grant funding available we may need to prioritise applications. Schemes will be prioritised on the basis of value for money (vfm): this is determined by dividing the value of environmental benefits by the value of the grant to be offered.
- 2.4** If your application is successful you will be issued with a formal offer of grant which will specify the amount of grant to be provided, the conditions attached to it and how you should claim payment. You will be given 28 days to accept this.

### How will grant be paid?

- 2.5** Payment will be made in arrears and must be made by completing a Claim Payment Form which will be issued to you when an award of WFG is made. All claims will need to be accompanied by supporting evidence, which will be agreed at the time of awarding the grant. Grant recipients will need to ensure that their accounting systems are suitable for easy extraction of the relevant income and expenditure figures for monitoring purposes.
- 2.6** The Department will reserve the right to verify tonnage with Navigation, Port Authorities or other relevant organisations.

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<sup>6</sup> <http://www.dft.gov.uk/topics/freight/grants/>

- 2.7** Claims for payment may be made on a monthly, quarterly, biannual or annual basis. This will be agreed before any award of WFG is made.

### **How long will WFG operate for?**

- 2.8** WFG has been approved by the European Commission to operate until 31 March 2015. Any offer of grant will be limited by the budget available at the time of applying and to services that have been contracted and will have commenced operation before 31 March 2015. Individual awards issued will provide support for a maximum of three years.

### **What happens after 31 March 2015?**

- 2.9** The scheme will be evaluated before any decision on a possible extension.

### **What other freight mode shift grants are available?**

- 2.10** In addition to WFG, the Mode Shift Revenue Support (MSRS) scheme is available to offset the additional operating costs of running an inland waterway or rail freight service, where this is more expensive than road and where there are environmental benefits to be gained.
- 2.11** As MSRS is administered in England by the Department for Transport, in Scotland by the Scottish Government and in Wales by the Welsh Assembly Government, you can contact any of these organisations for further details on the scheme and how it operates. Alternatively information can be obtained through [www.businesslink.gov.uk](http://www.businesslink.gov.uk).

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

- 2.12** It is advisable that you seek advice from the Department or Scottish Government on how this will affect the assessment of your application before submitting it. Each assessment will be dealt with on a case by case basis depending on the specific details of the proposal.

### **What if a successful application could distort competition?**

- 2.13** All grants have a potential to distort competition. In most cases the impact is negligible, but we will look closely at any negative competition effects and reserve the right to refuse a grant or make it subject to conditions to mitigate any potentially significant distortions of competition.

In these circumstances you will need to consider whether to accept the grant on these terms or reject the offer and make other arrangements.

## 3. Initial Exploration

- 3.1** Having read the Introduction and Your Questions Answered, you should now have a fair idea of whether your operation is likely to qualify for WFG. If you already have a strong business plan or have previous experience of applying for WFG or similar grants, you can now proceed to develop your application. We suggest however that before starting work it may be helpful to have an informal discussion with the relevant administration to find out a bit more about how the WFG process works and the funding available.
- 3.2** To request a meeting, we ask you to fill in the Initial Enquiry Form as provided in Annex D and to send this ahead of the meeting to the relevant administration.
- 3.3** The first thing we will do when we receive your Initial Enquiry is check that the scheme is potentially eligible for grant and whether there is sufficient information to arrange a meeting with you. We aim to be in touch within 5 working days of hearing from you to seek clarification (if something is missing or unclear) or to arrange a meeting. At busy times this may take a little longer.

### **What is the purpose of an initial meeting?**

- 3.4** This initial meeting will enable us to discover as much as possible about you and your proposal and help determine its potential eligibility. We will also discuss the scope of what might be included in the Application and help you decide whether it would be worthwhile pursuing an application further. The timing of your proposal and any deadlines can also be discussed and we can advise you as to whether it is feasible to complete the application appraisal process within the timescales you envisage.
- 3.5** Once we have established that the proposed project could qualify for WFG, you can proceed to develop your application.

### **Do I need to employ a consultant?**

- 3.6** There is no need to employ a consultant to apply for WFG. However, you may decide that a consultant would be helpful, particularly if this is your first experience of applying for a freight grant.



## 4. Building your application

- 4.1** You can obtain a WFG application form from [www.businesslink.gov.uk](http://www.businesslink.gov.uk) or by contacting us directly. A copy is shown in Annex E. Once complete, this form and any supporting evidence (maps, diagrams and other illustrative materials) can be submitted electronically or in hard copy to us.
- 4.2** The information requested in the application enables us to understand your business and your plans. In addition it provides us with information about the nature of your company and its market position, as well as details as to why the project is being considered and what the proposed operation involves.

An example of an applicant's description of their proposed operation could be, *'Company X plans to set up a new waterborne freight service running initially twice a week from location A to location B. The service will transport containers for one customer along the coast of Britain, thereby removing lorry journeys that would otherwise occur. Although one customer has committed, the service initially will be unprofitable. Grant support is sought to enable the company to increase the frequency of the service to four times a week, in doing so the company aims to attract further customers to make the service both frequent and profitable.'*

- 4.3** Most of the information you have already gathered through your initial exploration will now be needed as part of your business case for the grant application.
- 4.4** Gathering the evidence in a clear and concise form will assist you in completing your application and enable you to assemble the material in a form that will help us process your application. You should aim to be:
- Consistent
  - Business Oriented
  - Understandable
  - Measurable
  - Accountable

- 4.5** Further information on producing a strong business case can be found on page 30 of Choosing and Developing a Multimodal Transport Solution, available by contacting the Department direct.

## **Risks and Assumptions**

- 4.6** Depending on the sources from which you intend to draw traffic for the proposed scheme, you may only have incomplete information about the existing routes, distances and transport modes. So you may need to do research to build up a profile for this traffic based on estimates and assumptions that you will need to set out.
- 4.7** When producing your evidence of the existing tonnage movements and evidence to support and estimate for future movements of freight you should consider:
- Will the change in mode, of itself, lead to any loss or growth in freight movements?
  - Is growth in trade assumed? If so, what are the assumptions, and what are they based on?
  - What are the probabilities of this being right?
  - Are there any other risk factors that may impact on the ability of the operation to achieve estimated freight transport levels over the term of the grant arrangement?
- 4.8** You will need to consider the risks and the likelihood of change taking place. This will be especially relevant where there are variables over which you have no control, such as exchange rates.

## **Timeframe**

- 4.9** Your business plan should state clearly what the overall term of assessment will be (remember it can be no more than 3 years in total). This should show how the three payment periods will be sufficient to bring the operation to a point where it is financially viable in a fourth period without grant.
- 4.10** If this is an existing loss making service, the term of assessment you propose should tie in with information you have about the length of any transportation contracts you have agreed. It should also take into account the likely length of time it will take for your application to be made and the first grant payment to be paid.

## Environmental Benefits

- 4.11** The environmental benefits of the scheme are critical to any application. The illustration in Annex A shows how to calculate these, by identifying the value of removing one lorry journey of freight from the road and transferring it to water.

## Financial Appraisal

- 4.12** The financial appraisal at Annex B and C illustrates how we calculate the amount that would be needed to make water-based schemes as financially attractive as road alternatives. Although this is only an illustration and individual cases may be subject to different analysis, successful applications have followed this approach as closely as possible. If you find that in some places this approach does not work for your project, early discussion with either the Department or Scottish Government are advisable.

## Sustainability

- 4.13** When developing your scheme you will need to consider how it can be run as sustainably and responsibly as possible. On the Business Link<sup>7</sup> website, you will find useful advice on how companies can improve their sustainability performance across all of their operations. If you can demonstrate that your company is actively committed to sustainability this will strengthen your WFG application<sup>8</sup>.

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<sup>7</sup> [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

<sup>8</sup> Other useful sites include <http://www.decc.gov.uk/> and <http://www.defra.gov.uk/environment/>



## 5. Completing your Waterborne Freight Grant application

- 5.1** You should now be in a position to pull together all the information needed for your application.

### **Evidence**

- 5.2** We need to see evidence supporting the information you supply. Please include all letters of support (from potential customers, port and navigation authorities etc) as well as evidence to support your operating cost figures. You should ensure that any information which is confidential is clearly flagged up in the parts of the application which it applies to.
- 5.3** The clearer your application, the quicker we will be able to proceed with processing it. If there are gaps or if aspects need clarification, it is likely that this will slow down the process as we will need to seek further information from you.
- 5.4** If there are any significant or material changes to your proposals that happen as your application proceeds please let us know as soon as possible so that we can advise you as to whether you will need to start again with a new application.

### **Confidentiality and Freedom of Information**

- 5.5** Information provided in an application, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.
- 5.6** If you want information that you provide to be treated as confidential, please ensure this is clearly marked, but be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence
- 5.7** In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a

request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

- 5.8** We will process your personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

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## 6. Decision on your application

- 6.1** We aim to reach a decision on your application within 12 weeks of receiving a complete application. Much will however depend on the complexity of the scheme and the quality of the application. In less complex cases it may be possible to reach a decision more quickly. Where a bid round is in operation, you will be advised when to expect a decision after closure of the bid round.
- 6.2** We may wish to appoint an independent assessor to examine your application. You will be informed if this is likely before any formal offer of grant is made. Should an assessor be appointed, they may find it helpful to visit the site of your operations to understand the detailed workings of your scheme.

### Formal Offer

- 6.3** The formal offer of grant letter will set out the proposed basis of payment. You will be asked to sign and accept the offer and commit to moving the traffic by water, as outlined, over the timeframe indicated.
- 6.4** It will also include amongst other things:
- Any terms and conditions that apply to the grant<sup>9</sup>;
  - How to claim the grant; and
  - Details of how traffic moved will be reported.

### Publication and Publicity

- 6.5** Both the Department for Transport and the Scottish Government publish full details of all WFG awards. Page 40 of Choosing and Developing a Multi-Modal Transport Solution<sup>10</sup> has an example of a published list.

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<sup>9</sup> For example, in accordance with government policy for the support of small and medium sized businesses, we will ask that when you enter into a contract with a supplier or contractor, [or] for the purpose of performing your obligations under this grant, you ensure that a provision is included in that contract requiring payment to be made as soon as possible and in any event within 30 days from the receipt of a valid invoice.

- 6.6** The relevant administration may issue a press release when the scheme becomes operational. From time to time also, Ministers may wish to be involved in the official opening of a new operation. If so, we will be in touch in good time to agree and make arrangements.

### **What if you don't get a grant?**

- 6.7** If your application is unsuccessful, feedback can be provided on request on the reasons why your scheme has not resulted in an offer of grant.

## 7. Payment and Monitoring

### Term of Assessment

- 7.1** In your application for WFG you will have identified the period of time over which grant support is required, up to a maximum of 3 years, and divided this into 3 equal periods. Your application will also show a fourth period of assessment during which no grant will be payable. This is a period in which you expect the scheme to be financially viable.
- 7.2** All grant awards are subject to the available budget at the time of applying. In terms of payment, 50% of the total grant value can be claimed during Period 1, 33.3% in Period 2 and 16.7% in Period 3. For example, where the grant award is £1,200,000; the amount of grant paid out in each period would be:

**Table 7.1 Periods for payment of grant**

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

### Payment

- 7.3** Grant will be paid at a fixed rate per tonne/container calculated separately for each period. The grant per tonne/container will be calculated by dividing the potential maximum WFG payable for each period by the number of tonnes/containers which are projected to be carried during that period. Claims for payment of grant should be made at regular intervals<sup>11</sup> and evidence provided of traffic moved - this may for example include Bills of Lading or Port records. Payment will be made within 20 working days of the receipt of all the necessary information and supporting documentation.

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<sup>11</sup> The regularity of payment will be discussed with the applicant.

**Table 7.2 Illustration of grant award broken down over 3 periods**

In the paragraph 7.2 above, WFG totalled £1,200,000. If the projected freight to be carried was 20,000 tonnes/container in period one, 40,000 tonnes/container in period two and 60,000 tonnes/container in period three, the grant payable per tonne moved would be calculated as follows:

Period	Calculation	Grant per tonne/container
1	$\text{£}600,000 \div 20,000$	£30
2	$\text{£}400,000 \div 40,000$	£10
3	$\text{£}200,000 \div 60,000$	£3.33

## Verification of tonnage moved

- 7.4** At the end of each period applicants will be required to provide a Summary Report detailing the traffic moved, the revenues generated and costs incurred during that period. Independent accountants will be required to confirm that the information in the Summary Report is accurate by completing a Statement of Compliance within 2 months of the end of each of the applicant's periods<sup>12</sup> during which grant is claimed.

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

- 7.5** 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 period.

**Table 7.3 Examples of a case where tonnage moved is greater than predicted**

	Maximum amount payable	Predicted tonnage	Actual tonnage	Paid
Period 1	£600,000	20,000	30,000	£600,000

<sup>12</sup> As defined in the application

Period 2	£400,000	40,000	50,000	£400,000
Period 3	£200,000	60,000	85,000	£200,000
Total	£1,200,000	120,000	165,000	£1,200,000

In this situation, grant for period 1 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 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 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?

- 7.6** In the event of less tonnage than forecast moving by water at any during the period of the grant, and using the figures above as an example, this profile of payment will continue to apply. Therefore if only £450,000 is paid by the end of first period, £400,000 would continue to be available in the second period and £200,000 in the third period.

**Table 7.4 Example of a case where tonnage moved is less than predicted**

	Maximum amount payable	Predicted tonnage	Actual tonnage	Paid
Period 1	£600,000	20,000	15,000	£450,000
Period 2	£400,000	40,000	40,000	£400,000
Period 3	£200,000	60,000	50,000	£166,550
Total	£1,200,000	120,000	165,000	£1,016,500

In this situation, £450,000 would be paid. Payment would resume for tonnage moved after the start of the next period but, as before would cease when a further £400,000 has been paid. Payment would resume in respect of tonnage moved on commencement of the third period and £200,000 would be available. However £166,550 would be paid if the tonnage moved was again less than predicted.

- 7.7** However, given that the grant is at the outset based upon a firm expectation of viability at the end of the grant period, the Department or Scottish Government may at any time during the grant period decide to look closely at the circumstances leading to the shortfall. Further

financial projections are likely to be requested. If we are not satisfied that viability can ultimately be achieved we may withdraw the undertaking to pay grant.

- 7.8** If the information is not provided, or there is concern about the performance of the project, we will seek a meeting to discuss the situation and consider what course of action may be appropriate. Where there are performance concerns, we will wish to be satisfied that all reasonable endeavours have been made to achieve and maintain the volumes of traffic forecast in the application and may need to consider appropriate remedies in any event.

## **Record Keeping**

- 7.9** You will be asked to provide the name of a person who will be the first point of contact and who will be responsible for informing us promptly of any change of circumstances and in keeping up to date records of the freight moved. You will need to ensure that your accounting system enables you to extract appropriate income and expenditure figures for the freight service. You are also asked to keep and maintain, for a period of 6 years after the expenditure occurs, adequate and proper records and books of account recording all receipts and expenditure of the monies paid by the way of the grant.

## **Withdrawing an offer of grant**

- 7.10** Only in exceptional circumstances would we withdraw a grant after it has been awarded. We would let you know in advance if we were, for any reason, considering this step and you would be given an opportunity to state your case as to why the offer should not be withdrawn.

Illustrations of cases where remedies were found to help the applicant meet its traffic commitment and avoid grant repayment

- A business offering port haulage saw that the traffic flow was falling off and started an advertising campaign. They found new customers. The Department checked that the new customers would deliver the environmental benefits in the same way as the original proposal and confirmed that this satisfied the grant conditions.
- A firm encountered access difficulties that prevented further use of the wharf for which WFG had been paid. Instead of returning the money they spent the equivalent on developing a neighbouring wharf where they could bring traffic. They achieved the environmental benefits and were able to keep the grant and stay in the business.



## **What happens if the business is sold?**

- 7.11** Any potential change of ownership of a WFG recipient needs to be reported to us as early as possible. A recipient of WFG is not entitled to assign or sub-contract the award of grant to new owners without written consent from us.

## **False information**

- 7.12** Providing false or misleading information in either the grant application or in the subsequent monitoring process is a breach of grant conditions and could result in legal action.

# Annex A – Calculating Environmental Benefits

**A.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 the Department or Scottish Government.

## Step 1: Identifying flow details

**A.2** To begin, you 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.

## Step 2: Understanding Mode Shift Benefit Values

**A.3** The value of environmental and social benefits is based on calculating the 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 A.5 Mode Shift Benefit Values	
Road type	Value

Motorways standard	£0.07
Motorways high value <sup>13</sup>	£0.86
A Roads	£0.74
Other Roads	£1.43

**A.4** In cases where the distance by water varies by more than 25% from the road journey, a separate calculation of the environmental benefits of water and road will need to be undertaken. It is strongly recommended that you contact us to seek advice in advance of starting work on your calculation.

### Step 3: Calculating total mileage and the route value

**A.5** To identify the mileage on the categories of road set out in table 1, enter your origin and destination details into the Freight Grants Environmental Benefit Calculator on the Transport Direct<sup>14</sup> website. This will provide an output of the journey on different road types as well as its value. The same calculation should be carried out for any onward road journeys (disbenefits).

**A.6** For coastal shipments which would otherwise be transported by road, the entirety of the road alternative would be used to calculate the Environmental Benefits of the waterborne service. In the case of short-sea shipping, we will only take into account those lorry miles that would be removed from roads in England, Wales and Scotland. Onward road journeys through other European countries cannot therefore count towards the Environmental Benefits of the waterborne service.

### Step 4: Calculating the number of removed lorry journeys

**A.7** 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

<sup>13</sup> For details of which sections of motorway are high value and the distances between the junctions on these sections, please see Annex D of the Mode Shift Revenue Support Scheme (MSRS) guidance available through [http://webarchive.nationalarchives.gov.uk/+/http://www.freightbestpractice.org.uk/categories/3505\\_530\\_freight-grants-information.aspx](http://webarchive.nationalarchives.gov.uk/+/http://www.freightbestpractice.org.uk/categories/3505_530_freight-grants-information.aspx).

<sup>14</sup> [www.transportdirect.info](http://www.transportdirect.info)

wouldn't be removed by the funding, then these cannot be counted as removed lorry journeys.

## Step 5: Calculating the environmental benefit

**A.8** The final step is to calculate the value of the environmental benefits by multiplying the route value, by the number of lorry journeys. 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 25 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*

Transport Direct is used to identify the route the lorry would take and the distances travelled on different roads. This is then summarised in table A. 2.

#### *Step 4: Calculating mileage and the total 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 A.2.

*Table A.2: 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
<b>Total</b>	<b>77</b>		<b>£57.75</b>

#### *Step 4 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 backloads.

#### *Step 5: 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/containers figure. Table 3 below pulls together this information.

*Table A. 3: 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
<b>Total</b>	<b>110,000</b>		<b>4,400</b>		

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 £1.00 per tonne for year 1. 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).

# Annex B – Financial Appraisal

## **B.1** Waterborne Freight Grant is payable where:

- there are environmental benefits to be gained by transporting goods by water rather than road,
- 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.
- the scheme will become financially self-sufficient over no more than three years.

## **Why complete a financial appraisal?**

**B.2** 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.

**B.3** 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.

**B.4** 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**

**B.5** 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.

**B.6** 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:

- a. 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 paid on the basis of the actual goods moved.
- b. Cost of commodity – evidence of the cost of the commodity to be moved under the road and water options.
- c. 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.
- d. 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.

**B.7** 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.

**B.8** 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**

**B.9** 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.

- B.10** 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**

- B.11** The potential level of grant support will be based on the lowest of:
- The financial need for grant based on the cumulative difference between the road and water options over the 3 periods, or
  - the value of environmental benefits, or
  - 30% of the operating costs over the period of grant, or
  - €2,000,000.
- B.12** The total grant provided will decrease over the three periods as follows:
- 50% of the grant available in the first period
  - 33.3% available in the second period, and
  - 16.7% available in the third period.
- B.13** 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

- C.1** 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 four<sup>15</sup>.
- C.2** 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.

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<sup>15</sup> 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
<b>TOTAL COSTS</b>	<b>£12.00</b>	<b>£360,000</b>	<b>£13.15</b>	<b>£394,500</b>	<b>£12.00</b>	<b>£600,000</b>	<b>£12.85</b>	<b>£642,500</b>	<b>£12.00</b>	<b>£840,000</b>	<b>£12.45</b>	<b>£871,500</b>	<b>£12.00</b>	<b>£1,080,000</b>	<b>£11.95</b>	<b>£1,075,500</b>
<b>TOTAL REVENUE</b>			<b>£9.50</b>	<b>£285,000</b>			<b>£11.10</b>	<b>£555,000</b>			<b>£11.80</b>	<b>£826,000</b>			<b>£12.00</b>	<b>£1,080,000</b>

- C.3** 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.
- C.4** Using this information Freight WaterLogistix are then able to calculate the basis of their grant, which would be the lowest of
- The financial need for grant support based on the difference over 3 years of the road and water option; ie £108,500.
  - the value of environmental benefits, or
  - 30% of the operating costs over the period of grant of the water operation ( $£1,908,500 \times 0.3 = £572,550$ ), or
  - €2,000,000.
- C.5** 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: Waterborne Freight Grant – Initial Enquiry Form

Table D.6 Initial Enquiry Form

<b>Applicant details</b>	
Your name and contact details (telephone/ email)	
Full company name (Please state the trading name if different)	
Address for business correspondence	
<b>Background</b>	
<p>Brief background on company - activities undertaken, turnover, number of employees, associated companies including parent/group/subsidiaries.</p> <p>Please also mention any previous Freight Grant applications including WFG, Freight Facilities Grant, Rail Environmental benefit Procurement Scheme or MSRS applications, whether successful or otherwise.</p>	
<p>Description of service for which grant is being requested</p> <p>What materials are currently being transported and from and to where (please include postcodes)?</p>	

<b>Proposal for Waterborne Freight Grant</b>	
How will the goods be transported under the proposed scheme? Please describe the proposed service briefly – origin and destination, routes. is the service already running? If not, when will it commence?	
If not entirely transported by water, what onward road journeys are involved (please include postcodes)?	
What volume do you plan to commit to transport over the period for which you are enquiring?  Volumes of goods (in tonnes or containers) and the road alternative	
<b>Investment</b>	
What is the estimated difference between road and water costs for the proposed operation?	
How much grant is likely to be requested?	
What overall term of assessment do you propose?	

This must be broken down into 3 separate periods for the purposes of monitoring and grant payment.	
When will the proposed operation become financially viable without grant?	
<b>Declaration</b>	
I/We believe the traffic in question meets the eligibility criteria and I/We declare that the information provided in this form is, to the best of our knowledge, accurate and truthful.	
Name (Print & Signature)	
Position	
Company	

# Annex E Application for a Waterborne Freight Grant

Table E.7 Application for a Waterborne Freight Grant	
<b>Section 1: Applicant Details</b>	
Full Company Name	
Trading Name (if different)	
Name of Contact person	
Telephone	
Mobile	
Fax	
E-mail	
Business Address for Correspondence	
<b>Section 2: Background</b>	
<p>Outline details on the company type, activities undertaken, information on turnover and number of employees, details of associated companies including parent/group/subsidiaries. Please also mention any previous use of Water Freight Grant and any other previous freight grant applications whether successful or otherwise. Applicants should also attach copies of the last 3 annual reports and audited accounts to this application. If you are a newly trading company, please include a business plan and evidence of bank/parent company support/guarantee.</p>	

<p><b>Section 3: Description of the waterborne proposal</b></p> <p>Describe what you are proposing - Is this a new service? What traffic is to be carried? Is this new to water? Or is it traffic that could revert to road? Applicants should attach draft contracts, letters of intent to use the service (or if existing, evidence of service) and provide forecasts to support their application.</p>	
<p><b>Section 4: Grant request</b></p>	
Over what time period (no longer than 3 years (subject to budget availability)) is grant support being requested?	
<p>How frequently are you likely to wish to claim grant payment? (See Step 5 – Payment of WFG)</p> <p>Typically grant is paid quarterly under the WFG scheme, but it could be paid monthly, biannually or annually.</p>	
<p><b>Section 5: Operational costs</b></p> <p>The financial summary table attached should be completed, outlining the costs of water haulage, onward road haulage if applicable and loading / unloading and intermediate handling costs for the 3 periods of the WFG support and the following period. Evidence should be provided to support the costs outlined.</p>	
Are any capital works or equipment required? If so please explain why these are needed.	
Are there any leases proposed whether for land, buildings or equipment? If so, please outline the details of these.	



Have you got a clear letter of intent from a water freight operator that they are prepared to carry the proposed traffic? If so, please attach this to your application. If not, please explain the current position.	
<b>Section 6: Road alternative</b>  The financial summary table attached should be completed, outlining the costs associated with the alternative road operation. Evidence should be provided to support the costs outlined. Road costs should include three independent quotes as well as loading and unloading costs to provide a like for like comparison.	
Describe the alternative road operation including the costs for road transport.	
<b>Section 7: Other grants</b>  Outline whether any previous offers of grant have been made to the applicant or any other parties involved. Also confirm whether any other grants are being sought and if so, provide details.	
<b>Section 8: Environmental benefit calculation</b>  Use the online calculator <sup>16</sup> to input your initial estimated environmental benefits for your scheme. Please remember that you will need to take into account the emissions not only of the road alternative but also of your own proposal, ie: at the start and end of the water journey where this is by road or where the water journey would be more than 25% different in length from the road alternative. You will also need to take into consideration any back loads. Please provide any explanation of	

<sup>16</sup> Available at [www.transportdirect.info](http://www.transportdirect.info)

what is included below.

### **Section 9: Sustainability**

Details of the steps you have taken to ensure that your proposed scheme is as sustainable as possible should be outlined. This could include examples of sustainable procurement decisions, or efforts you have made as a company to ensure that the impact of your operations on the environment are minimised.

### **Section 10: Financial Summary Table**

Each period should be of equal length with period 4 showing that the scheme is operationally viable without grant; ie: it is able to compete with road without continued grant support. Evidence should be provided to support the costs you have outlined.

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																
Cost of Commodity																
Haulage																
Handling																
Onward road cost																
Other cost 1																
Other cost 2																
<b>TOTAL COSTS</b>																

<b>TOTAL REVENUE</b>																
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	Period 1		Period 2		Period 3		Period 4	
	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL	PER TONNE	TOTAL
Road v Water								

Identifying Grant level - lowest of 4 elements below	
Road v Water	
Environmental benefits	
30% of water operating costs	
€2m limit	

**Declaration**

I/We certify that:

- this traffic will not be moved without Waterborne Freight Grant aid;
- there are no planning restrictions limiting the use of the road routes included in this application;
- no contracts have been let or orders placed (If contracts have been let or orders placed, a clear and robust explanation as to why grant support is needed should be provided);
- the project [is not already in operation/is in operation but without Waterborne Freight Grant] and the freight traffic will transfer/revert to the road;
- 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 Ministers immediately;

I/We declare that the information provided in this application is, to the best of our knowledge accurate and truthful.

Print name and signature	
Date	
Position within the Company	